

Pay Transparency

Risk, Regulation and Readiness Assessment

August 2023

AON



Pay Transparency

Pay transparency is in the news right now and is a particular concern for employers in the UK and the EU.

- The risks of getting pay equity wrong have never been higher, both from a financial and a reputational perspective.

In the UK:

- There have been a number of high profile equal pay cases involving large supermarkets. In one case, leaving the organisation facing a potential reported cost of up to £2.5bn.
- A French bank lost a UK employment tribunal relating to one individual which led to a compensation award of over £2 million being made in addition to the Bank being ordered to conduct a full equal pay audit.

In the EU, Pay Transparency regulations have been published which represent the latest and most comprehensive set of transparency requirements anywhere in the world. The implications of these requirements for organisations with an EU footprint are profound, and will likely impact UK employers both directly via their footprint and indirectly as practices emerge that help organisations to mitigate these people risks.

It is important to recognise that these legal cases could have been avoided. By focusing on the nature of current practices and developing clear, transparent frameworks and governance, organisations can be very effective in mitigating these risks.

Aon has worked with numerous organisations to establish their understanding of work of equal value across the business, in order to ensure equal pay. In particular, in the French Bank example, we used our analytical job evaluation methodology, JobLink™ as a pre-requisite to enable a full and robust equal pay audit to satisfy the required outcomes of the tribunal.

For these reasons, we have developed additional tools in support of our clients in managing and mitigating these potential people, financial and reputational risks.

In preparing for the EU requirements, and the impact of pay transparency in the UK, we have developed a comprehensive readiness assessment to help organisations understand the real impact of the regulations for them, and to develop an integrated change plan to address the required changes.



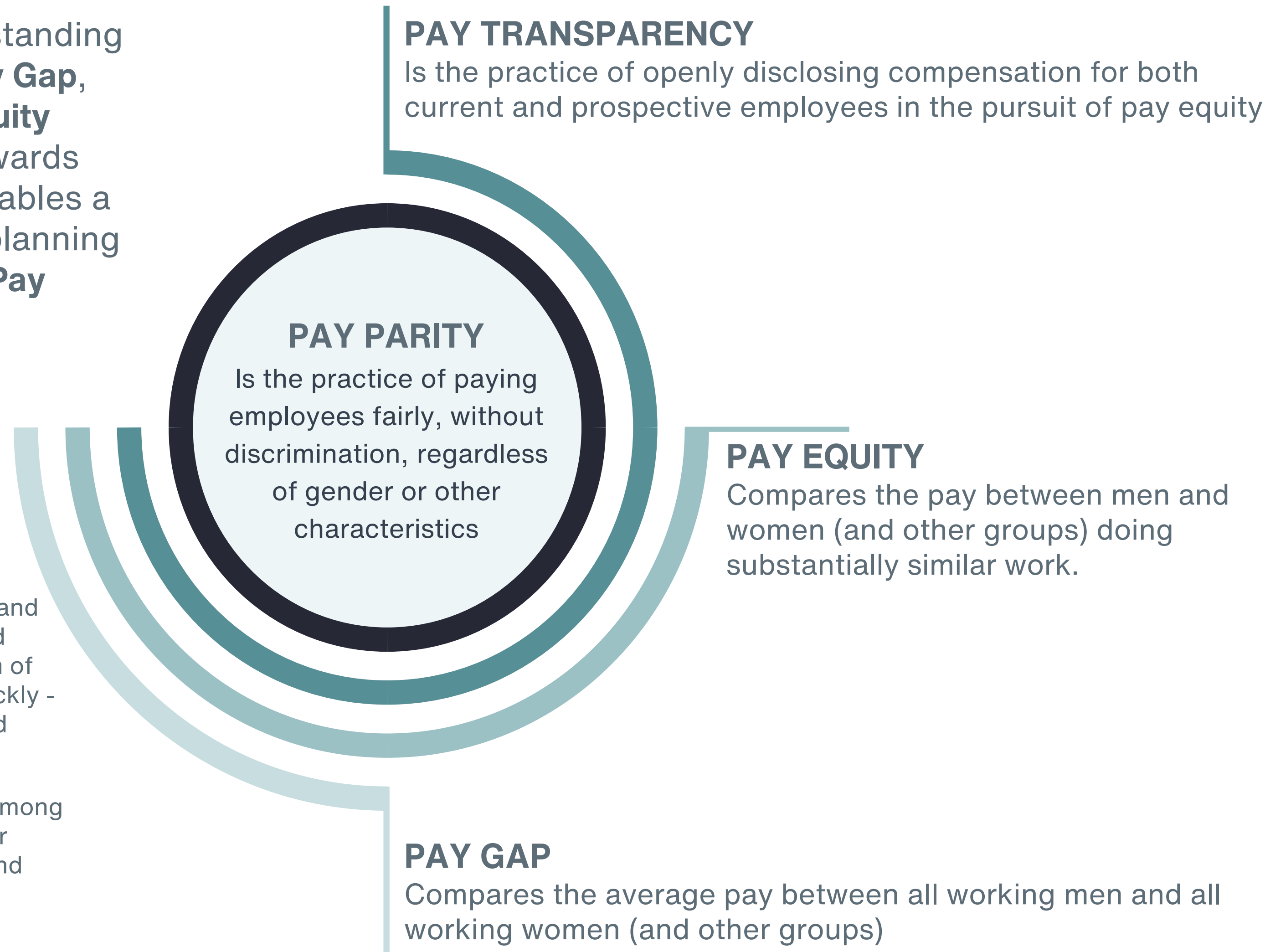
The Pay Transparency Roadmap

From Pay Gap to Pay Parity

Assessing and understanding the organisation's **Pay Gap**, undertaking a **Pay Equity Audit**, and moving towards **Pay Transparency**, enables a company's strategic planning and journey towards **Pay Parity**.

Pay Transparency regulation and legislation is being introduced across the Globe with the aim of closing the pay gap more quickly - through legislation, rigour and enforcement.

We also see an expectation among employees and candidates for greater Pay Transparency...and increasingly so.



Impact of Pay Transparency

Pay transparency can:



- Increase fairness and equality, improving DEI and pay parity between men and women,
- Help to identify underlying issues within the culture of the business,
- Remove embedded bias in recruitment practices,
- Act as a driver to attracting talent,
- Provide a level playing field,
- Bring increased trust, loyalty, performance, retention, and build the employer brand,
- Act as a motivator for employees to develop their career.

But it can also:



- Lead to wage inflation and increase costs,
- Lead to a loss of talent and talent wars,
- Increased risk of employee relations issues including grievances,
- Trigger new waves of equal pay claims,
- Highlight the lack of or weak frameworks, processes and data e.g. Job Evaluation methodology, regular Equal Pay Audits, or sufficient compensation market data,
- Reveal ambiguous pay policies and historic pay decisions around pay setting, job evaluation and levelling, pay scales, and pay governance.

What should organisations be considering now?

With pay transparency legislation, the rising expectations among candidates and employees, heightened risk of employment relations issues and equal pay challenges, what should companies be considering now **to reduce the associated people, financial and reputational risks** to an organisation?

- Do you have a gender-neutral, analytical Job Evaluation methodology to underpin levels/grades and salary structures?
- Do you have clear processes, guidance, and governance to underpin reward, recruitment, talent and promotion decisions that would meet pay transparency requirements?
- Will you be happy to share your grading and pay structure within and outside the organisation to employees and candidates?
- Do you have sufficient and reliable market data to defend any potential differences on the basis of market premia?
- What is your current Gender Pay Gap? Have you communicated that this is not an equal pay problem? If so, how confident are you that is the case?
- Has your organisation ever conducted an internal equal pay review or an independent Equal Pay Audit and if so do you do this on a regular basis?

For many organisations, preparing for pay transparency will be a huge undertaking.

Aon's Approach – Pay Transparency Roadmap

We can advise and support you through each stage of the journey

Pay Transparency Readiness Assessment



- A quick, simple and low cost review.
- Recommendations for preparing for Pay Transparency

Pay Transparency Solutions (Tools, Advice and Support)



- Aon's Job Evaluation methodology, *JobLink*
- Market leading data
- Complete Reward and Human Capital solutions
- Advice and support, to full project management.

Pay Equity Audit



- Independent pay equity audit
- Key drivers and risks associated with a pay gap
- Recommendations & support

People Strategy, DEI & ESG



- Linkage of pay strategy to overall people strategy and employee value proposition of the organisation
- Establishing role of fairness and transparency impacting ESG and DEI policies and strategy
- Recommendations and advice to bring it all together

First Step towards Pay Transparency – Readiness Assessment

Aon can help clients to address the challenges of Pay Transparency using our **Pay Transparency Readiness Assessment**. This assessment has three phases:

01

Understand

- Aon will collate relevant internal documentation of current reward and related people processes and practices.
- We will then send a simple and quick online questionnaire to you for completion.
- Aon undertakes an initial review of reward and people processes and practices.
- Aon interviews key members within the HR team / other relevant stakeholders within the organisation (2-3 per country to validate practice in each region).

Duration: 1 – 2 weeks

02

Analyse

- Aon consolidates and considers all the information and data that we have gathered from the ‘Understand’ phase.
- We analyse the accumulated insight and complete a RAG (Red, Amber, Green) assessment e.g. is the job architecture robust and underpinned by an analytical job evaluation methodology assessed with a RAG rating.
- For each requirement that is awarded an amber or red rating, Aon will provide guidance and actions to improve.

Duration: 2 – 3 weeks

03

Recommendations and Planning

- Aon will deliver results and present to a core audience that may include the HR leadership team and/or members of the Executive team.
- This will include:
 - Summary of approach taken.
 - The results of the analysis and red, amber, green status.
 - Recommendations of areas of focus and priorities.

Duration: Client availability determined

The Readiness Assessment covers, but is not limited to, the EU Pay Transparency Directive.

At any stage of the above work, Aon can also deliver an education session for Leaders/ HR in Pay Transparency and its requirements together with an overview of how other firms are responding across the region.

Thank you

Talent Solutions

Aon's Talent business, spanning 2,000 colleagues in 30 countries, is home to the firm's rewards, talent assessment, and performance and analytics practices. We apply this expertise, and our market-leading workforce data, to help clients tackle transformational projects.

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.