



Pay Transparency and Pay Equity in the Food and Drink Industry

Introductions



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Sector expertise

We understand your business and the industry in which you operate. This is demonstrated by our sector expertise:



Aon clients represent **51%** of the **top 100** Food and Drink manufacturers in the UK including **8** of the **top 10** (The Grocer Top 150 Food & Drink Suppliers Survey, November 2023)



Globally, Aon advises **9** of the **top 10** largest food manufacturing companies in the world

Our UK Food & Drink Practice brings together our experts from across the UK and internationally. Our group meets regularly to share insights and best practice, but also brief colleagues on new and innovative solutions available for our clients



Our industry experts contribute regularly to our thought leadership communications, and these can be found on our **Practice website**



Aon is an Associate Member of the Food & Drink Federation and regularly support and attend its events

Over the last 5 years our claims consultants have **actively managed over £200m** of major losses in the Food & Drink Sector to accelerate positive claims settlements and avert crises



Aon's Insights

Top Risks in the Food, Agribusiness and Beverage Industry

Current Top 10 Risks	1 Commodity Price Risk or Scarcity of Materials	2 Supply Chain or Distribution Failure	3 Business Interruption	4 Cyber Attack or Data Breach	5 Climate Change	
	6 Weather or Natural Disasters	7 Damage to Reputation or Brand	8 Regulatory or Legislative Changes	9 Failure to Attract or Retain Top Talent	10 Product Liability or Recall	

Source: Aon Global Risk Management Survey Results 2023

Pay Transparency

Emily Page
Senior Principal, Talent & Reward
Advisory



In this section we will cover

1

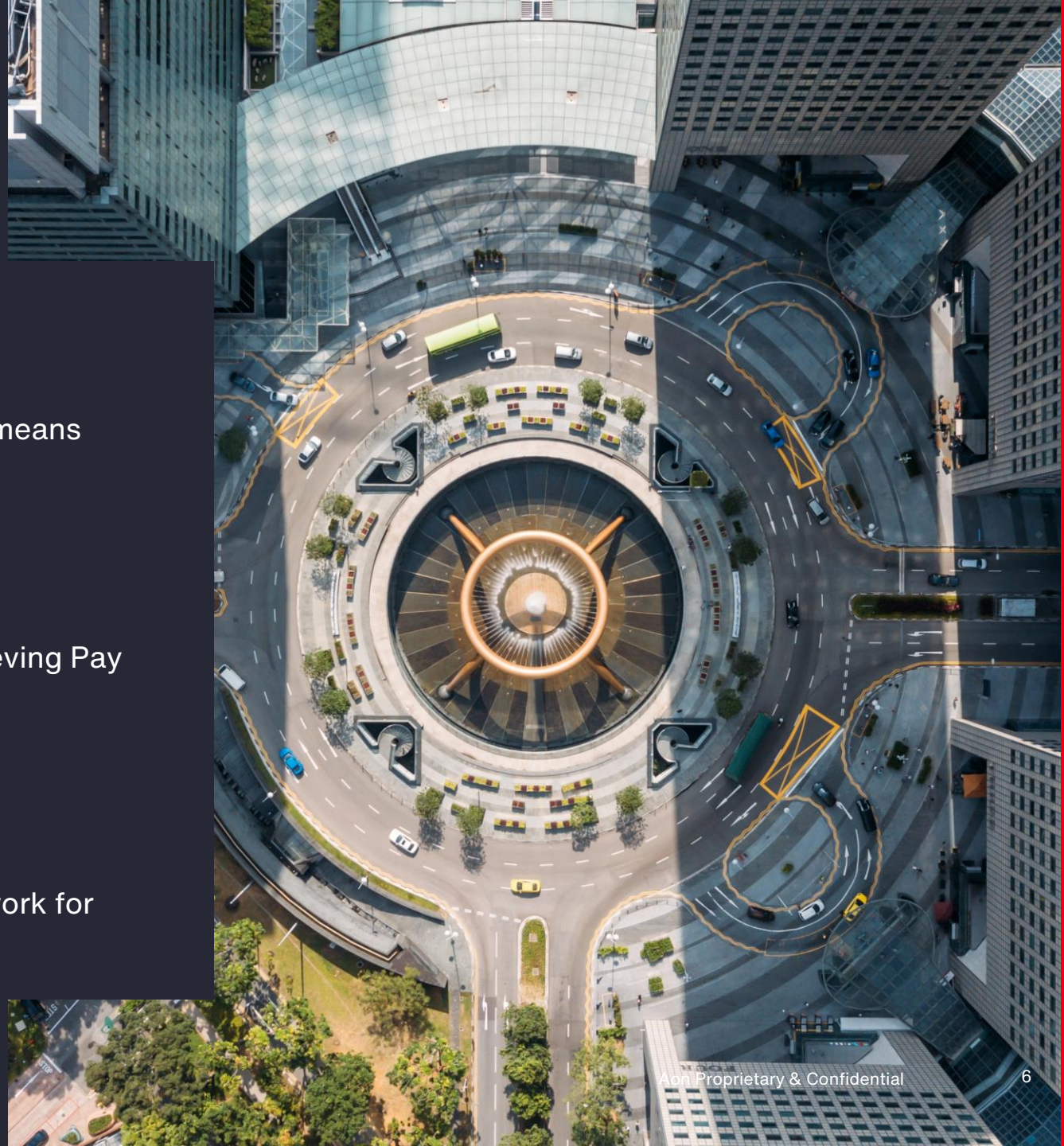
Understanding Pay Transparency and what it means

2

Where are companies on their journey to achieving Pay Transparency?

3

Consideration, Preparation, Action – A framework for achieving Pay Transparency



The Pay Transparency Roadmap

From Pay Gap to Pay Parity

Assessing and understanding the organisation's **Pay Gap**, undertaking a **Pay Equity Audit**, and moving towards **Pay Transparency**, enables a company's strategic planning and journey towards **Pay Parity**.

Pay Transparency regulation and legislation is being introduced across the Globe with the aim of closing the pay gap more quickly - through legislation, rigour and enforcement.

We also see an expectation among employees and candidates for greater Pay Transparency...and increasingly so.

Pay Transparency

Is the practice of openly disclosing compensation for both current and prospective employees in the pursuit of pay parity

Pay Parity

Is the practice of paying employees fairly, without discrimination, regardless of gender or other characteristics

Pay Equity

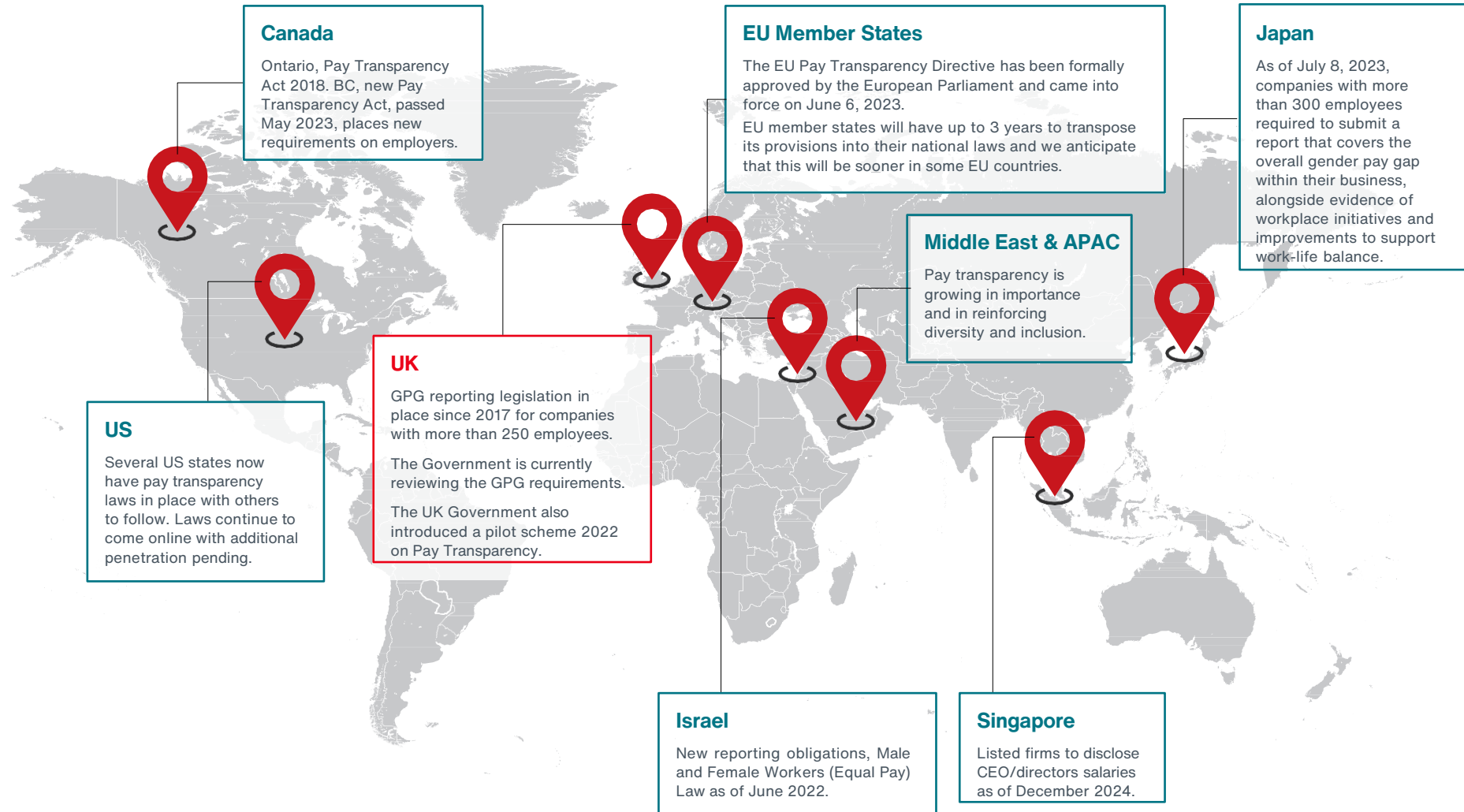
Compares the pay between men and women (and other groups) doing the same/similar work.

Pay Gap

Compares the average pay between all working men and all working women (and other groups).

Pay Transparency – A Global Movement

Pay fairness is a driving force behind the new laws



EU Pay Transparency Directive

Key Points to Note

This will also apply to all companies that have employees located in EU countries.

Job applicants will have the right to **receive information on the initial pay level/range** for any advertised position and employers will not be able to ask about previous or current pay of any job applicant

Employers will need to ensure that they have a clear **understanding of work of equal value** in their business and be able to demonstrate that they include gender-neutral analytical **job evaluation systems**.

Employees will have the right to request, and receive in writing, **information on their individual pay level and the average pay levels** for categories of workers performing the same work as them or work of equal value to theirs.

Employers with at least 100 employees will have to **publish** information on the **pay gap** between female and male workers. If a gender pay gap exists of more than 5.0% then employers must work with their workers representatives to conduct a joint pay assessment (i.e. **an equal pay audit**) and develop a gender action plan.



Why Pay Transparency Should be your Priority

Beyond legal compliance, pay transparency and pay equity provides a chance to align compensation with company values, strengthen culture and boost brand loyalty.

Given the sector's unique challenges, such as fluctuating labour needs, intense talent competition and consumer scrutiny, FAB leaders must prioritise action over pay equity.

Why it matters to the Food and Drink Industry



Costly Legal Penalties



Social Movements
& Activism



Difficulty Attracting Talent



Loss of Market Share



Damaged Reputation



Business Leader/
Director's Liability

From HR Compliance to C-Suite Imperative



Poll Question:

Do you feel your company is ready for Pay Transparency?



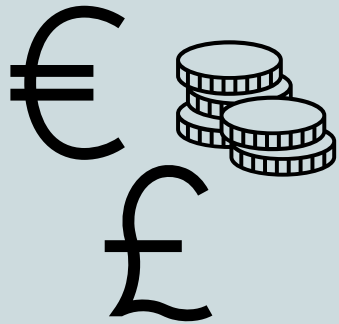
Aon's Pay Transparency Study Results (Q4 2024)

600 participants, all size and sectors

Only **18%** of companies feel that they **are** ready for Pay Transparency

63% of companies do **not** communicate salary ranges to employees

Only **51%** of companies **have** conducted an independent Pay Equity Analysis



The top 3 reported areas of focus for companies are:

- 01 Pay Transparency Strategy Development
- 02 Pay Equity Analysis
- 03 Job Architecture & Evaluation



What should you be considering?

- Do you have a **gender-neutral, analytical job evaluation methodology** to underpin levels/grades and salary structures?
- Do you have **clear processes, guidance, and governance** to underpin reward, recruitment, talent and promotion decisions that would meet pay transparency requirements?
- Be **prepared to share your grading and pay structure within and outside the organisation** to employees and candidates?
- Do you have **sufficient and reliable market data** to defend any potential differences on the basis of market premia?
- What is your current gender pay gap? Have you communicated that this is not an equal pay problem? If so, **how confident are you that is the case?**
- Has your organisation ever **conducted an internal equal pay review** or an independent equal pay audit and if so, do you do this on a regular basis?

For many organisations, preparing for pay transparency will be a huge undertaking.

Pay Equity

Kai Siekmeier
Consultant, People Analytics



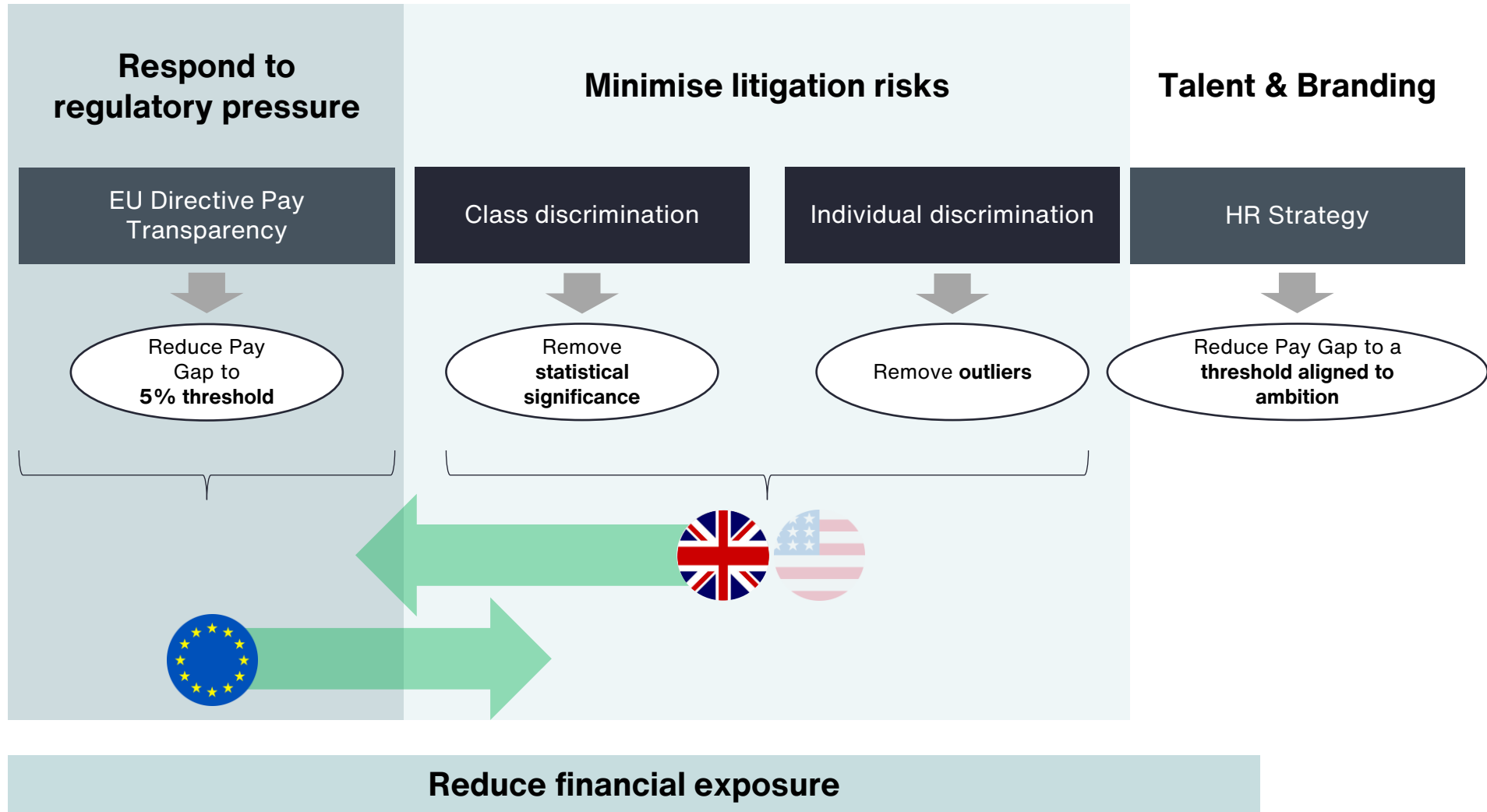
Poll Question:

How transparent is your organisation about pay practices and equity efforts?



Risks of Pay Gaps

Choice of the remediation strategy depends on the business priority



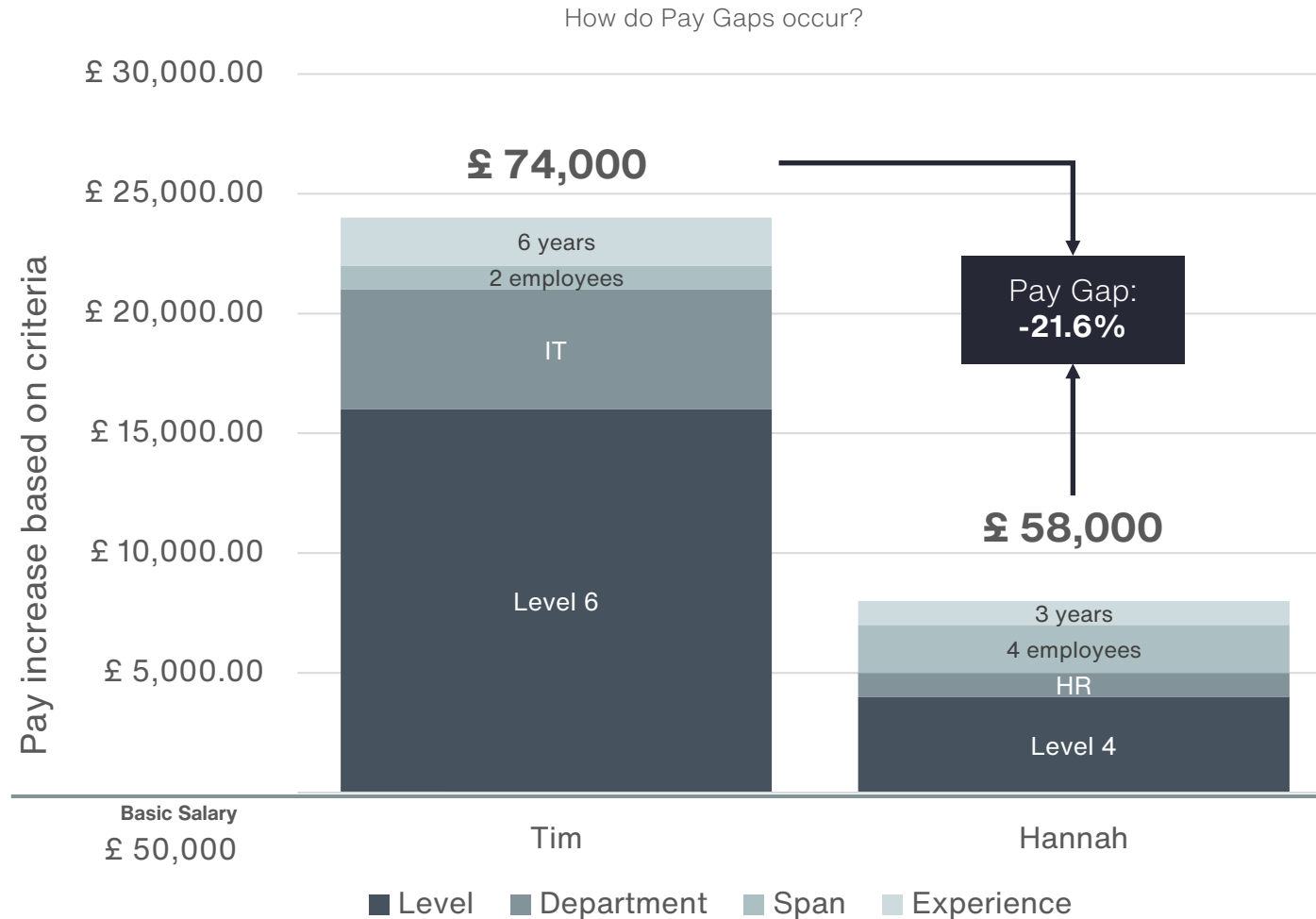
Poll Question:

Has your organisation ever conducted a pay equity audit?



Explaining the Pay Gap

Pay Drivers



- Difference in pay can be explained with pay equity analysis
- **Multivariable regression** is generally recognised in pay equity assessment and is considered market best-practice. It is a method that measures the linear relationship between control factors and salary

Results of a Pay Equity Analysis

Unadjusted, explained and adjusted pay gap

Unadjusted Pay Gap

-21.8%*

Average difference
in Pay between
men and **women**

Explained Pay Gap

0.2%

Gap caused by **pension & benefits** contribution

19.4%

Gap caused by differences in pay between men and women
after accounting for **legitimate business factors**.

High impact



Job Level

Job Family

Tenure

Little to No impact



Span of Control

Age

Full/Part Time

Adjusted Pay Gap

-2.2%*

Pay gap between men
and women after
accounting for legitimate
business factors.

This pay gap is
“unexplained”: it may be
random, or because of
pay differences due to
gender and/or ethnicity.

Options in Remediation

Option 1

Reduce pay gap to below 5% for category of workers to align with EU Directive.

-7% → -5%

Important note:

The remediation options are independent of each other, and employees can be impacted by more than one option. To reduce remediation cost, options can be combined and remediated on simultaneously

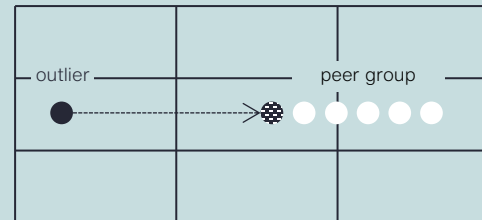
Option 4

Reduce pay gap to a threshold that matches client's ambition.

-7% → -2%

Option 2

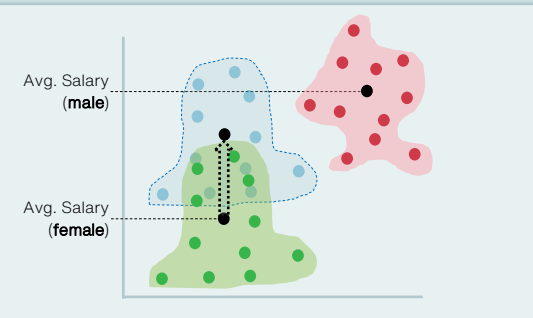
Adjust outliers to align with their peer group: The analysis is able to identify individual employees (regardless of gender/ethnicity), who receive recognisable less pay than their peers – they are identified as “outliers”. Option 2 raises their pay into line with that of their peer group.



Option 3

Remove statistical significance to eliminate any gender/ethnicity discrimination in pay: The analysis is able to identify a notable pattern that a gender/ethnicity is throughout getting paid less although they have the same work criteria. Option 1 is calculating the minimum pay adjustments to eliminate statistical significance.

Uneven pay by gender although same work criteria:



↑ Eliminating statistical significance

Hidden Challenges in Pay Equity and Transparency

Insights in building a fair and complaint compensation practice

Business Structure

- Weak and inconsistent job architecture (job grades/ level allocation & framework)
- Differences in bonus and benefit schemes for employee groups
- Lack of in-house resources

Data

- Difficulties in obtaining consistent and comprehensive employee data
- Difficulty in inclusions of ALL elements (benefits, pensions etc) of pay for a Total Pay view
- Discrepancies in employee data
- Inconsistencies in data selection for analysis due to data availability differences across entities/countries

Business Focus

- Unclear remediation priorities and budget allocation
- Pay transparency challenges:
 - 1) Translating pay equity results into meaningful message for leadership
 - 2) Preparing team managers for pay equity/ transparency discussions with their team
 - 3) Communicating results internally and externally (Alignment with regulation vs. Talent & Branding)





Next steps

What action can you take now to mitigate the risks around equal pay and pay transparency?

- ✔ **What can you do now to improve the Gender Pay Gap?**
What are your current communications saying on equal pay?
- ✔ **Pay Transparency Readiness Assessment** – to understand the current situation, gap, and action plan
- ✔ **Ready your salary structures, bonus frameworks, and talent processes and governance** – Do you have an analytical job evaluation framework underpinning grades and salaries?
- ✔ **Have you undertaken an independent equal pay audit?**
- ✔ **Prepare the Board, C-Suite and other stakeholders** for what's coming

Questions and answers



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