



How to Conduct a Pay Equity Analysis

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Key trends in pay equity

- Compliance landscape: state and local pay laws becoming more common
- Salary history bans
- Salary information is now widely available to employees
- Employers are building “pay brands” based on values like **pay transparency**
 - Some have made voluntary disclosure of their pay equity edits



Research: Gender / Racial Barriers in Hiring, Pay and Promotion

The Gender Pay Gap

UNCONTROLLED GENDER PAY GAP

COMPARING ALL WORKING WOMEN TO ALL WORKING MEN.



WOMEN EARN

78¢

FOR EVERY \$1 EARNED BY MEN

CONTROLLED GENDER PAY GAP

COMPARING SIMILAR WOMEN AND MEN IN SIMILAR JOBS.



WOMEN EARN

98¢

FOR EVERY \$1 EARNED BY MEN

*PayScale, Spring, 2018

* The controlled pay gap widens as women move up the ranks.
It starts off at **98.3 cents** for **individual contributors**, widens to 94.4 cents for execs.

Women are under-represented in the best paying jobs.



By mid-career, men are 70 percent more likely to be in executive roles than women.

By late career, men are 142 percent more likely to be in VP or C-suite roles.

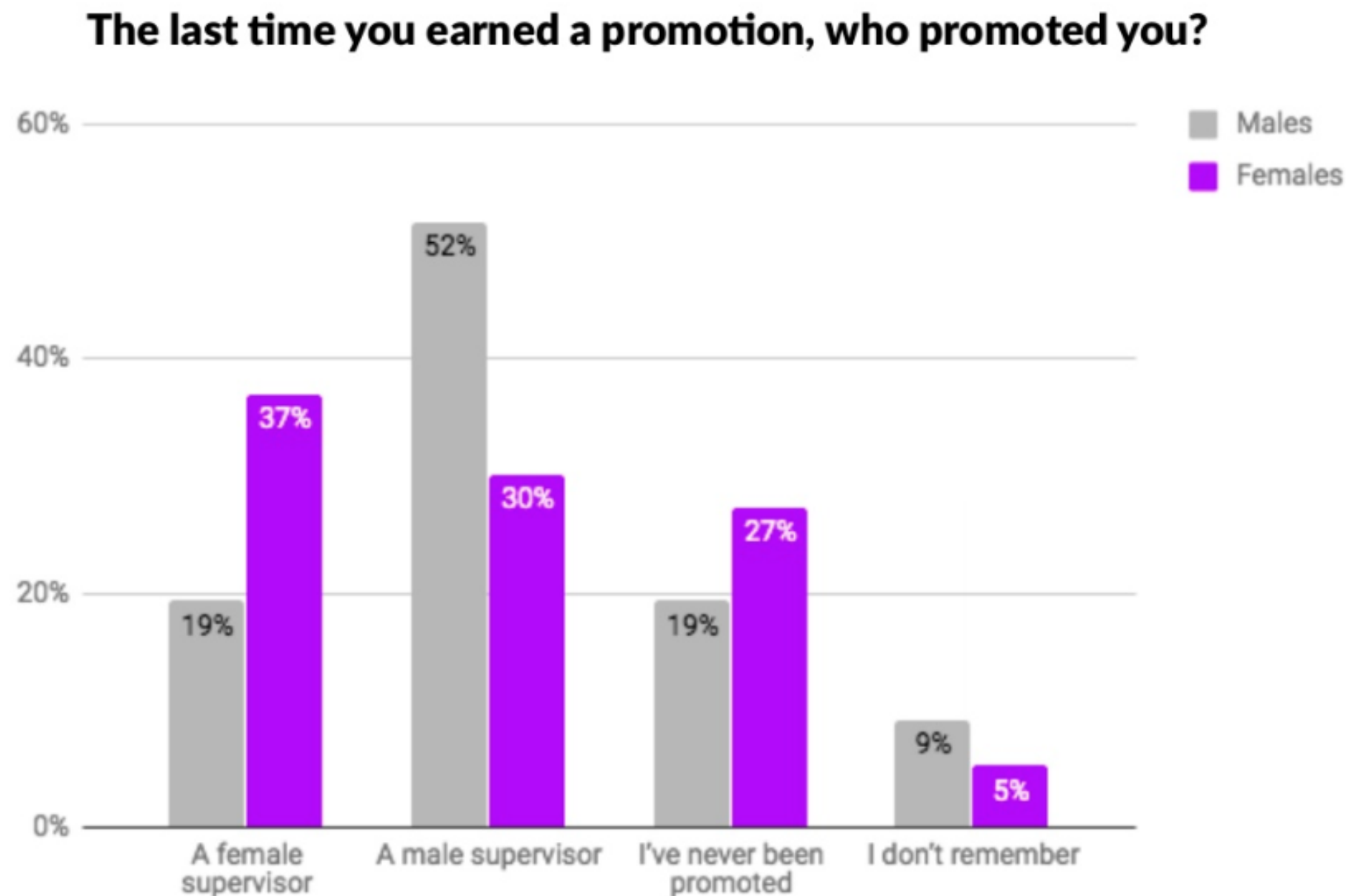
Women are more likely than men to remain in individual contributor positions over the course of their careers.

Men promote men

Women promote women

Women are more likely to say that they're paid less for doing the same job.

55 % of women said they have said that someone was paid more than them for doing the same job; compared to 49 percent of men.



Source: FairyGodBoss

Employee referrals benefit men more than **women**

Women of any race are less likely to receive referrals than their white male counterparts.

White women are 12 percent less likely to receive a referral.

Women of color are 35 percent less likely to receive a referral.

While men can expect a referral to lead to a \$8,200 salary increase, a typical woman should only expect a \$3,700 salary increase.

*PayScale Impact of Job Referrals, December, 2017

People of color are **less likely to receive a raise** when they ask for one

- **Women of color** were 19 percent less likely to receive a raise than a white man
- **Men of color** were 25 percent less likely to receive a raise than a white man

*PayScale "Raise Anatomy" Report: May, 2018

Simply expecting people from underestimated backgrounds to ask for a raise will not close the wage gap.

A man and a woman are sitting at a desk in a modern office, working on a laptop. The office has large windows in the background and a red overlay on the image. The text "How to Conduct a Gender Pay Audit" is centered over the image.

How to Conduct a Gender Pay Audit

Step 1 - Get the data

Key data fields you need:

- Basic employment status and historical employment information
- Demographic information: gender, race and other categories
- Job title, job level, overtime exemption status, full-time or part-time status, tenure
- Geographic work location and business unit information
- Performance ratings (if you have a performance rating system)
- Pay range and compensation data

Data privacy and security matter

Have a plan in place to protect the privacy and anonymity of your employees.

No PII should ever be transferred to the analyst who handles our gender pay audit.

Make sure all sensitive information is removed from your data file **before** analyzing the gender pay gap.

Step 2 – Clean Up Your Data

A. Decide how you want to group the data

Possible ways to group your jobs:

- By job family (similar job titles like data analyst I, data analyst II, Senior data analyst)
- By job title
- Group together similar departments
- By location (city, state, country)
- Focus on full-time workers

Look at your company's “controlled” and “controlled” gender pay gaps.

B. Identify the factors that can justify pay differences

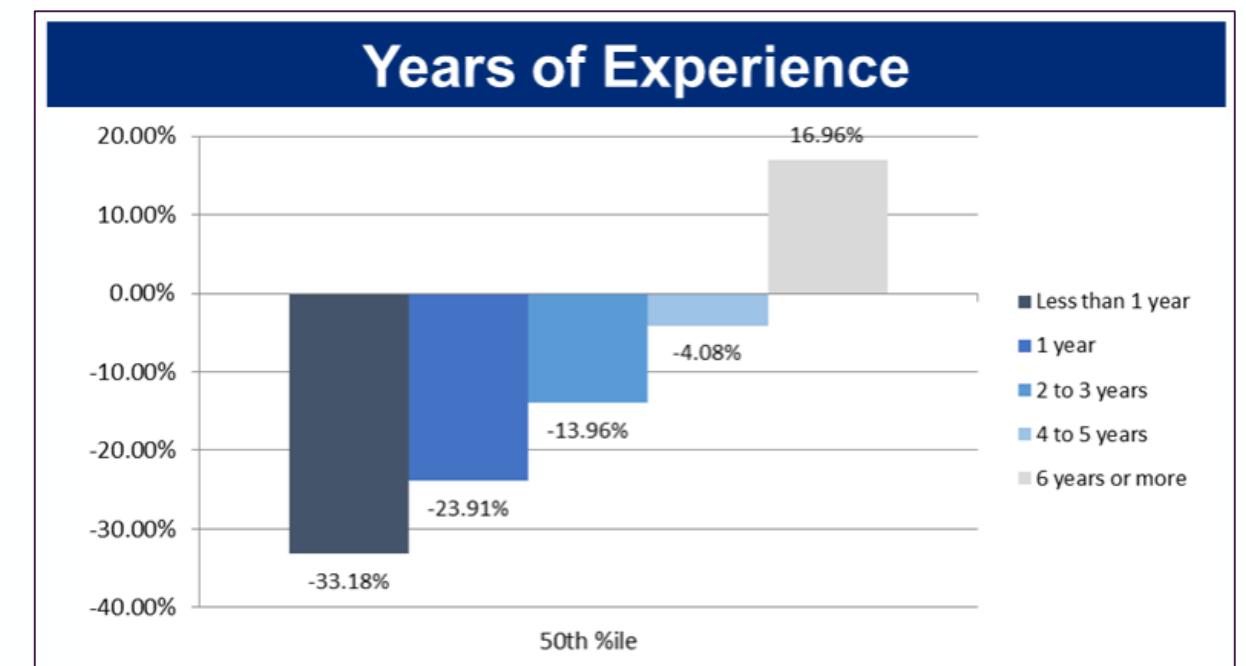
Step 3 – Analyze data

Pay attention to your job descriptions, especially the compensable factors in them.

Example Compensable factors: Mobile app developer

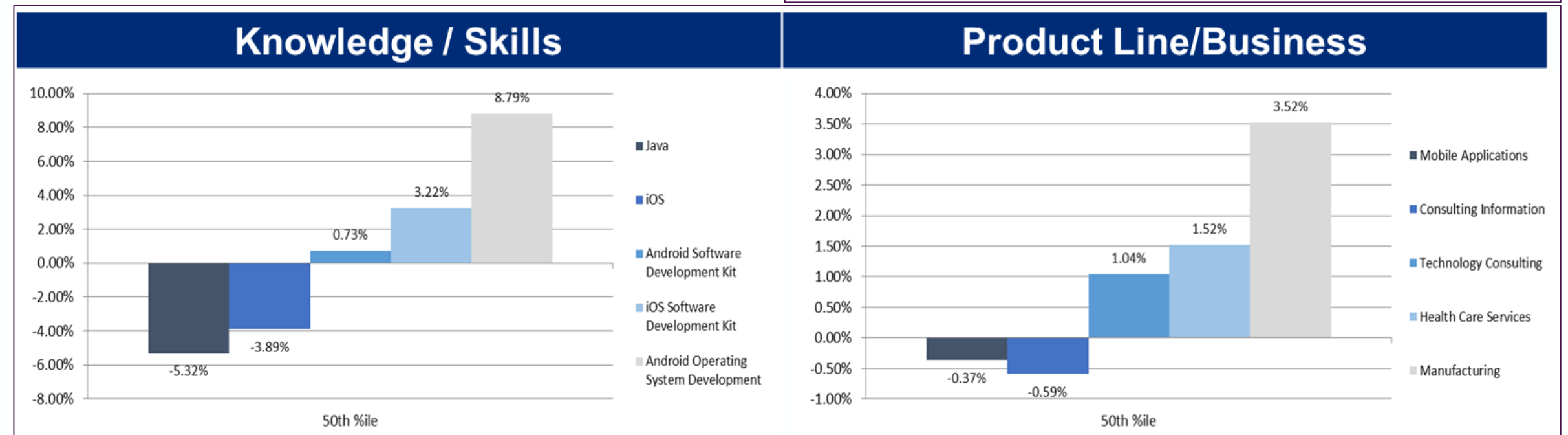


Overview: Charts indicate how the competitive pay changes with regards to changes in compensable factors. For example, job experience of less than 1 year reduces competitive pay by 33.18%



Baseline Job Profile:

- Experience: 6 years
- Skill Set: Mobile apps, software development
- Product Line/Business: Information Technology



Review your job descriptions every year

- Is the written job description matching what the person is actually doing and what the business needs the person to do?

Decide how often you update the ranges or pay grades.

- Ensure you pay workers according to your comp philosophy and track your salaries to the market.

Data Analysis Guidelines

1. Start with summary statistics

- What is the **gender breakdown** at your organization?
 - By department/job group/job level
 - The breakdown across these groups can explain a lot of the “uncontrolled” gap
- Your gender breakdown may represent broader gender trends in the labor market
 - e.g. engineering tends to skew male
 - When possible, benchmark to appropriate reference groups: industry, job function, location, etc.

Data Analysis Guidelines

2. Use market data and associated concepts to evaluate the controlled gap

- Range penetration & compa- ratio

Range penetration = (Salary – Range Minimum) / (Range Maximum – Range Minimum)

Compa-ratio = Salary / Range Midpoint

Data Analysis Guidelines

3. Statistical analysis: a little knowledge is a dangerous thing

- Methodologically, organizations are assumed innocent until proven guilty.
- Good policy, but cannot inform you about potential issues until it is too late
- Usually only appropriate for large organizations
- Beware of canned statistical solutions
 - Evaluating whether a test is appropriate or not depends on the underlying data. No single test is appropriate for all organizations

4. Check sample sizes before publishing.

- Ensure individuals cannot be identified from results.

Pay Equity Analysis in PayScale

Step 4 – Interpret Results

Pay attention when you notice these kinds of things:

- Pay gaps hidden within certain job titles or departments.
- An employee who has really good performance ratings, has similar experience, skills, but are at the bottom of the range.
- Employee who has poor performance marks and is at the top the range.

Step 5 – Communicate to leadership

What you need to communicate to your **leadership team**:

- If there are systemic problems, make your senior leadership team aware of them.
- Communicate what those disparities are.
- Informed solutions /recommendations.

Think through:

- Do you want to share the results with employees? With the public?
- Do you need to make changes to your company's pay and promotion systems?
 - If so, how soon do you need to make those changes?

Step 6 – Communicate to employees

Guidelines:

- Be honest & make sure your communication fits with your culture
- Once you've become aware of the pay disparity, communicate it immediately to the employee (through their manager).
- Make the pay adjustment effective immediately.
- Don't disclose the info but wait until a future date to correct it; can lead to resentment

Timing for pay equity audits

1. Do an audit in the quarter prior to budgeting season.
 - This allows you to bake in an “equity reserve” into the comp budget to make those pay equity adjustments in that process.
2. Monitor your pay increase cycle
 - Check to see that adjusted salaries are equitable from a gender/racial perspective.
3. Incorporate gender/racial equity audits into ongoing pay increase and promotion cycles.

What else can you do to ensure pay equity?

- Look at your promotion velocity.
 - Examine your processes and identify areas where bias can come in.
- Have a clearly defined process for promotions.
- Price a position, not a candidate
- Encourage employees to discuss pay-related matters.
 - Talk to employees about how your pay decisions are made.
- Audit your pay practices on a regular basis
- Analyze your talent acquisition sourcing practices.
 - Identify areas where bias can come in.



Questions?

Resources

Compference 2018 | Disney World Resort, Florida

[Payscale.com/compensation-today](https://www.payscale.com/compensation-today)



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