Financial services fair pay survey – May 2018

Fair dues: Harnessing fairness to win back trust

If pay has become a lightning rod for public disillusionment with financial services, fairness could go a long way towards meeting changing stakeholder expectations, shifting perceptions and winning back trust. This demands a clear sense of what fair pay means to your organisation and how it can be applied in practice. Drawing on unique research, our action plan looks at how your business can achieve this.

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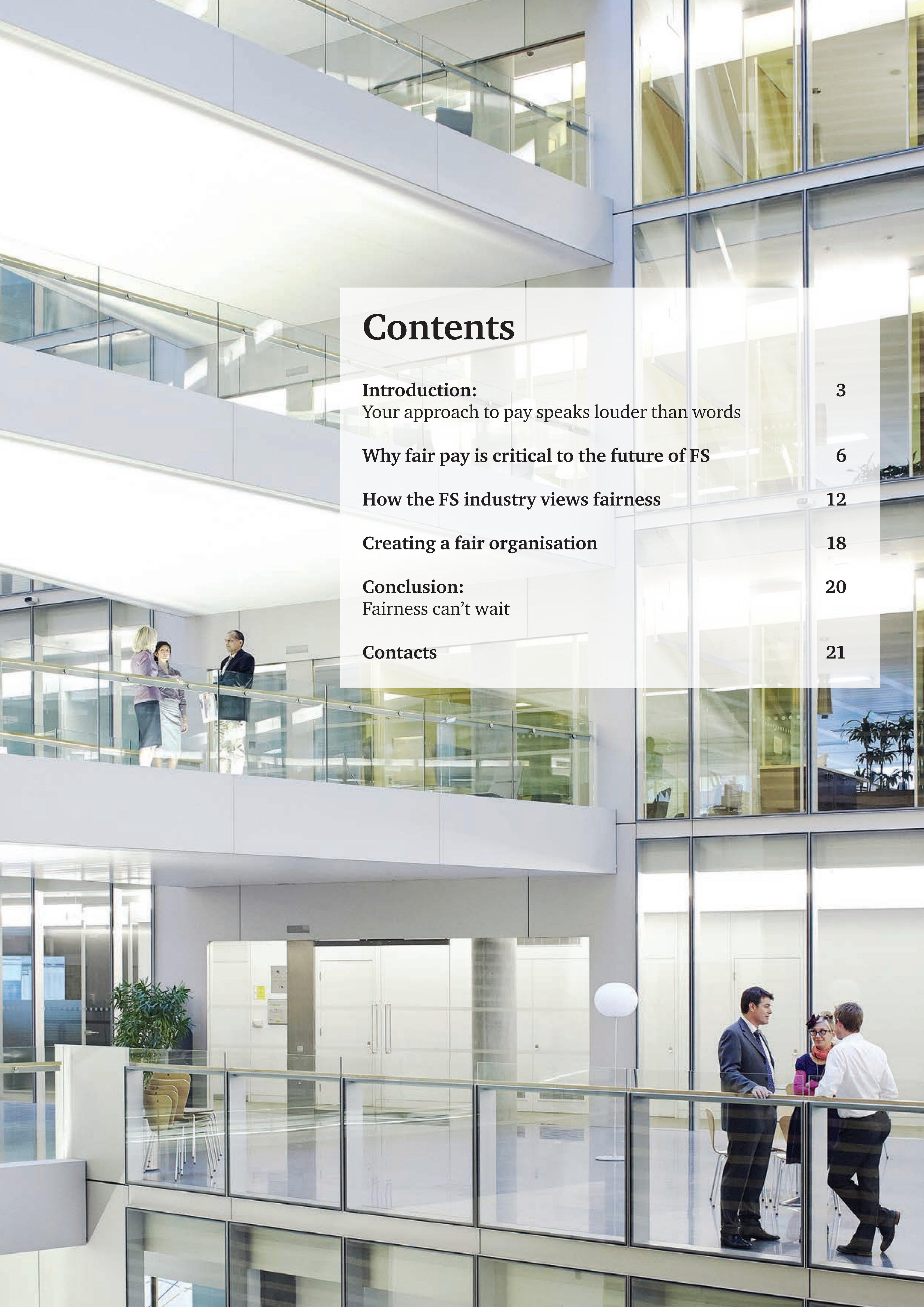

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Introduction:
Your approach to pay speaks louder than words

Despite years of effort, financial services (FS) companies continue to face a damaging trust gap that makes it harder to connect with customers and sustain their loyalty. Creating a fairer pay structure would help your organisation to re-engage with customers, employees and society as a whole. The potential benefits include a stronger licence to operate, innovate and pursue profitable opportunities.

Flatlining incomes and rising inequality are shining an unwelcome spotlight on industries seen to be exacerbating the problem. FS is one of the sectors in the firing line. The rewards enjoyed by senior executives and high earners within FS have come to epitomise what many people see as an industry that's cut off from everyday life – 'Wall Street versus Main Street.' And this spotlight is being intensified by new gender and pay ratio reporting[1].

Although many FS organisations have been working to reshape their cultures, deliver customer outcomes and publicise their contributions to society, public anger over pay is undermining the industry's efforts to reconnect with society.

Yet the focus on pay presents an opportunity for your FS organisation. Putting fairness at the heart of your pay policies would visibly demonstrate that you're conscious of inequality and its impact – that you're listening to what stakeholders are saying and you're prepared to align with their values. Ultimately, embracing fair pay would establish that you're prepared to 'walk the talk' in reshaping your culture, organisational purpose and performance objectives[2].

The risk of inaction is being forced to respond to a fairness agenda set by hostile interest groups. This could include allowing 'fairness' to become synonymous with 'equality,' which in turn could lead to arbitrary caps on salaries or pay ratios.

Loaded term

The challenge is that 'fairness' is a subjective, multifaceted and very often loaded term. It can mean different things from different perspectives. Although some people might regard the pay rates for high earners in FS as unjustified, industry insiders may view them as appropriate recompense for what can be gruellingly long hours, exceptional pressure to perform and a bonus structure that is subject to clawbacks. Perceptions of fairness also vary according to what is being rewarded (e.g., financial performance or customer outcomes).

1 The pay ratio is the ratio of CEO pay to median employee pay.

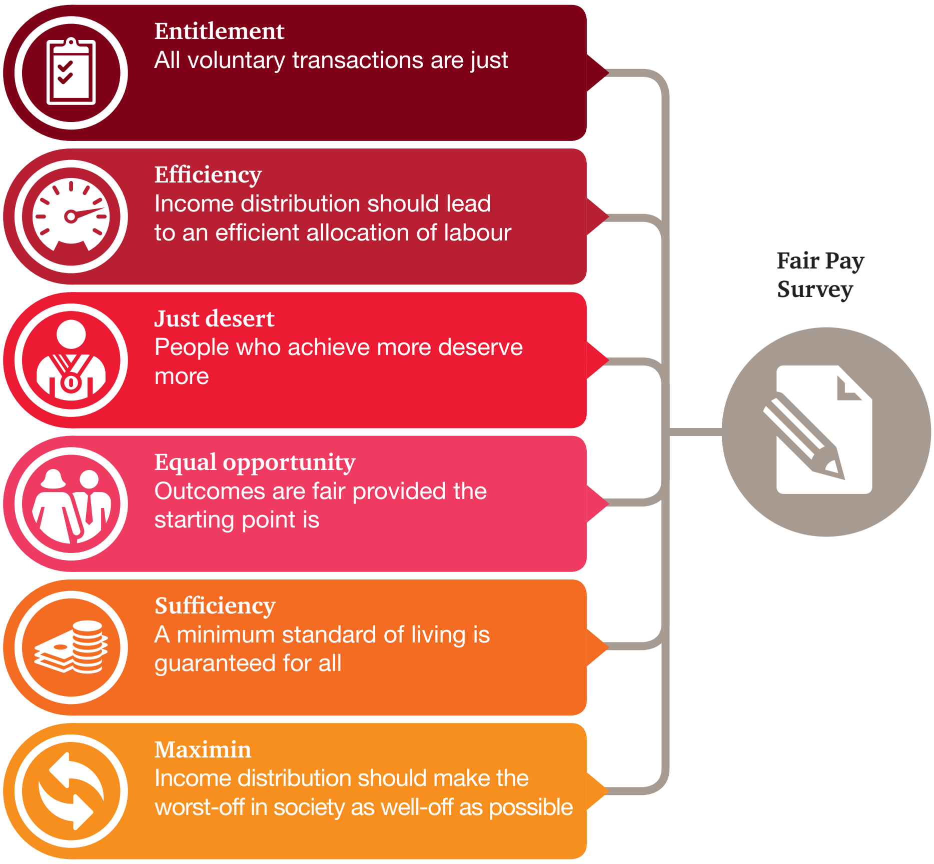
2 These key stakeholders include the talent your business needs to attract, retain and motivate. More than half (53%) of the FS CEOs taking part in PwC's 2016 Global CEO Survey believe that top talent prefers to work for organisations with social values that are aligned to their own, making this more important than competitive compensation (44%). See 'Shifting demands, competing priorities: Adjusting to the new talent realities in financial services', PwC, 2016 (www.pwc.se/sv/pdf-reports/19th-annual-global-ceo-survey-financial-services.pdf).

Groundbreaking research

Given the spotlight on pay and different perspectives about what's fair, it's important to clearly define and justify what fairness means to your business and how it's applied. This report looks at how to tackle this difficult challenge, drawing on a survey of attitudes to fair pay within FS that was carried out by PwC in collaboration with the London School of Economics and Political Science (LSE).

The research examines what the various philosophical and psychological principles of fairness mean to the people making key decisions on pay (Exhibit 1 provides an overview of these principles, which are explored in more detail on page 14). We then gauged participants' readiness to apply these different principles within their businesses. Building on our work with clients and the Purposeful Company Task Force, this gives us a road map for developing fairness principles through which your organisation can rebuild trust, enhance engagement and differentiate your brand.

Exhibit 1: Principles of pay fairness



Source: LSE and PwC research

The initial focus for the analysis in this report was the responses from 1,123 executives from a range of industries. We then carried out more detailed analysis of the 177 FS executives taking part to see where their views conform to and differ from the overall survey sample. Overall, we saw a significant convergence of attitudes towards fair pay. Although our survey confirms the strong free-market sentiments within FS, industry participants' sense of fairness is broad, nuanced and socially responsible. This highlights the importance of balancing different priorities and the trade-offs this demands. Moreover, though employee buy-in is important, you can't simply mould your approach to pay around employees' wishes, as what they want may be at odds with what society expects. It may also be at odds with the steps needed to reinforce your culture, brand and licence to operate.

Fairness in practice

Our action plan for creating a framework to address fairness in an organisation looks at how to turn vague principles into tangible policies by balancing the different perspectives and expectations surrounding pay. This includes helping you determine what aspects of fairness are most relevant to your organisation, how you can apply them in practice and how to get your employees to support them. The key steps draw on the survey findings, along with earlier PwC research into the psychology of incentives[3], human capital trends within FS[4] and the workforce of the future[5].

Taking the initiative on pay allows you to promote fairness on your own terms and ensure your brand and talent appeal stand out. That's why a number of companies are already using these ideas to build fair pay frameworks to strengthen trust and engagement and to gain a competitive advantage.

Some people may be paid less as fairness principles are applied. However, many others may earn more – for example, through steps to raise minimum salary levels or close gender pay gaps. Overall, the benefits of rebuilding trust should enable your business to engage more closely with customers, strengthen loyalty and deliver higher and more sustainable returns. There should therefore be more in the pot to go around. By contrast, ignoring fairness would allow the agenda to be set for you and could result in damaging risks, including arbitrary regulatory pay curbs and threats to your brand.

We would like to thank all the executives who gave their valuable time and insights to this study. If you would like to discuss the findings or any aspect of fairness within your business, please feel free to get in touch.

In this report we set out:

- The six principles of fairness
- The four fairness tribes
- Five ways to apply fairness principles in practice

3 'Making executive pay work: The psychology of incentives', PwC, 2012 (www.pwc.com/gx/en/hr-management-services/publications/assets/making-executive-pay-work.pdf)

4 'The power to perform: Human capital 2020 and beyond', PwC, 2016 (www.pwc.com/gx/en/industries/financial-services/publications/hc-2020.html)

5 'Workforce of the future: The competing forces shaping 2030', PwC, 2017 (www.pwc.com/gx/en/services/people-organisation/workforce-of-the-future/workforce-of-the-future-the-competing-forces-shaping-2030-pwc.pdf)

Why fair pay is critical to the future of FS

1

Fair pay and trust are inexorably linked. This is both a threat and an opportunity.

Trust is crucial to your ability to engage with customers and employees and sustain your licence to operate. It remains elusive, however. Despite some improvement on the back of efforts to change culture and get closer to customers, FS is still the least trusted sector in the 2018 Edelman Trust Barometer[6]. The challenge of rebuilding trust is especially pressing for banks, which have struggled to overcome the public disillusionment that followed the financial crisis[7]. Yet the trust gap isn't just confined to banks; the latest PwC Global CEO Survey shows that 73% of insurance CEOs and 56% of asset and wealth management CEOs see lack of trust as a threat to their growth prospects (for banking and capital markets, the proportion is 60%)[8].

The much-publicised rewards for high earners in FS are contributing to this distrust. Yet, given the spotlight on pay, if you can reshape your approach to reward and communicate transparently about this process, you could shift these perceptions and start to win back trust in FS.

Lightning rod for public sentiment

Why is pay in the spotlight? Since the 1980s, Main Street has seen its share of income fall, which is fuelling a backlash. In the US, for example, the proportion of national income going to top earners has risen sharply, while the share of global income of the bottom 50% of earners worldwide remains stuck below 10% (see Exhibit 2).

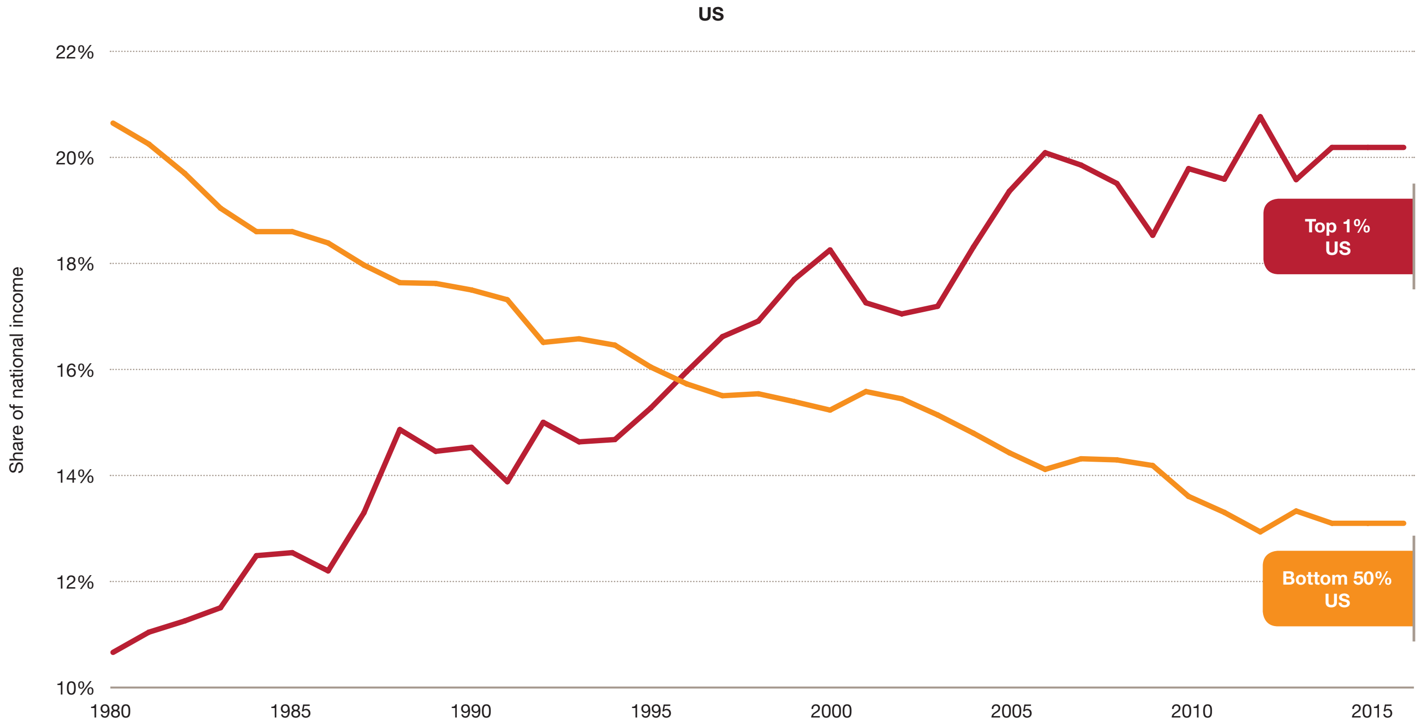
6 2018 Edelman Trust Barometer: Global Report, Edelman, 2018 (http://cms.edelman.com/sites/default/files/2018-01/2018%20Edelman%20Trust%20Barometer%20Global%20Report.pdf)

7 In the US, for example, less than a third (32%) of people taking part in the annual Gallup Confidence in Institutions survey had either a 'great deal' or 'quite a lot' of confidence in banks in 2017, compared to nearly half of respondents in the lead-up to the financial crisis (http://news.gallup.com/poll/1597/confidence-institutions.aspx). A global poll carried out by YouGov found that less than 40% of consumers in Italy, France, Germany, Japan and the UK trust banks to work in their customers' best interests (YouGov International Omnibus, 2017, http://yougov.co.uk/news/2017/05/19/most-brits-trust-banks-dont-think-they-work-custom).

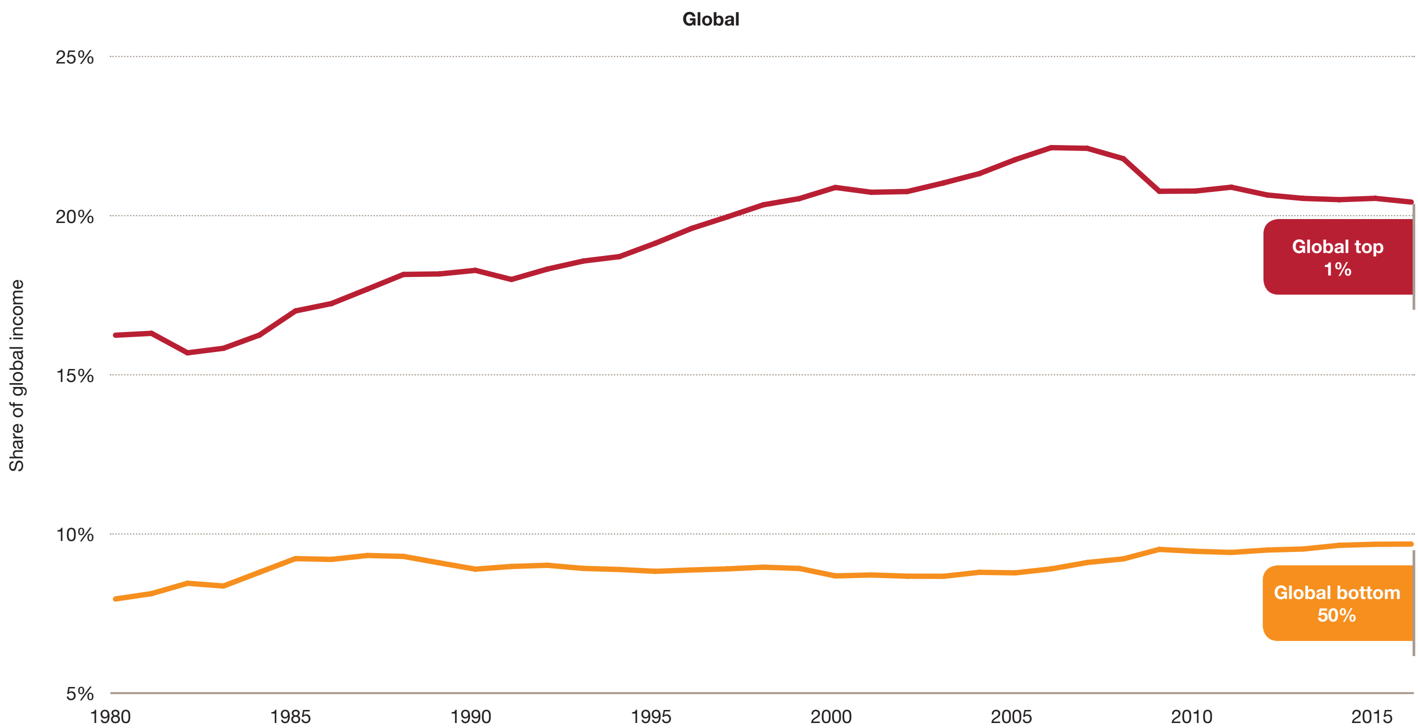
8 PwC 21st CEO Survey (www.pwc.com/gx/en/ceo-survey/2018/pwc-ceo-survey-report-2018.pdf)

Exhibit 2: Gulf in pay – The rise of the top 1% in the US and globally

Top 1% versus bottom 50% national income shares in the US, 1980–2016: Diverging income inequality trajectories



The rise of the global top 1% versus the stagnation of the global bottom 50%, 1980–2016



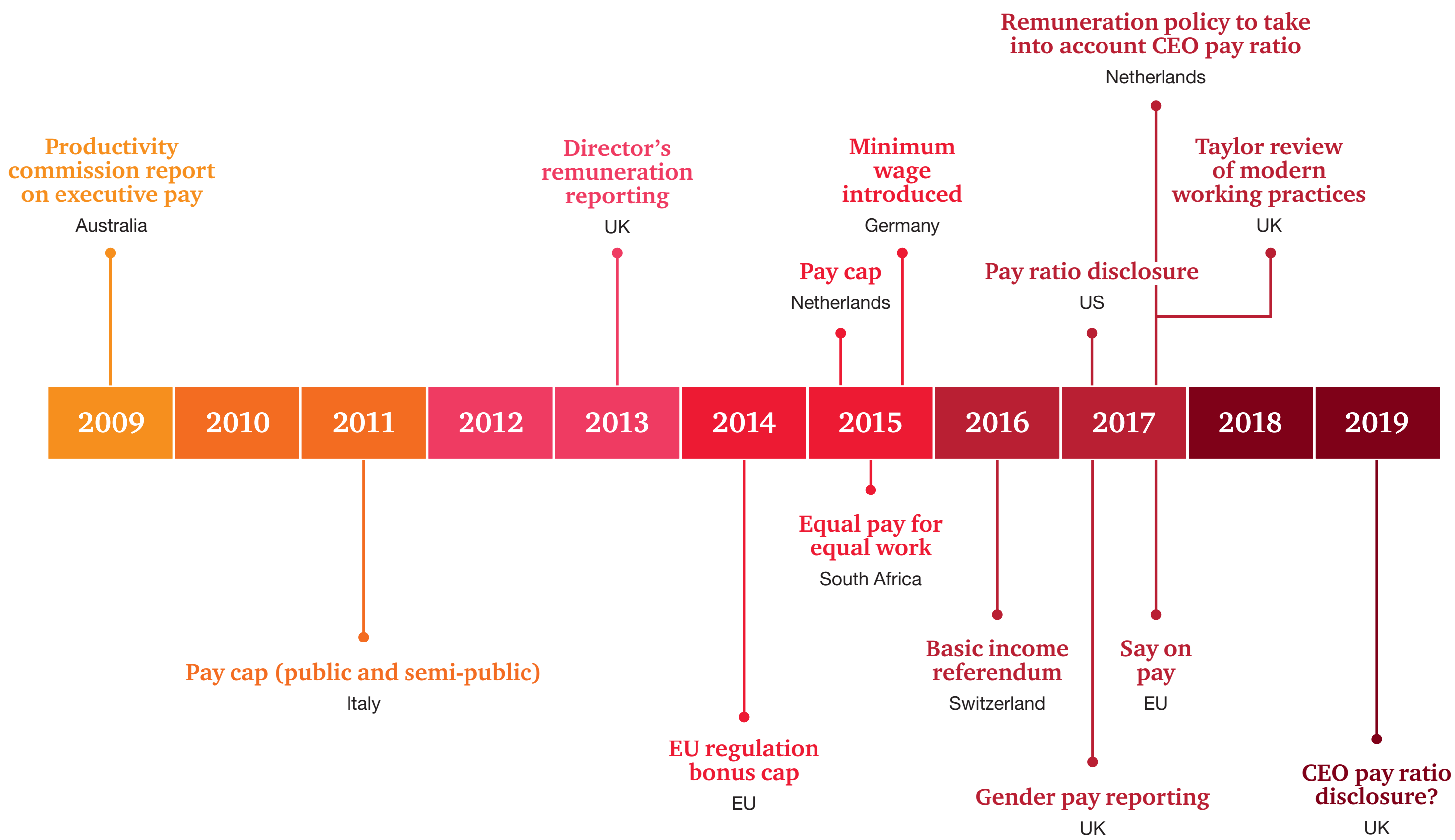
Source: World inequality report 2018, World Inequality Lab, 2018

Although prevailing approaches to executive and performance-related pay may be economically justifiable in a competitive market economy, the income gap they're creating is fuelling widespread anger and eroding public trust[9]. The hostility has been exacerbated by the stagnation and even decline in real incomes faced by many people in low- and middle-income employment. Policymakers are responding (see Exhibit 3).

The outcry over executive pay affects all sectors, but the perception that disparities are especially wide within FS has made it a particular target for public hostility. In the wake of the financial crisis, policymakers moved to eliminate incentive arrangements they believed could encourage mis-selling or excessive risk taking. In some markets, notably the European Union, regulators have gone further by imposing hard caps on bonuses. More recently, FS executives have come under fire for protecting high pay for themselves in the midst of widespread job losses within their organisations. These issues are especially sensitive for businesses that received significant taxpayer-funded bailouts.

Investment banking has come under particular scrutiny as a result of the crisis. Although pay per head dipped sharply as returns fell after the crisis, it has since started to rebound as headcount reductions leave fewer people to share the bonus pool.

Exhibit 3: Global increase in fair pay regulation



Source: LSE and PwC analysis

9 The impact of the FS industry's 'poor reputation with regards to fair pay' on public trust in the UK is explored in 'Mind the gap: Restoring consumer trust in financial services, Decision Technology and the Financial Services Compensation Scheme', 2015 (www.fscs.org.uk/globalassets/press-releases/20151111-fscs-trust-white-paper-final.pdf).

FS response so far

How do people within FS view the income gaps and their impact? How is the industry responding? Some might argue that a business' job is to create wealth, leaving the government to deal with redistributing it. Yet our survey shows that most FS executives, in line with peers in other industries, see their organisations as 'social entities' with a responsibility to promote fairness.

FS participants see little difference between the role of society and the role of business in promoting fairness – both should do it. The evidence for this is demonstrated by businesses that take steps such as raising basic pay above minimum wage levels to ensure a decent standard of living for their employees. Examples include JPMorgan Chase, which in 2016 announced raises for 18,000 US workers to between $12 and $16.50 an hour – about $5 an hour above the US national average minimum wage. The move is supported by further investment in training within the communities the bank serves. Standard Chartered has committed to paying a living wage in all its markets by 2020. A number of banks have also moved to share the gains from tax reforms in the US.

Increasing pressure

Nonetheless, questions remain over whether enough FS organisations are moving far or fast enough to set their own agenda on fairness, rather than having it shaped externally by regulation.

Take the new public disclosure requirements, which will further intensify the spotlight on pay. In the US and UK, for example, publicly traded companies will be required to disclose the ratio of CEO pay to median employee pay (the pay ratio). In the UK, the extension of the remuneration committee remit would require boards to oversee the remuneration approach across the company, not just for senior executives.

These disclosure requirements are likely to raise more questions about fairness at work. And this has very little to do with how much the CEO makes (that's already public knowledge). Rather, it will show how companies are treating staff more generally, while putting pressure on boards to justify their approach. When companies disclose the median salary, half their workers will suddenly realise they're making less and will naturally wonder why. When disclosure reveals a gender pay gap, the external narrative can be challenging; an even bigger challenge is explaining to staff the reasons. And if the gender pay gap isn't fair, this should be acknowledged, and steps should be taken to correct this.

As the disclosure demands and the potential backlash increase, there is a danger that your company will be judged by a definition of fairness set by others or by how the disclosures are framed. It's important to develop a clear view of what dimensions of fairness are relevant to your business and how you communicate them. Is it about closing the gap between top and bottom? Or making sure pay is always nondiscriminatory and justified by performance and contribution? Is fairness defined by the market rate, or are there minimum standards that dictate a living wage should be paid regardless? The answers will be different for different organisations and need to be supported by clear and proactive fairness reporting, which explains how fairness is viewed and measured, sets out plans to achieve these aims and tracks progress against objectives.

The risk opened up by a reactive, minimal compliance approach is that a company will be held hostage to a one-dimensional view of pay and by extension its fairness philosophy will be based on its pay ratio and gender pay gap alone. This can hurt a company's reputation and limit its ability to keep and attract talent.

Fairness is fundamental to how talent judges your organisation

Levels of pay will always be an important motivation for people working in FS. But these motivations are more nuanced than many suppose.

Earlier PwC research shows that the vast majority of executives judge their pay against that of their peers and they value a fair yardstick. Most would choose to be paid less in absolute terms, as long as it's more than their peers; only a quarter choose a higher absolute amount that is less than their peers.

Fair pay forms part of a wider focus on values and equality of opportunity. In 2015, we carried out a survey of more than 10,000 millennials (people born between 1980 and 1995). More than 80% of the participants working in FS said that an employer's policy on diversity, equality and workforce inclusion is a decisive factor when choosing a new job. You risk losing key talent if you fall short in any of these areas.

With mobility rising and job rating sites giving people more information on relative pay, people can compare 'fairness' more easily and vote with their feet. Potential recruits are also attracted to brands that they admire as consumers[10], which underlines the importance of a reputation for fairness to the broader talent appeal and the commercial success of your organisation. The focus of such comparisons has been intensified by concerns over gender pay gaps and other forms of bias. A PwC survey found that more than half of the women working in FS believe that women aren't paid as much as equally qualified men.

10 'Millennials at work: Reshaping the workplace in financial services', PwC, 2012 (www.pwc.com/gx/en/financial-services/publications/assets/pwc-millenials-at-work.pdf)

How the FS industry views fairness

2

Our survey seeks to go beyond the polarised rhetoric surrounding fairness to find out what it means to senior FS executives and how it can be achieved.

PwC and the LSE surveyed 177 FS executives from around the world about their attitudes to how wealth is distributed, what fairness means to them and how it should be promoted. The survey sample from across all industries was 1,123[11].

FS Respondent Roles

FS Respondent Roles

Executive directors	45%
Non-executive directors	21%
Neither	34%

Gender

Male	66%
Female	34%

11 The findings from the survey of all industries and their implications are explored in 'The ethics of pay in a fair society: What do executives think?', PwC, 2017 (www.pwc.com/gx/en/services/people-organisation/publications/the-ethics-of-pay-in-a-fair-society.html).

Age

Under 35	24%
35–39	18%
40–44	15%
45–49	17%
50–54	11%
55–59	9%
60–64	5%
65+	1%

Annual income

Under $150,000	41%
$150,000 – $349,999	30%
$350,000 – $724,999	15%
$725,000 – $999,000	6%
$1m or over	9%

Countries and Regions

Australia	4
Brazil	8
Canada	5
China/HK	6
France	7
Germany	19
India	9
Mexico	2
Middle East	3
Netherlands	16
Poland	6
South Africa	5
Spain	3
Switzerland	21
UK	21
US	20
Others	22

Industry sectors

Banking and Capital Markets

60%

Insurance

24%

Asset and Wealth Management

16%

Working with Dr Alexander Pepper, professor of management practice, and Dr Susanne Burri, assistant professor in the Department of Philosophy, Logic and Scientific Method at the LSE, we distilled wide-ranging research into the psychology and philosophy of fair pay into six distinct principles of distributive justice. We then staged a series of thought experiments to gauge how important these principles are to the executives in our survey, both in terms of society and also within their companies.

Principles of distributive justice

Entitlement

All voluntary transactions are just

Individuals should be free to engage in whatever transactions they voluntarily choose to engage in. Forced redistributions of income are unjust.

Equal opportunity

Outcomes are fair provided the starting point is

Competition and pay differentials are fair as long there is a level playing field. Opportunities should be open to all, and nobody should be held back by their gender, race, sexual orientation, economic background or membership in some social group.

Efficiency

Income distribution should lead to an efficient allocation of labour

Pay should reflect the supply and demand for labour in competitive labour markets, allowing resources to be allocated to where they can be put to most valuable use. Insisting on a 'just income' is misguided as it could distort supply and lead to inefficiencies. However, redistribution of income may be just in the event of labour market failures.

Sufficiency

A minimum standard of living is guaranteed for all

Everyone should have sufficient income to meet their basic needs and lead life with dignity. If some people do not have sufficient income to lead a dignified life, it is right and proper that income should be redistributed to them. Once everybody has enough, no further redistribution is necessary.

Just desert

People who achieve more deserve more

Pay should reflect an individual's contribution, effort and experience, as well as the demands of the job.

Maximin

Income distribution should make the worst-off in society as well-off as possible

People need incentives to work harder and foster prosperity, but there should be curbs on any pay differentials and inequality that go beyond the need to make the poorest people in society as well-off as possible.

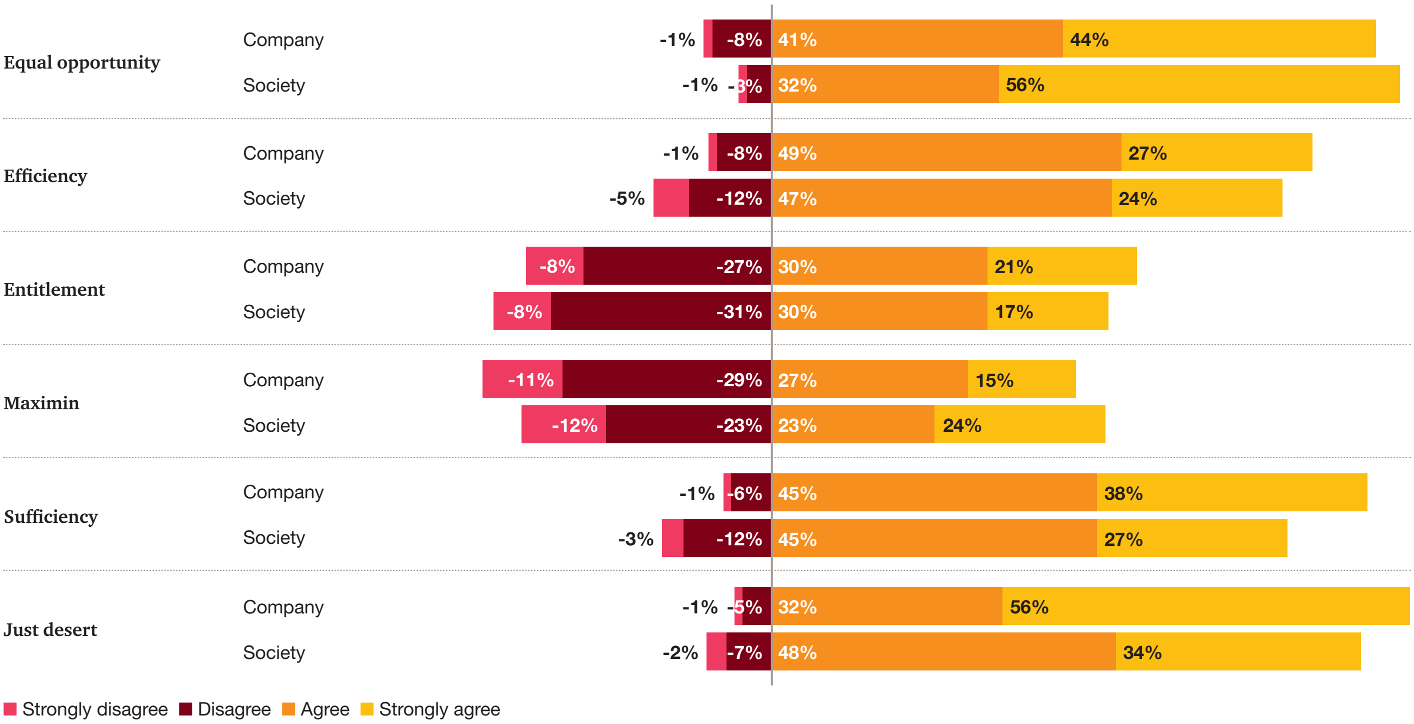
What we found

All the dimensions of distributive justice secured at least some support from half the respondents across all industries, with the more moderate principles garnering a stronger level of support compared with those considered to be more extreme.

Exhibit 4 shows how FS participants view the various principles in the context of their ideal company and society. Rather than seeing separate roles – the ideal company generates wealth, and society/ the government redistributes it – the findings show that participants' attitudes to fairness in companies and societies are remarkably similar. This suggests that the ideal company is a social entity in its own right, a microcosm of the fairness challenges faced in society as a whole.

Exhibit 4: Backing for fairness principles

Proportion of respondents agreeing that a principle is important in their company or society

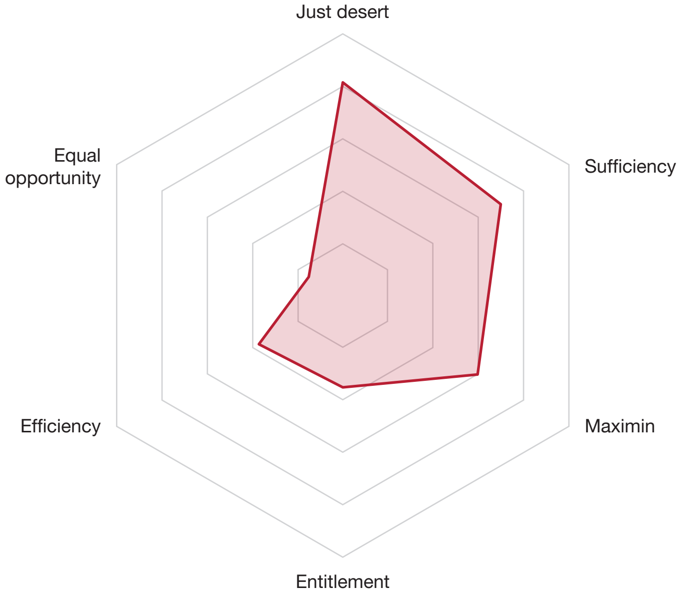


Source: Responses from 177 FS executives taking part in the LSE/PwC fair pay survey

The statistical analysis allows us to identify clusters of like-minded people (fairness 'tribes') who take a similar perspective on the different dimensions of fairness. The data broke into four clear tribes (see Exhibit 5).

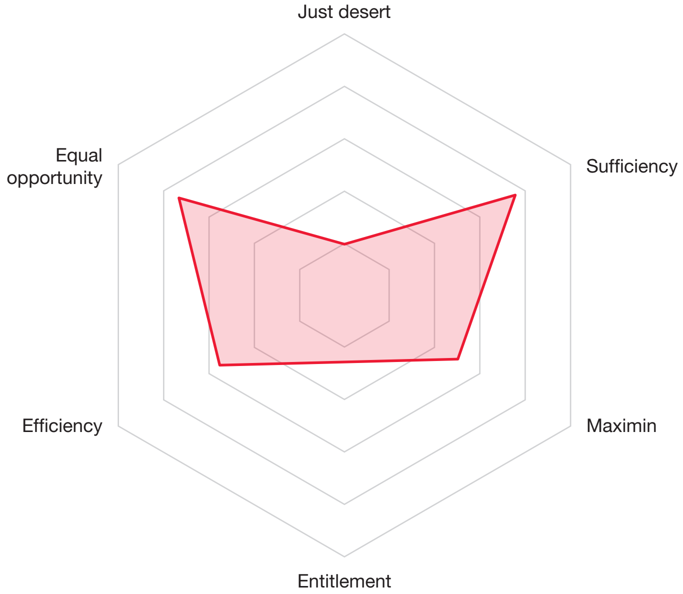
Exhibit 5: The fairness tribes

1. Idealists



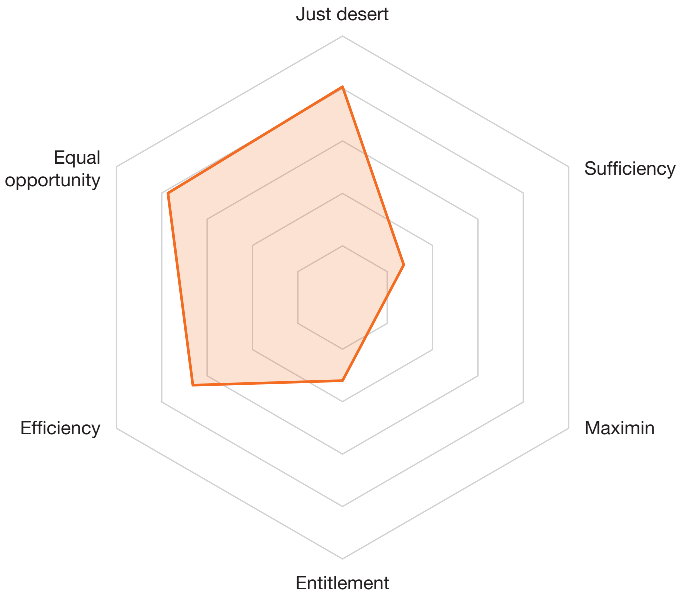
Distribution of wealth should lead to moral outcomes. Individuals should receive rewards based on their contribution, but all members of a community should have an income that is sufficient for them to lead a dignified life. Inequality should be accepted, but as a means to making the worst-off as well-off as possible. Efficiency is not an important criterion by which outcomes should be judged.

2. Communitarians



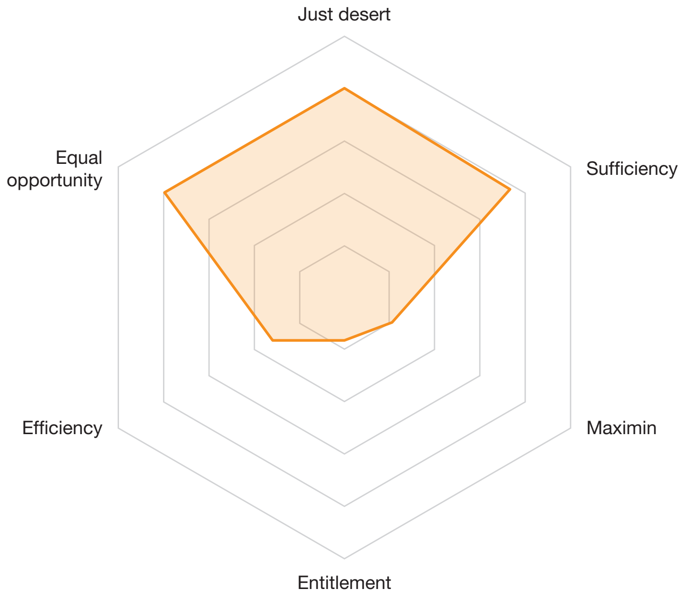
All members of a community should have an income that is sufficient for them to lead a dignified life. Equal opportunities are important – nobody should be at a disadvantage because of the circumstances of their birth. An efficient outcome for the overall community matters. Individual talent and contribution are not important criteria for allocating economic benefits.

3. Free marketeers



Provided there are equal opportunities for all, talented people deserve to receive income in line with their contribution. Market efficiency is important in determining how income should be allocated. No one is automatically entitled to income or wealth. The economic system doesn't owe anyone a living, nor need it improve the lot of the least well-off in the community, provided it is efficient overall.

4. Meritocrats



Provided all members of the community have an income that is sufficient for them to lead a dignified life, individuals are entitled to receive economic benefits because of their efforts and contribution. Equal opportunities are important – nobody should be at a disadvantage because of the circumstances of their birth. Efficiency is not an important criterion by which outcomes are judged, and the distribution of wealth need not be to the benefit of the least well-off in the community.

Source: LSE and PwC analysis of fair pay survey findings

FS perspectives: Balancing responsibility and reward

FS participants are more likely to be free marketeers than the survey population across all industries[12]. This could be explained by the tough demands on FS personnel and competition between peers. In addition, the opportunity for rewards based on individual contribution will have an impact on the type of people attracted into the FS sector.

Yet few if any of the FS participants match the detached and uncaring stereotype that's commonly attributed to the industry. FS respondents showed themselves to be competitive; they want to do well financially and receive rewards that reflect the demands of the job, but they also want to do the right thing by their employees and society. And while there are many out-and-out free marketeers, they still make up only a minority (about a third) of FS participants; there are a significant number of communitarians and idealists, too. FS participants also showed significant support for all six principles of distributive justice.

These multidimensional perspectives underline the importance of looking beyond often-polarised views on fairness (e.g., simply equating it to equality at one end of the debate, and this has nothing to do with us at the other). Rather, the key objective is balancing the different dimensions needed to attract and retain key talent and reinforce the values of your organisation.

12 Just over 33% of FS participants are free marketeers, compared to 29% of the survey respondents from all industries, making the average FS participant almost 15% more likely to be a free marketeer.

Creating a fair organisation

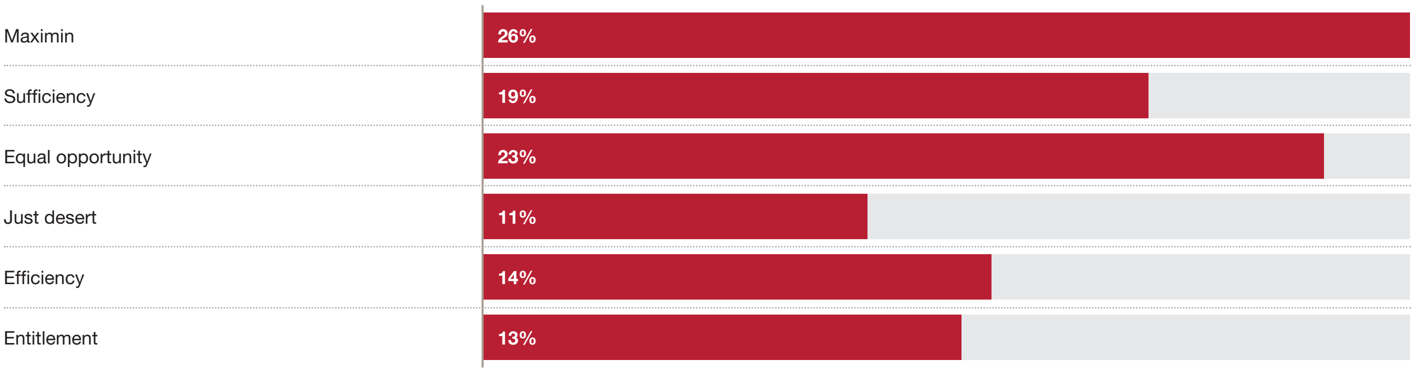
3

How can your organisation turn fair pay into tangible policies that differentiate your business?

In a marketplace facing unprecedented disruption and change, your business must decide how it's going to compete and the talent it needs to make this possible. Fairness can help you define what kind of organisation you want to be, frame your employee value proposition and shape how you're perceived. Although fair pay is only one part of a much wider focus on fairness, which includes such factors as diversity and inclusion, treating customers fairly and contributing to the good of society, it's the one on which you know you are likely to be judged. And given the intensifying political and regulatory spotlight on fair pay, it's also an area that demands urgent attention.

In practice, however, FS executives are finding that simply defining – let alone achieving – fairness can be extremely difficult. Even within the dimensions that are seen as most important – efficiency, sufficiency and just desert – many believe their organisations are falling short (see Exhibit 6). So, what can you do? We believe your company can take five steps to tackle the fairness challenge and make fairness work in your favour.

Exhibit 6: Falling short – Proportion of people who think that their company is not delivering on a principle of fairness they think is just



Source: Responses from 177 FS executives taking part in the LSE/PwC fair pay survey

1 Develop the fairness principles that are right for your organisation

Identify the principles of fairness that are most relevant to your business, workforce and culture. How does fair pay align with your purpose and values, for example? What behaviour and performance do you want your reward system to promote? How do you ensure your staff have a decent standard of living? What do you have to do to be seen as a caring organisation?

To be relevant, your principles should clearly reflect the economic realities of your business. This includes not only competing against peers for talent and offering appropriate incentives, but also ensuring equal opportunities for traditionally underpaid and underrepresented groups[13]. Your board should then approve these principles to show their importance.

2 Determine what your employees want and, just as importantly, what you want from them

Clearly, it's important to look at what employees expect as the 'just desert' for their contribution. Ask people what fairness means to them and use the insights to refine your principles. Their views are bound to differ, so rather than a one-size-fits-all approach, it's important to make maximum use of data and analytics to gain a real understanding of their perspectives.

This is just the start. Although employee perspectives should be taken into account, you can't simply mould your approach around them. Just as you need to reflect their aspirations, they should live up to the values and culture you want to promote. For example, if the attitudes of certain employees – including their incentive expectations and underlying values/behaviour – conflict with this, you must ask yourself whether they belong in your organisation and what kind of people should replace them.

3 Translate your principles into actions

Fairness principles come alive through their expression in tangible people policies – for example, the adoption of a living wage, active steps to tackle pay gaps and incentives that encourage priorities such as putting customers first. Exhibit 7 outlines some of the concrete policy options that can support your board-approved fairness principles.

4 Judge whether your organisation lives up to your principles

Take a hard look at how your organisation measures up against your principles.

The development, measurement and monitoring of metrics in areas such as gender pay can improve your ability to drive forward priorities, track progress and identify areas in need of active intervention.

Even if you think you're abiding by your key priorities, take stock anyway; they often get lost in times of disruption and growth, and it's common to have blind spots. An honest inspection of the data can shed light on the real picture.

5 Tell your story

Transparency is a big part of making fairness principles work. That means engaging with your employees, so they know how and why they're being compensated, not just with pay, but also with benefits and other rewards. Telling your story also means going beyond the basics of statutory disclosure by outlining your principles, policies and progress against objectives.

Exhibit 7: From philosophy to principles and policies – illustrative examples

Philosophical principles	Corporate principles	Policy category
Entitlement	**Freedom**	• Flexible working • Zero-hour contracts • Career breaks
Efficiency	**Competitiveness**	• Pay benchmarking • Market positioning • Recruitment
Equal opportunity	**Diversity and inclusion**	• Equal pay • Social mobility • Promotions/Talent pipeline
Just desert	**Pay for performance**	• Incentive policy • Performance management • Performance-related pay • Service-related pay
Sufficiency	**Human dignity**	• Living wages • Benefits • Learning and development
Maximin	**Internal proportionality**	• Pay structures • Pay alignment • Profit share

Source: LSE and PWC

13 We explore the need to 'walk the diversity talk' in 'Gaining an edge in the competition for talent: Inclusive recruitment in financial services survey 2017', PwC, 2017 (www.pwc.com/gx/en/industries/financial-services/publications/inclusive-recruitment-in-financial-services.html).

Conclusion: Fairness can’t wait

If you don’t take the initiative on fair pay, the agenda will be set for you. If you’re proactive, you, your employees and your customers will benefit.

Fairness is now a fundamental element of a compelling corporate purpose, your licence to operate and your chances of success. The good news from our survey is that the industry wants to play its part in ensuring a fairer distribution of income.

Taking the initiative on fairness starts with deciding what’s relevant to your business and where you want to be, before translating this into tangible policies, creating a dashboard to track progress and intervening to tackle areas that are falling short.

While employee buy-in is crucial, this isn’t just a one-way process. Your people need to buy into an approach to remuneration that reflects and promotes the desired culture and values of your organisation.

In a highly competitive job market like FS, your organisation may be reluctant to change long-established approaches to rewards and pay. Yet, by doing nothing, you run the risk of being forced to respond to pressures coming from outside. The hostile agenda could stem from the impact of public mistrust or new statutory disclosures. Employees may also become resentful and look elsewhere if the focus of incentives runs contrary to their values and sense of fairness.

Differentiating your brand

Moving towards fairness presents an opportunity to redefine the public profile of your organisation and help bridge the trust gap by marking yourself as an FS business that recognises its social responsibilities and puts them at the centre of how it operates. It can also help you to attract and retain the talent you want and optimise your investment in recruitment by helping you attract, motivate and retain people whose values align with yours. Fairness is a key way to future-proof your organisation by preparing it for a world of transparency, disclosure and scrutiny.

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