

Diversity and Inclusion: An Impact on Total Rewards

By Tara Tays and Doug Tapp

Corporate social responsibility (CSR) helps to define an organization and enhance its profitability. Human resources (HR) topics including diversity, inclusion, and gender pay equity are being discussed in boardrooms, and pay for performance is getting renewed board attention due to the 2017 tax law changes. Research suggests that investors and other stakeholders believe businesses should step up and address these fundamental societal issues.

Through CSR strategies, many businesses have sought to establish cultures that value diversity and inclusion; however, some organizations may be missing an opportunity to leverage compensation programs to reinforce this objective.

Even though the Equal Pay Act of 1963 and the Civil Rights Act of 1964 prohibit gender pay and employment discrimination, there is concern these acts have not gone far enough with regard to pay equality. For example, several US studies find that women earn roughly 82 percent of

their male counterparts' pay, and the US Bureau of Labor Statistics has found that the pay disparity was even larger between Hispanic and black female workers, who earn 62 percent and 68 percent of their white male counterparts' pay, respectively.

Corporate officers and directors can take the lead. Companies that desire to be employers of choice highlight their efforts to eliminate the potential for gender pay gaps and to implement diversity and inclusion initiatives. Based on the business imperatives to attract and retain talent, boards may consider focusing on the oversight of the following topics.

- **Pay equity.** Companies might consider conducting regular pay equity analyses to determine pay gaps in either gender or race and ethnicity groups, developing remediation plans to address concerns.

- **Job equity.** Companies should consider evaluating gender and minority representation across various jobs and levels within the organization, and update talent

development plans accordingly.

- **Total rewards assessment.** Companies are conducting in-depth reviews of current HR programs to assess practices that may introduce bias and contribute to pay inequities. Companies may also consider metrics to reward achievements in diversity, inclusion, and talent development.

As knowledge of talent gaps reaches the boardroom, boards and management may need to address CSR initiatives and equal pay legislation in the United States. Businesses will likely need to address job equity, subjectivity in variable pay programs, and potential for bias in HR policies and practices—all in the context of building a more diverse and inclusive workforce.

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