The State of Startups’ Pay Equity in 2022

High-growth CEOs and founders are in the driver’s seat of change.
Introduction

Inclusive employers earn higher revenue and faster growth\(^1\). Other benefits they enjoy:

- 70% more likely to capture new markets\(^2\)
- 35% more likely to outperform competitors\(^3\)
- 2.3X more cash flow per employee\(^4\)

And when teams trust that diversity, equity and inclusion is a priority for their employers\(^5\):

- 20% Engagement increases
- 87% Attrition decreases

So, why do women still make $0.82 to every $1 earned by men —a ratio that hasn’t budged in 15 years?\(^6\)

That’s the question we wanted to answer when we asked 500 CEOs, CFOs, and Heads of HR & People at high-growth companies of less than 500 employees for their thoughts on pay equity and their challenges around achieving it.

Their responses revealed common startup roadblocks to assessing and ensuring pay equity and opportunities for leaders to spearhead change.

We hope this report inspires conversations, and most importantly, action toward clear, fair, and equal compensation.

Pay equity is also core to recent record-breaking resignations, employee activism and increasing pay transparency laws. In today’s work world:

- 65% Workers looking for new jobs\(^7\)
- Compensation remains the #1 priority for workers\(^8\)
- Women are 12% more likely than men to seek higher salaries (46% vs 34%).\(^9\)

“Good intentions about gender pay equality are no longer enough. Top founders and company builders now focus on measurable outcomes.”

—Matthew Harrigan, CEO of Company Ventures

Source Appendix
Methodology & Participants

We conducted an online survey of 500 business leaders in the United States between February 3, 2022 and February 5, 2022.

### ROLES
- **CEOs**: 20%
- **CFOs**: 18%
- **HR Executives**: 62%

### AGE
- **22-35**: 48%
- **36-45**: 27%
- **Over 45**: 25%

### GENDER
- **Men**: 240 (48%)
- **Women**: 261 (52%)

### COMPANY SIZE
- **> 50**: 38%
- **51-100**: 19%
- **101-250**: 20%
- **251-500**: 24%
What We Learned: Key Findings

Our most significant finding is the disconnect between beliefs and resources.

78% CEOs say pay equity is important
73% CEOs say pay equity influences recruiting and retaining the best talent

But CEOs aren’t in tune with the reality that the majority (61%) of teams lack adequate resources to address pay equity.

Other significant things we learned from participants:

BELIEFS
- 74% say pay equity is important, and CEOs are 4% more likely to strongly agree.
- 64% believe pay equity is a top priority at their organization, and CEOs are 9% more likely to strongly agree.
- 67% agree pay equity greatly influences recruiting and retaining the best talent, and CEOs are 6% more likely to strongly agree.

CHALLENGES
Top 3 barriers to action:
- 19% Access to compensation data
- 15% Leadership buy-in
- 13% Time

OPPORTUNITIES
Publishing pay ranges is the top best practice (38%) and most-requested resource (41%) to address pay equity.

Other best practices:
- 32% Share pay ranges during the interview process
- 31% Document and share criteria for bonuses, promotions and benefits with employees
- 28% Don’t ask candidates for salary history
- 27% Conduct pay audits to spot pay gaps
- 27% Proactively budget to correct for pay discrepancies
- 26% Have informal internal discussions
Gender Pay Equity Matters To Most High-Growth Executives—Especially CEOs

While the majority of participants believe in prioritizing pay equity, CEOs lead the pack.

74% Respondents say it’s important to address pay equity in their companies.

78% CEOs say it’s important to address pay equity in their companies.
Pay Equity Is Also A Top Organizational Priority

The majority of participants believe their companies are moving beyond intentions when it comes to pay equity.

Nearly two-thirds (64%) believe pay equity is a top priority at their organization. And CEOs are 9% more likely to strongly agree.
Pay Equity Is Important To Recruiting And Retaining The Best Talent

High-growth leaders understand the importance of pay equity to its workforce.

67% More than two-thirds agree that pay equity is important to attracting and keeping employees.

And CEOs are 6% more likely to strongly agree.
But CEOs Are Unaware That Their Teams Lack Resources To Address Pay Equity

61% Respondents either agree that they don’t have access to adequate information/resources or are unsure—but CEOs aren’t in tune with that reality.

Real progress takes more than lip service. CEOs must take charge of pay equity and provide the tools their teams need to operationalize it.
Top 3 Barriers To Action

What’s keeping organizations from making progress toward closing the pay gap? High-growth leaders cite these main barriers:

1. **Access to quality compensation data**: 19%
2. **Leadership buy-in**: 15%
3. **Time**: 13%

Here are the full list of barriers:

- Access to quality compensation data: 19%
- Leadership buy-in: 15%
- Time: 13%
- Money / funding: 12%
- Prioritization: 12%
- Insufficient knowledge: 10%
- Limited staffing: 10%
- Lack of transparency: 9%
Pay Ranges Are Also The Most Requested Resource

Access to pay range data tops the list of most requested resources.

- Access to pay range data: 41%
- Information on best practices: 36%
- Automated insights and reports that track and measure company progress: 32%

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<thead>
<tr>
<th>Requested resource</th>
<th>%</th>
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<tr>
<td>Access to pay range data</td>
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<td>Software to measure and track progress</td>
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<tr>
<td>Training for HR, people teams and leadership</td>
<td>30%</td>
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<tr>
<td>Market benchmarks measured against our peers</td>
<td>29%</td>
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Pay Ranges Also Tops Five Best Practices

Transparency is essential to fair pay. And pay ranges, which top the list of best practices, help companies meet the increasing demand for pay transparency from workers and legislators. However, it’s important to note that pay ranges only work when they’re based on fresh and reliable data that’s relevant to your company, stage and industry. Without solid data, pay ranges are just numbers.

### Other best practices

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Practice Description</th>
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<tr>
<td>31%</td>
<td>Document &amp; communicate criteria for bonuses, promotions, benefits with employees. This practice helps candidates and employees understand how they’re able to grow throughout their time with a company.</td>
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<td>28%</td>
<td>Don’t ask candidates for salary history. Avoid building on the mistakes of past employers. Basing comp on previous salaries continues unfair pay practices, leaving individuals perpetually underpaid.</td>
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<td>27%</td>
<td>Conduct pay audits to spot pay gaps. When it comes to pay equity measures, “set it and forget it” doesn’t work, especially when you consider how much each hire and promotion shifts your company’s profile. Periodically assess pay equity at your company to reveal what’s working and the changes you need to lead.</td>
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<tr>
<td>31%</td>
<td>Proactively budget to correct for pay discrepancies. Correcting pay inequities may require a bigger budget. It requires understanding the market and compensation data &amp; benchmarks, to know what’s actually fair.</td>
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<tr>
<td>26%</td>
<td>Have informal internal discussions. Don’t limit pay conversations to hiring and annual reviews. An open-door policy that welcomes comp conversations anytime creates room for inequities to surface instead of fester.</td>
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OpenComp helps modern employers and employees confidently make the best business and career decisions.

With compensation intelligence, they make data-driven decisions, bring clarity to the entire employee experience, and enhance accountability and governance. The Compensation Intelligence Platform by OpenComp offers the only reliable compensation data, benchmarks, and insights for high-growth employers and employees, from seed to pre-IPO. With our active community of compensation experts, dedicated customer success managers, and a unicorn-tested Services team, our customers are creating radical change in the world.

Sign up for OpenComp to get reliable data that’s the foundation for measuring pay equity.

Source:
2. https://hbr.org/2013/12/how-diversity-can-drive-innovation
8. https://populace.org/successindex