

## Study of Reward Fairness and Equity

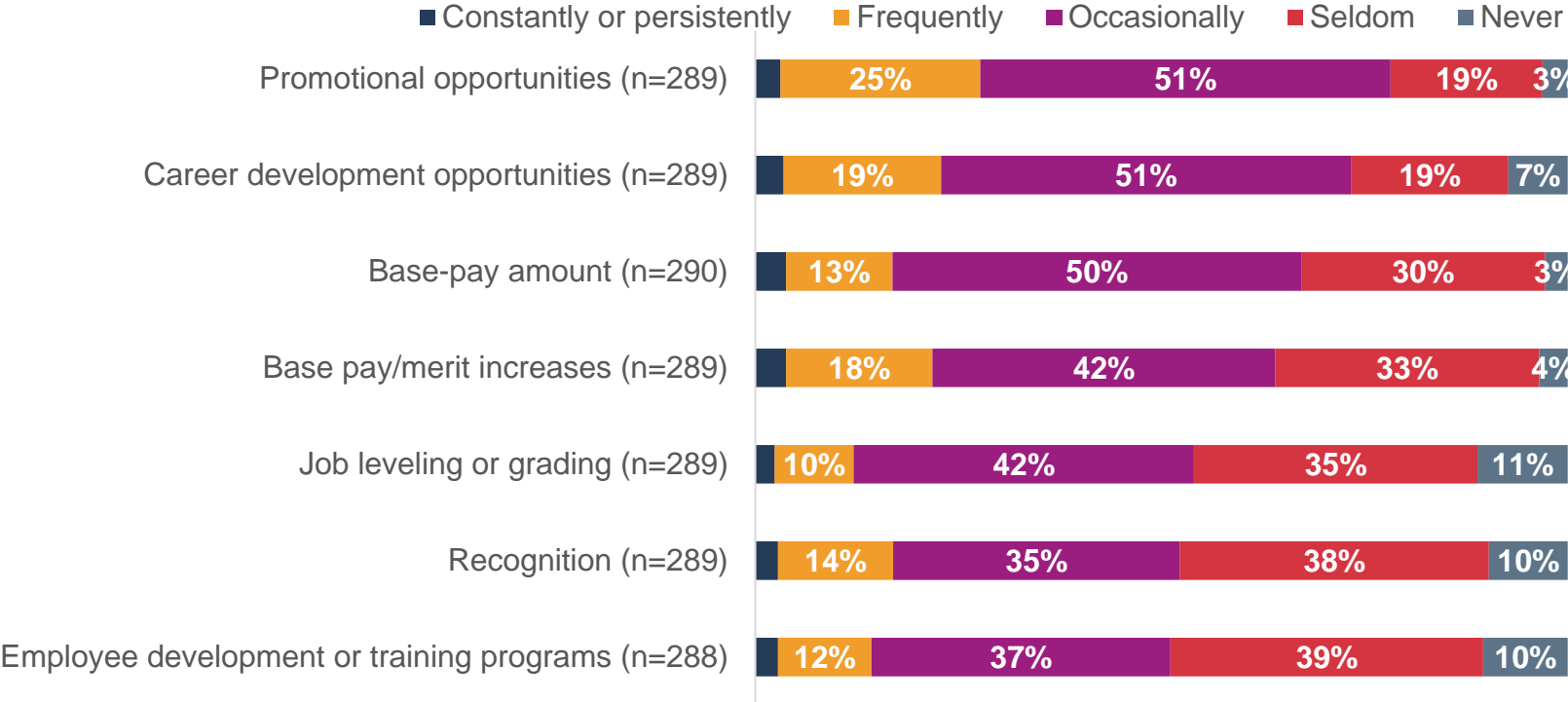
Organizations must ensure that rewards programs are rooted in principles of fairness in order to motivate and engage employees from different backgrounds and experiences. WorldatWork, Dow Scott, Ph.D., of Loyola University Chicago, and Korn Ferry gathered and analyzed data about organizations' perceptions of fair rewards and the tools rewards professionals use to create reward programs, policies and structures.

# Executive Summary

- Promotional opportunities lead among employee concerns in both internal and external equity or fairness.
- Individual performance and work responsibilities associated with the job are high-ranking criteria in determining base-pay rewards fairness, while overall organizational performance is a major factor for variable pay.
- “External rewards consistency” falls to the bottom when considering how to determine rewards. Consistency with rewards philosophy is most important.
- Respondents agree that internal rewards equity is incredibly influential to employee motivation, satisfaction, engagement and retention.
- Men and women tend to focus on different criteria when assessing pay fairness.
- Generally, women express more concern than men about fairness of their total rewards packages, but men tend to express more concern about variable pay and titles.

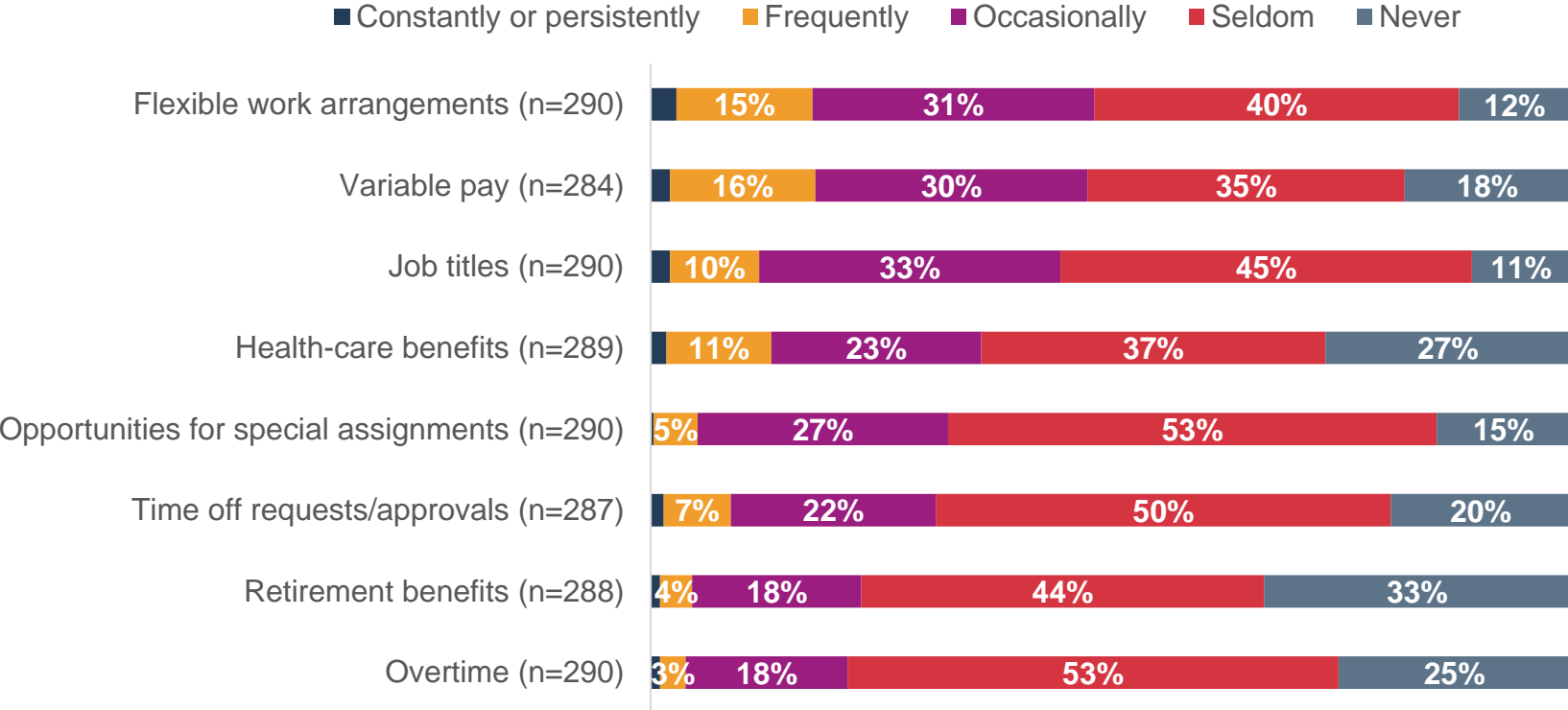
Promotions, Base Pay and Career Development opportunities are seen as the areas in which employees are most concerned about internal fairness, as more than half of respondents reported that their employees complain about these issues at least occasionally.

### Frequency of Employees Voicing Concerns Regarding Lack of Internal Equity or Fairness



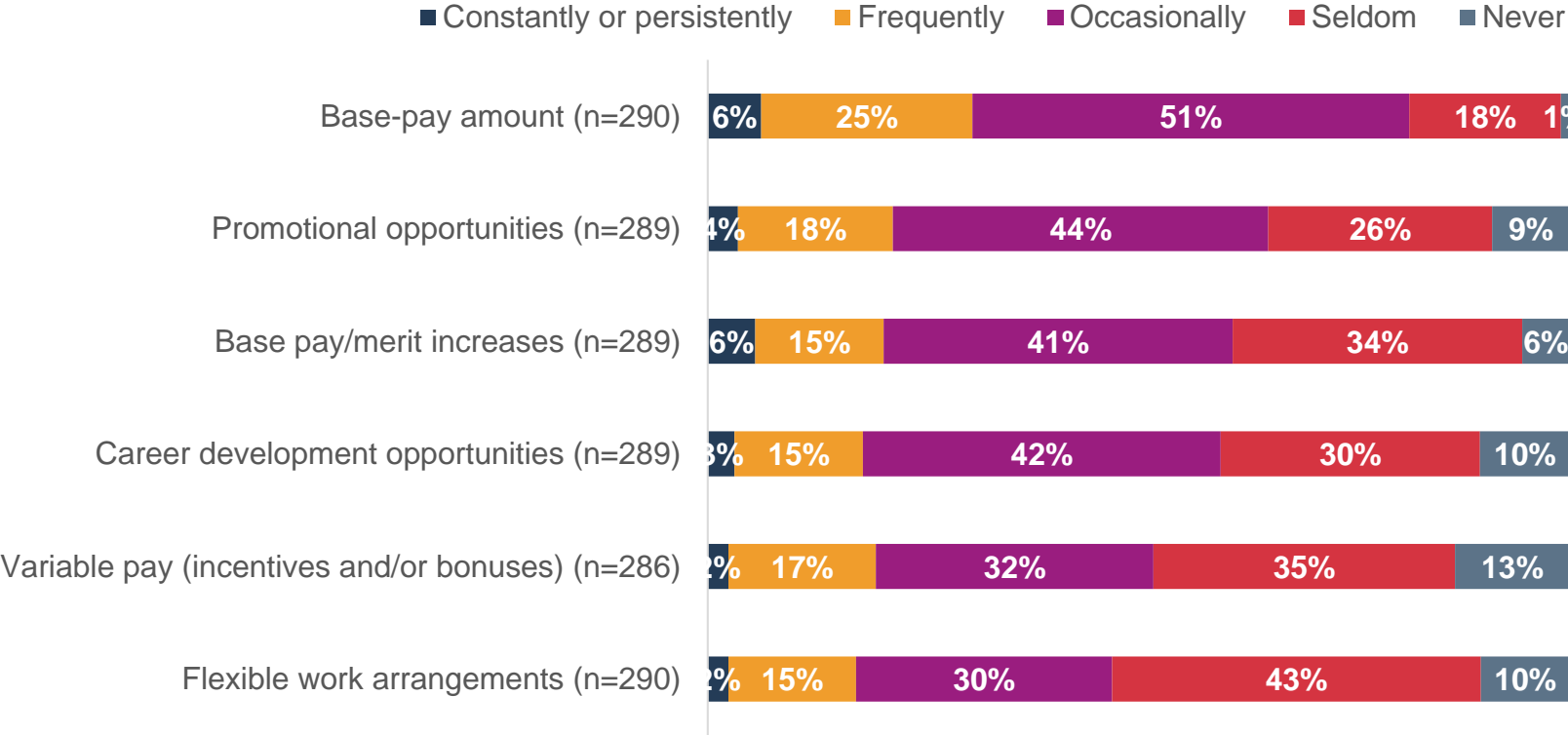
**Retirement, Health-care Benefits and Overtime often are lesser concerns with regard to internal equity. More than 1 in 4 respondents said their employees never voice concerns about internal fairness of these programs.**

**Frequency of Employees Voicing Concerns Regarding Lack of Internal Equity or Fairness**



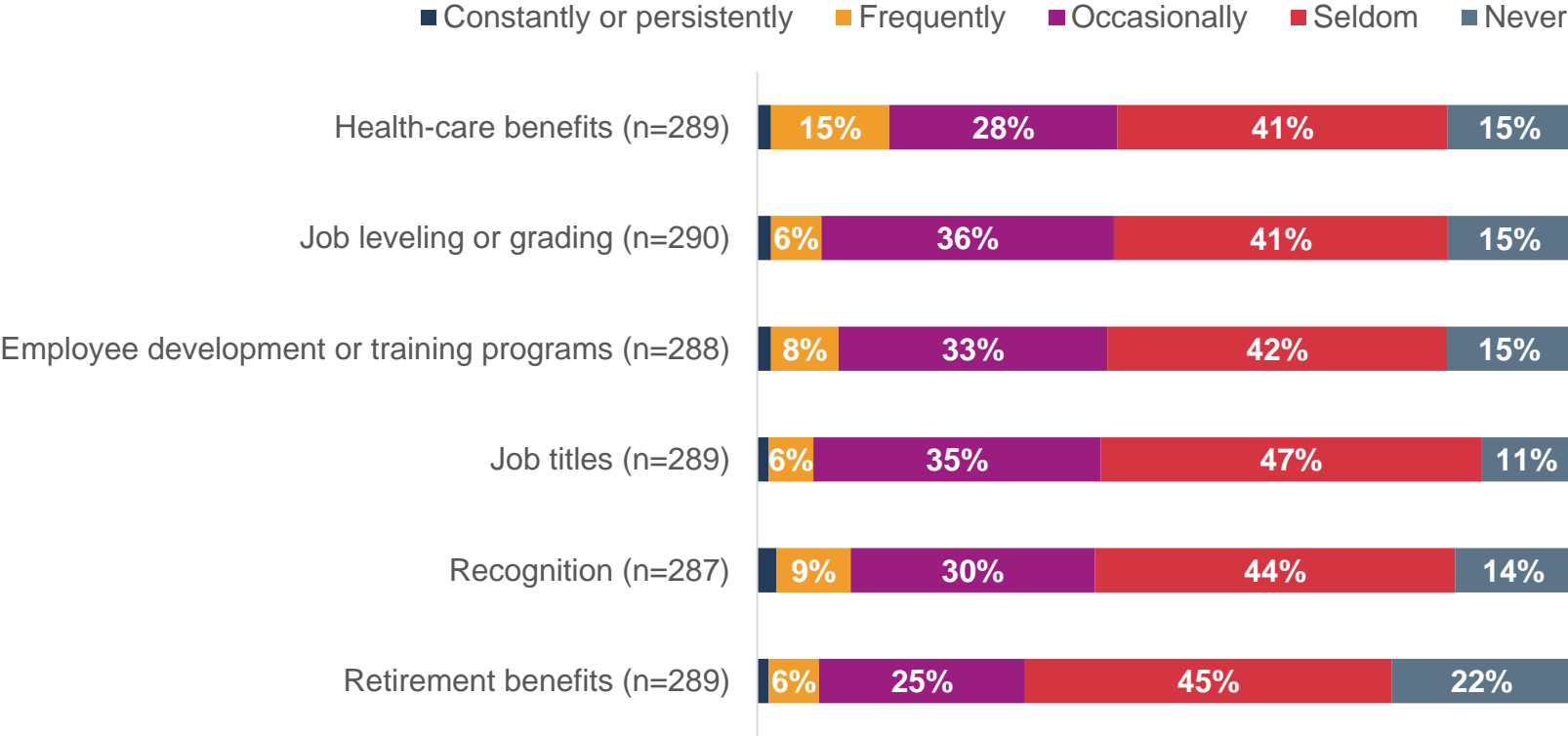
According to respondents, their employees are most concerned that there are issues with external fairness when it comes to base pay, approximately 1 in 3 said employees complain frequently.

### Frequency of Employees Voicing Concerns Regarding Lack of External Equity or Fairness



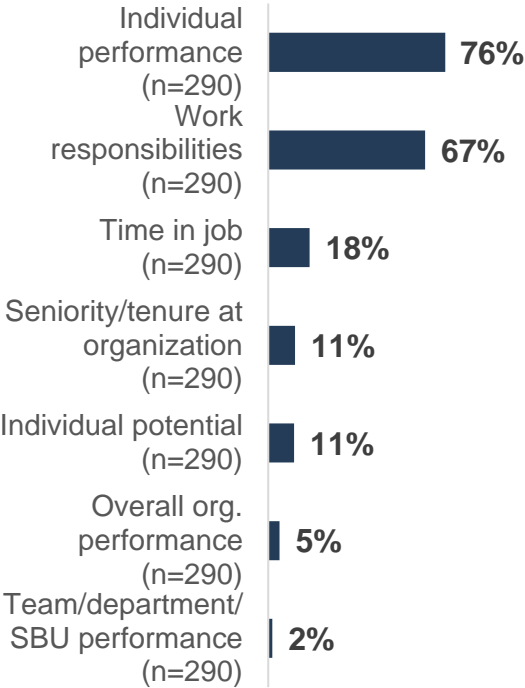
# Retirement Benefits rarely are seen as an area lacking external equity; 2 in 3 respondents said their employees seldom or never complain.

## Frequency of Employees Voicing Concerns Regarding Lack of External Equity or Fairness

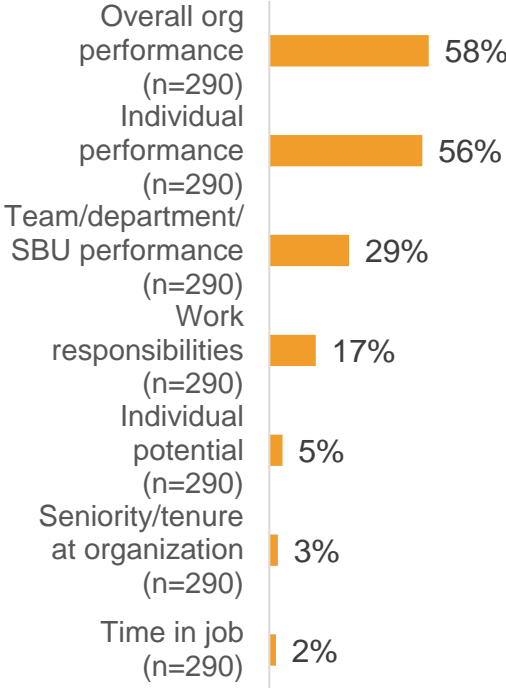


**Individual performance is a top consideration when determining pay fairness, but responsibilities weigh more heavily in base-pay decisions, and organizational performance is a big consideration for variable pay. Individual potential has a large effect on nonfinancial rewards.**

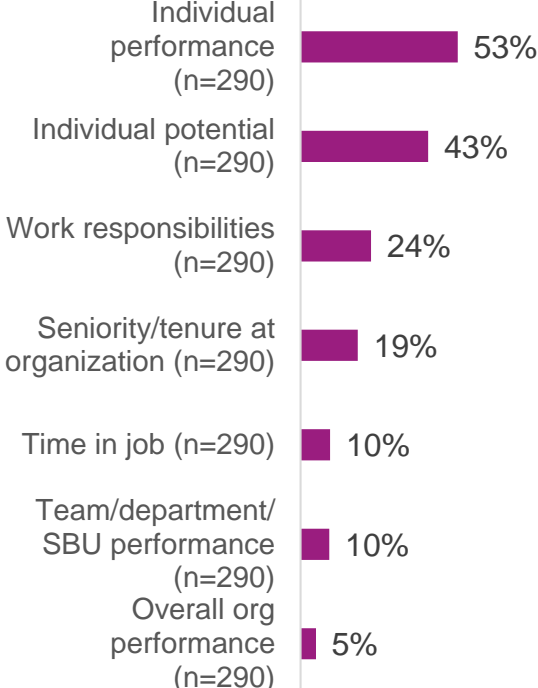
### Base Pay



### Variable Pay



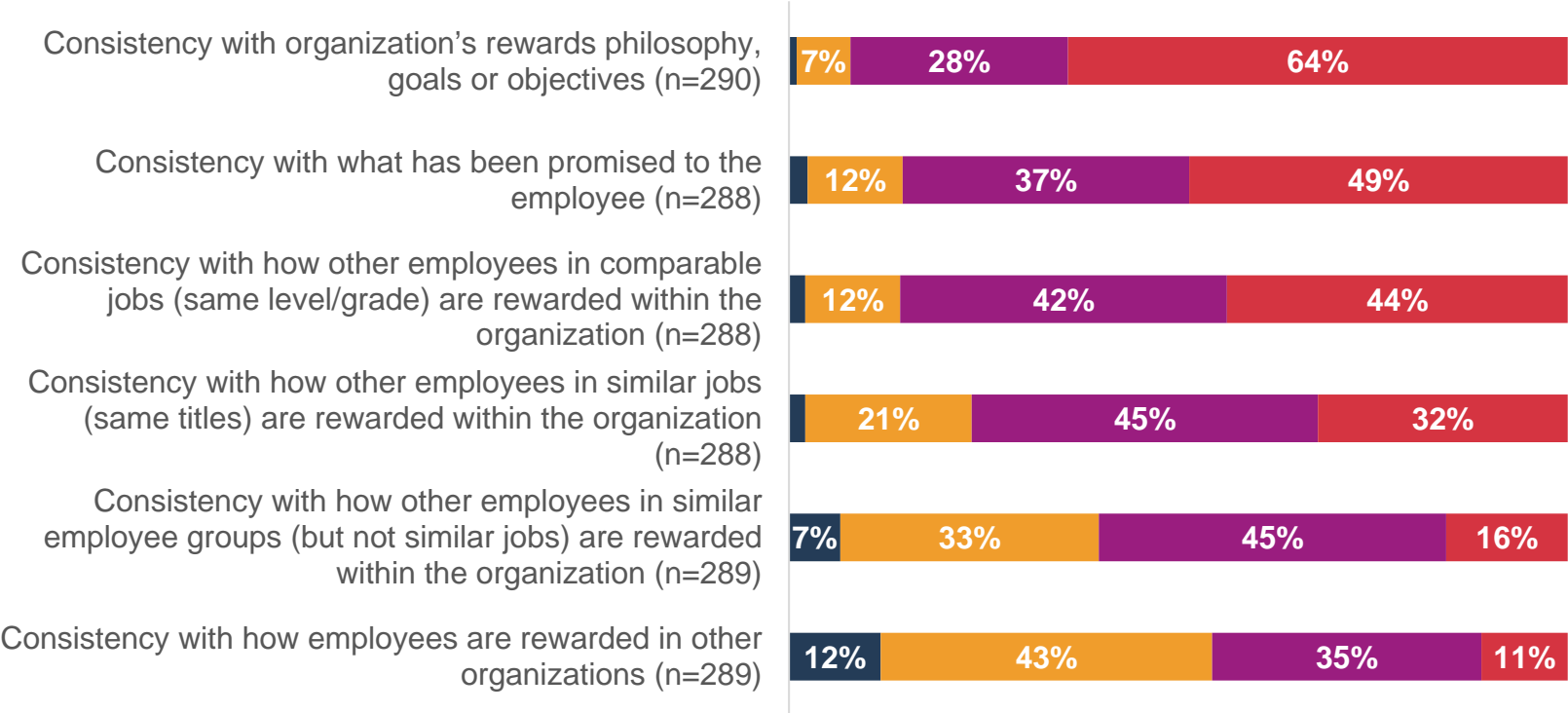
### Nonfinancial Rewards



# Consistency with rewards philosophy is the most important factor in determining rewards.

## Importance in Determining Rewards

■ Not Important   ■ Somewhat Important   ■ Important   ■ Very Important

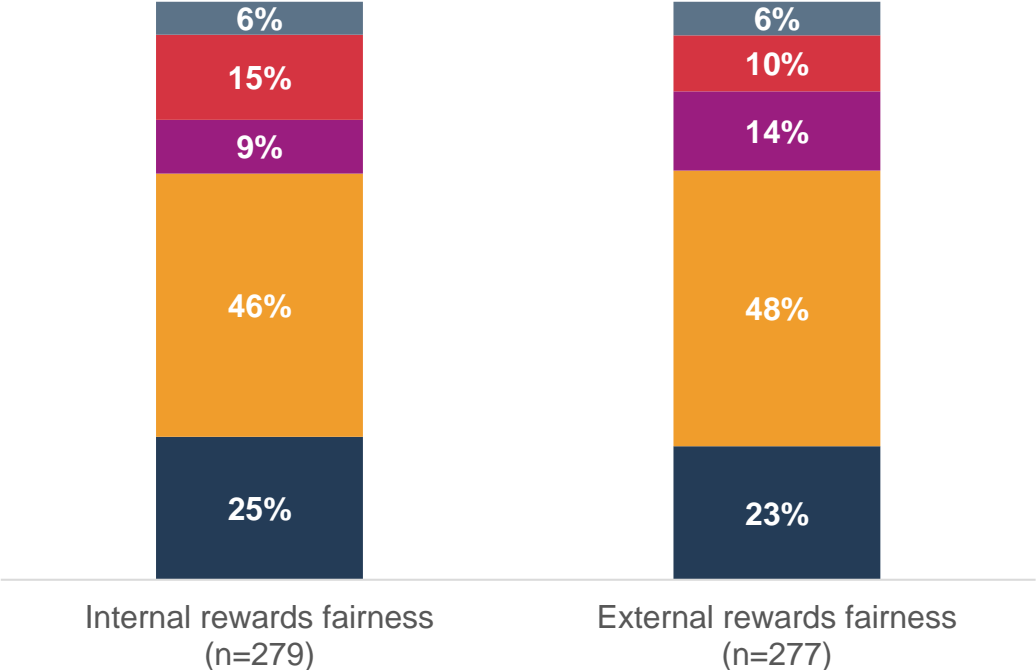




# Senior management often sees both internal and external rewards fairness as important, but not critical.

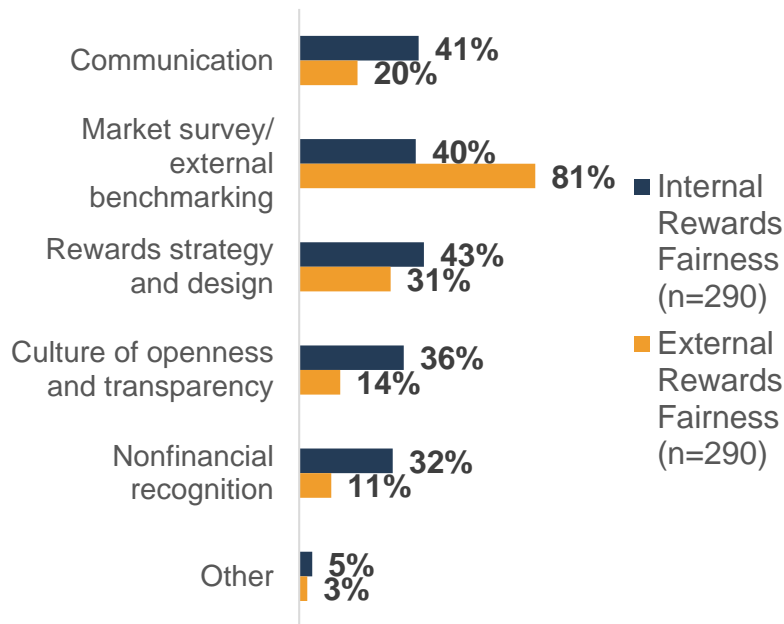
## Senior Management's View of Rewards Fairness

- It is not considered in rewards system design
- It is not an objective, but a result of well-designed programs
- A secondary objective
- An important, but not critical objective
- A primary, mission-critical objective

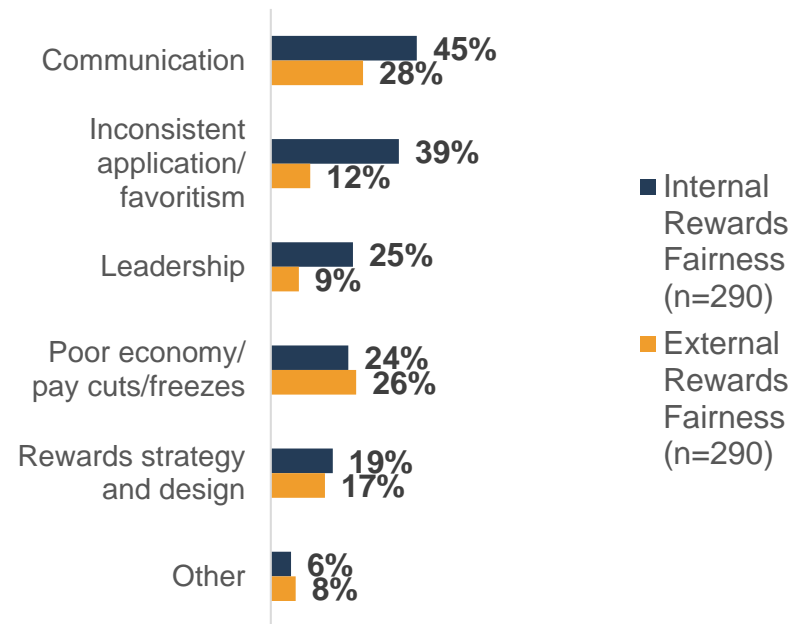


# Communications can make or break employee perceptions of fairness.

Things Organizations Do Well to Improve Perceptions of Rewards Fairness

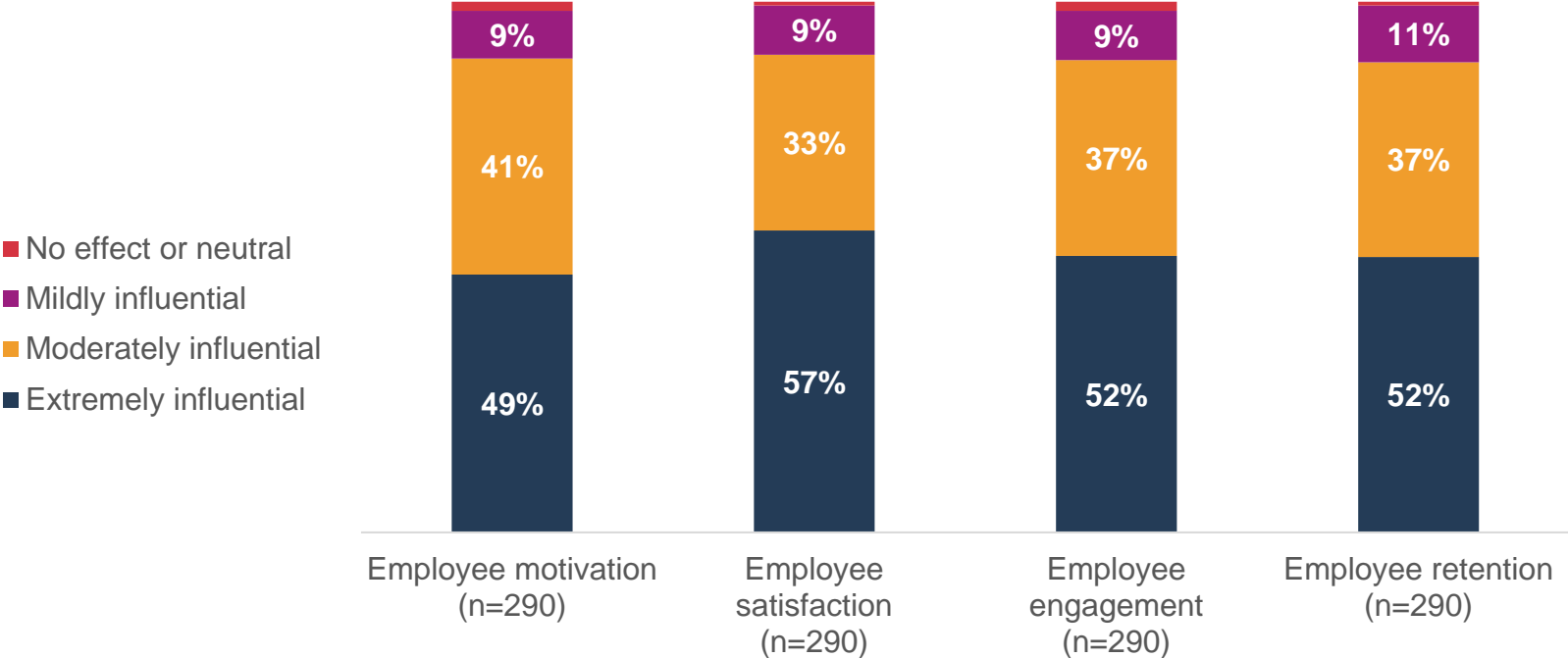


Things Organizations Have Done that Eroded Perceptions of Rewards Fairness



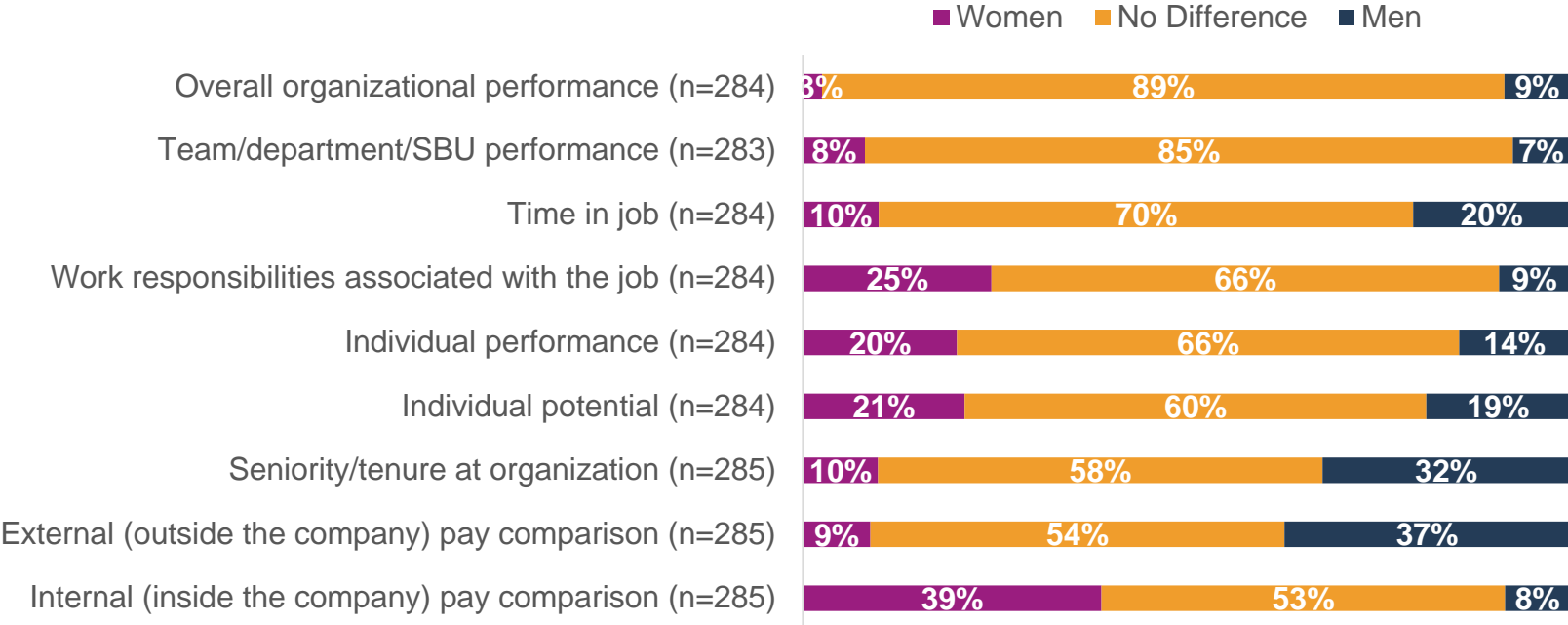
# Internal rewards equity is highly important, but has the biggest effect on employee satisfaction.

## Influence of Organizational Internal Rewards Equity



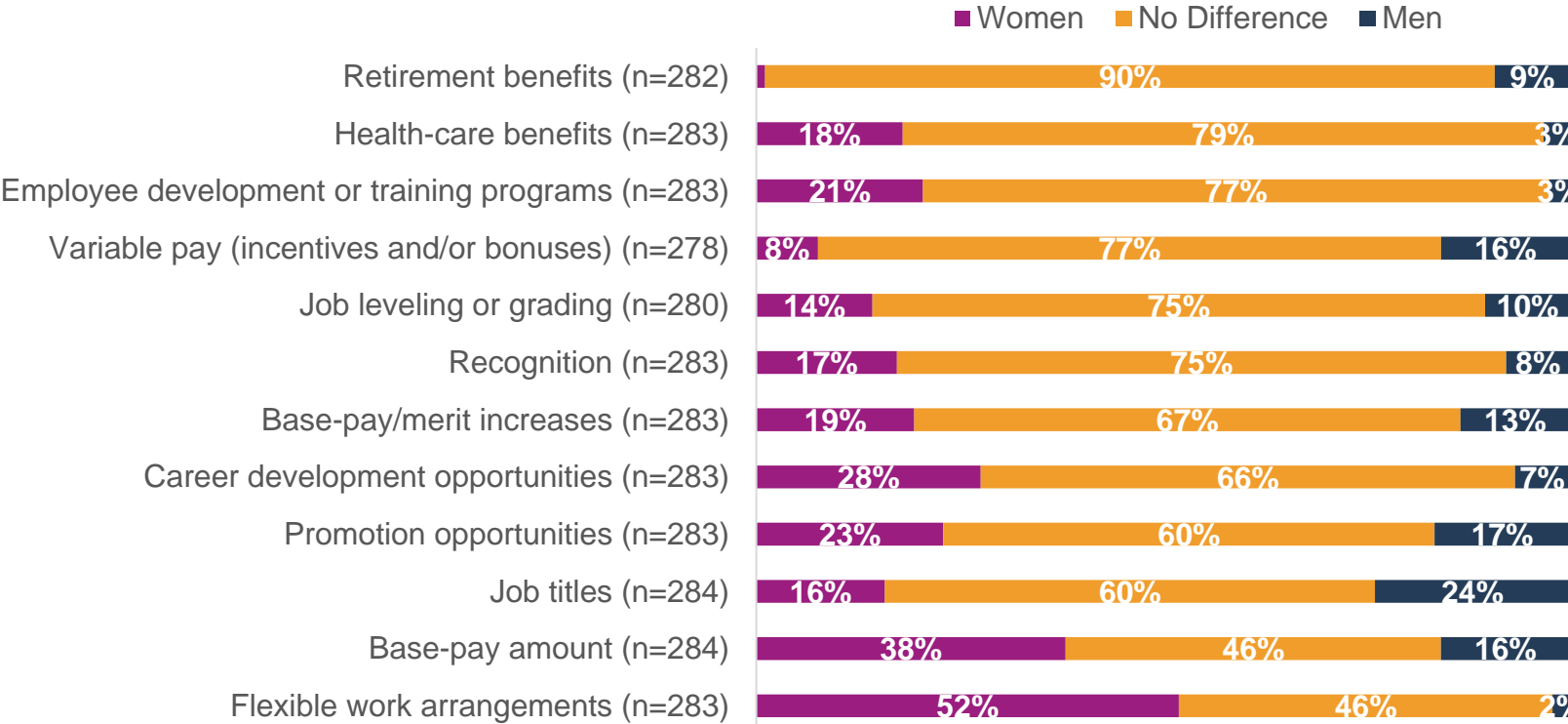
**For the most part, men and women assess pay fairness similarly, although men tend to focus more on external comparisons while women focus more internally.**

### Assessing Pay Fairness by Gender



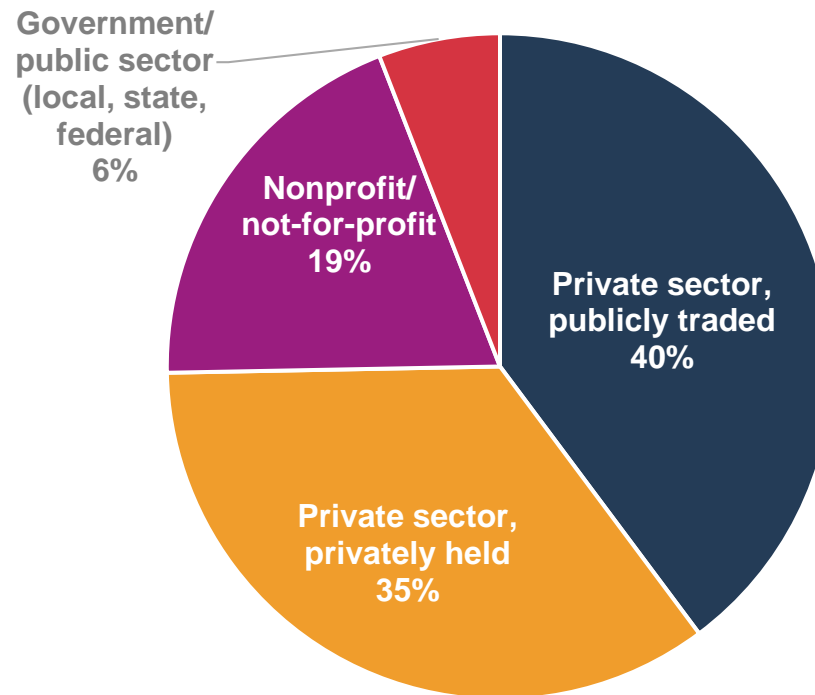
Generally, men and women express concerns about fairness at similar rates, but women tend to be more vocal than men when there are differences, particularly around flexibility and base pay.

### Reward Fairness or Equity Differences by Gender

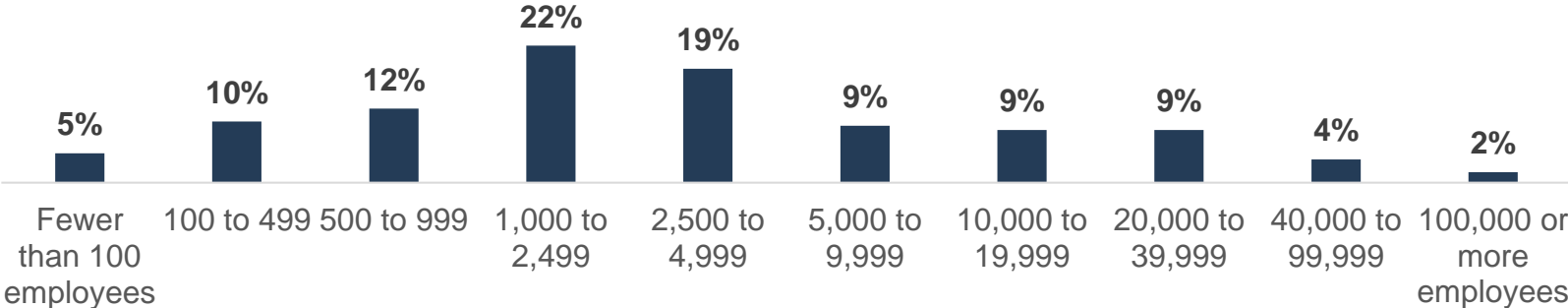


# Demographics

# Sector (n=289)

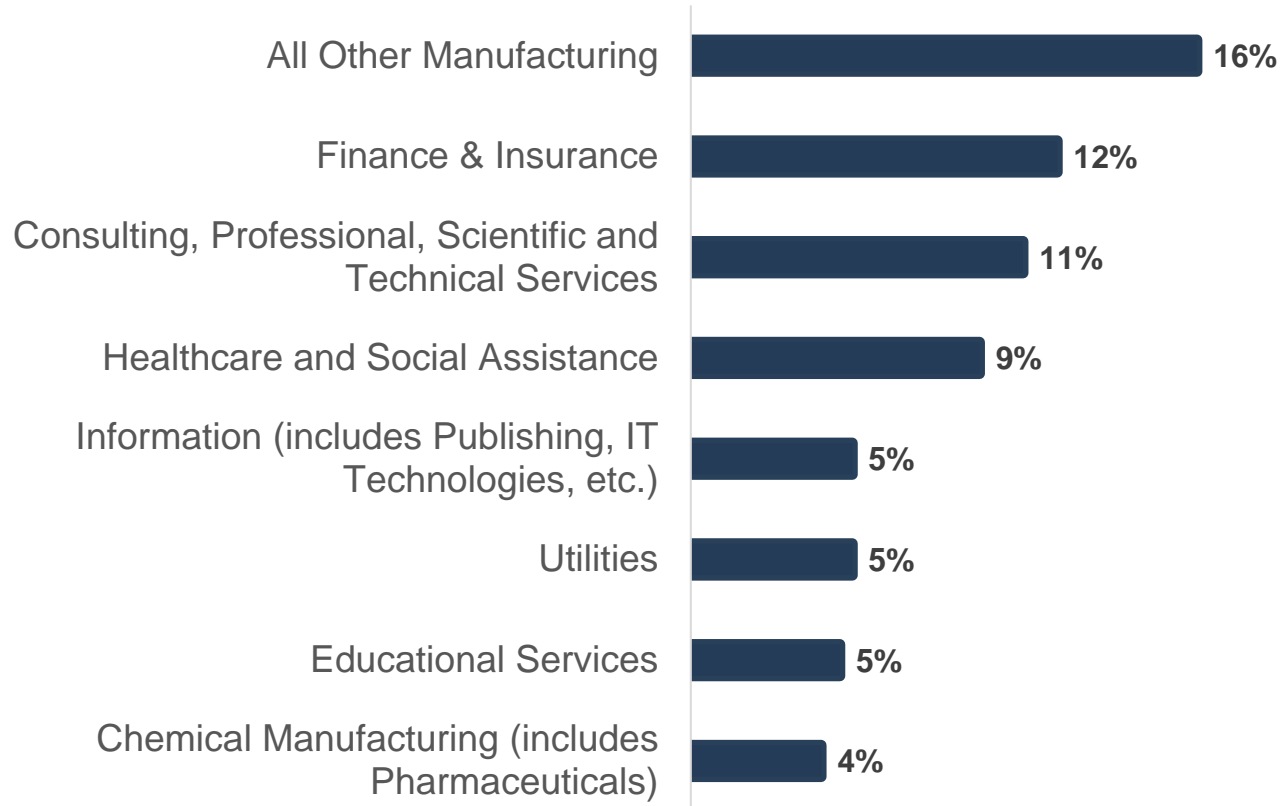


# Organization Size (n=290)



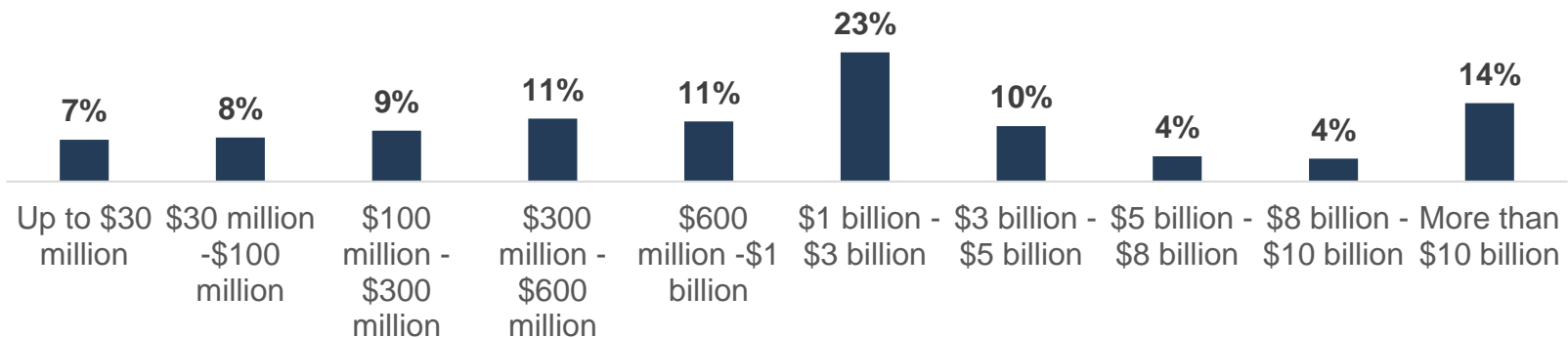


# Industry (n=289)

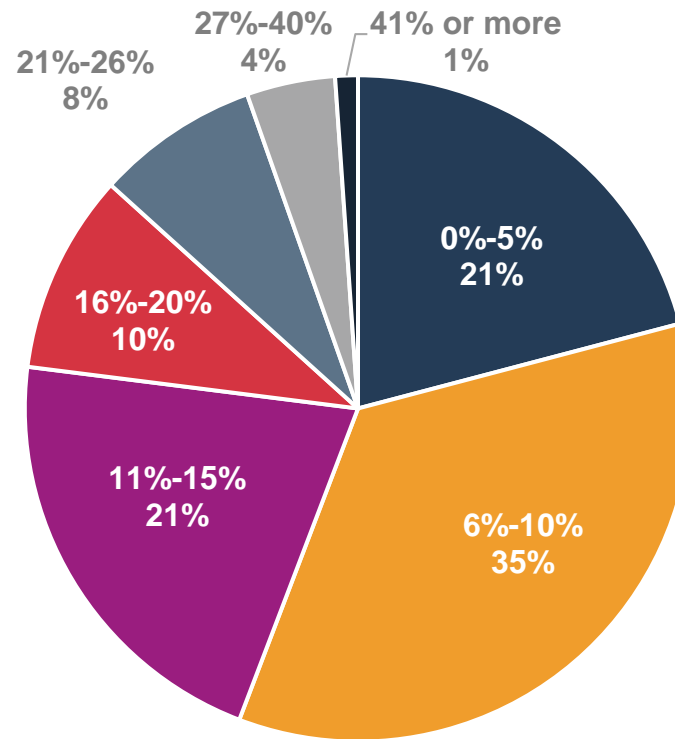


*Only industries with at least 5% of responding organizations are listed here.*

# Annual Revenue (n=248)



# Voluntary Turnover (n=278)



# Methodology

This report summarizes the results of a March 2018 survey of WorldatWork members that gathered data about organizations' perceptions of fair rewards and the tools rewards professionals use to create rewards programs, policies and structures.

On March 21, 2018, survey invitations were sent electronically to 5,556 WorldatWork members. The survey closed on April 9, 2018, with 437 responses. The dataset was cleaned, resulting in a final dataset of 290 responses. In order to provide the most accurate data possible, data was cleaned and analyzed using statistical software. Any duplicate records were removed.

The demographics of the survey sample and the respondents are similar to the WorldatWork membership as a whole. The typical WorldatWork member works at the managerial level or higher in the headquarters of a large company in North America. The frequencies or response distributions listed in the report show the number of times or percentage of times a value appears in a dataset. Due to rounding, frequencies of data responses provided in this survey may not total exactly 100%.

The full text of the questionnaire can be found [here](#). A list of participating organizations can be found [here](#).

# Definitions

- **Fair:** A decision free from bias or injustice; with regard to fair rewards, it is consistent with your organization's criteria for making a rewards decision.
- **Internal equity:** Refers to fair rewards decisions made with regard to how others are rewarded within your organization.
- **External equity:** Refers to fair rewards decisions in regard to how others outside of your organization are rewarded.

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