



Pay Equity Can Benefit Employees and Businesses

Pay equity is the philosophy and practice of “equal pay for equal work.” Employers known for fair pay practices stand out in today’s competitive labor market. Fostering pay equity can also help reduce the risk of employment law litigation. But what does pay equity mean in practice?

What it does and doesn’t mean

First and foremost, pay equity doesn’t mean all employees receive the same amount of compensation. Instead, companies that embrace pay equity make compensation decisions free of unjust biases related to protected characteristics such as age, race, gender, disability, national origin and sexual orientation. Employees’ pay, both when workers are hired and when they receive raises, is determined according to objective, job-related factors, including:

- Education and training,
- Experience,
- Skills,
- Responsibilities,
- Performance, and
- Tenure.

Determining whether pay inequities currently exist within your business requires a careful, honest assessment. Many companies conduct a formal pay equity audit. This is a thorough statistical analysis of compensation history, policies and structure. The audit’s objective is to identify any inconsistencies, gaps and incongruities that can’t be explained rationally.

Consider these policies

If you discover signs of pay inequity in your company, put in place policies to help eliminate them. For example, you might want to use only initials or random ID numbers during early screenings of job candidates, such as resumé reviews. This practice minimizes the chance that hiring managers will distinguish candidates by ethnicity, gender or other protected identities.

Also, during candidate interviews, refrain from asking about pay history. Many states and municipalities prohibit such questions, so ask your attorney what applies in your situation. (You might also want to take that opportunity to ensure you understand all antidiscrimination laws that affect hiring decisions.) But even if your state or local law doesn't forbid past salary questions, it's a well-established best practice to avoid them. Women and people of color are more likely to have been paid less in their previous positions. By using historical compensation to set their current salaries, you risk compounding pay disparities.

More ideas

Here are some other ideas that can help your organization achieve pay equity:

Set standard pay ranges. Generate objective criteria for recruiting, hiring, compensating, evaluating and promoting employees. Then set standard pay ranges that reflect each position's value to the business.

Avoid individual decision-making. Limit managers' ability to single-handedly adjust pay for specific employees. These decisions can lead to pay inequities and other problems, such as accusations of favoritism.

Provide training. To help managers and supervisors understand pay equity, conduct information sessions. Such training will help them recognize potential issues and discuss compensation with their reports.

Prioritize transparency. Let staffers know how you set compensation. Also, reassure them that they can discuss pay with their supervisors without fear of retaliation.

Fair work culture

The best talent is typically drawn to companies that prioritize employee well-being and cultivate a fair, transparent work culture. Pay equity can help communicate such principles to potential job candidates.

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