




REWARD MANAGEMENT SURVEY

Reward fairness

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The CIPD is the professional body for HR and people development. The registered charity champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has more than 150,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

1 Reward fairness



About this report

This report is one in a series of six reports based on findings from the CIPD's seventeenth annual *Reward Management* survey. The survey focused on the impact of the COVID-19 pandemic on reward practices in the UK. Each report explores a different aspect of reward management:

- The impact of COVID-19 on finances, pay decisions and forecasts
- Management of base pay, variable rewards and recognition
- Employee financial wellbeing
- Employee benefits
- **Reward fairness**
- The Living Wage

The survey took place in October 2020 and garnered insights from 420 reward professionals spanning the private (67%), public (15%) and voluntary (16%) sectors. Survey responses were complemented by focus group discussions with expert practitioners, to delve into the stories behind the numbers.

The aim of this research is to provide readers with a benchmarking and information resource on current and emerging practice in reward management.

Overview

The pandemic, financial crisis and acceleration of Black Lives Matter (BLM) protests have all focused attention on various aspects of fairness, including fairness in the workplace. Questions have been raised concerning the amount on offer to key and essential workers, in terms of their pay levels, progression opportunities and medical benefits (such as occupational sick pay).

There have also been inequalities in the treatment and availability of flexible working arrangements for employees who have not been able to work at home during the pandemic. While the coronavirus pandemic has driven a huge increase in working from home, [CIPD research](#) shows that 44% of employees have not worked from home at all since the beginning of the crisis. Further, more than two in five employees say it's unfair that some people can work from home while others have to continue to attend their place of work and have little flexibility in how they work. In order to give opportunity and choice to all, the CIPD has launched a campaign, [#FlexFrom1st](#), calling on organisations and the Government to introduce the right to request flexible working from day one of employment.

As such, we asked respondents if the pandemic, the financial crisis and BLM had encouraged their employers to reflect on the fairness of their reward decisions (encompassing both pay and benefits), and how these decisions are made in the first place. In response to respondents' reflections, we then asked whether their organisations have gone on to act (see types of actions listed below).

We found that, in response to recent events, 30% of all employers had thought about the fairness of their reward practices, while 25% had either taken action, or planned to do so, by March 2021. These actions include:

- conducting an equal pay audit
- carrying out a gender pay gap review

- making the appraisal process clearer
- reviewing performance-related pay.

In addition, we found that 22% of employers had, in response to BLM, thought about the fairness of their reward decisions, while 19% have, or will have, acted as a consequence. These actions include:

- ethnicity pay gap reporting
- introducing new pay policies
- benchmarking roles
- reviewing the current spend on benefits to ensure fairness across all employees.

We also asked respondents whose employers had taken no action in response to BLM what was preventing them from doing so. The most common responses are encapsulated below:

- 53% of senior managers had already been reviewing reward procedures and outcomes, and judged them to be fair.
- 34% said there was no internal pressure for action.
- 26% believed senior management didn't see the matter as a priority.

Two-fifths of employers believed that most or all people in the organisation think they are paid fairly and that, overall, this hasn't changed much in light of the pandemic and BLM. However, a significant proportion of employers admit that they don't know what their employees think about the fairness of reward in their organisation (35%), or how employee perceptions of reward fairness have changed (17%).

Have employers thought more about fairness?

Figure 1 shows that the current health and financial emergency has encouraged 30% of respondents to think more about the fairness of decisions and outcomes when rewarding employees. Although Table A1 in the Appendix shows little variation by sector, the legal, financial, technology and other professional services sub-sector is the most likely to consider the fairness of their decisions/outcomes when rewarding employees (42%).

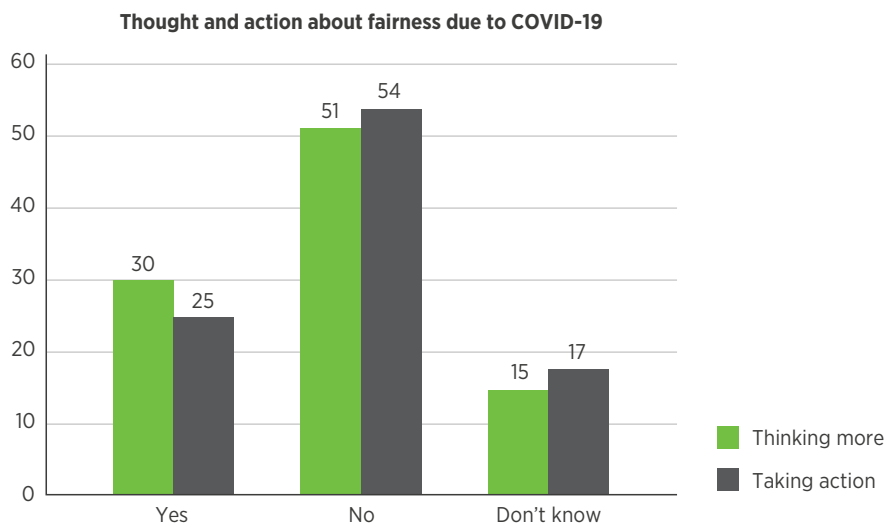
As organisations increase in size, so does their consideration of reward fairness: only 27% of SMEs have thought more about the issue of fairness, while 33% of large and 41% of very large organisations have done so. This might be because larger employers are more aware of the people risks of *not* being seen to be paying their employees fairly – whether among their own workforce, investors or customers – as well as the advantages of being seen as a fair employer.

Our survey also asked respondents if, in the wake of the COVID-19 economic crisis, their organisation had taken any action to address the fairness of its rewards for employees, or had made plans to do so by the end of March 2021. Figure 1 shows that most (61%) of those employers considering whether they reward their workers fairly have also followed up with action. The remainder (39%) of respondents reported that their employer had taken action, although they weren't sure whether – or how much – their employer had thought about the issue in the first place. The voluntary sector was most likely to have acted on their thinking (with 71% of respondents answering in the affirmative), with the manufacturing and production sector being least likely to act (53%).

However, as a proportion of our total sample of 420 employers, only 25% have actually done something to ensure their reward decisions are fairer, with very large employers more likely to have taken action than SMEs (36% and 23% respectively). Some examples of the actions taken by respondents include:

- carrying out a job evaluation exercise
- improving transparency about pay grades and bonus processes
- changing the organisation’s reward philosophy
- carrying out a review of employee benefits
- introducing pay structures
- surveying employees about what they think about the fairness of pay decisions
- increasing wages for low earners
- improving reward communications
- reviewing the split between fixed and variable pay
- reducing the length of service requirements for certain benefits.

Figure 1: In response to the pandemic, what proportion of employers have thought more about reward fairness and have taken action? (%)



Base: n=420

When asked whether, in response to BLM, their organisation had thought more about the fairness of decisions and outcomes when rewarding employees, 22% said ‘yes’ (see Figure 2). Our survey also found that employers who had thought about reward fairness *in response to the pandemic* were no more likely to have then thought about fairness *in response to BLM*.

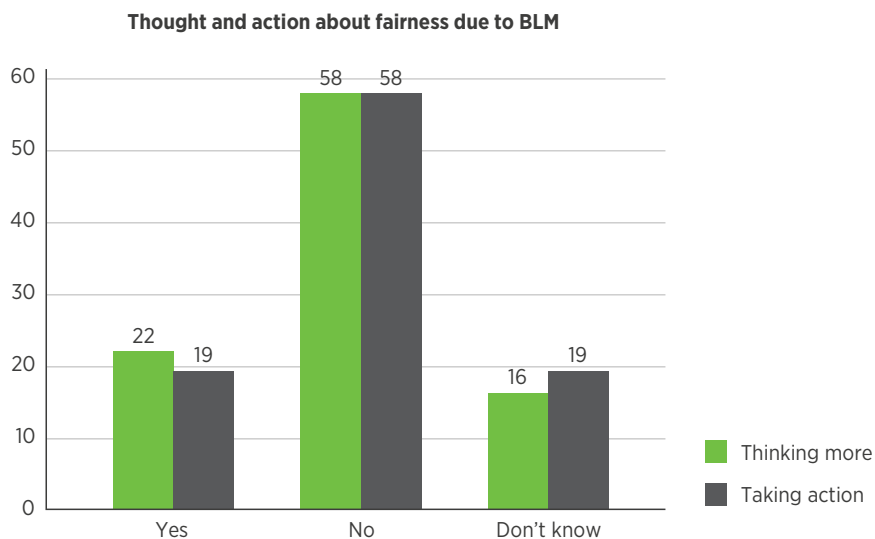
As Table A2 in the Appendix reveals, 31% of public sector employers considered the fairness of their reward processes and outcomes in light of BLM (an even higher proportion than those that had thought about the issue in relation to the pandemic [29%]), followed by 29% of organisations in the voluntary sector and 25% in the private services sector. However, only 6% of those in the manufacturing and production sector had done the same. Again, the bigger the organisation, the more thought is given to fairness, albeit at a lower level than that due to the COVID-19 crisis.

While 70% of organisations considering the issue of fairness in relation to BLM followed this up with action, just 19% of our total sample of 420 employers actually took action, with most action taking place in the public and voluntary sectors. Again, some 30% of those who reported their employers taking action were unsure whether – or how much – their employer had thought about the issue in the first place.

Some examples of the actions taken by our respondents include:

- ethnicity pay gap reporting
- hiring a diversity lead or external consultant
- talking to employees to find out more information
- introducing a new pay policy
- benchmarking roles
- bringing in salary bands
- creating a race equality action plan
- setting up race employee networks for employees to share concerns and receive support
- unconscious bias training
- looking to tackle under-representation of BAME personnel on the executive board and senior management positions
- reviewing the current spend on benefits to ensure fairness across all employees.

Figure 2: In the wake of Black Lives Matter, what proportion of employers have thought more about reward fairness and then acted? (%)



Base: n=420

Barriers to action

We asked respondents whose employers had not taken – and were not planning to take – action in response to BLM what barriers had stopped them from doing so. Table 1 shows that 53% reported that at least one reason for this was that their reward procedures and outcomes had already been reviewed and judged to be fair.

This raises several concerns:

- How did senior management carry out its review?
- How did the review seek employee views about the fairness of their pay and benefits?
- Were the views of those who had to make – and communicate – these reward decisions considered in the review?
- Were the findings from the review shared with employees and line managers?

Other barriers identified include:

- 34% report that there is no internal pressure (such as from management or workers) for change.
- 26% believe that senior management don't see this matter as a priority.
- 17% say there's no external pressure (such as from customers or investors) to take action.

Table A3 shows that firms in the manufacturing and production sector are more likely (70%) to report that they've already reviewed their reward policies and outcomes and found them to be fair. Potentially, this may go some way in explaining why few of these firms have either acted or contemplated taking action.

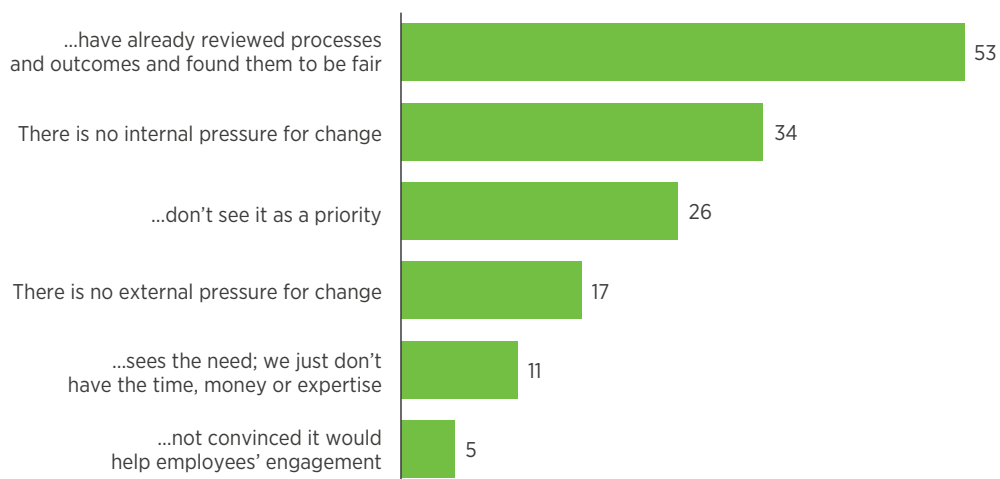
The private services sector was least likely to report that they have reviewed their reward policies and outcomes and found them to be fair (43%). However, *within* this sector, retail, hospitality, catering, leisure and cleaning firms (36%) were less likely than legal, financial, technology and other professional services firms (58%) to regard their reward policies and outcomes as fair after reviewing them in response to BLM. Possibly, legal and consultancy firms within this sub-sector are more aware of the risks and benefits of how reward processes and outcomes are perceived by employees and external stakeholders, and so are more likely to have conducted such a review.

Overall, 34% mentioned a lack of internal pressure for change, with the voluntary and not-for-profit sectors being most likely to cite this as a reason. This might reflect the fact that 57% of voluntary sector respondents reported that they'd already reviewed their reward policies and outcomes and found them to be fair. That said, 70% of those in the manufacturing and production sector reported the same, but only 33% go on to cite a lack of pressure internally as a barrier. It might be that there are other factors at play in the voluntary sector: when compared with other sectors, the voluntary sector might, for instance, be better at communicating the results of its reviews with staff, and thus staff feel less urgency to ask for action.

While 26% of respondents say that senior management do not see action as a priority right now, this ranges from a low of 13% for voluntary sector employers to a high of 31% in both the private sector services and public sector (see Table A3 in the Appendix for more information).

Figure 3: What are the most common barriers stopping organisations from taking action? (%)

Senior management...



Base: n=185

Twenty-three per cent of public sector services cite a lack of *external* pressure stopping them from acting, although 27% of employers in the retail, hospitality, catering, leisure and cleaning sub-sector (a sub-sector of the private services sector) also view this as an obstacle. By contrast, only 13% of voluntary sector employers say the same.

Among the reasons cited less often, it's noticeable that manufacturing and production organisations are much more likely to say their organisation lacks the time/resources to think about taking action, even though they do see the need for doing so. Fewer than one in ten other respondents said this was the case in their sector.

Although SMEs (53%) were more likely than large (45%) organisations (250–9,999 employees) to report that their procedures had already been found to be fair, every single 'very large' organisation (10,000+ employees) cited this explanation for lack of change. There appears to be lower rates of internal and external pressure for action in large organisations (43% and 21% respectively), contrasted with the internal and external pressures faced by SMEs (32% and 14%, respectively).

Publishing pay data by ethnicity

Insofar as large employers already report on pay data by gender, one action mentioned by respondents was the need to carry out reviews of pay by ethnicity.

Given concerns about pay fairness in the wake of COVID-19, the economic lockdown and BLM, there have been calls for large employers to publish their pay data by ethnicity, with the Government setting up the Commission on Race and Ethnic Disparities to explore this as well as other issues, with the #EthnicityPayGap campaign launching Ethnicity Pay Gap Day in January 2021. In addition, some employers, such as the CIPD, Sainsbury's, The Telegraph Media Group and the CBI, have voluntarily published their ethnicity pay reports. Many employers already think that large organisations should submit pay data by ethnicity.

Table A4 shows that, should this become a legal requirement, 56% of organisations in our survey would find it 'easy' or 'very easy' to comply.

Eighty per cent of public sector employers would find it 'easy' or 'very easy' to comply with this request, which possibly reflects that they've already had experience of disclosing this information. About half of employers in other sectors would find it similarly easy to do so, though the retail, hospitality, catering, leisure and cleaning sub-sector stands out (in that only 34% of firms in this particular sub-sector would find it an easy task). The highest proportion of organisations that would find ethnicity pay gap reporting 'very hard' to conduct can be found in the manufacturing and production sector (15% in this sector), and the voluntary sector (10% in this sector).

Over two-thirds of SMEs feel that reporting would be easy, while fewer than half of large establishments would do so. This is possibly because small organisations have fewer people to report on compared with larger employers.

The following quotes explain why some respondents thought it difficult to report on their employers' pay data by ethnicity:

- 'We don't have the systems in place and it's not compulsory for employees to state their ethnicity.'
- 'Ethnicity is not tracked at present and no guarantee that individuals will provide it.'
- 'We don't yet have our ethnicity data connected to our payroll data.'
- 'Manual calculations, poor recording of ethnicity data.'

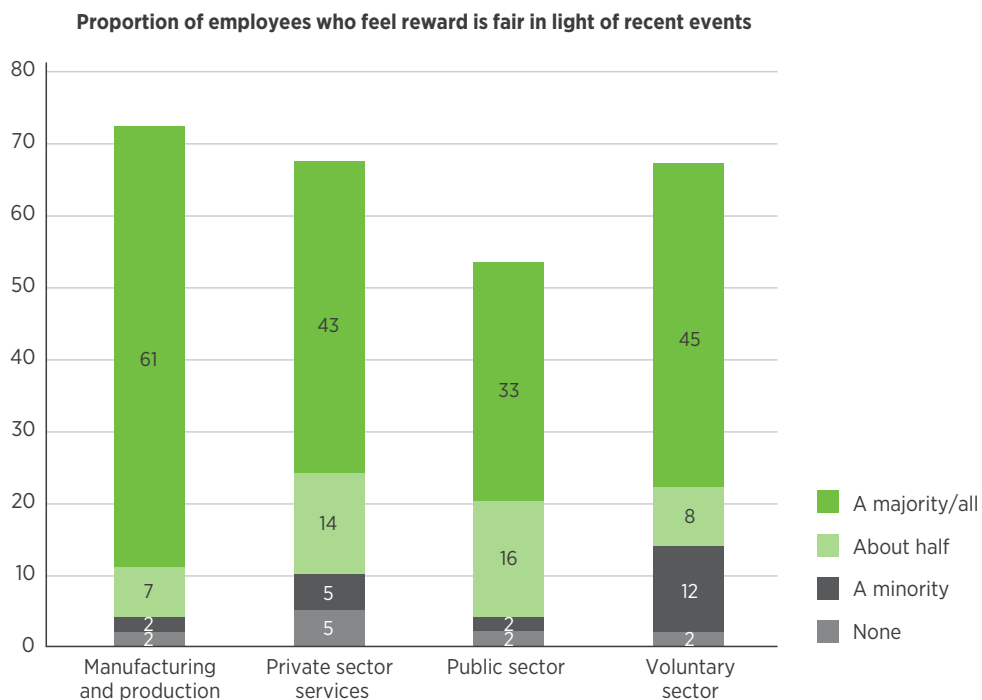
Is reward now fairer?

We asked respondents for their opinions on the proportion of their employees who now think they're being rewarded fairly (both in terms of pay and benefits) in light of COVID-19, the economic crisis and BLM. Overall, 44% of respondents now feel that most or all of their employees perceived their rewards to be fair, while 12% believed around

half of their employees thought them to be fair. However, 35% of all respondents don't know what their employees thought about the fairness of their rewards – a percentage that rises to 47% in public sector services. Employers won't know what employees think about their rewards unless they ask them. However, our previous reward management survey found that only around 25% of organisations surveyed staff about the fairness of their reward outcomes or processes.

Figure 4 shows that public sector employers are *least likely* to believe their employees view their rewards as fair, with only 33% reporting that a majority or all do so. Fewer than half of respondents in the private sector services (43%) and voluntary sectors (45%) believed that all – or a majority of – staff perceived their rewards to be fair, while 61% in the manufacturing and production sector reported that all or a majority of their staff regarded their rewards as equitable. Note that Figure 4 excludes those employers who don't know what their employees think about the fairness of their rewards.

Figure 4: In light of recent events, what proportion of employees feel reward is fair according to employers? (%)



Base: n=194

We also asked our sample if, since the start of COVID-19, the economic crisis and the acceleration of the Black Lives Matter movement, they believe there had been a change in the proportion of employees thinking their rewards were fair.

Most respondents (67%) believe there had been no change in employees' perceptions of fairness in the way they're rewarded. A small proportion (7%) believe these perceptions had worsened, though slightly more (9%) thought they'd improved over this period. A further 17% don't know whether there'd been any change.

There's not much difference by sector, although 18% of respondents in the public sector were more likely to feel that perceptions had worsened – something the forthcoming public sector pay freeze is possibly unlikely to improve.

Organisations that benefited financially from the pandemic were most likely to report that more of their employees viewed their rewards to be fairer. Among those reporting ‘very beneficial’ effects, 29% thought *more* employees believed their rewards to be fairer, while none thought *fewer* employees believed them to be fairer.

At the other extreme, of those employers reporting the pandemic having a ‘very negative’ financial impact on their organisation, 10% believed that *more* employees thought their rewards to be fairer, while 7% believed *fewer* employees thought their rewards to be fairer.

Conclusion

The pandemic, the financial crisis and the acceleration of BLM protests have focused the attention of customers, politicians, employees and investors on how employers treat their workforces. Because of these pressures, we had expected lots of organisations to have thought about the fairness of how they reward and recognise their people.

While many have spent time reflecting on the equity of their reward decisions and the outcomes of these for employees, most have not. Similarly, while many told us how they had adapted their approach to pay and benefits due internal or external concerns, most had done nothing.

Our research finds many explanations as to why employers have not altered their existing reward approach in light of BLM. The most common reason is that the organisation has already conducted a comprehensive, accurate review and found their pay system to be fair. However, there is a suspicion that some might not have taken on board fully the lived remuneration experiences of black, Asian and minority ethnic employees in their workplaces.

We believe that one way to encourage discussion and action is through the publication of ethnicity pay reports. Many employers have already started to do this, and our survey finds that most respondents believe that such reporting would be relatively straightforward if this became a legal requirement.

As a first step, HR should encourage employees to disclose their ethnicity, as this will help in reporting and taking appropriate action. A high level of disclosure is also an indicator that employees trust their employers to take – and subsequently act on – this information.

Our practitioner workshop also highlighted the importance of senior management not only making *pronouncements*, but following this up with *meaningful action*. While workshop participants thought that employee diversity networks can play an important role, this can only happen if these networks are integrated into how the organisation operates. To help, the CIPD ran a webinar on [ethnicity pay gap reporting](#) for practitioners, and has created ongoing support for the people profession to [combat workplace racism](#).

More widely, the [2019 CIPD Reward Management survey](#) (available in the archive at the bottom of the webpage) found that most employers did not have a definition of what they consider to be *fair*. If a definition did exist, it wasn’t widely shared. Having this definition in place is essential if employees, investors and customers are to view the organisation as a fair employer.

HR has an opportunity to help their organisations develop a shared understanding of what they mean by *fair*, which can then be used by senior management to judge the various reward choices they face and ensure consistency when reward decisions are made. This definition should also be used to help explain reward actions to employees, investors and other stakeholders so that they can understand the approach the firm is taking, and why they’re taking it.

However, to be able to talk about fairness, employers need to review their existing approach to rewards to see if it is fair and take action to address legacy issues. This will depend not only on the employer having the systems that capture the relevant data in the appropriate manner, but also on HR having the capabilities to analyse it.

Those firms that aren't able to create a fair way of distributing rewards, struggle to articulate why their approach is equitable, and can't be open and transparent about their reward decisions, will suffer compared with those that can.

Our workshop participants stressed that success would depend on people professionals using their judgement when deciding what is fair, building consensus around the definitions of fairness, and taking time to factor in perspectives likely to vary across the workforce. They also highlighted the danger of employers simply signing up to external diversity initiatives. While such action might look good, it won't be as effective as organisations developing a bespoke approach that matches both the business context of the organisation and the needs of its people.

2 Appendix

Table A1: What proportion of employers have thought more and acted about fairness in the wake of the COVID-19 and economic crisis? (%)

	Thinking more			Taking action		
	Yes	No	Don't know	Yes	No	Don't know
All	30	51	15	25	54	17
By sector						
Manufacturing and production	32	57	11	19	64	13
Private sector services, of which:	30	52	14	23	57	15
Retail, hospitality, catering, leisure and cleaning	21	62	7	21	62	7
Legal, financial, technology and other professional services	42	43	13	33	49	15
Other private sector	19	59	19	11	65	20
Public sector	29	42	29	27	47	27
Voluntary, community and not-for-profit	35	51	10	35	47	16
By size						
SME (<250)	27	58	11	23	61	13
Large (250-9,999)	33	47	17	26	51	19
Very large (10,000+)	41	27	27	36	32	32

Base: n=420

Table A2: What proportion of employers have thought more and acted about fairness in the wake of the BLM protests? (%)

	Thinking more			Taking action		
	Yes	No	Don't know	Yes	No	Don't know
All	22	58	16	19	58	19
By sector						
Manufacturing and production	6	77	15	6	74	17
Private sector services, of which:	25	57	14	18	59	19
Retail, hospitality, catering, leisure and cleaning	24	59	10	21	62	10
Legal, financial, technology and other professional services	28	57	13	24	56	18
Other private sector	22	56	17	9	61	24
Public sector	31	38	29	36	38	22
Voluntary, community and not-for-profit	29	57	12	22	59	18
By size						
SME (<250)	17	70	11	9	74	15
Large (250–9,999)	29	48	20	28	45	22
Very large (10,000+)	36	27	27	36	23	32
Effect of COVID-19 on organisation						
Very negative	24	52	18	24	52	18
Slightly negative	24	59	15	18	59	20
No effect	13	64	18	10	64	21
Slightly beneficial	19	69	13	6	75	19
Very beneficial	27	60	13	20	60	13
Effect of COVID-19 on employees						
Very negative	18	52	23	16	57	23
Slightly negative	25	58	15	21	56	20
No effect	16	60	19	15	61	19
Slightly beneficial	26	63	8	16	66	13
Very beneficial	20	60	20	20	60	20

Base: n=420

Table A3: What are the most common barriers stopping organisations from taking action in the wake of BLM? (%)

Senior management...	...have already reviewed processes and found them to be fair	There is no internal pressure for change	...don't see it as a priority	There is no external pressure for change	...sees the need; we just don't have the time, money or expertise	...not convinced it would help employees' engagement
All	53	34	26	17	11	5
By sector						
Manufacturing and production	70	33	20	17	23	3
Private sector services, of which:	43	31	31	18	7	3
Retail, hospitality, catering, leisure and cleaning	36	36	27	27	9	0
Legal, financial, technology and other professional services	58	26	26	19	6	0
Other private sector	28	36	40	12	8	8
Public sector	54	31	31	23	8	8
Voluntary, community and not-for-profit	57	48	13	13	9	4
By size						
SME (<250)	53	32	28	14	11	4
Large (250–9,999)	45	43	24	21	12	5
Very large (10,000+)	100	0	0	33	0	0
Effect of COVID-19 on organisation						
Very negative	60	31	21	21	14	10
Slightly negative	45	34	32	13	11	3
No effect	57	48	14	24	5	5
Slightly beneficial	71	14	14	0	0	0
Very beneficial	50	38	38	25	13	0
Effect of COVID-19 on employees						
Very negative	43	24	19	14	14	19
Slightly negative	53	34	30	19	10	3
No effect	54	46	23	19	8	0
Slightly beneficial	68	37	11	16	16	0
Very beneficial	0	0	100	0	0	33

Base: n=185

Table A4: What proportion of employers would find it easy to report pay data by ethnicity? (%)

	Very easy	Easy	Moderately hard	Very hard	Don't know
All	26	30	26	8	11
By sector					
Manufacturing and production	17	34	26	15	9
Private sector services, of which:	25	30	30	6	9
Retail, hospitality, catering, leisure and cleaning	17	17	38	14	14
Legal, financial, technology and other professional services	19	35	36	4	6
Other private sector	37	30	19	4	11
Public sector	44	36	13	7	0
Voluntary, community and not-for-profit	29	27	27	10	8
By size					
SME (<250)	35	33	19	3	9
Large (250-9,999)	20	26	37	13	5
Very large (10,000+)	14	36	23	18	9

Base: n=420



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Issued: February 2021 Reference: 8098 © CIPD 2021

