Pearl Meyer

ADVISOR BLOG | MAY 2019

Pay Transparency is a Juggernaut We Cannot Ignore



Sharon Podstupka

MANAGING DIRECTOR

Gender pay gap and gender pay equity issues have reached a new level of focus in the media, in politics, and the general public discourse. These hot-topic terms are often being used interchangeably and incorrectly. Let's be clear: these are two very different things. The gender pay gap is a broad, societal issue that takes the median pay of all women divided by median pay of all men, regardless of position. Gender pay equity speaks to the concept of equal pay for equal work, which is covered under laws like The Equal Pay Act and needs to be addressed on a company-by-company basis. The only similarities these two issues have is that they sound similar, are often misunderstood, and draw attention and spark debate.

Driven in part by these issues, the broader topic of pay transparency has taken on a life of its own. Therefore, it is incumbent upon companies to act and many are doing so by 1) proactively addressing the gender pay gap and, in many cases, voluntarily disclosing how they stack up to emphasize a commitment to social responsibility; 2) conducting formal pay equity assessments so any inequities can be remedied quickly and appropriately to mitigate the risk of legal action; and 3) revisiting compensation communication strategies to make any necessary messaging adjustments and maintain control of their own narratives.

Pay transparency is, not surprisingly, becoming quite complex. On one level, there are disclosure laws that require companies to share compensation data in public filings. On another level, there are activist investors demanding boards publish more information on gender and racial pay gaps. But to an individual employee, it's personal and transparency is less about pay gap statistics or knowing everyone's salaries. It's about understanding that one's own compensation is based on myriad factors (experience, tenure, education, market value, and performance) and grounded in methodologies and governance practices that create fair and responsible compensation structures. In this environment, employees must be reassured that they are being paid competitively and fairly based on their specific roles within their organizations.

From a tactical standpoint, this means different things for different companies. For some it means having communication toolkits with FAQs and PowerPoint presentations. For others

it means more face-to-face interactions or more formal training for leaders. And for others, the right approach may already be in place. However, at the end of the day, what it really means is that companies need to be confident that they are prepared to answer questions about pay ranging from “What’s your company’s gender pay gap?” to “Do you pay equally for equal work?” to “Why do I get paid less than the person who sits next to me?”

I’ve said it before, and I will say it again. It would be irresponsible for companies to ignore the current groundswell of public debate on pay, especially as the issues continue to be conflated as part of the run for the 2020 presidential election. However, companies should not over-react either. Companies should use this as a powerful opportunity to highlight their commitment to social responsibility and efforts to close the gender pay gap, ensure their pay structures are unbiased and legally sound, and reinforce messages about how compensation is designed and delivered based on culture, business strategy, talent objectives, and maybe most important, good governance.

About the Author

Sharon brings 25+ years guiding executive and broad-based pay communications and disclosure, helping boards and management manage change and respond to investor and proxy advisor scrutiny.

About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management helping organizations build, develop, and reward great leadership teams that drive long-term success. Our strategy-driven compensation and leadership consulting services act as powerful catalysts for value creation and competitive advantage by addressing the critical links between people and outcomes. Our clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private organizations to the Fortune 500.