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5 Tips to Help Navigate Pay Equity

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Ellen Feeney • Apr. 24, 2017

Leaders of accounting firms have joined a growing list of businesses interested in equitable pay practices.   Specifically, expectations for greater transparency concerning equal pay for equal work are on the rise among employees, business owners, and investors. In particular, gender-related pay gaps have become a top-of-mind issue for workers and government alike.

It's certainly not a new issue. Perceptions of inequitable pay practices can lead to employee turnover, lower engagement, and lower employee productivity. They can potentially erode morale, teamwork, and service levels. Together, these forces also may impact a firm's brand in the marketplace and could make it difficult to attract top talent, which, as we all know, is a huge issue for the accounting industry and many other industries right now.

While pay equity always has been important, recently it has become even more imperative as companies need to prepare for expanded U.S. government reporting requirements. Those requirements expand the data needed and number of fields on the EEO-1 form. Starting in March 2018, private employers with 100 or more employees (or those with 50 or more employees that have a federal government contract) will need to provide summary pay data and hours worked along with demographic details including gender, race and ethnicity.

As yet another regulatory deadline looms, you'd think companies would be making EEO-1 compliance a priority. Interestingly, that's frequently not the case. According to ADP Research Institute® data, when it comes to awareness of the new EEOC requirements, just over half of midsized and nearly three-quarters of large companies are aware of these requirements, but only 20 percent report having a plan in place to manage them. And just about half of companies feel extremely or very confident they will be able to comply with the law by 2018.

Given that level of uncertainty, here are five things accounting firms can do to dig deeper into understanding their pay practices:

1. **Familiarize yourself with the latest pay equity laws, including new EEO-1 requirements, and how they may impact the firm.** Pay equity involves both federal and state laws and companies that have global operations have additional compliance responsibilities. In light of that, the first step is to learn about the new EEO-1 requirements and any other applicable equal pay laws, ascertain which ones apply to your firm, determine where the required data resides, and develop an efficient method for collecting it. For some companies this may be easier said than done. Frequently, the data required has to be collected from multiple functions, not just human resources (HR). Other firms may have to upgrade their systems or expand their payroll infrastructure to comply.

2. **Examine payroll and HR data.** For many companies, payroll data resides in multiple systems. However, a full view of HR and payroll data can help accurately diagnose where pay equity gaps may be and help identify specific groups of employees for further analysis. Data analytics can help accounting firms do this. Diagnostic tools and analytics can help:
    1. identify potential pay gaps in jobs being performed by people in specific EEOC Protected Classes.
    2. examine and address potential pay equity gaps at the intersections of race, gender, location and job to determine if further analysis is required.
    3. deliver "decision-quality" benchmarking data that helps ensure pay is not only equitable, but is also market-competitive.
3. **Audit your information.** Conduct a proactive audit to identify and correct disparities – not only based upon gender, but also race. You may want to discuss with your legal counsel how to protect this information, as well as the proper way to invoke attorney-client privilege before you start examining your payroll and HR data.

4. **Evaluate the suitability of implementing an "equal-pay for equal-work" policy.** In effect, the new EEO-1 report can act as a trigger to evaluate your pay practices. Firms that take positive corrective action to fix gaps are far more likely to be perceived as an employer of choice and potentially improve their ability to recruit and retain employees. Potential new recruits want to know that they're joining a fair enterprise with engaged employees.

5. **Educate managers and engage employees.** Most employees can accept the differences in pay that occur through well-communicated standard procedures and objective criteria. That's why it's important to conduct consistent, transparent, and actionable pay practices every day, including determining and communicating individual pay decisions. It may benefit your firm to conduct hands-on training for supervisors and hiring managers to help ensure they manage disciplined, objective pay practices.

The impact of pay equity goes beyond compliance. It can have an effect on talent attraction and retention, as well as the value of a firm's brand. It may be prudent to take advantage of the knowledge and expertise of your legal counsel, consultants, and trusted service providers. It may also be helpful to refer to a more detailed guide to pay equity that provides answers to other questions you may be thinking about or ones that may not have occurred to you.

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