

How to build fair compensation policies that support sustainable pay equity

Tuesday, August 9th

Today's Presenters



Ruth Thomas
Chief Product Evangelist



Vicky Peakman
Director of Social Impact

Today's Agenda

- ✓ Why pay equity is not a one-and-done process
- ✓ The pitfalls that drive bias in compensation policies & practices
- ✓ How and when to establish metrics for monitoring risks
- ✓ How to integrate these into a sustainable pay equity framework

Let's talk Pay Equity



Why Pay Equity?

- Pay equity is a legacy issue for most organizations
- Most organizations have a pay equity challenge, but don't know the extent of this
- Pay equity is now a strategic business imperative and a regulatory compliance requirement
- Without it, there is increased exposure to litigation and reputational or brand damage
- Pay equity analysis can provide critical insights to advance the journey to DEIB

- Pay equity analyses uncover pay differentials and help you to understand what factors drive pay variance in your organization
- The analyses can result in pay remediation strategies to address inequalities
- But, to ensure **a sustainable approach to pay equity**, you also need to know if your compensation policies are working the way they're supposed to - or are they contributing to inequity?

A photograph of a man and a woman working together at a desk. The man is in the foreground, wearing a light blue button-down shirt, and is typing on a laptop. The woman is behind him, wearing a yellow top, and is looking at a document. There are papers, a pen, and a cup of coffee on the desk. The image has a blue tint.

**Towards
sustainable
Pay Equity?**

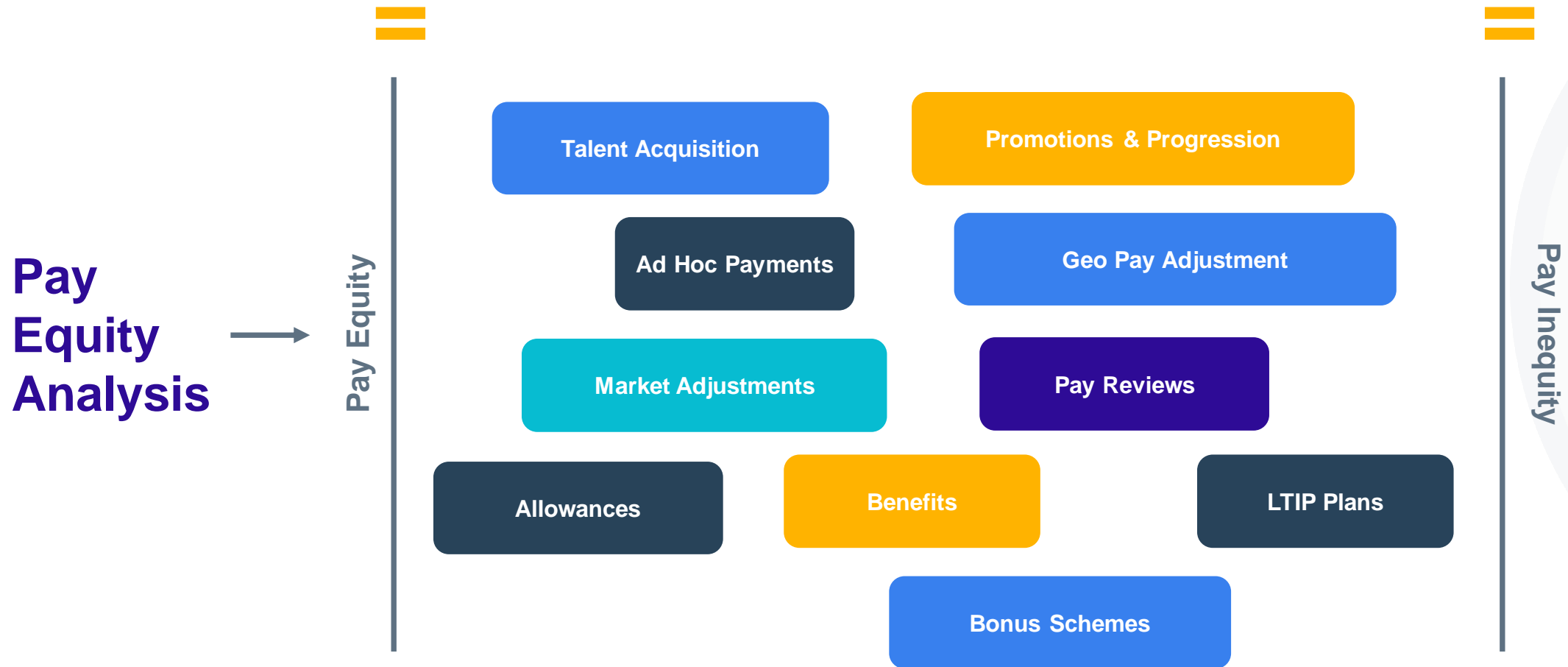
**How fair are your compensation
policies and practices?**

Poll Question 1:

Does your company currently have systems in place to understand and manage pay biases?

- A. Yes
- B. No
- C. No, but we are working on it
- D. Unsure

Why pay equity is not one and done



Talent acquisition

- It's the point at which an employee's salary history with your company begins and can set the wage bar for the rest of a career, perpetuating any initial inequity
- The risk is that you can import pay equity issues which can then compound over a career lifetime
- “The average woman worker loses more than \$407,760 over the course of a 40 year career. For women of color, the losses are even worse: \$944,800 for black women; \$1,121,440, for Latinas.(IWPR 2020)



Talent acquisition: pitfalls & tips

Asking for a job applicants' salary history

- What someone has made historically isn't relevant to the open position under discussion
- Prior salary may be used to exclude people from the candidate pool
- Perpetuate previous pay inequities, rather than pay the fair rate for the job

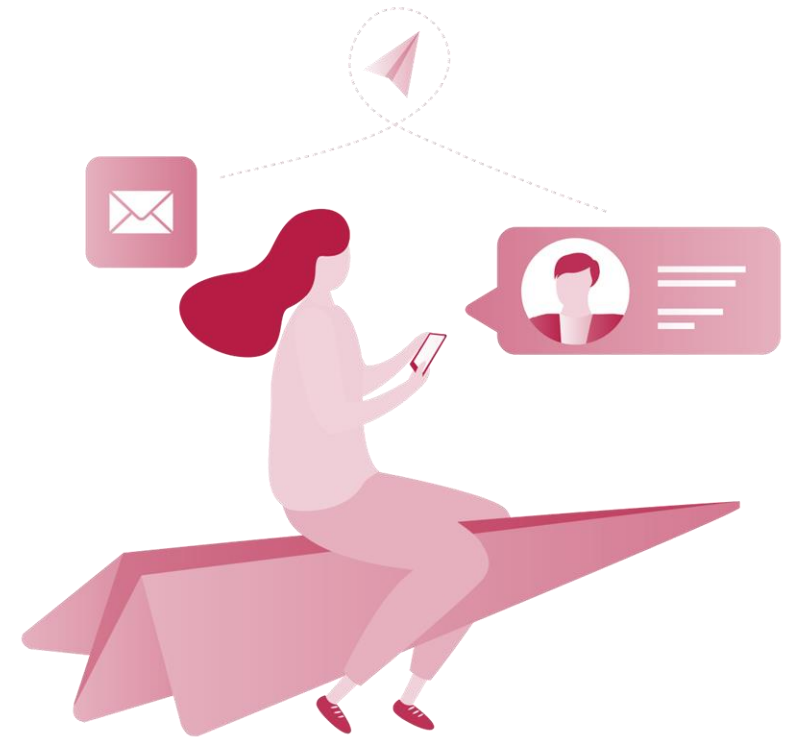
The impact of salary history bans in the US

- Sharp increases in the use of salary ranges in job postings after state-wide enactment of SHB legislation - and not just by employers subject to the ban
- States with bans generated substantial pay increases for Black (+13%) and Female (+8%) candidates who took new jobs ([HBR](#))

Talent acquisition: pitfalls and tips

Failing to disclose the pay range for a job

- “What are you looking for?” - This practice can set the basis for negotiation for entry salary thus perpetuating existing inequalities
- Determine the salary range for the open position first
- Advertise role with salary range
- Consider this for all locations, rather than those just mandated



Progression

The opportunity for employees to move through the organization, both upwards and sideways

Breaks in careers can negatively impact employees

Risk of loss of talent and corporate knowledge if not managed correctly

Pay gaps won't be fixed until progression is equal for all

Progression: pitfalls

- Motherhood penalty
- Working flexibly seen as 'not committed' or 'not ambitious'
- Salary based on previous salary (e.g. 10% rule)
- Falling back on simple rules
- Managing range penetration



Progression: tips

- Revolutionize culture around career breaks
- Make all roles flexible by default
- Determine salary before interviews
- Recommend employees for promotion
- Balanced shortlists and panels
- Determine legitimate factors for range position and stick to them
- Analyze your metrics



Ad hoc adjustments: Pitfalls

- Many organizations do not track the cost of ad hoc adjustments - nor who receives them
- **Men are more likely to ask for a raise than women – myth or reality?**
 - Men are 4x more likely than women to ask for a raise - and when women do ask, they typically request 30% less than men (Linda Babcock & Sara Laschever)
 - An Australian study of 4,600 employees found that while women were as likely as men to ask for raises, they were 25% less likely to receive them ([Fortune](#))



Ad hoc adjustments: Tips

- Actively track the cost of 'out of cycle' pay increases to the business
- Track metrics of requests **and** those approved by protected category, in order to identify systemic issues
- Ensure a credible governance process is in place
 - consider the impact on adjustment has on the whole group
- Be transparent about pay policies so all employees feel comfortable to ask

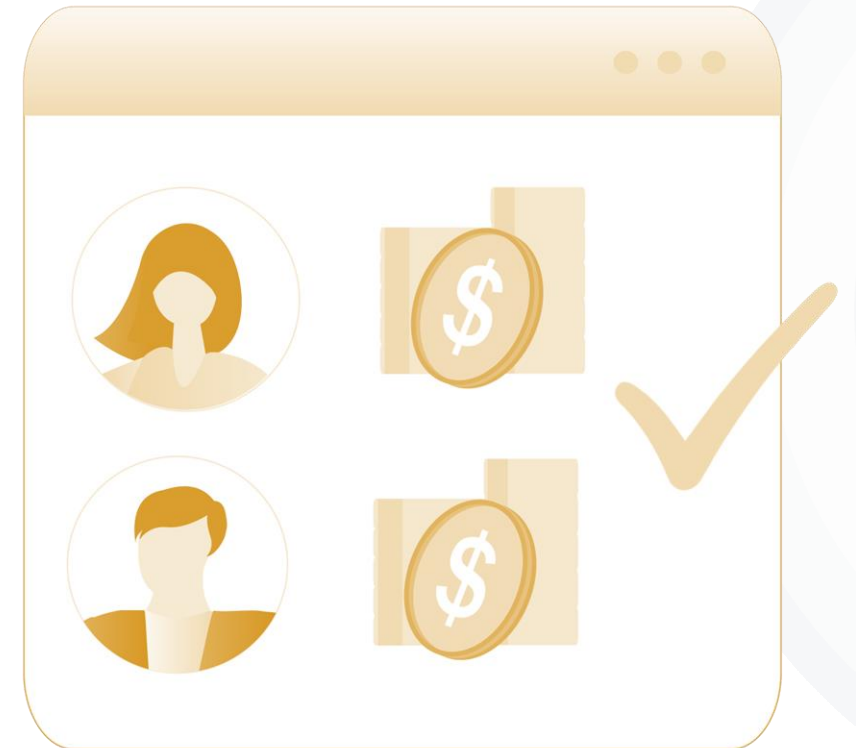


Pay reviews

- The main point in the year where you can positively impact pay equity directly
- Spend your pay increase, and bonus, budgets wisely
- Equal pay analysis should feed into pay reviews
- Managers need to see their pay equity metrics to help them make smart decisions - reviewing them afterwards won't help
- Paying for individual performance can add to pay inequity

Pay review: Tips

- Start early
- Be transparent
- Determine the best way to spend your budget
- Provide metrics to managers while they are making their decisions
- Re-assess whether bonuses are effective
- Assess performance review criteria and output each year to ensure no bias



Allowances & benefits

Non-consolidated pay, which can be fixed or related to specific tasks, often go unnoticed when assessing pay equity

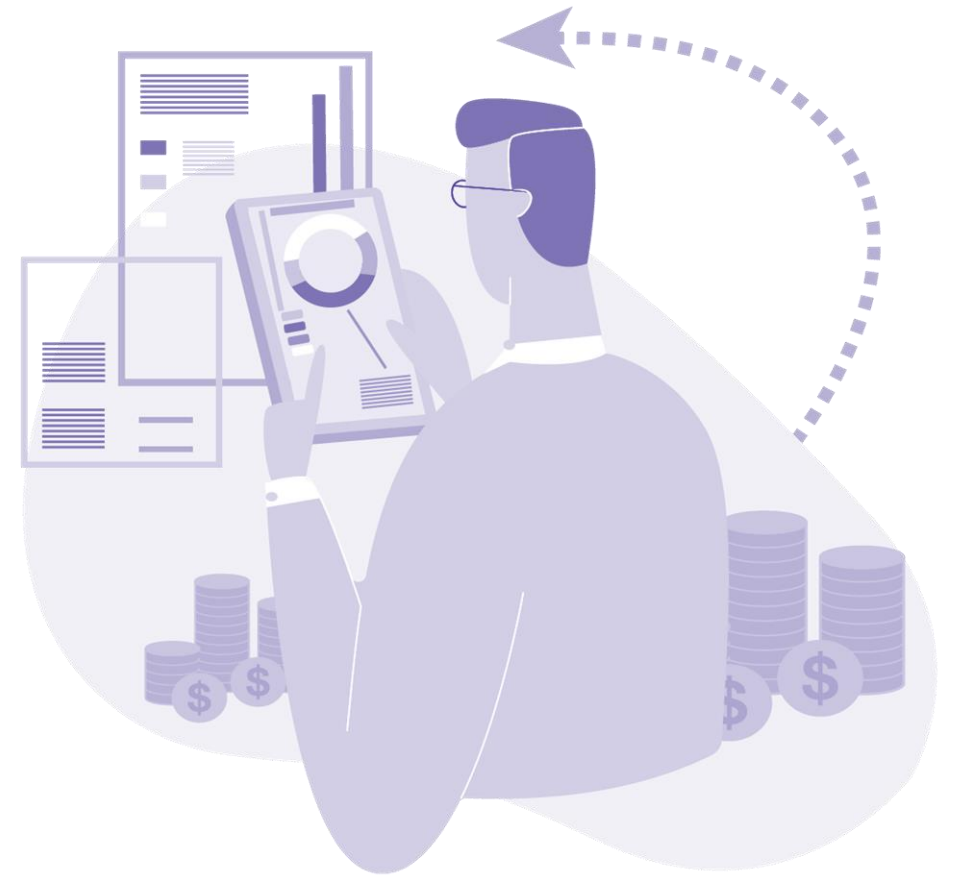
Benefits are a way of reflecting the culture of the organization – moving towards same benefits for all

Sometimes a low-cost way of rewarding employees

Take up of benefits needs to be assessed

Allowances & benefits: Pitfalls

- Allowances are often found in male dominated professions
- Car allowances and benefits such as healthcare are often related to seniority
- Pension percentages often increase with seniority
- Buy out can lead to inequity
- Overtime is another pay element that is often overlooked



Allowances & benefits: Tips

- Assess your eligibility criteria for allowances and benefits
- Assess your actual provision of allowances and benefits, including take up *if optional
- Review overtime policy and practice
- Consider providing the same benefits for all
- Be transparent



A word about bias in market data

We often use market data either to:

- 1) Determine pay directly or
- 2) Create pay ranges

Market data is a reflection of the specific pay market as it is (which includes the biases and systemic inequity over time)

Typically impacts male vs. female jobs due to the historical undervaluation of “female” work (same applies to race)

As organizations become more equitable so will the market, but it will take time

Geo pay & hybrid work: What's the deal?

- Increased remote work and how to manage geographical pay differences are on the agenda
- New hybrid work models and reward schemes are being adopted – but businesses are split on how to do this.
- Track who opts to take which package and whose pay gets reduced – women may gravitate to WFH due to the burden of care ([Forbes](#))



Poll Question 2:

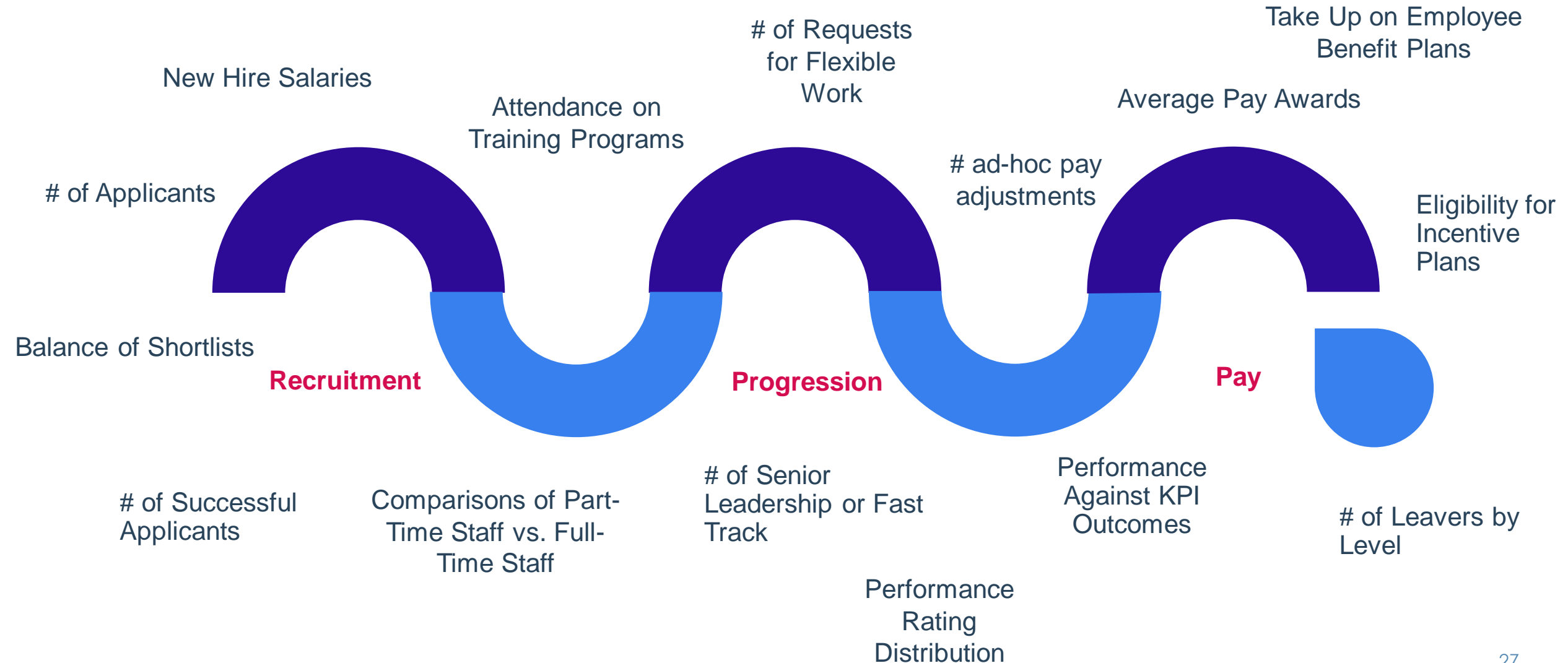
Which of the following tactics have you deployed to address pay biases?

(Select all that apply)

- A. Salary history bans at hire
- B. Establish pay ranges for all and use during hiring process
- C. Monitor all pay adjustments by relevant protected categories
- D. Provide actionable insight to decision makers during pay review
- E. Review allowances and benefits for inequity
- F. Ensure consistency in remote/hybrid pay decisions

How and when to establish metrics for monitoring risks

Monitoring across the talent lifecycle



“

“Only when we analyze the data can we gain insights of where we have come from and identify where we want to go, then we can set better DEIB goals and actions”

Towards sustainable pay equity

How to create fair compensation practices

- ✓ Analyze your all your policies through [the DEIB lens](#)
- ✓ Make sure there is [no gap between your pay policies and practices](#)
- ✓ [Ongoing analysis with regular tracking](#) is the best way to ensure long- lasting and sustainable results
- ✓ Establish a culture of [pay transparency](#)
- ✓ [Train and communicate](#) best practices in fair compensation management
- ✓ Understand that education and communication can create awareness and behavior shifts - [but sustained change also requires a shift in mindset](#)
- ✓ Champion [pay equity and equality every day](#) – and from the top down



Gain a competitive edge in a fierce talent market while building a more fair, equitable and transparent pay strategy

Market Pricing

Pay Structures

Survey Management
& Participation

Reporting
& Analytics

Pay Equity

Compensation
Planning

Total Rewards
Statements

Job Descriptions
Management



Peer

A transparent & dynamic HR
reported data network

Employee Reported

The world's largest real-time
salary database

HR Market Analysis

A composite of analyst curated
employer reported survey data

Q&A

Feel free to ask any questions in the chat!

