WTW PAY EQUITY AND TRANSPARENCY

Insights on global and European pay transparency

Florian Frank, Tamsin Sridhara

17th October 2024

wtw

Agenda and speakers

1. Pay transparency strategy

2. Transparency on pay ranges

3. Transparency on average pay and pay gap

4. Supporting education and communication

Tamsin Sridhara
Senior Director, Work and Rewards
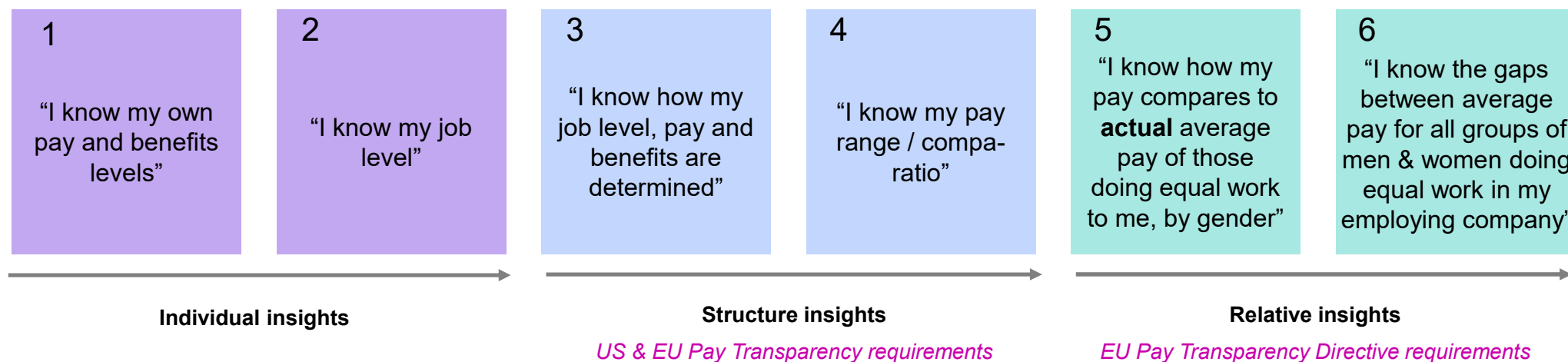Global Lead, Pay and Career Equity
WTW

Florian Frank
Senior Director, Work and Rewards,
Germany Lead, Pay and Career Equity
WTW

What we mean by pay transparency

Pay transparency spectrum

1	2	3	4	5	6
"I know my own pay and benefits levels"	"I know my job level"	"I know how my job level, pay and benefits are determined"	"I know my pay range / compa-ratio"	"I know how my pay compares to **actual** average pay of those doing equal work to me, by gender"	"I know the gaps between average pay for all groups of men & women doing equal work in my employing company"

Individual insights   **Structure insights**   **Relative insights**

US & EU Pay Transparency requirements   *EU Pay Transparency Directive requirements*

wtw

About the survey

1,674 respondents completed the survey

34M employees at responding organizations

The survey was fielded in the following regions

Region	Number of respondents
Europe	771
North America	527
Latin America	223
Other regions	153

Scope of response

Global
42%

International
22%

Domestic
36%

Sector

Manufacturing	24%
Financial services	17%
IT and telecom	15%
General services	13%
Healthcare	12%
Energy and utilities	9%
Wholesale and retail	8%
Public sector and education	3%
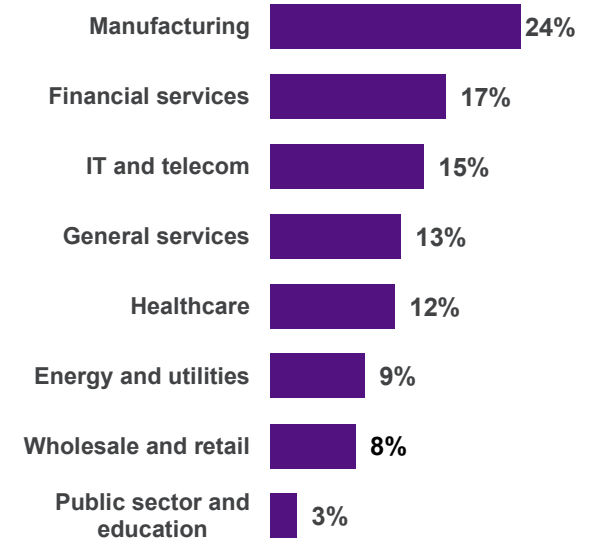
Source: WTW 2024 Pay Transparency Survey

What is driving organisations to increase pay transparency?

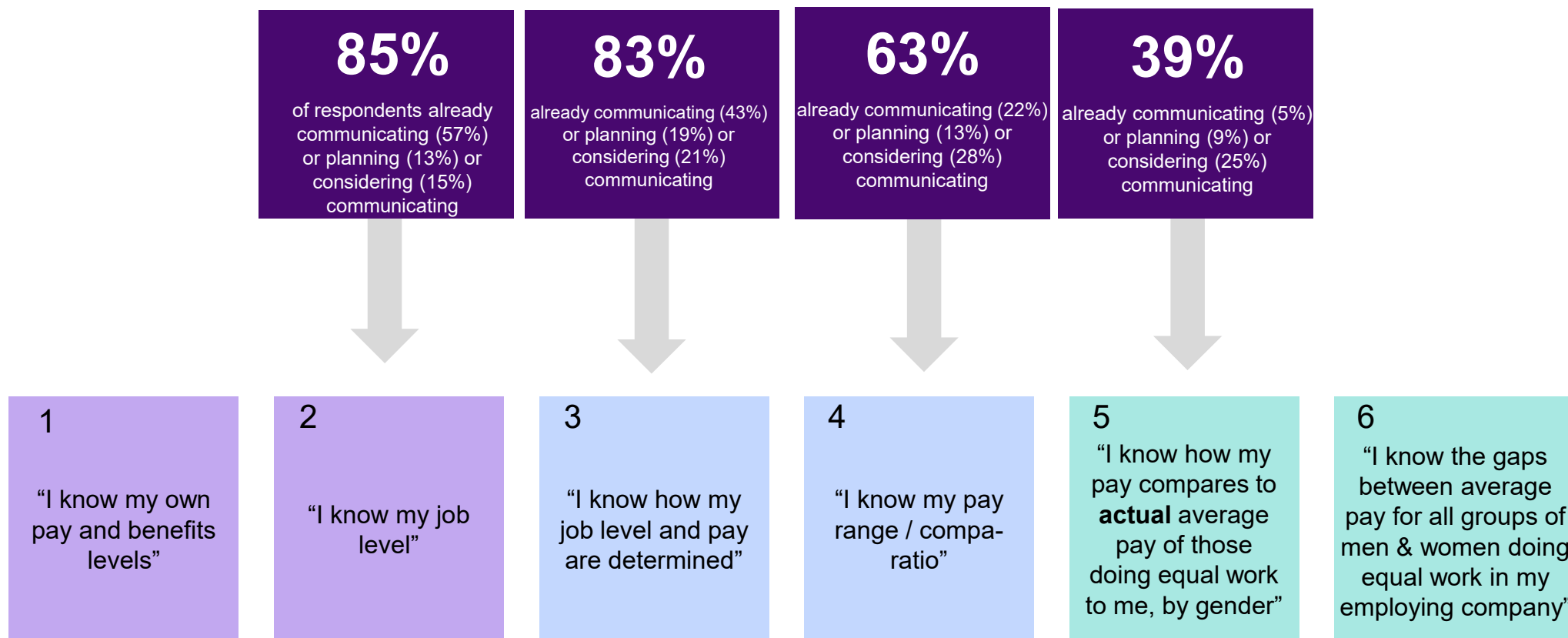| Increasing regulatory requirements	Company values and culture	ESG/DEI agenda*	Employee expectations	HR's confidence in pay programs	Leadership's confidence in pay programs
64%	51%	51%	46%	42%	38%
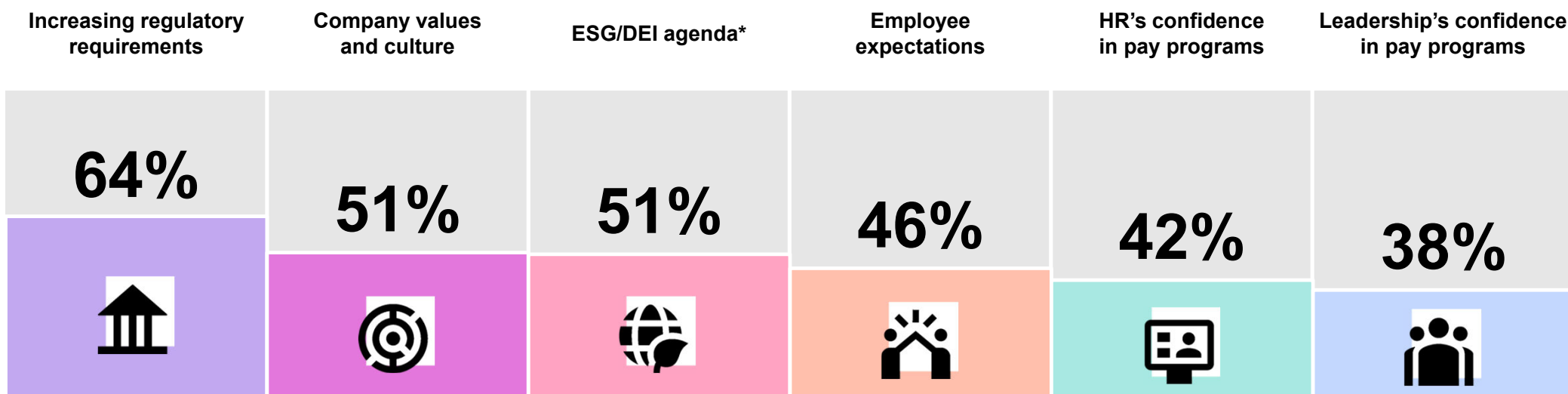
*ESG/DEI agenda: Environmental, social and governance (ESG)/diversity, equity, and inclusion (DEI).
Note: Percentages represent 4 and 5 on a 5-point extent scale; 5 = to a very great extent.
Source: WTW 2024 Pay Transparency Survey

How far are companies planning to go on pay transparency?

85%	**83%**	**63%**	**39%**
of respondents already communicating (57%) or planning (13%) or considering (15%) communicating	already communicating (43%) or planning (19%) or considering (21%) communicating	already communicating (22%) or planning (13%) or considering (28%) communicating	already communicating (5%) or planning (9%) or considering (25%) communicating

1	2	3	4	5	6
"I know my own pay and benefits levels"	"I know my job level"	"I know how my job level and pay are determined"	"I know my pay range / compa-ratio"	"I know how my pay compares to **actual** average pay of those doing equal work to me, by gender"	"I know the gaps between average pay for all groups of men & women doing equal work in my employing company"

Source: WTW 2024 Pay Transparency Survey

Is this a global, regional or local approach?

Top three responses

"I know my own pay and benefits levels"	"I know my job level"	"I know how my job level and pay are determined"	"I know my pay range / compa-ratio"	"I know how my pay compares to **actual** average pay of those doing equal work to me, by gender"	"I know the gaps between average pay for all groups of men & women doing equal work in my employing company"
1 Global	Global with regional variation	Global with regional variation	Global with regional variation		
2 Global with regional variation	Global	Global	Local		
3 Local	Local	Local	Global		

Note: Based on respondents that are international/global and selected "Already communicating," "Planning to communicate" or "Considering communicating" for the respective items. Top three responses only shown. Source: WTW 2024 Pay Transparency Survey

Insights on developing a pay transparency strategy

Same direction, different pace

US Europe

Local factors

Business support Employee engagement
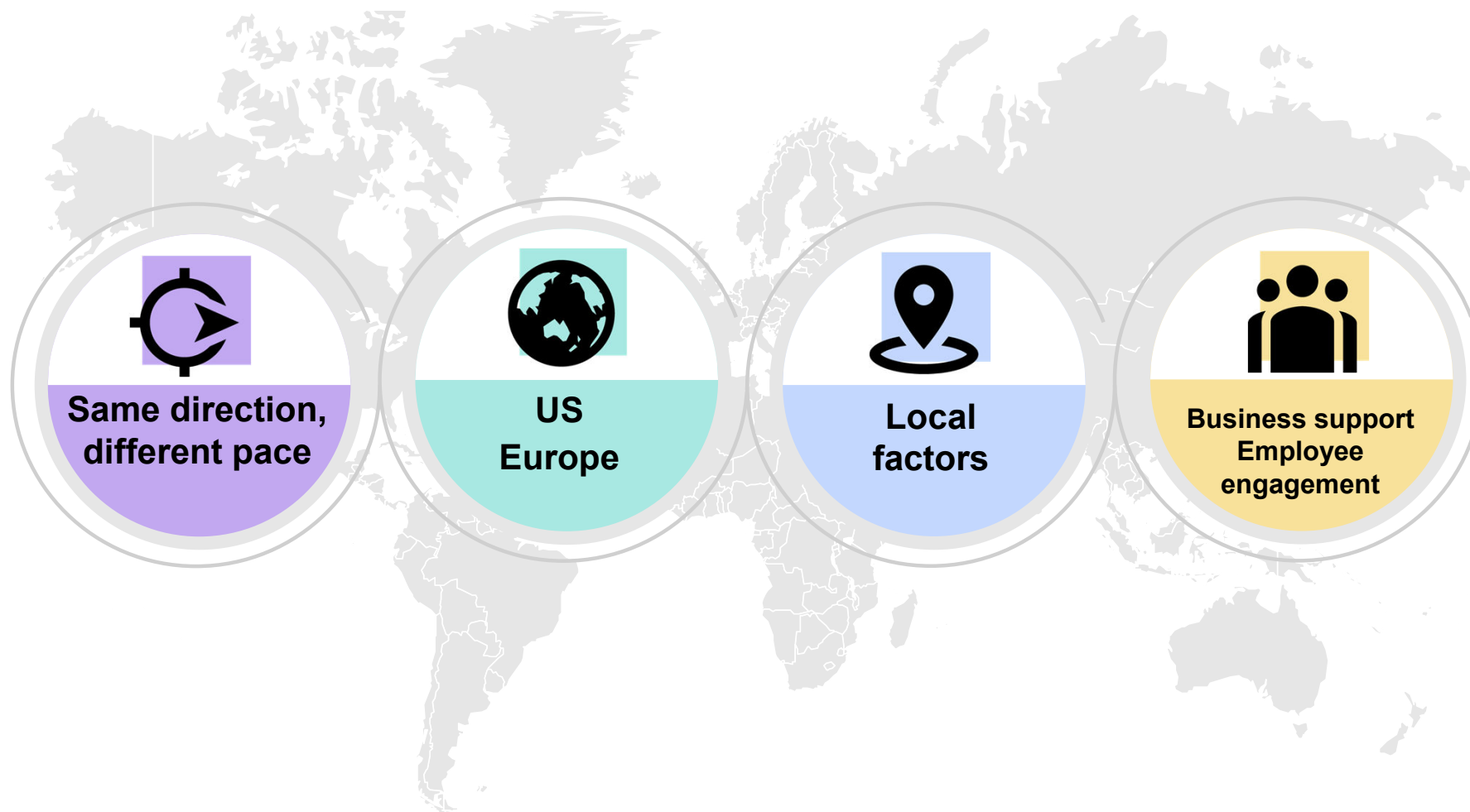
B. In the next section we will focus on pay range transparency

1	2	3	4	5	6
"I know my own pay and benefits levels"	"I know my job level"	"I know how my job level, pay and benefits are determined"	"I know my pay range / compa-ratio"	"I know how my pay compares to **actual** average pay of those doing equal work to me, by gender"	"I know the gaps between average pay for all groups of men & women doing equal work in my employing company"
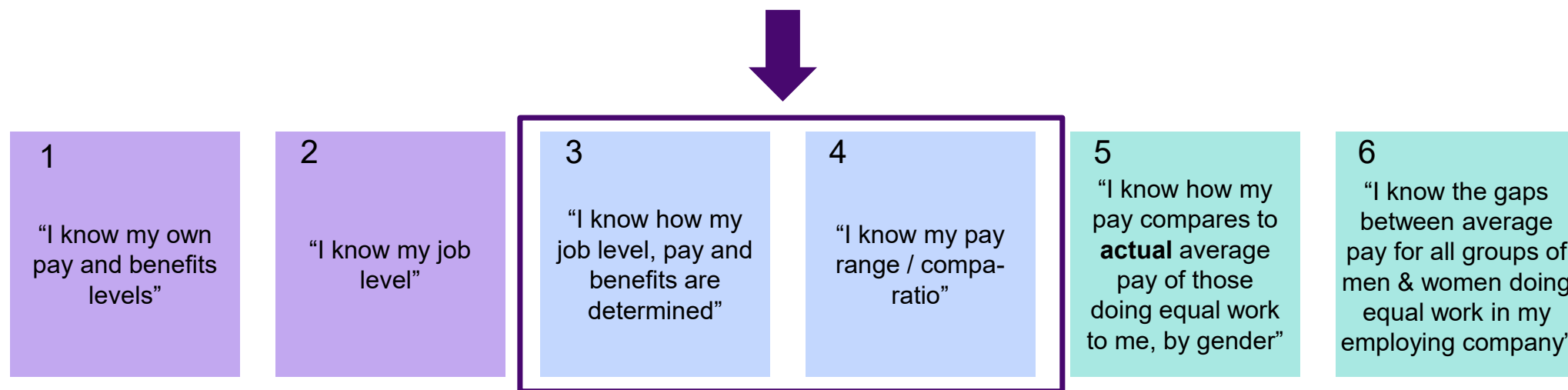
Pay range transparency: what is the most common approach?

	External candidates	**Internal candidates**	**Other current employees (i.e., non-candidates)**
Hiring rate/range for the job	77%	71%	54%
Full salary range	31%	48%	58%
Wide segment of salary range (50% – 80% of range)	23%	23%	18%
Narrow segment of salary range (<50% of range)	19%	20%	17%
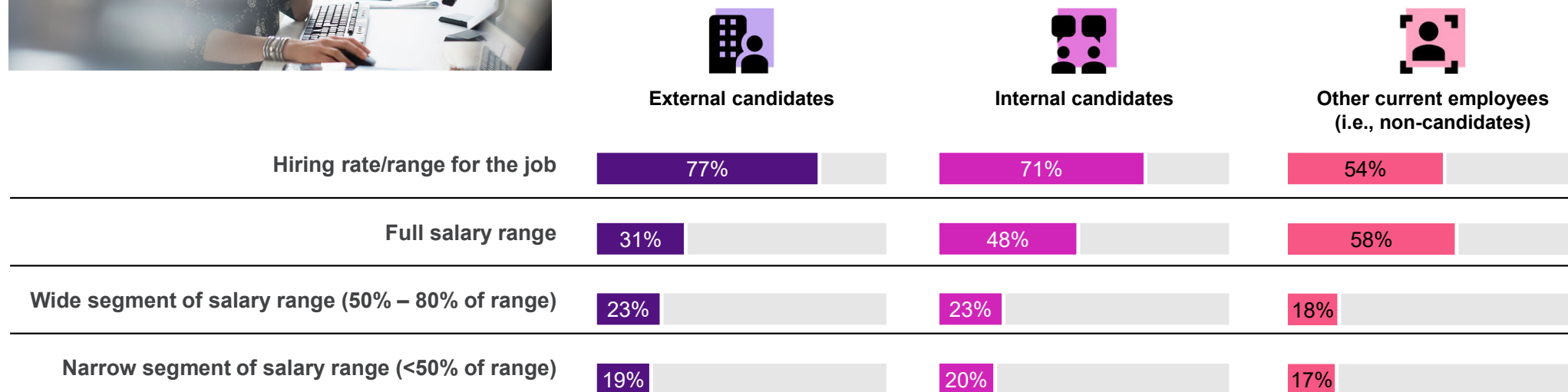
Note: Based on respondents that select at least one "Already doing" or "Planning to do" for the items in slide 12.
Source: WTW 2024 Pay Transparency Survey - Global

Learnings from North America pay range transparency

Comply! As a responsible employer, do not work around the law.

Technology: Check how best to use HRIS for advertised ranges vs actual salary range

Perception: be mindful of the range width and how this might be perceived.
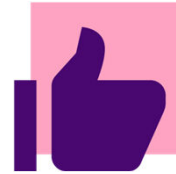
Responses and number of questions from job seekers have been better/ lower than expected.

Although focus is on job seekers, don't forget about your own employees.

...and don't forget that it will impact **anyone** involved in making pay decisions.

So what are the most common questions from employees and managers?

1	**Pay positioning questions**
2	**Pay management questions**
3	**Visibility questions** Who is able to access what?
4	**Compensation program terminology** What is market, compa-ratio, midpoint, etc.
5	**Navigation questions** Where can I find pay information?

How is **position in range** determined

What **criteria** is position in range determined

Why does pay **differ** between employees in similar positions

What is our **pay philosophy**

How is pay aligned to **performance**?

What this tells us is that ….

For transparency on ranges and compa-ratios

3	4
"I know how my job level, pay and benefits are determined"	"I know my pay range / compa-ratio"

" You need to be clear on the **criteria** that determine job level, pay levels and progression, and that these work as intended.

For the EU, this extends to **all rewards**. "

C. In the next section we will focus on pay gaps

| 1	2	3	4	5	6
"I know my own pay and benefits levels"	"I know my job level"	"I know how my job level, pay and benefits are determined"	"I know my pay range / compa-ratio"	"I know how my pay compares to **actual** average pay of those doing equal work to me, by gender"	"I know the gaps between average pay for all groups of men & women doing equal work in my employing company"
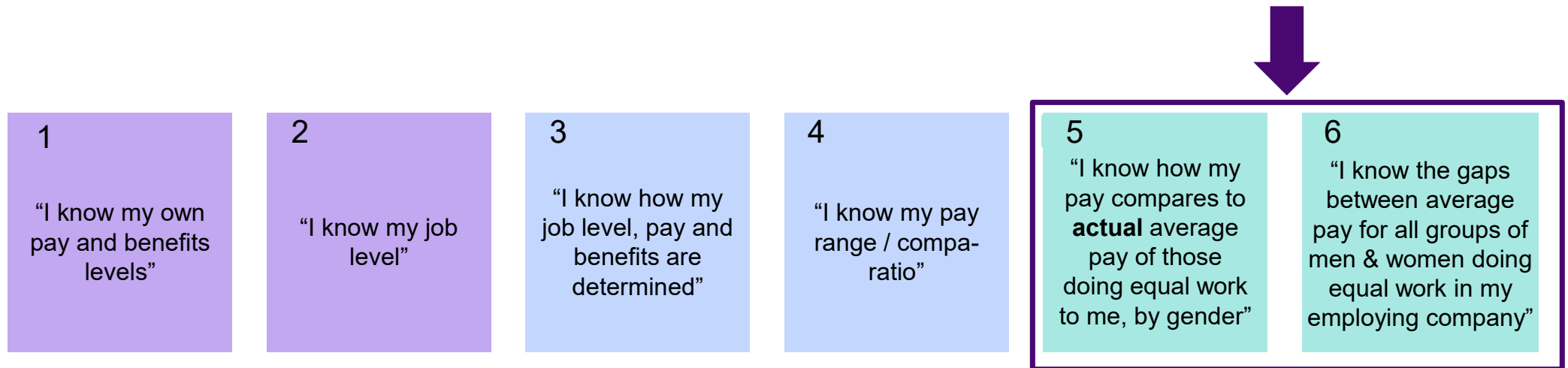
Who is disclosing what gaps voluntarily?

"Our **unadjusted** pay gap is…. "

Already doing: **28%**

Planning/ considering: **33%**

"Our **adjusted** pay gap is…."

Already doing: **22%**

Planning/ considering: **45%**

Most commonly: **base pay or total cash,** in **annual or ESG report**

Note: "Not applicable" removed.
Note: Based on European respondents with operations in the EU. Source: WTW 2024 Pay Transparency Survey

15

wtw

The EU Directive requirements go much further. Most companies are choosing to wait to disclose

EU Directive numbers

	By category of worker (to employee on request) Average total pay levels
	By category of worker (internal disclosure) Average total pay gaps Average basic wage gaps Average complementary/ variable pay gaps
	By category of worker (no mandatory disclosure) Average total pay gaps, after objective reasons
	By entity (public disclosure) Average total pay gaps

When to disclose

12

On time

Already

Early
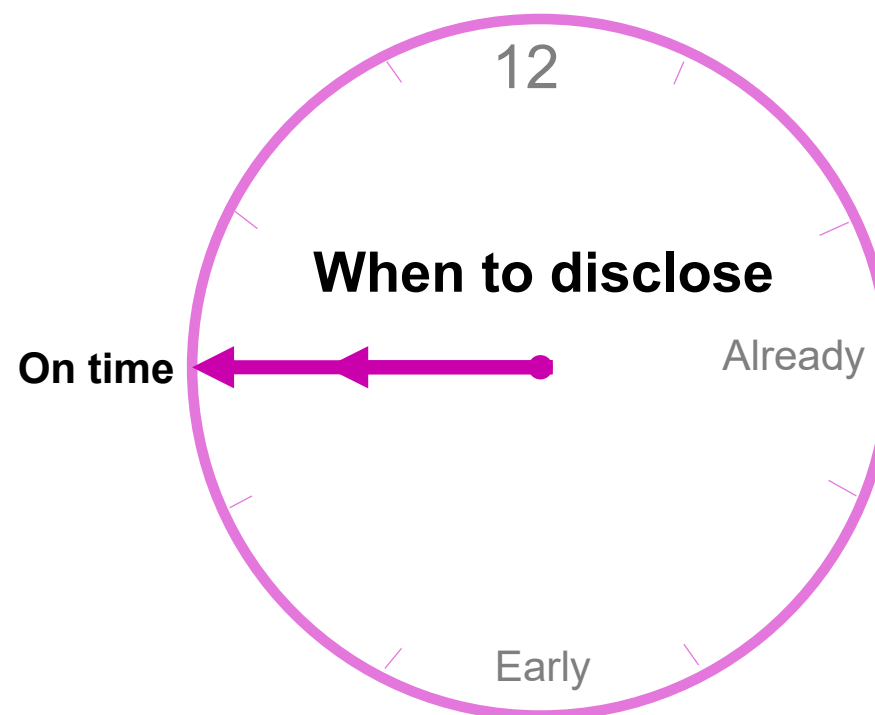
Note: Based on European respondents that have decided. Undecided: c. 50%. Source: WTW 2024 Pay Transparency Survey

How are companies planning to disclose EU average pay and pay pay numbers?

Employee average pay requests		Pay range on hire	
12%	On request	18%	Job posting
7%	Proactively provide	9%	During interview process
81%	Not decided	72%	Not decided

Note: Based on European respondents with operations in the EU.
Source: WTW 2024 Pay Transparency Survey

Insights from calculating "dummy" EU numbers to date

CSRD

Data and calculation "book"

Technology

Efficiency

Compliance vs communication

D. In the next section we will focus on stakeholder engagement, education and communications

1	2	3	4	5	6
"I know my own pay and benefits levels"	"I know my job level"	"I know how my job level, pay and benefits are determined"	"I know my pay range / compa-ratio"	"I know how my pay compares to **actual** average pay of those doing equal work to me, by gender"	"I know the gaps between average pay for all groups of men & women doing equal work in my employing company"

Stakeholder engagement, education and communications

Where is the current focus of education on pay?

Leaders
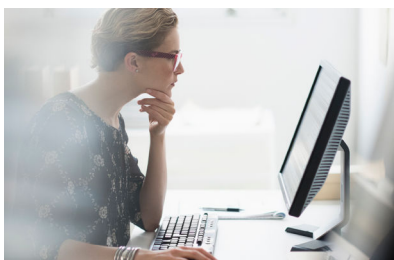
Managers

Non-union employees

Union employees

Moving forward (63%)

Currently: More focus (47%)

Currently less focus (15%)
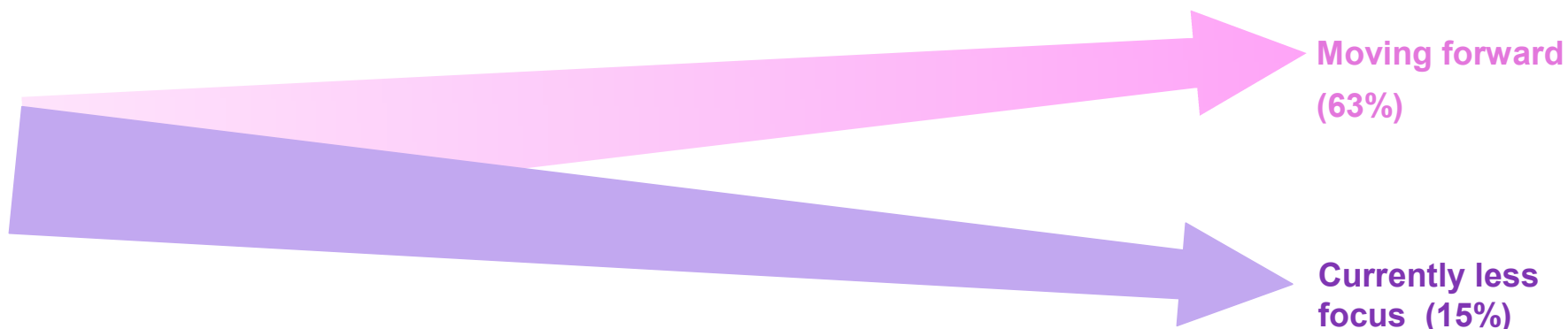
Note: Based on all respondents. Employee data based on non-union employees. Source: WTW 2024 Pay Transparency Survey

How are companies going about changing this ?

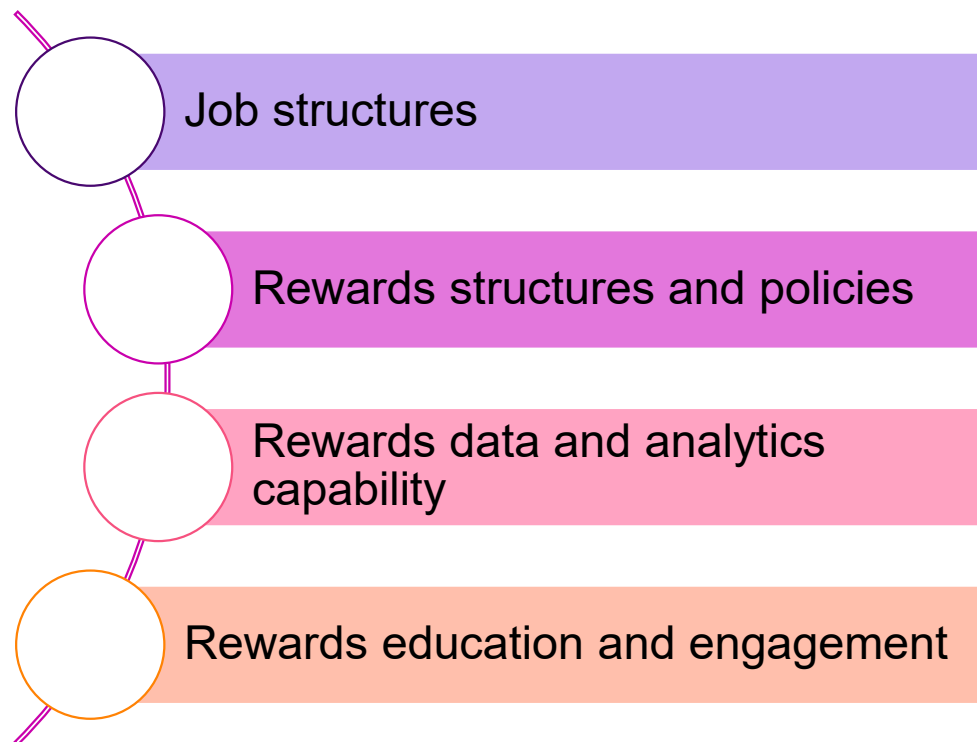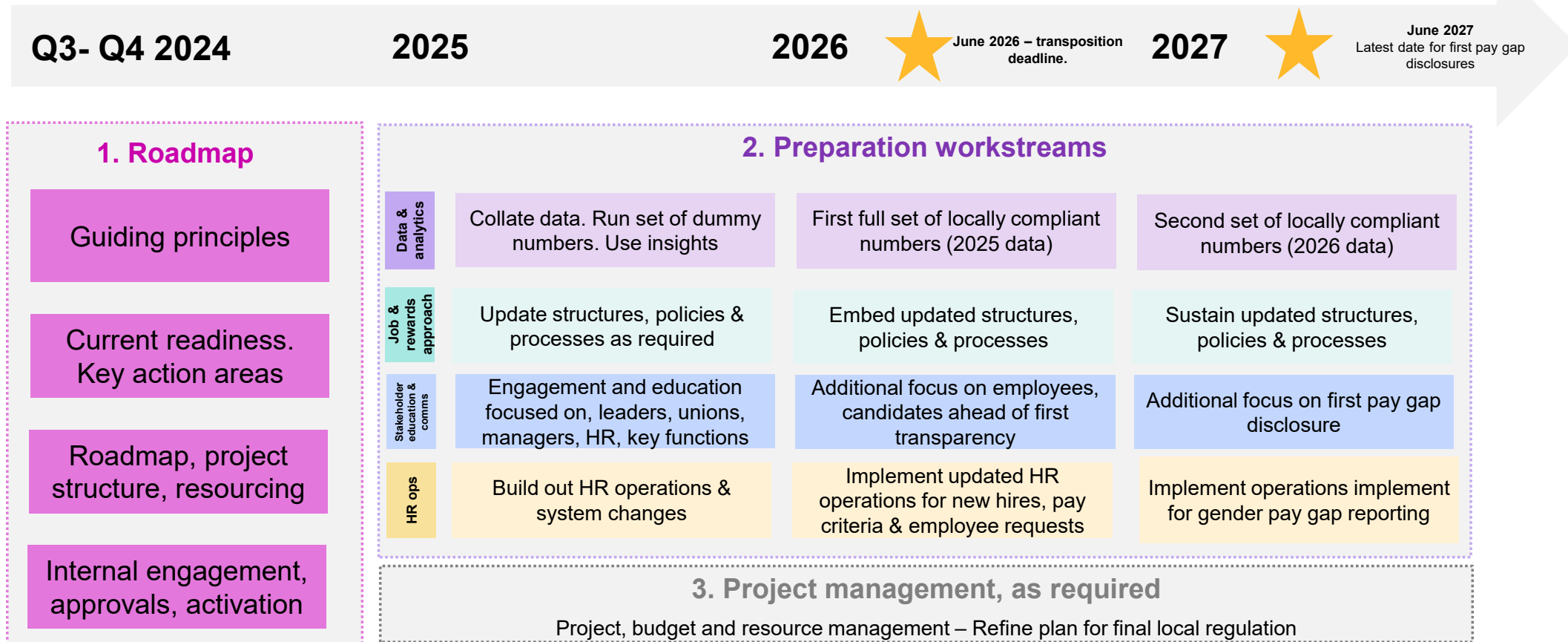|	2024	2025	2026	2027
Milestones			★ **June 2026:** Need to be ready for transparency on hire, pay criteria and employee requests	★ **June 2027:** Publish gender pay gaps for entities with 150+ workers and action total pay gaps of 5%+ that cannot be explained for objective reasons
Advocate	**Exec team engagement** Roadmap, risks and their responsibilities for pay equity and transparency	**Pay transparency project updates, at least twice a year** Highlight upcoming communications and activities to support compliance. Gain approvals as and when required. **Pay equity results** and budget / reward actions implications	**Full set of local compliance analytics results** and budget / reward actions implications	**Full set of local compliance analytics results** and budget / reward actions implications
Preparation support	**Rewards readiness assessment** Ensure programmes support pay equity and are ready for transparency **Data requirements and analytics planning** Plan approach to calculations	**Preparation for transparency** (e.g. Determining process for managing requests, Works Council engagement, Systems preparation) **Pay equity analytics delivery** **Communications team** Resource planning and engagement	**Full set of local compliance analytics** **Preparation for pay gap disclosure** (e.g. understanding markets required, HR Ops process, formal approvals)	**Full set of local compliance analytics** **Pay gap reporting**
Delivery		**Education on fundamentals of pay transparency and the Directive** Generate awareness of the regulations and the responsibility of People/Hiring Managers **Works Council engagement planning** Agree on approach to pay transparency	**Preparation for pay transparency delivery** Ensure People Managers are well equipped for having 1-2-1 conversations with their direct reports about personal pay and how it compares to their peers, including objective reasons for differences	
Recipient		**Educational materials to current employees** Increase awareness of how reward is managed **Education for potential hires** Demonstrate ABC's commitment to support equitable, fair pay and understand approach to transparency today	**Rights under the Directive for employees** Express how to request personal data required under the Directive **Rights under the Directive for potential hires** Update online content for ABC's approach to pay transparency and the range / rate for individual job postings	

Getting our house in order!

The four areas to tackle

Job structures

Rewards structures and policies

Rewards data and analytics capability

Rewards education and engagement

What does this look like in practice?

Sample EU Pay Transparency Directive roadmap

| Q3- Q4 2024 | 2025 | 2026 | ⭐ June 2026 – transposition deadline. | 2027 | ⭐ June 2027 Latest date for first pay gap disclosures |

1. Roadmap

Guiding principles

Current readiness. Key action areas

Roadmap, project structure, resourcing

Internal engagement, approvals, activation

2. Preparation workstreams

Data & analytics	Collate data. Run set of dummy numbers. Use insights	First full set of locally compliant numbers (2025 data)	Second set of locally compliant numbers (2026 data)
Job & rewards approach	Update structures, policies & processes as required	Embed updated structures, policies & processes	Sustain updated structures, policies & processes
Stakeholder education & comms	Engagement and education focused on, leaders, unions, managers, HR, key functions	Additional focus on employees, candidates ahead of first transparency	Additional focus on first pay gap disclosure
HR ops	Build out HR operations & system changes	Implement updated HR operations for new hires, pay criteria & employee requests	Implement operations implement for gender pay gap reporting

3. Project management, as required

Project, budget and resource management – Refine plan for final local regulation

Insights on global and European pay transparency

Thank you for joining us!

Florian.Frank@wtwco.com
Tamsin.Sridhara@wtwco.com

wtw