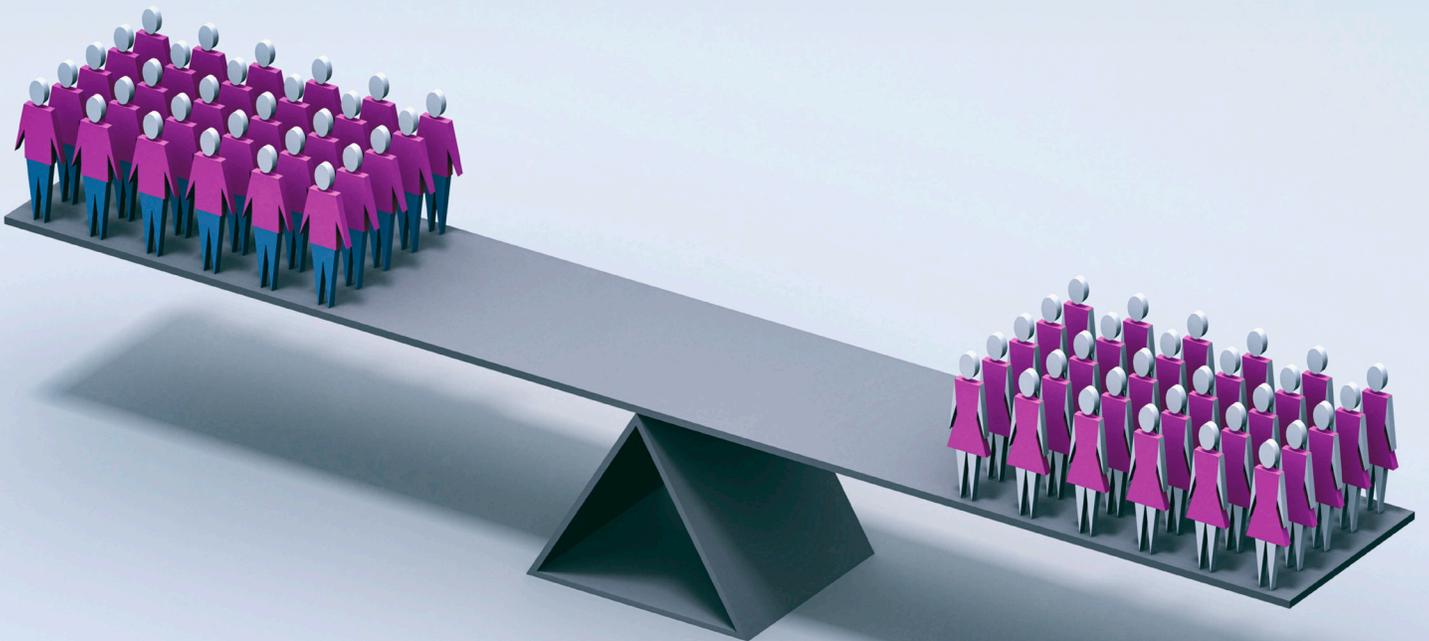




Best practices for preventing gender pay disparity:

A guide from the AICPA Women's Initiatives Executive Committee





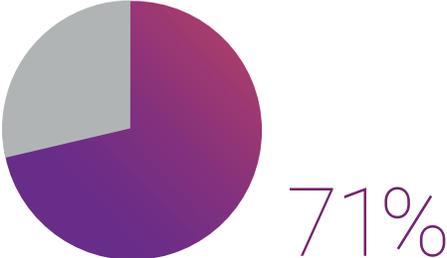
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Gender pay disparity in numbers



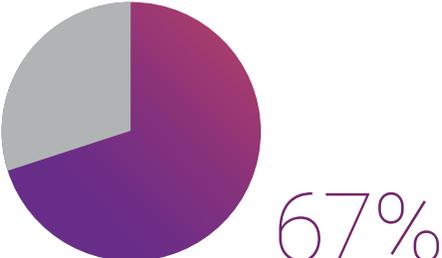
The percentage of men’s pay that women earn, based on the most recent data, which has been roughly unchanged since 2004.¹



The percentage of what mothers are typically paid for every dollar paid to fathers.³



The percentage of median weekly earnings of women in full-time management, professional and related occupations – compared to men.⁴



The percentage of employees who said they were not likely to apply for jobs at companies where they believe a gender pay gap exists.⁵

1980–1999

The decades in which the bulk of the growth in women’s earnings happened. It’s slowed down since then.²

Know the law.

In making any individual or general compensation decisions, employers should be aware of a variety of employment and labor laws. Specific attention should be given to laws on wages and compensation, hiring and firing, as well as discrimination.

These laws vary widely by jurisdiction, and may frequently change given the significant recent media and political attention on pay equity. It is always a best business and legal practice to consult with an attorney when analyzing and managing pay equity issues.

This guide is for informational purposes only and not for the purpose of providing legal advice.



A partner reviews two employees' salaries while preparing for a performance review. She finds that despite similar levels, backgrounds, experience and performance, the male manager earned significantly more than the female manager.

In another case, a firm examines salary structures at different levels – and finds that among entry-level staff with similar credentials and educational backgrounds, women receive lower salaries than men on average.

The scenarios above are two examples of how the gender pay gap plays out in business contexts. Besides undermining businesses' reputation for fairness and equity, the gender pay gap also has many other serious consequences.

Talented women who are aware of a wage gap in their companies may leave, robbing the companies of valuable perspectives and expertise. Women who may not be aware of gender pay gaps in their companies may find out that they are being paid less than they are worth from job websites, recruiters or friends at other firms. Businesses with a reputation for pay disparity or unfairness may also find it tough to recruit or retain top talent.

Equitable pay vs. equal pay

When discussing pay parity, it's important to note that all professionals should have the right to choose how and when they want to work, as well as negotiate strong and equitable compensation based on those choices.

Pay parity does not mean that all individuals can, or should, receive the same compensation at each level. Instead, pay parity creates an equitable playing field for all – for example, employees should be empowered to negotiate a schedule or flex arrangement that they truly desire with equitable pay. People are best able to reach their full potential when they can integrate their lives, values and careers.

This guide provides insight on how businesses and professionals can remove some of the roadblocks to equitable pay by:

- gaining greater awareness of their organizations' own compensation practices
- identifying any unintended effects those practices may have, and
- considering some best practices for developing solutions

This guide does not provide advice on compensation and modified or alternative work arrangements, since those solutions are beyond the scope of this guide. Having said that, these arrangements may impact compensation, and businesses should consider how best to ensure that the impact is fair, based on the circumstances in each case.

Why does pay disparity happen?

Pay disparity is often unintentional — businesses don't purposely set out to pay women less, but do so because they are not aware that they need intentional wage gap policies to prevent it.

There are many understandable reasons why different professionals with the same level of experience may not be paid equally. These include cost-of-living differences in their local markets, pay variations based on their specialties, expertise or practice area, or even the ability to travel regularly or extensively.

However, there are also less justifiable reasons why two very similar professionals may be compensated differently at the same business:

- Lack of negotiation for higher pay — both when initially hired and after performance reviews. A pay disparity in this manner will only grow over time if workers receive raises or bonuses based on their current salaries.
- “When an employee is hired at a lower salary, it seems an insurmountable obstacle to catch up, even over the course of an entire professional career.”⁷

- Compensation is determined based on a new hire's last salary. New female hires who were paid less than men in their previous jobs are highly likely to start a new job making less than a man hired for the same position, even if they both have the same qualifications.

To prevent this problem, several cities and states have passed or are considering legislation to make questions about past salary or benefits in job interviews illegal.

What's critical to understand is that salary negotiating skills and past salaries generally do not have any impact on job abilities. However, many businesses don't realize that they've passively allowed these factors to affect compensation.

It's not too late to act — read on to find out how you and your business can be proactive in preventing and addressing pay disparity.



How your business can ensure pay parity

Based on interviews with pay experts and businesses that have instituted exemplary programs on pay parity, we recommend the following best practices:

1. Case-by-case remediation of existing disparities.
2. Comprehensive identification of salary discrepancies.
3. Solutions to prevent future disparities.

1. Case-by-case remediation of existing disparities

A gender pay audit is the best way to identify specific pay disparities, as well as overall trends. Through a gender pay audit, businesses may discover one or more cases of unintended gender pay disparity.

If you find out that pay gaps exist in your business, consult your business' legal counsel to determine how to remedy inequitable past pay practices, and how to ensure that those practices are corrected going forward.

2. Comprehensive identification of salary discrepancies

A business-wide review of compensation (at least on an annual basis) is an excellent step to prevent pay disparity.

The review should be part of a compensation strategy that develops company standards and processes for identifying pay gaps and can be one of the best ways to identify and track metrics on all compensation issues (including gender pay parity).

You can perform a compensation review for your business by engaging the services of an external consultant, who may be asked to perform a gender pay audit – or to take a wider look at compensation that will include a review of pay by gender and level.

Alternatively, you can perform an internal compensation review with a team that includes the managing partner or other senior leaders, as well as leaders from finance and human resources. If you choose this route, review the jobs that perform equal work, and require equal skills and responsibilities performed under the same conditions, to be sure you're making a fair comparison. Sort the data by practice area or office, and by level, gender and ethnicity. This approach works well if your business has already previously defined the attributes for each level and assigned ratings for different types of performance. The PCPS CPA Firm Competency Model⁸ can be used as a guideline in this process.

When reviewing the findings of an internal or external compensation review, you should do the following:

- **Solicit input from partners-in-charge (PICs) of various areas to understand the reasons for compensation decisions and disparities.**

Although the numbers are important, the input of your PICs is valuable for their perspective, which allows the reviewing team to see pay decisions in context.

Having a strategy in place will make this step easier and help prevent uncertainties in how to address discrepancies in how pay decisions are reached. This includes identifying “star players,” who will understandably be paid more (and perhaps above market), but compensation for those of equal ability at any level should be comparable.

Listen carefully to identify the reasons behind compensation decisions and spot opportunities for training on issues such as unconscious bias, changing business models, culture, and fair compensation practices.

- **Don’t take an accusatory or confrontational tone as the team digs deeper to identify the reasons for pay discrepancies — and perhaps uncovers unconscious biases.**

Keep in mind that the compensation review is not a search for mistakes to be punished, but rather is a trend analysis that will enhance your business’ efforts to retain top professionals.

In the same manner, the review team should identify and discuss inappropriate rationales for pay disparities in a non-accusatory way.

- **Consider market data.**

This step — which may be a requirement in some jurisdictions — involves gathering information on pay in your locale, as well as nationwide, from compensation consultants or third-party salary surveys.

The information you’ll obtain helps you get a sense of how your business’ compensation compares to other firms, and helps you determine necessary changes that need to be made for your business to remain pay-competitive in the market.

When gathering market pay information, be aware of antitrust issues. For example, it’s illegal in many jurisdictions to directly ask a competitor about their pay to match it.

- **Consider base pay, merit increases and bonuses, since they are all important elements of compensation.**

The compensation review may uncover inconsistencies in how bonuses are given, and spotlight people or efforts that may have been overlooked or not recognized fairly.

Although many managers in practice may prefer to make the decisions on bonuses in a variety of special circumstances, it’s a good idea to create basic firm guidelines that describe when and why bonuses are paid, while allowing for exceptions as merited.

3. Solutions to prevent future disparities

Pay disparity can be prevented by tweaking the following areas:

a. Compensation strategy

Use objective, firm-wide measures to value professionals. Metrics should be aligned with the organization's core competency and leadership attributes. The PCPS CPA Firm Competency Model⁹ offers attributes that fall into these categories of professional achievement:

- Business development
- People development and teamwork
- Chargeable hours/productivity/personal profitability
- Client service
- Technical knowledge/expertise

b. Entry-level compensation

A study done on newly minted MBAs found that, among graduates with the same credentials and job access, men were offered total compensation packages worth \$14,000 more than women.¹⁰ Earlier studies¹¹ report similar results. Those researchers reported that the difference was due, at least in part, to negotiation approaches: 57% of the men had negotiated for more than the initial salary offered, while only 7% of women did the same.

Businesses that are unaware of and do not address these disparities risk losing top talent who are frustrated over the lower pay, and may have to make significant pay adjustments across the board when pay differences are discovered.

To overcome these disparities, you can enforce the following best practices:

- Limit discrepancies by narrowing salary ranges at all levels.
- Refrain from asking current salaries when hiring — it is illegal in some jurisdictions and has been statistically proven to perpetuate gender pay disparities.
- Review entry-level and other starting salaries to identify disparities at least once a year. It's important to monitor starting salaries with market data early so that adjustments can be made before disparities grow. Salaries may certainly reflect differences in practice area, location, education, special expertise or other clear differentiators, but should not differ by gender or ethnicity when all other factors are equal.

c. Performance reviews

Your business' approach to performance reviews can have a meaningful effect on compensation. When performance reviews are done objectively, you eliminate unconscious biases that might favor men over women and foster pay discrepancies.

Best practices in this area include:

- **Performing reviews more frequently.** All staff members will have a better chance of improving their performance and compensation opportunities if they receive monthly or quarterly feedback, rather than annual feedback, on their successes and areas of improvement. If formal frequent reviews are not feasible, sharing immediate feedback on performance can be beneficial.

- **Encouraging constructive feedback.** A study¹² by researcher Kieran Snyder found that 88% of reviews of women staff contained unconstructive feedback, while only 59% of reviews of men did. To overcome this, coach your managers in focusing on performance rather than impressions of the worker's personality when reviewing their staff. This discourages biased or dismissive assumptions or conclusions.

For example, when speaking of a female staff member who doesn't speak up at meetings, instead of saying "She seems too reticent to contribute in meetings" or "She appears reluctant to get involved in business development," the reviewer could say: "Coaching might boost her confidence in expressing her views (or engaging in business development)." Framing feedback in this manner helps you identify opportunities for training or mentoring in areas that could use further development, which can have a positive impact on compensation over time.

- **Democratize the performance review and promotion decision process.** Make the performance review process as transparent as possible by communicating the attributes and competencies that are valued and/or needed to advance to the highest leadership of the organization. This can be done through a roadmap that is made available to all during the onboarding process.

d. Examine promotions.

One way to equalize overall firm pay parity is to ensure that women have the same opportunities for advancement as men. If a star player has consistently received bonuses but has not been promoted, the team reviewing gender pay disparity should work with the partner-in-charge to understand why he or she has not been promoted.

Although this question can be asked about both men and women, raising the issue will help to prevent women from being unintentionally sidelined due to unconscious biases. Make sure that promotion criteria are well defined and are based on objective standards, as discussed in the section on reviews above.

e. Develop formal sponsorship programs.

Encourage your organization leaders to focus on grooming future leaders, as well as identifying those who are performing well but may have been overlooked. This helps your business to enhance the advancement of women and minorities in the long run.

A formal sponsorship program can increase the available talent pool and ensure that women and underrepresented minorities have the same opportunity for advancement and pay increase. If you'd like to go this route, the CPA Firm Sponsorship Success Toolkit¹³ can help you get started.

f. Offer training.

Gender awareness training can help to educate and inform partners and any others who make compensation decisions on pay parity. This education can be integrated into or offered alongside other training or awareness programs on compensation, people management, firm culture and unconscious bias.

g. Assign accountability.

Educate those who conduct performance reviews about the firm's gender pay audits and other efforts to address compensation issues. This helps them to be aware of the firm's goals and how they will be held accountable for resolving existing discrepancies.

h. Enhance diversity.

Include more women and underrepresented minorities on your compensation committees to help tackle unconscious biases or assumptions that may impact compensation decisions.

i. Address changing business models.

A common but unseen source of pay disparity may come from limited compensation offered to professionals on alternative schedules or remote work or who are not assumed to be primary breadwinners — who disproportionately tend to be working mothers. This may happen because traditional business models may make compensation decisions based on hours worked rather than results achieved.

As more and more businesses shift their business models to value billing or other alternative approaches, educate your leaders that hours no longer drive revenue. You can also create compensation models that appropriately compensate those on flex time, ensuring that they are fairly paid for performance and outcome.

Why does pay parity matter?

When your business practices pay parity, you build a fair and collegial atmosphere that values all team members.

Having an underpaid professional gives your competitors an advantage. An undervalued professional is more likely to leave for another employer who offers them a significant raise simply by increasing their compensation to market level.

Losing quality employees due to preventable pay disparities contributes to costly turnover, undermines a firm's succession and leadership plans, hinders diversity efforts and may discourage other top talent from coming on board.

We hope you find this guide helpful to ensure fairness in your pay practices, solidify your business' bench strength, and enhance your recruitment and retention advantages.



Best practices for women in achieving pay parity

I'm a professional woman.
How do I know if I'm being paid what I deserve?

Recognizing and articulating your own value is the key to getting the pay that you deserve. You also need to recognize and practice negotiation — too often, many professional women accept compensation decisions as final offers instead of asking for more.

Here are some best practices that you can put to work:

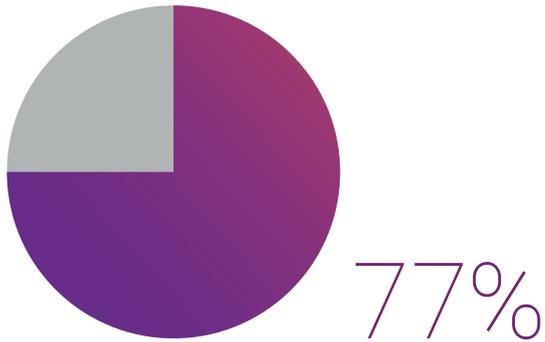
1. Whether you are taking up a new job or coming up for a performance review, **benchmark your own compensation against market averages** for a similar position in your locale, as well as nationwide. Salary guides such as this one by Robert Half¹⁴ are a good starting point.
2. Once you're on board, **understand your company's compensation system**:
 - a. What are the factors considered when compensation decisions are made?
 - b. Who is making these decisions? Is it a compensation committee, managing partners, or an executive committee?
 - c. What are the leadership attributes and competencies that are valued?
3. If you would like to boost your current compensation, **prepare a case** to present to the person or group in charge of compensation decisions. It should include:
 - a. Your findings on local and national compensation for jobs that include the same responsibilities and qualifications as yours.
 - b. A discussion of the strengths and contributions that you bring to the job and business.
 - c. A request for a specific raise — either a number or percentage.

By understanding your company's compensation system, you can position yourself and align your performance with the values and qualities that your managers and leadership are looking for, and bring them up when you are discussing bonuses, pay increases and promotions.

4. **Keep a record of your accomplishments.** It's a good idea to maintain an ongoing list of your achievements, along with how these achievements benefit the business. The act of compiling this list is a great confidence booster and will help you objectively articulate your value before any review, or when asking for a raise or promotion.
5. **Ask for constructive feedback from your reviewers** so you can build on your past performance and understand how you can better position yourself for advancement.
6. If you've received several salary hikes in one job, consider **asking your supervisor about your chances for promotion.** You're clearly a valued employee, but he or she may not be aware of your desire to move up. He or she may even have advice that can help speed your advancement.
7. **Find a sponsor** to advocate on your behalf in important meetings, and when promotions or compensation are being discussed. Learn more about what a sponsor does and how it can significantly impact someone's career in the CPA Firm Sponsorship Success Toolkit.¹⁵

Finally, do not forget to **negotiate** at any compensation and career-related discussion. Speak up for yourself and recruit others in leadership to advocate for you at meetings where career and compensation decisions are being made. As you advance in your organization, pay it forward, support and advocate for those following your footsteps.

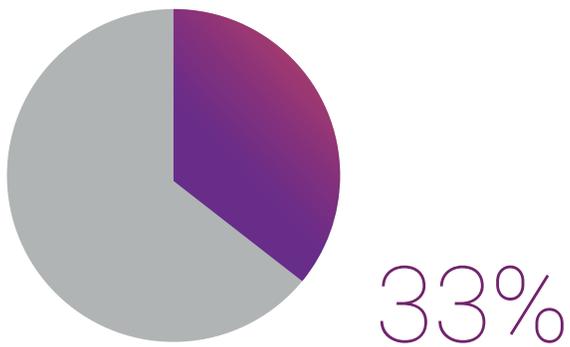
The high cost of turnover⁶



of employee turnover in 2018 was preventable.

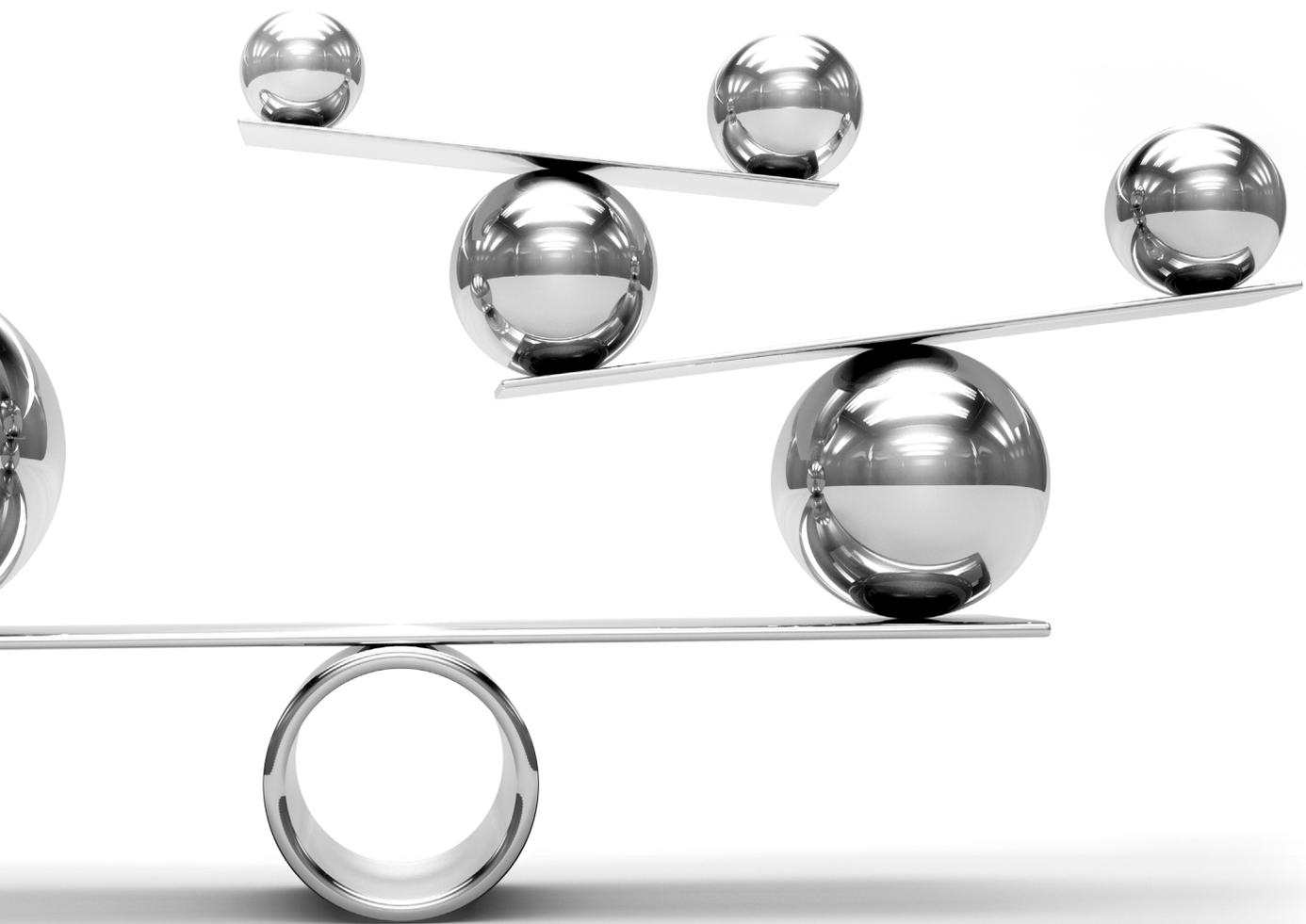
1 in 4

employees were expected to leave in 2018.



The average cost of turnover for an individual employee, based on their base pay.





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