HR Compliance Library, ¶21,015A, Benchmark: Pay equity and diversity

Sixty percent of organizations are addressing pay equity in their workplaces, and 70 percent are taking action on diversity, equity and inclusion (DE&I), according to a study conducted by WorldatWork in partnership with Korn Ferry ([5]). The survey provides a window into how organizations are addressing pay equity initiatives and DE&I initiatives, including goals, analysis methodologies/frequency, adjustments, transparency/communications, metrics, and more.

Key pay equity findings:

- *Uptick in frequency of compensation analyses.* While the number of organizations "taking action on pay equity" (60 percent) vs. "it's on our radar" (33 percent) vs. "it's not on our radar" (7 percent) mirrors findings from 18 months before, there has been an increase in the number of organizations conducting compensation analyses "once per year or more frequently" (73 percent in 2020 vs. 65 percent in 2019).
- *Self-grading.* Nearly a third (31 percent) of organizations give themselves high marks for pay equity management, with 56 percent indicating they are "mostly equitable, some pay discrepancies exist."
- *Transparency.* Sixteen percent of organizations report having "high" or "full" transparency in pay equity communications, while 65 percent report having "some" or "moderate." Nineteen percent have no transparency at all.

"Even in light of the current pandemic environment we are seeing over 80 percent of organizations continuing or accelerating their pay equity assessment processes indicating that this work is a top priority in most organizations,"" says Tom McMullen, a senior client partner at Korn Ferry. "There are obvious engagement, credibility and reputation benefits in organizations focusing on pay equity management. In addition, there is a strong likelihood of continued regulatory focus and increasing calls on transparency in pay equity reporting. And organizations that have not yet taken action should be on alert."

Key DE&I findings:

- *Prioritizing DE&I.* Most organizations are either taking action (70 percent) or have DE&I on their radar (23 percent).
- *Reasons why.* Among the top drivers inducing organizations to commit to DE&I initiatives are "to build/maintain a culture of trust," "to remove bias against protected classes," and "to align our actions with employee expectations."
- *Scorecard challenges.* Half of organizations have no/limited organization scorecard metrics in place; 28 percent focus on lagging indicators of success; and 17 percent focus on leading indicators.

"The social justice efforts in 2020 were clearly a wake-up call to organizations. We see that nearly every organization is either taking action or has DE&I on their radar," says Scott Cawood, CEO WorldatWork. "This shows momentum to close the pay gap and move towards more diversity and inclusion in the coming years. However, it is quite alarming, in this current environment, that 7 percent of respondents say their organizations do not have DE&I on their radar. These organizations are putting themselves at risk of criticism, or worse, and making themselves less appealing to prospective employees."

Footnotes

5 *Workplace Equity Study,* released October 28, 2020; conducted by WorldatWork and Korn Ferry; WorldatWork, 14040 North Northsight Blvd., Scottsdale, AZ 85260, telephone: 877-951-9191.