

Bridging the Gap: The Rising Fight for Pay Equity in Financial Services

Did you know that when the Equal Pay Act passed in 1963, women were making 59 cents to every dollar earned by men? Today, nearly 55 years later, a typical, full-time female employee is paid 80 cents to every dollar made by her male counterpart, according to the Economic Policy Institute.

At this rate of progress, The Institute for Women's Policy Research states that it will take women another 44 years to bridge the wage gap, which is closing, but clearly not quickly enough. With the war for talent at an all-time high, especially for financial services firms as they continue to adapt to the shifting landscape of digitization and movement towards favorable technology firms, addressing gender parity in pay is essential. Proper compensation correlates with better people performance, which leads to better business performance. In recognition of this reality and the historic cycle of unfair salaries for women in the workforce, regulations are being made to increase transparency, reveal discrepancies, and fight for pay equity across the globe.

Regulation Hits Wall Street

In recent years, there has been an increase in regulatory measures surrounding fair pay including acts implemented in California, Massachusetts, and mandatory pay gap disclosures in the UK. Intro 1253-A, the latest law signed by New York City mayor Bill de Blasio, will go into effect on October 31, 2017, prohibiting all employers from inquiring about a prospective candidate's salary history in NYC. This will greatly alter the hiring process for major financial services firms throughout the city. In a recent client study we conducted involving 6 asset management firms with operations in New York, 39% (22 of 56 firms) stated that they will start relying more heavily on salary bands and / or benchmarking to craft offer letters for new hires. Such adjustments will help to end the cycle of suppressed wages, which oftentimes begins at starting salary, carrying through one's entire professional career. According to U.S. Census Bureau data, the mean income for women in New York City was equivalent to just 80% of what men earned, a gap of \$10,470. Intro 1253-A is one of many present and future attempts to achieve equal pay for equal work.

Pay equity is a hot topic across industries that is now gaining attention by the minute in financial services. It's important for your firm to stay updated on the latest regulations and adjust existing pay practices accordingly. Here are a few emerging trends to watch out for in response to today's heightened focus on pay equity.

1. Increased Transparency

Financial firms often have an inherent bias by management, which tends to be comprised of mostly male employees. Managers receive a pool of money in bonuses to allocate, potentially leading to unfair pay. To combat issues like these, firms are requiring internal pay disclosures, some going as far as to disclose all salaries to current employees. In London, for example, Gender Pay Gap Reporting Regulations require a snapshot of all employee salaries, as well as male / female comparisons. It is then mandatory for firms to publish all data results and a statement on their public-facing website. Transparent work environments encourage firms to address compensation discrepancies using detailed analyses of performance, time at a firm, and past experience compared to the entire organization. It is therefore important to perform pay equity analysis to justify any pay decisions in a transparent manner.

Fostering such an open atmosphere also builds personal trust and attracts millennials to the workforce, providing them with certainty that the company sincerely cares, and that they can be a part of something great. The use of social integration embraces each employee's personal and professional persona. It embodies the idea of bringing your real self into the office every day, and drives home the point that your firm accepts you for the person that you are. A culture like this has the power to attract and retain millennials, who wish to work for a company with unwavering transparency and mutual respect, especially when it comes to fair pay.

2. Fresh Recruitment Strategies

It's no longer just about setting up a booth at a college fair and relying on your high reputation to get people through the door. Due to increased competition and regulations, recruitment is now more complex, demanding the need to develop exactly how you want your firm's workforce balance to look. Without knowledge of previous salaries, companies must truly understand the needs of their workforce from an outside perspective, building strong employee value propositions to attract people with high market salaries. The industry's demand for pay equity forces firms to emphasize front-of-mind perks that are comparable to those often linked to tech firms, such as flexible environments, benefits, clear career paving, and a positive work-life balance. The future of effective recruitment strategies goes beyond compliance, addressing pay gaps while further engaging your current workforce.

3. Developed Compensation Structures

Due to the rise in transparency and pay regulations, financial services firms must build more structure around compensation for a given role using in-depth market data analysis. How are firms transforming their practices to achieve this? Organizations are using new tools to address starting salary against current market rates for analysis. Employers are also relying heavily upon competitive data, which allows them to rationally explain salary ranges for job levels. Firms can additionally utilize internal data to address starting salaries for a particular firm with internal benchmarks. In many cases, salary thresholds and other provisions are being applied for hiring managers after thorough market analysis. According to our asset management pulse survey, 64% (36 of 56 participating firms) expect the implementation of Intro 1253-A to require training or re-training of HR professionals, hiring managers, and recruiters. It is likely that additional training and education for senior leadership will gain relevance, as similar pay equity bills continue to pass across the globe.

4. Diverse Leadership

Organizations are starting to review their talent pools to ensure they're diverse. According to [an article written by Aon](#), while women are frequently identified as high performers, they still struggle to get promoted at the same rate as men and do not receive equivalent bonuses or pay increases. Aon data reveals that key financial metrics like ROI, ROS, and ROIC are impacted positively with a higher percentage of women representation on Board levels. The impact on financial performance continues with more women in leadership roles as well. According to Aon, it is statistically proven that organizations with more women in leadership roles have a greater than 10% increase in EBITDA margins across the globe. We are seeing a higher correlation in the UK, with a co-efficient score of 3.5 and a calculated probability score of 0.1. In the West, there is a positive correlation between women and gender diversity as compared to LATAM. The Aon survey on Top Companies for Leaders shows a similar trend. Top survey participants have a strong diversity and inclusion focus, with a higher D&I representation at senior roles, more understanding of diversity goals by leaders, better communication of inclusion practices, and the use of these practices and diversity as a key factor for attracting better talent and driving performance. 100% of the top performing companies understand the impact of diverse perspectives, clearly communicate leadership strategies, and cultivate talent within the marketplace and internally throughout the organization. Even more, 96% of the top performing companies have senior leaders who drive a culture of inclusion.

Diversity breeds diversity. This, among other studies, shows that diverse leaders recruit more diverse talent, pay more equally, grow talent, and retain staff for longer. Morgan Stanley Research additionally reveals that companies with more effective diversity programs tend to have lower stock price volatility. As this positive reality becomes more prominent, we expect to see more firms catching on to the trend—a vital step forward towards the industry's fight for equality in the workforce.

5. Non-Gender Specific Benefits

Many companies are attempting to eliminate traditional mother-related benefits by promoting a parent-friendly environment that doesn't single out women. This includes perks for both parents, such as paid maternity leave and child care. Offering benefits for only one gender can inadvertently create a bias. With the financial services industry's budding interest in pay equity, firms are beginning to advocate for policies across genders, equally offering valuable benefits to more employees.

Addressing Potential Challenges

As transparency continues to make pay inequity more apparent, many issues within a firm may arise. The global pay equity challenges surfacing and call for pay gap reporting in the UK bring to surface what an organization says versus what it actually does. Even more, firms must ensure that they have a clear communication plan that matches their overall business strategy.

In order to ensure they are responding appropriately, firms should be performing equity analyses, be clear about pay, act upon it, and then be consistent in their actions.

As your firm considers how to respond, it is important to ask yourself about how your firm wishes to communicate pay, particularly with the emerging focus on transparency. It is important to not just simply share the information. Firms must address the factors that created the pay equity issues in the first place.

What to Consider Looking Forward

What elements should a firm consider when thinking about pay equity? While initial questions may revolve around short-term employee demographics such as job function and location or talent including experience, performance, education, or promotion, firms must also try to look at the long-term perspective to understand the issue first-hand. Firms must consider what caused the issue in the first place and what measures from a broader talent perspective should be taken?

Factors such as inclusion, women, talent movement, promotion, and recruitment should be viewed from a futuristic, long-term standpoint so that in two years, your organization doesn't fall into same trap. It's time to end the cycle of underpaid employees. Once firms shift their focus from short- to long-term, they will likely grow the pay equity initiative beyond merely divulging outcomes. Firms can now hone in on what they actually plan to do to create an equal workplace, while at the same time, achieving broad societal change.

For more information on current trends in pay equity, how they are affecting financial services, and how our team can help, please contact us by [clicking here](#).

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