

# ACHIEVING WORKPLACE EQUITY



## STARTS WITH PAY TRANSPARENCY



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PARTNERS

Achieving Workplace Equity

# STARTS WITH PAY TRANSPARENCY

*The most important step toward rectifying pay gaps is knowing they exist; however, spotting the differences is a complex undertaking. It is not enough to simply compare the average salaries between women and men.*

*This article takes you through the basics of how to ensure pay transparency – the precondition for workplace equity – which enables you to take better and more disciplined salary decisions.*

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# Four Steps to Insights on Pay Transparency

To achieve the vital overview of your current pay landscape you need to run a Pay Gap Analysis. This process can be broken into four separate steps.

1

## DATA STRUCTURE

Structure your existing employee data to compare apples to apples

2

## ADD RELEVANT DATA

Include the salary determinants that are relevant to your company

3

## RUN A PAY GAP ANALYSIS

Use statistical modelling to find the causal relationship of pay differences

4

## REFINE YOUR ANALYSIS

Refine your analysis until your model includes all relevant variables

# Step One: Data Structure

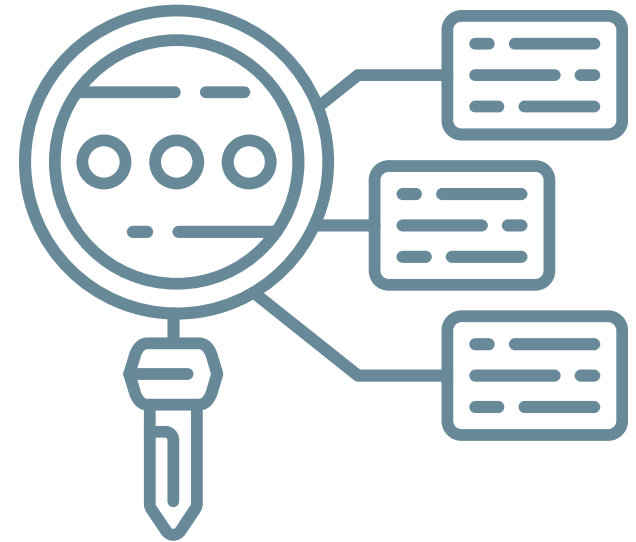
The first step you need to take is to structure your existing employee data. This allows you to compare employee salaries with truly comparable positions.

You start by grouping your data into relevant categories of similar employees using gender neutral criteria.

Your job classification system (Job Architecture, Job Catalogue, Career Framework) should reflect a standardized levelling structure based on overall skill sets, i.e., tasks, responsibilities, and duties associated with a specific job or job level.

When you review your data, it is important to ensure that the positions compared are of equal importance to the organization, either same job or job of comparable skill set.

It can be a daunting task if you do not have a job classification system to map your positions into; hence it may be relevant to get help from a Reward consultancy, like Nordic Reward Partners, or use a standardized software tool, like gradar or Sysarb.

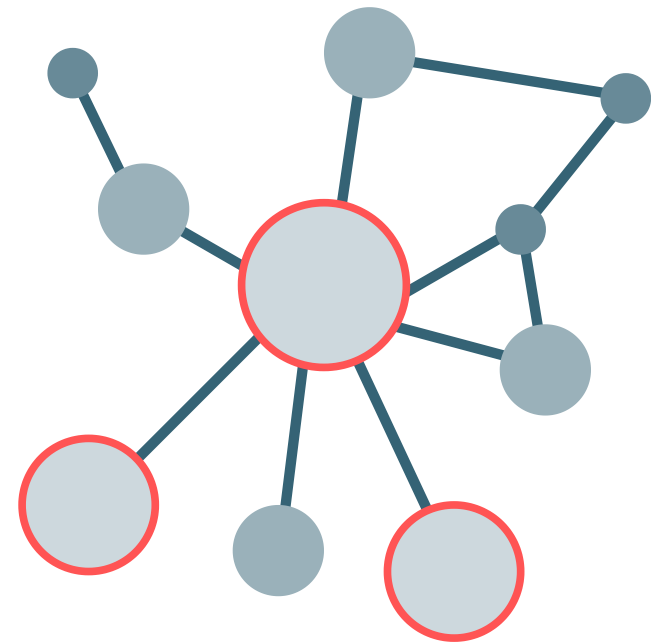


# Step Two: Adding Relevant Data

Differences in pay within job levels and on job roles may be related to other bona fide factors, such as age, level of education, years of experience, or there may be company specific factors, reflecting your company's compensation strategy, you need to consider.

It is vital that these additional salary determinants are consistently measured and have a legitimate relation to pay to include them in your analysis.

In this step you also want to include variable pay elements and applied benefits, so you can run your analysis on both base salary and total compensation package.



# Step Three: Run a Pay Gap Analysis

To run a Pay Gap Analysis, on diversity, representation, or gender, you apply statistical modelling, building on regression analysis that estimates the causal relationship of differences in pay.

Even small individual differences in pay can grow into a big systemic problem, if left unchecked.

The regression analysis measures the impact of each of the variables on the employees' salaries and quantifies pay gaps after other determinants have been accounted for.

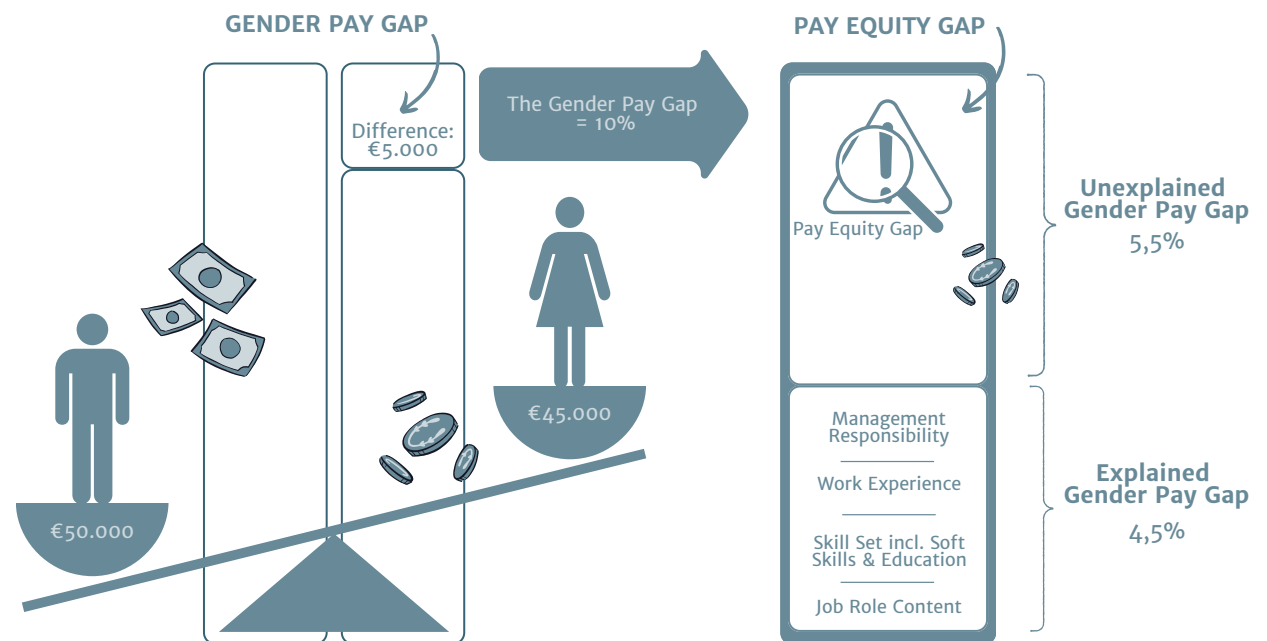
The average difference identified after accounting for all other variables is the adjusted pay gap.



# Step Four: Refine your Analysis

Once you have run the first Pay Gap Analysis, you dive into the data by reviewing all employees who are paid significantly less (or more) than the regression model predicts. This helps you to identify other factors that should be included in your model.

You refine your analysis by reiterating steps three and four until your model includes all the variables that are relevant for your company.





# How to Fix an Equity Pay Gap

Once you have run and refined your analysis to create that vital overview of your current pay landscape, you will likely have identified some equity pay gaps based on e.g. gender, diversity, and/or representation, that need to be fixed. Some of the issues may be easily rectified in the coming yearly salary review; others may need to be addressed over time, in stages.

Identifying the underlying drivers of the Equity Pay Gap is crucial and you will likely want to look at both gender and other potential discriminatory factors, such as diversity and representation before creating your plan for how to rectify the identified issues without being disruptive. After all, you want to increase fairness rather than simply replacing one unfairness with another.

Quick fixes often end up having a negative impact on employee satisfaction or they might be upsetting your internal job classification system. Hence, your plan should address both short-term and long-term efforts, including compensation strategy, recruitment strategy and possibly even a termination strategy, and you want to involve your communications department and relevant managers to ensure a common ownership and understanding of the plan.



# A Road Map to Pay Equity

When creating your road map to Pay Equity, you should review all processes, where pay comes into play. You want to make sure your processes are supporting your goal of minimizing the pay gap; thus it is important to understand the processes in detail to prevent pay gaps in increasing over time.

A good place to start is by reviewing your Base Salary structure design. By defining your pay ranges with a minimum and maximum value, you are helping your managers and creating a transparent and more fair pay policy. You should consider whether a narrow or a wide pay range structure best suits your company.

When evaluating your Salary Review process you should think about which structure will work best, both in terms of reaching your Pay Equity goals and in terms of supporting your company's

growth objectives - from "pay for performance" to "inflationary increase". You need to devise a process that makes sure that no one falls behind, while also addressing potential pay gaps that need closing.

One group of employees who very often end up facing a pay gap are employees who are or have been on leave; hence, it is of utmost importance that your process includes a review of employees on leave to avoid creating new unfortunate pay gaps.

Your promotion process also needs to be reviewed. You may have employees that with the current setup have a discrepancy between their pay level and their job level. It is important not to discriminate employees from getting within pay range of their existing level. Being underpaid is one of the biggest motivations for Stealth

Job Search, where employees seek a new employer without letting you know before it is too late, and Quiet Quitting, where employees cut back on the amount of energy and time they put into their work. Having defined your pay ranges and your base salary structure will help you in this process and make a sensible foundation for managers' salary review discussions.

Finally, your recruitment processes also need a review. Instead of asking the candidate about their current pay level, you should give the candidate an offer that is in accordance with the defined pay ranges. By establishing this culture today, you are also ahead of the upcoming EU Pay Transparency legislation and thus able to position yourself as an attractive employer.

# A Word from the Author

I hope this article has given you a better understanding of how to get started with your Pay Gap Analysis and creating a road map to comply with the EU Pay Transparency Directive .

If any questions arise or if you need a helping hand with your own route to compliance, please do feel free to give me a call at (+45) 23 99 96 25 or send an mail at [jon@nordicrewardpartners.com](mailto:jon@nordicrewardpartners.com).

You are very welcome to share this article with other people in your network that are beginning their Pay Transparency journey; the more Rewards professionals we are working on this, the more we can hopefully impact the ongoing local implementation and ensure it becomes realistic to work with in our Rewards departments.

I will definately be doing my utmost to influence the European politicians to become aware of the potential pitfalls the Directive in practical terms – do I need to say average vs. median 😊.

Let's do this together 😊🙌

Cheers!

*Jon Sannes*

This article was written by [Jon Sannes](#), Reward Nerd and Managing Partner at Nordic Reward Partners with assistance from CMO & Partner [Marie Ravnholt Sannes](#)

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Where to find

# MORE INFORMATION

*We have gathered all available information on the EU Pay Transparency Directive at [paytransparency.com](https://paytransparency.com) where we are also continuously posting about the topic to inspire you on your journey.*

*At Nordic Reward Partners we strive to collect information about best practices across our field, and we also have a portfolio of partner companies that cover various aspects of working with Rewards. You can read more about your possibilities when partnering with Nordic Reward Partners at [www.nordicrewardpartners.com/paytransparency](https://www.nordicrewardpartners.com/paytransparency)*

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Nordic Reward Partners offer a full range of consultancy services in the compensation and benefits field. We work with organizations throughout Europe, operating as outside advisors or as an integrated part of your team.

## STAY IN TOUCH

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## Behind the brand

# Nordic Reward Partners

We are founded and owned by Reward specialists who saw the need for a different type of Reward consultancy – one based on true specialists, rather than traditional consultants.

It is central for us that we are agile, flexible, and transparent. Our solutions are tailored to your needs, and we work with and are independent of all

data providers. It's not just a desk exercise; we are with you all the way to ensure smooth implementation and function.

That was the type of consultancy we ourselves needed as practitioners and this is why creating Nordic Reward Partners is a personal dream come true.

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