Strategic HR Reward Dialogue #3 / 2019 – Key Takeaways

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Here are some Key Takeaways from our 3rd strategic HR Reward dialogue 2019 with HR executives of leading multinationals and growth companies:

Topic: Pay differentiation and fair pay in a global context

What does "fair" pay mean in a global context where employees work together in mixed teams or parts of the value chain are relocated to lower-wage countries?

- The regulatory framework for pay must be understood. It can vary widely across countries. So does terminology, which makes communication and coordination of cross-country initiatives harder.
- Companies may take a different focus depending on country, sector and workforce composition. Attraction & retention issues between business divisions with low wage staff and knowledge workers can differ massively.
- Many companies feel they have limited influence on employment terms at franchisees or service partners, creating some risk exposure.
- U.S. MNCs experience pressure from shareholders and investors, as pay issues are frequently discussed in public or shaped by public opinion.

For employees, internal pay equity is often more important than external comparisons. Where pay discrepancies cannot objectively be explained, productivity may suffer. In society, there are lurking strategic and reputational risks. What do companies do to ensure fair pay - and for whom?

- Some companies have established "fair pay" principles or set broad rules for line managers; These should not be isolated, but they should be integrated into the company's "value proposition".
- For franchisees and service partners, companies primarily refer to contracts, or to accepted external standards and norms. They generally shy away from establishing more specific rules given risk of any omissions potentially become legally relevant at a future date.

- Voluntary initiatives are often a matter of energy and resources. At times, the issue is just prioritized when there is a concrete reason (e.g., need for culture change) or an interested, influential "sponsor".
- "Gender Pay" is typically the entry, with the aim of replacing perceptions and opinions with facts. The analysis is then expanded to address natural follow-on questions, e.g., "Equal Pay for Equal Work", necessary to gain a deeper understanding, validate or explain.

What are the biggest challenges?

- Equal pay is a complex issue - many causalities can cause diverging pay. In some companies, paradox situations have occurred where preventative line manager actions then led to reverse discrimination.
- For the review, companies prefer to work with external providers, at country level, relying on tested processes and statistical methods to give credibility to the analysis and assure stakeholder acceptance.

- One company uses a self-developed, globally applied AI algorithm to once a year automatically fix any unexplainable salary differences.
- Equal pay challenges can also exist in teams between colleagues from the same country but from different economic areas. Some companies have adopted a "one country - one salary structure" rule.

How effective is "certification" in strengthening the employer brand?

- It is just one tool to help position a company as "employer of choice". Authenticity matters, as talent usually accesses multiple sources of feedback. It can be helpful for, e.g., non-consumer brands, or when entering new business areas, opening up new markets, or rebuilding reputation. For a positive impact, select a "credible" certification partner.