

# Promoting Inclusive and Equitable Compensation Practices

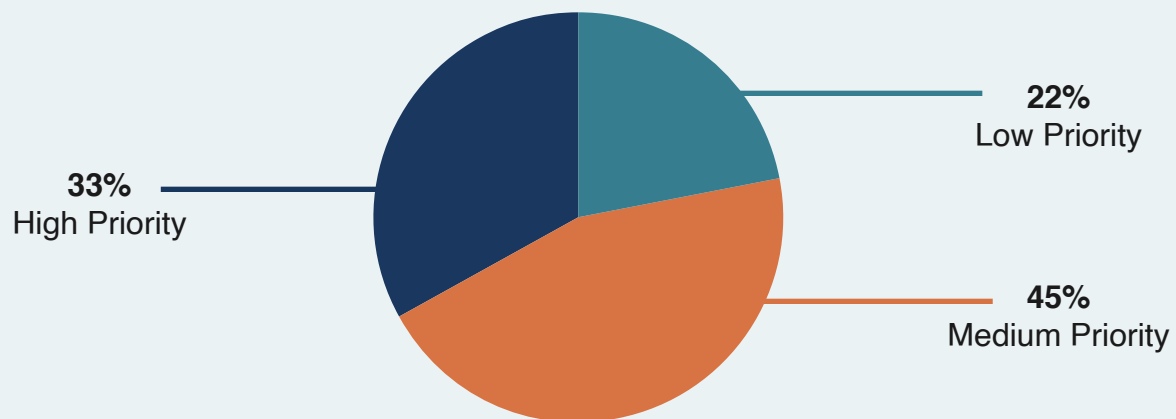
STRATEGY BRIEF  
2025

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## Current State

Organizations are grappling with significant gaps in pay equity and fairness. Brandon Hall Group™ research shows that only 31% of organizations prioritize improving equity of opportunity in recruitment, pay, and advancement. Many organizations still maintain traditional compensation models that may inadvertently perpetuate historical inequities, while lacking transparent processes for determining and communicating pay decisions.

### Priority of Improving Pay and Benefits Equity



Source: Brandon Hall Group HCM Outlook 2025 Study

## Complexities

According to Brandon Hall Group™'s HCM Outlook 2025 study, only 27% of managers consistently demonstrate commitment to inclusion and equity principles, highlighting several interconnected challenges in promoting equitable compensation:

- ✦ Limited progress in diversity outcomes, with only 49% of organizations reporting improved diversity in new hires.
- ✦ Organizational barriers, as only 45% of organizations have leadership teams whose diversity reflects their workforce composition.
- ✦ Lack of accountability, as goals are frequently not tied to business objectives or leadership performance reviews.
- ✦ Biased talent management processes where performance reviews and promotion criteria often disadvantage minorities,
- ✦ Absence of diverse role models at senior levels, which hampers retention and advancement of underrepresented groups.

# Implications

The impact of inequitable compensation extends beyond immediate financial effects. Organizations that fail to address pay equity face increased turnover among underrepresented groups, reduced employee engagement, and potential reputational damage. Brandon Hall Group™ research indicates that organizations with more equitable practices see improved retention rates and stronger ability to attract diverse talent. The strategic importance of fair compensation practices continues to grow as employees increasingly demand transparency and equity.

## Critical Questions

Organizations must address several key strategic questions to advance their compensation equity efforts:

- 01** How can organizations identify and eliminate systemic biases in their compensation practices?
- 02** What metrics and analytics should be used to measure progress toward pay equity?
- 03** How can compensation strategies balance external market factors with internal equity goals?
- 04** What role should transparency play in compensation communications and decisions?
- 05** How can organizations ensure consistent application of compensation practices across all levels?

## Brandon Hall Group™ Point of View:

### **01 Data-Driven Pay Equity Analysis**

Organizations should implement regular pay equity audits using advanced analytics to identify disparities across demographics, roles, and locations. This process must go beyond basic salary comparisons to examine total compensation, including bonuses, equity, and benefits. Success requires establishing clear metrics, conducting ongoing analysis, and taking prompt action to address identified gaps.

## **02 Transparent Compensation Framework**

Organizations need to develop structured approaches to compensation decisions with clear criteria for starting salaries, increases, and promotions. This framework should include documented decision-making processes, regular review cycles, and mechanisms for employees to understand how their pay is determined. The focus must be on eliminating subjective elements that can introduce bias.

## **03 Manager Capability Development**

Organizations must invest in developing managers' capabilities around compensation decisions and communications. This includes training on avoiding bias, having effective compensation discussions, and consistently applying pay practices. Managers need tools and resources to make equitable decisions and explain them clearly to employees.

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