How **Total Rewards Analysis** Can Help Close the Wage Gap

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The bad news? The gender wage gap is still very real. The good news? Most companies are striving to close it.

Data from the 2019 Pay Equity Practices Survey of C-Suite and Reward Leaders by WorldatWork and Korn Ferry show that 60 percent of U.S. organizations are trying to resolve pay inequalities.

Many companies that haven't yet taken action are planning to do so. HR teams can use several methods to close the gap, says journalist Tamara Lytle at the Society for Human Resource Management (SHRM). These include pay audits, eliminating bias in the hiring process, being an employer of choice, and not relying on salary history when setting pay.

One factor that some companies overlook, however, is that of total rewards. If you're struggling to close the wage gap using traditional strategies, turning to total rewards data may be the answer.

The Persistence of the Wage Gap Beyond Salary

Despite the best efforts of companies, the pay gap between men and women still exists. The latest data from **Payscale's 2022 State of the Gender Pay Gap Report** found that the uncontrolled pay gap (the median salary for all men and women regardless of job type, experience or industry) is 82 cents for every $1 earned by a man.

But the pay gap grows even worse when you take into account ethnicity. **SHRM** research found that Black women make just 63 cents for every dollar made by a white male. The gap is even larger for Hispanic and Native American women.

To be clear, the wage gap is narrowing. Even so, there is still a large gap when total compensation, which includes things like stock options and bonuses, is taken into account, says **Lucas Mearian**, a senior reporter at Computerworld. "Start-up companies, in particular, tend to offer less compensation to women through equity sharing plans than to their male counterparts."

It's clear that anyone looking to decrease the wage gap in their organization can't look at salaries or hiring practices alone. Assessing the impact and bias of total rewards is essential. **Here's how to do it.**

Start by Solving the Problem of Siloed Rewards Data

Salary is not the only issue when closing the wage gap. There is a bigger pay gap when all compensation is taken into account, so companies must analyze total rewards, too. This includes things like compensation and bonuses, as well as health insurance, vacation days and non-cash rewards.

In the past, getting hold of that data hasn't been an easy process. Rewards data is usually siloed in a dozen different platforms. Health insurance data is separate from bonuses, which is separate from paid vacation days and other non-financial rewards.

This is usually a result of "siloed technology," says **Michael Paladino**, cofounder and CEO at technology studio RevUnit. "As you add a system to solve a problem or meet growth needs, you create another silo. Legacy systems are often difficult to connect and manage, or perhaps an acquisition left you with inherited systems that don't speak to your current ones."

Before doing anything else, HR teams need to view all of the rewards data through a single lens. That means moving from Level 1 of **Deloitte's** **Total Rewards Maturity Model**, where 53 percent of businesses are, to Level 3 or Level 4, positions occupied by just 20 percent of businesses.

A total reward management platform is the fastest and easiest way to get this data. Sitting on top of your existing rewards infrastructure, this tool can connect disparate data sources, allowing HR managers to understand the value of each employee's total reward package instantly.

Run a Wage Gap Audit

Once you have company-wide total rewards data at your fingertips, you can run a pay gap audit.

"An audit is a critical tool that can give employers the information they need to identify pay disparities and opportunities to improve equity. Through the audit, an employer can determine if discrepancies can be explained by legitimate, nondiscriminatory reasons," says **Liz Washko**, an attorney at Ogletree Deakins. "Where the pay differences cannot be explained, the audit provides an employer with the opportunity to correct the issue."

Having thorough and clean data is essential before starting such an audit, says consultant **Amii Barnard-Bahn**. Start by compiling a comprehensive set of employee data, including:

- Job title.
- Length of service.
- Age.
- Gender.
- Race.

What's more important is including total rewards as part of your wage gap analysis. Ensure that you are comparing like for like, so employees in similar roles in the same country are compared together. Total rewards packages can differ substantially from one region to another, and it's not necessarily fair to compare the rewards of a male in the New York office with the rewards of a female in the Hong Kong office.

Once you have better sources of data, there's no excuse for running a single audit. While pay gap analysis is traditionally performed annually, the results can quickly become outdated. The more people you hire and the faster your company grows, the quicker wage gap analysis will age.

Instead of committing to periodical analysis, try to run a wage gap audit whenever major compensation decisions are made. This could be after a round of promotions, during company-wide reorganizations, or after a buyout or merger. The more often you run wage gap audits, the more accurate your results will be and the entire process will be more effective.

Use Your Findings to **Increase Pay Transparency**

One of the best ways to close the wage gap is to be as transparent as possible. Research by **PayScale** finds pay transparency closes the wage gap across almost all industries, occupations and job levels. Exceptions include male-dominated industries and industries that had a larger wage gap to begin with.

Pay transparency in PayScale's study certainly doesn't mean publicly publishing everyone's salary. You can be transparent just by being clear about how compensation is calculated.

But salary transparency is not enough. For instance, companies that comply with the UK's Gender Pay Gap reporting regulations tend to underestimate the value of total rewards like pensions and benefits, which are usually significantly higher for senior employees, writes **Ken Charman**, CEO of uFlexReward. That's because they use manual reporting from siloed data sets.

Instead, Charman recommends using a digitized total rewards platform that "mitigates the risk of unlawful pay discrimination by automatically managing and explaining the complexity of global variations in reward policy, regulation, and tax. These reward systems are particularly helpful in providing clarity to employees on their rate of pay, and importantly, how a reward system operates. This, in turn, helps minimize uncertainty or incorrect perceptions of unfairness and subsequently reduces the likelihood of unequal pay claims being made against an organization."

Achieving pay equity isn't easy. But it's a lot harder without full data insights into your company's total rewards program. Not only is the wage gap between men and women even greater when total compensation is taken into account, but effective audits and transparency initiatives are impossible without it. So if you've tried removing bias from the hiring process and analyzed salary to death, try looking at your total rewards data next.