

How to Prepare for a Pay Equity Analysis

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Today's Presenters



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Today's Agenda

- Why pay equity?
- Pay equity trends
- Eight steps to success



Why we need to talk about pay equity now

Emerging legislation

- US Federal Paycheck Fairness Act
- State legislation focusing on pay transparency and salary history bans.
- European Union Directive proposal on pay analytics and transparency
- Canada's federal Pay Equity Act

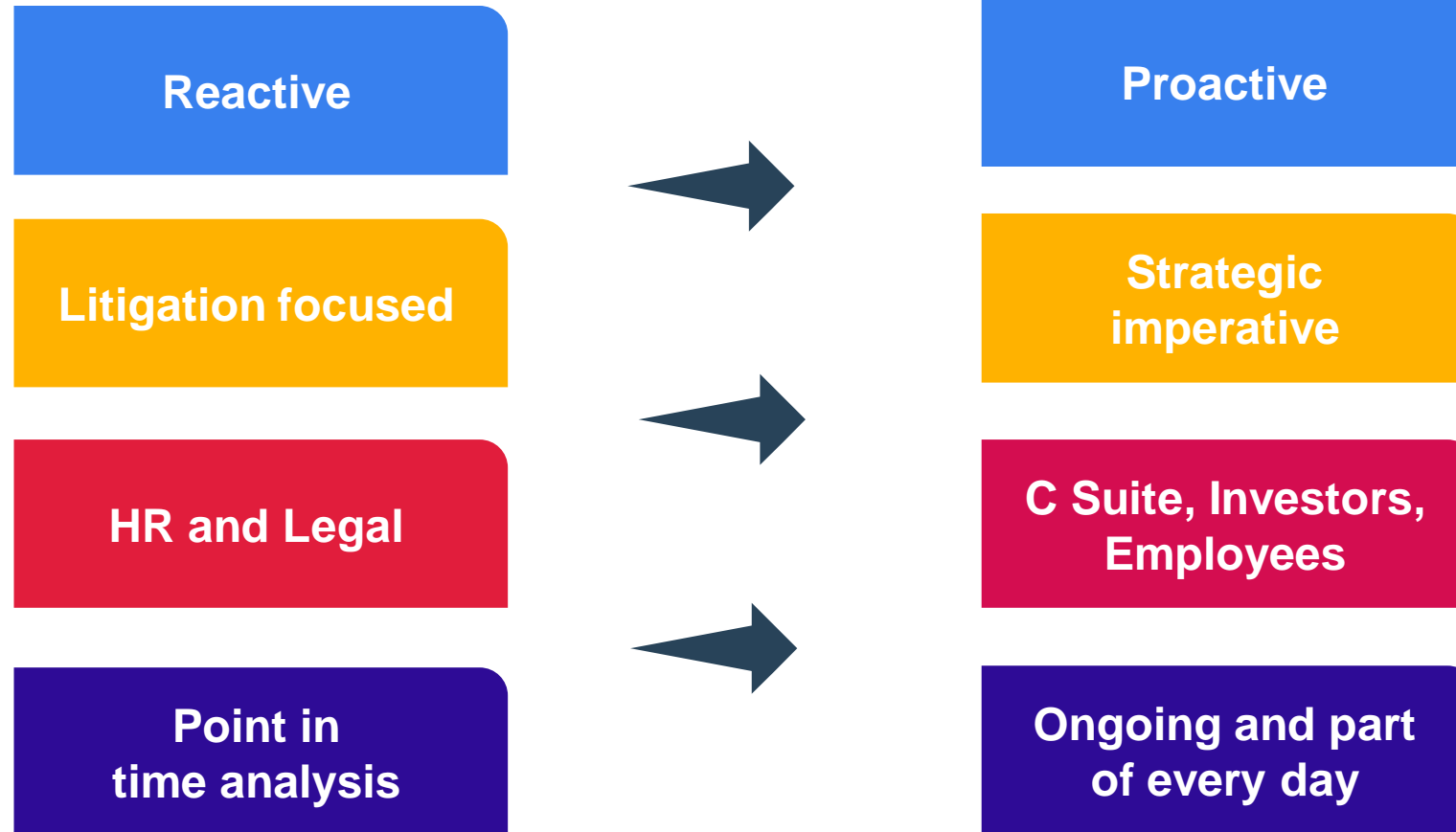
Impact of the pandemic

- Women and minority groups most impacted by job losses and reduced income
- Women also disproportionately shouldered the care burden
- Today, women in senior roles are now 1.5 times more likely than men to think about downshifting their careers or leaving the workforce
- UK gender pay gap widens

A multi-stakeholder issue

- Investor, employee and customer pressure increases
- Studies increasingly indicate the link between diversity and company performance
- Responsible reward now part of the 'social' pillar of ESG
- Metrics on pay equity will increasingly become part of disclosure requirements

A shift of approach





Poll: Has your organization conducted pay equity analysis?

- ☐ Yes, continuously
- ☐ Yes, annually
- ☐ Yes, every few years
- ☐ Yes, but many years ago
- ☐ No, never
- ☐ Unsure

2022 Compensation Best Practices Research

Is pay equity analysis a planned or current initiative at your organization?

66.0%

(up from **46.2%** in 2021)

Why is pay equity a planned or current initiative?

- Central to company values: **41.3%**
- Part of proactive talent strategy: **28.9%**
- Legislative compliance: **17.9%**
- Response to employee feedback: **6.8%**
- Part of ESG strategy: **5.1%**

Testimonials

“Nestle made a global commitment in 2018 to make gender and pay separate. We are going to be a pay neutral company. As part of that, we’ve done tons and tons of analysis on pay and how gender is affecting pay. Knowing that that’s an every year commitment we’ve made, we have to make sure that we have a tool that is easily refreshable to look at the analytics behind how gender is impacting pay.”

**Chris Lacey, Compensation
Consultant, Nestle USA**



Medtronic

Medtronic believes that an inclusive, diverse, and equitable workplace is critical for the success of any company. They have been sharing their goals and achievements publicly since 2019.

“Payscale Pay Equity software has helped immensely. It gives me that extra piece of something to go to the manager... to ensure that everyone is paid based on what they bring to the job”

**Karen Tollefson, Prin HR Shared
Services Specialist, Medtronic**

Step by step guide to pay equity analysis

Pay Equity analysis step by step

1

Context, purpose, goals

2

Define scope and methodology

3

Group employees

4

Collect data

5

Perform analysis

6

Agree mitigation strategy

7

Communicate

8

Plan next steps

Step 1: Set context, purpose and goals

What is your current position?

What timeframe is achievable?

What are your goals?

Who are your stakeholders?

Do you have the budget for pay remediation?

Do you know the legislation in your jurisdictions?



Step 2: Define scope and methodology?

Equal Pay

Equal pay for equal or comparable work

Controlled Pay Gap

Wider Pay Gaps

The average earnings of one group compared to another

Uncontrolled Pay Gap or Opportunity Gap

Sustainable Pay Equality

All employees have the opportunity to earn the same

Uncontrolled gender pay gap

This “opportunity pay gap” measures median salary for all men and all women.

Women earn

82¢

For every \$1 earned by men

Controlled gender pay gap

This measures median salary for men and women with the same job and qualifications.

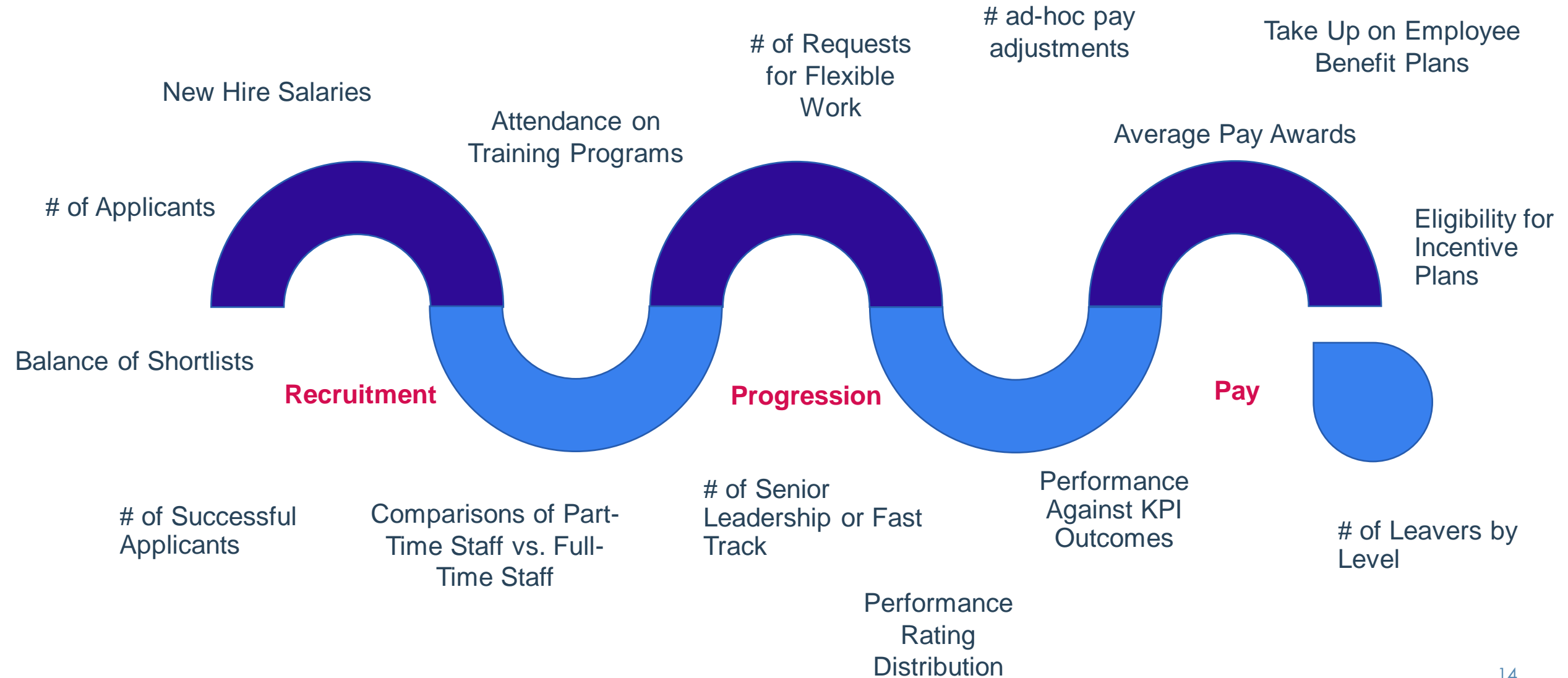
Women earn

98¢

For every \$1 earned by men

• Rectangular Snip

Sustainable pay equality



Poll: Do you know what your gender pay gap is?



- ☐ Yes, for both the controlled and uncontrolled gap
- ☐ Yes, for the uncontrolled gap (overall regardless of job)
- ☐ Yes, for the controlled gap (employees with the same job characteristics)
- ☐ No
- ☐ Unsure

Step 3: How to group employees for analysis

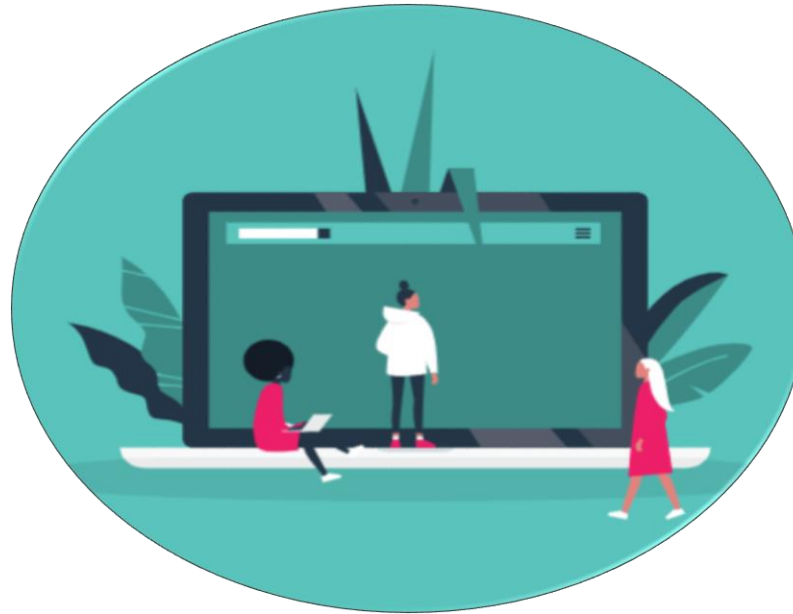
- Group employees doing like work or work that is the same or broadly similar
- Use an existing job classification framework or benchmarking levels
- ‘Substantially similar work’ or for work of ‘equal worth’ is when work is of equal value in terms:
 - Demands of the job such as the effort involved
 - Skills necessary to do the job
 - The responsibility that is part of the role
- Job groupings should be legally defensible

Step 4: Collect data

How will you segment your employee population analysis?

How will data impact your goals?

How consistent and complete is your data?



Do you have a method for grouping employees into comparable or like work?

What protected characteristics data do you have/want to collect?

What factors do you think drive pay variance? And what should?

Which types of compensation will you analyze?



What protected characteristics do you analyze for pay equity?

- ☐ Gender
- ☐ Race/Ethnicity
- ☐ Disability
- ☐ Age
- ☐ LBGTQ+
- ☐ Veteran Status
- ☐ None

Step 5: Perform analysis

Explore uncontrolled gaps

Review average pay calculations to understand representation and root cause issues



Run controlled analysis

Use regression to understand how pay gaps decrease once legitimate factors are controlled for



Model pay remediation budgets

Run pay remediation budget scenarios and cost analysis to close pay gaps



Perform PAG analysis

Explore regression and outlier analysis model outcomes and actual pay data in the context of cohort groups

Step 6: Mitigation strategies

What other structural changes are needed?

Will remediations be part of the pay review process or a stand-alone review?

Consider remediation relative to budget availability



Are the business factors that contribute to pay variance aligned to your compensation philosophy?

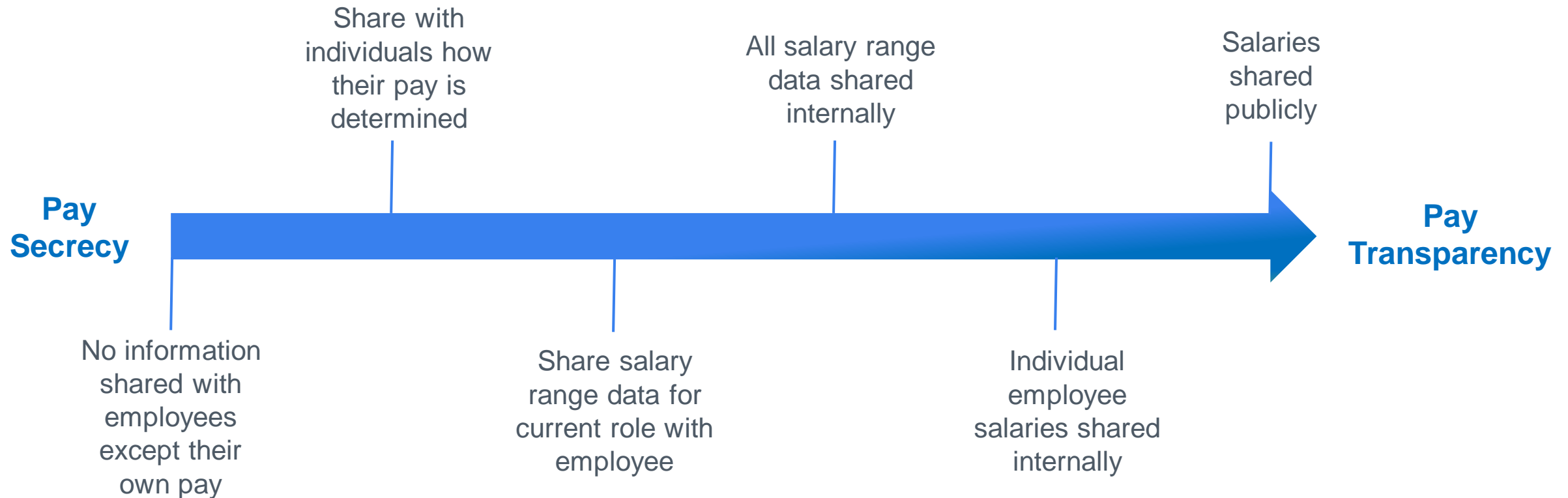
Review of factors that could potentially be biased

Test the impact of remediation strategies on pay gaps

Step 7: How to communicate

- Is this the first time you have performed a Pay Equity Analysis?
- Which stakeholders have been involved or informed so far and which other stakeholders do you want to include?
- How transparent are you about pay generally?
- What were the results of the review?
- What actions have you identified?
 - Pay remediation
 - Tackling structural issues
 - Review of pay and people policies for pay bias

The pay transparency continuum



How you communicate your Pay Equity Analysis outcomes will be driven by where you sit today on the Pay Transparency Continuum and what employees currently understand about their pay.

Step 8: Plan next steps

- Plan next phase of analysis and any additional data required
- How can you maintain pay equity between phases (new hires, progression etc.)?
- Pay equity analysis can provide critical insights to advance the journey of sustainable pay equity:
 - Uncontrolled pay gap analysis will highlight vertical and occupational segregation issues
 - Controlled analysis can often reveal occupational segregation issues and whether pay programs are administered fairly
- Other metrics can identify vulnerable moments in the talent lifecycle and where your people policies and processes may be contributing to inequity

Q&A

Feel free to ask any questions in the chat!



Additional Pay Equity Resources:

- [Pay remediation handbook](#)
- [Step by step guide to pay equity analysis](#)
- [Pay equity analysis readiness questions](#)