

TOOL 1.6

Pay Gap Survey Guidance and Terms of Reference

- » **GOAL:** Outline policy guidance and steps to correct imbalances regarding equal pay for equal work
- » **TARGET UNIT:** Human Resources

To attract and retain a gender-diverse workforce, potential candidates need to be confident that they are being paid fairly for their work. “Equal pay for equal work” means that women and men will receive the same pay and same work conditions for the same or similar job descriptions, and/or for jobs requiring similar levels of skill or qualification.⁴⁹ But globally and across many industries, pay gaps persist between women and men performing the same jobs.

Pay equity is not only the right thing to do—it also makes good business sense. Paying all candidates equitably is important for retaining high performers and developing a strong senior management pipeline.⁵⁰ Furthermore, transparency can motivate workers and encourage cooperation when colleagues know they are being fairly remunerated.⁵¹

Pay and related compensation should be set by the job function, not by the individual performing it. Bonus pay should be awarded according to a clear and transparent system so that all staff understand the basis and metrics for bonus pay.⁵²

BOX 1D | Defining the Gender Pay Gap

The International Labour Organization has developed a definition to describe gender inequalities in pay. According to the ILO:

The gender pay gap measures the difference between male and female average earnings as a percentage of the male earnings. Overall, features such as differences in educational levels, qualifications, work experience, occupational category, and hours worked account for the “explained” part of the gender pay gap. The remaining and more significant part, the “unexplained” portion of the pay gap, is attributable to the discrimination—conscious or unconscious—that is pervasive in workplaces.

For more, see the ILO publication, [Pay Equity: A Key Driver of Gender Equality](#).

⁴⁹ International Training Centre of the ILO, [Break Gender Stereotypes: Give Talent a Chance](#), Brussels: European Commission, 2008, 54.

⁵⁰ ILO, [Pay Equity: A Key Driver of Gender Equality](#), Geneva: ILO, 2015, 1.

⁵¹ Kristin Wong, “[Want to Close the Pay Gap? Pay Transparency will Help.](#)” New York Times, January 20, 2019.

⁵² ILO, [Break Gender Stereotypes: Give Talent a Chance](#), 54.

How to Ensure Equal Pay for Equal Work

1. Identify equivalent jobs, screening for gender bias

Use job evaluation metrics to determine which jobs should be paid equally. Be sure to review these metrics for hidden gender bias. For instance, two jobs that are similarly physical, such as cleaning and janitorial, might be rated differently. The stereotypically male job of janitor could be deemed more physically intensive than stereotypically female jobs of cleaning. Use the following criteria to review job classifications to ensure that equal work is rated for equal pay:

- **Skill:** What training and skills are required to conduct this job?
- **Effort:** What is the physical or mental effort required to do this job?
- **Responsibility:** What responsibility does this job have over physical, financial, human, or technical resources?
- **Working conditions:** What are the physical, psychological, or other pressures associated with this job?

2. Conduct a Pay Gap Survey to Understand the Situation in Your Company

Once you have conducted a review to determine which positions should be paid equivalently, the next step is to survey your own employment practices to understand where pay gaps actually exist. A pay gap survey can help you identify differences in the ways in which women and men are being compensated for equivalent work. Companies may not even realize that they have a gender-related imbalance in pay, so pay gap surveys can be valuable tools for identifying and addressing issues. These surveys also can help to uncover other biases, such as lower wages for minority or local women. Pay gap surveys and follow-up actions are a straightforward way for companies to ensure that they can:

- Recruit and retain a diverse workforce
- Demonstrate a commitment to addressing gender imbalance
- Highlight their commitment to transparency, gender equity, and diversity

As part of planning an assessment, consider ways to make information available to employees and actions to take if pay gaps are revealed. Some countries are moving towards mandating transparency around pay gaps: Australia, Germany, Austria, and Belgium have passed laws requiring companies of a certain size to publish pay gap information. The U.S. adopted a similar law in 2016, and starting in 2017, the UK started requiring companies with more than 250 employees to publish pay gap information.⁵³

⁵³ UK Government, "[Gender Pay Gap Reporting: Overview](#)," updated 25 March 2020.

Pay gap assessments can be complex and difficult. They require a look at multiple factors to identify areas in which women and men receive unequal pay for equal work. The model terms of reference provided here details the specific steps required to undertake such an assessment, which can be used for both internal and external purposes. The proposed approach divides the work into two main tasks as follows:

- Conduct a quick baseline on pay equity: This can be incorporated as part of a broader gender audit or can be conducted independently. Use these questions to build this baseline of the company's status on pay equity:
 - Is there a policy on equal pay for equal work?
 - How have staff been informed of this policy?
 - Is someone within the organization responsible for implementing this policy?
 - Has the job evaluation metric been reviewed for gender bias?
 - Has a pay gap review been conducted in the past to identify gaps in pay for equivalent work?
- Conduct a pay gap survey: The survey is a deeper dive to identify jobs or job families where women and men are not earning equitably. It helps uncover challenges or bottlenecks getting in the way of equal pay for equal work. The survey should identify target areas for improvement and potential actions to take. See below for a model terms of reference for a consultant who could conduct the survey, with the goal of identifying jobs or job families within the company in which women and men are not earning equal pay for equal work.

BOX 1E | Are Your Male and Female Employees Earning Equal Pay for Equal Work?

Not sure? Here are two methodologies to help you find out:

- ILO's Gender-Neutral Job Evaluation for Equal Pay provides a step-by-step guide for companies to compare jobs and evaluate their value, based on a number of gender-neutral qualifications. This objective assessment of positions is a necessary step in the gender audit to ensure that jobs typically held by women are not undervalued. For more, see the ILO publication "Promoting Equity."
- Logib: The Swiss Federal Office for Gender Equality has developed the Logib statistical tool for company self-assessments. To complete the assessment, you will need to input pay, qualifications, and employment profile data for all employees. The tool is available for free download [here](#).

Model Terms of Reference for a Pay Gap Review

Introduction

[Outline rationale for conducting a pay gap review. Introduce steps taken thus far to develop a business case for gender equity, as well as other actions such as gender audits, management support, education, and staff awareness-raising. Explain the context for the pay gap review and how results will be used.]

Consultants retained to conduct the pay gap review will be called the “consultants” for the purposes of this ToR.

Objective

The objective of the pay gap review is to identify gender-based disparities in compensation—including salary, benefits, and bonuses—awarded to women and men who hold equivalent jobs in the company. The review will identify gaps, try to identify the drivers of the disparities, and make suggestions for addressing the disparities.

Scope of Work

The assessment will involve the following activities:

- a. Evaluate jobs across the organization to determine jobs with same or similar job descriptions, and/or jobs requiring similar levels of skill or qualification, so that jobs and salaries can be compared.
- b. Based on the job’s assessment, develop a methodology for evaluating salary data between and across job families to analyze salary by job and by gender to identify trends and pay disparities. Data should be controlled for years at the company, but findings should be analyzed by gender, age, and role. If the company wants to assess race-based pay gaps, data can also be analyzed for ethnicity, race, and other relevant metrics. Where relevant, data should be disaggregated between local and international hires and among work sites to highlight potential differences between headquarters and country/regional offices, and from country/regional office to country/regional office.
- c. Analyze findings to identify pay biases or trends based on gender.
- d. Identify areas of gender bias versus gender-correlated trends: For instance, is there a trend towards lower salaries for women because of gender bias or because many women have taken time out from working for family reasons, meaning fewer years of experience? The analysis should explore the extent to which such trends are justified, as well as identify situations in which there is truly unfair bias with no basis in a business rationale.
- e. Identify challenges and opportunities for addressing gender-based pay disparities.

Deliverables

- a. Pay gap review methodology
- b. Pay gap review draft, to include the following components:
 - i. Introduction: Introduce the company, business case for gender pay equity, context for the gender pay gap study, initiatives and programs already underway, management support, and plans for follow-up and implementation based on the study.
 - ii. Summary of interviews conducted and business units reached, as well as methodologies used.
 - iii. Summary of findings and recommendations: Key findings and recommendations for addressing main challenges and capitalizing on opportunities.
 - iv. Results by business unit and priority area as outlined in the scope of work, and any additional findings.
 - v. Detailed evaluation and proposed follow-up steps.
- c. Finalized pay gap review: Provide a final, revised version of the review that incorporates company feedback gathered during the review process.

Reporting

Identify a contact person within the company to whom the consultants will report and who can respond to questions they may have.

Timeline

Identify timeline for the entire job, as well as for each of the specific deliverables.