



Results of Survey on

The Growing Impact of Equality and Diversity in Compensation and Benefits

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Executive Summary

Globalisation has changed the labour markets we operate in. We are seeing increasing diversity in labour, as well as diversity in working patterns. We are also experiencing a highly competitive global war for talent, with more demanding employee expectations particularly from the newest generation entering the workforce, Generation Y, as well as the increasing use of global teams (crossing the traditional geographic boundaries), and changes in the expatriate model.

These developments are having a major impact on multi-national companies extending their international reach into multiple markets and on how they manage their policies and practices.

Diversity and inclusion is core to successful change management and ORC Worldwide (ORC) has observed that employers in Europe and the United States have become increasingly aware of how company policies and practices can either reinforce, or at times contradict, their diversity and inclusion efforts.

To see how Compensation and Benefits professionals are facing these challenges, ORC asked members of its Global Diversity Forum, Global Reward Group, and members of the Cercle Magellan Network, to participate in an online survey, in July 2008, to explore current practices on compensation and benefits strategy and policies in the global environment.

Thirty-six companies representing more than 14 industries responded. More than half of the participating companies are headquartered in France, with the next largest concentration in the United States. Three companies are from other European countries, and one is from the Australasian region. Most are very large corporations with considerable numbers of employees and operations in multiple countries.

Key Findings

Equality and Diversity Statements/Policies

Approximately 84% of companies have corporate-wide/global equality and diversity *statements* in use or under development. Approximately 74% of companies have corporate-wide/global equality and diversity *policies* in use or under development. American companies are more likely to have statements/policies already in place and French companies are more likely to be developing such policies.

Global Compensation and Benefits Strategy

Whilst three-quarters of companies have a global compensation and benefits strategy in place, only 22% have a direct reference to equality and diversity within the global compensation and benefits strategy. American companies typically have global compensation and benefits strategies (100% as opposed to 63% of French companies).

Total Remuneration v Total Rewards Philosophy

The majority of companies with a global compensation and benefits strategy base this on a *total remuneration* philosophy (56%). Companies that reference equality and diversity in their global compensation and benefits strategy or have a corporate-wide/global equality and diversity policy are more likely to base their compensation on a *total rewards* philosophy.

Maternity Leave and Career Breaks

Only 45% of companies adjust short-term variable pay to reflect maternity leave – this is more common among American companies (78%) compared to French companies (33%). A greater number of companies (67%) adjust short-term variable pay to reflect career breaks.

Benefits

Less than a third of companies provide the same level of pension benefit to opposite-sex and same-sex unmarried partners as to spouses in all of the markets in which they operate. However, the majority of companies do provide medical provision to opposite-sex and same-sex unmarried partners.

General Observations

The results from this survey demonstrate that there are a variety of practices in the market place with regards to the development and use of both compensation and benefits strategies and equality and diversity policies.

Companies that reference equality and diversity (either through a global compensation and benefits strategy or via a defined equality and diversity policy) are more likely to:

- Value the non-financial elements of the working relationship such as recognition, work/life balance, culture, development, and the work environment.
- Take steps to ensure equity in terms of the financial elements of employee's compensation packages, including:
 - Comparing compensation and benefits of members of international teams
 - Comparing compensation and benefit strategies in different markets/regions
 - Taking local practices and cultures into account in the design of global compensation and benefits strategies
 - Extending short-term variable pay to all employees throughout the company
 - Conducting regular equality audits of pay for men and women
 - Conducting other types of equal pay audits
 - Taking corrective actions as a result of pay audits
 - Basing managers' performance evaluations or pay on achievement of diversity targets

In addition to the challenges presented by globalisation, changing demographics, particularly in Europe, are impacting the workplace. We now have four generations working together all of whom have different needs and values which need to be reflected through an appropriate compensation and benefits strategy.

At the same time, the legal framework on equality has been greatly extended (in Europe this now covers Race and Ethnic origin, Gender, Age, Disability, Religion and Belief and Sexual Orientation), which means employers have to be more alert to the potential for indirect as well as direct discrimination. For example, where countries that have same sex marriage (in Europe this includes Belgium, Spain and The Netherlands; outside of Europe this includes Canada, South Africa and some states in the United States) or civil partnerships, companies should be regularly reviewing who is eligible for benefit provision to avoid claims of discrimination.

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