

How to Prepare for a Pay Equity Analysis, Ep. 1: Commit

Today's Presenters



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Pay Equity Series

What you will learn:

- Key considerations before starting your journey
- How to prepare for pay equity analysis
- How to plan for remediation and take action
- How to work towards sustainable fair pay
- How technology can support you



Today's Agenda

- A review of pay equity progress
- Considerations when starting your journey
- What's next in this series
- Q&A



Poll: Why are you here?

- ☐ We have outsourced pay equity analysis but want to bring in house, so here to learn more.
- ☐ We have been doing pay equity analysis in house, but here to learn more.
- ☐ We want to start pay equity analysis but don't know where to start.
- ☐ We are going to start pay equity analysis this year, so here to learn more.
- ☐ Here to learn about pay equity for my own personal development.
- ☐ Other (free text)

Pay Equity: What progress have we seen?

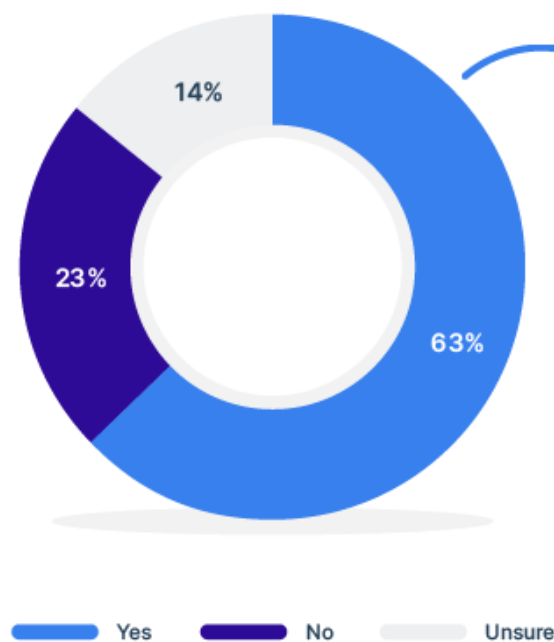
The State of Pay Equity in 2023

- Consider impact of an active labor market on pay equity and pay compression.
- New challenge – pay transparency, how does this relate?
- Increasing pay transparency means that employees will not only see pay ranges of peers and positions higher and lower than them. As this happens, the uncontrolled pay gap will become a greater focus.

The commitment to pay equity remains strong

- In 2022, we saw a huge jump in organizations prioritizing pay equity as a current initiative.
- This year, most organizations (**63 percent**) remain committed (down slightly from 66 percent in 2022).
- However, we see **69 percent of top-performing organizations** increasing their commitment compared to 67 percent last year.

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



Top performers **69%**

Payscale customers **69%**

Dedicated comp function **72%**

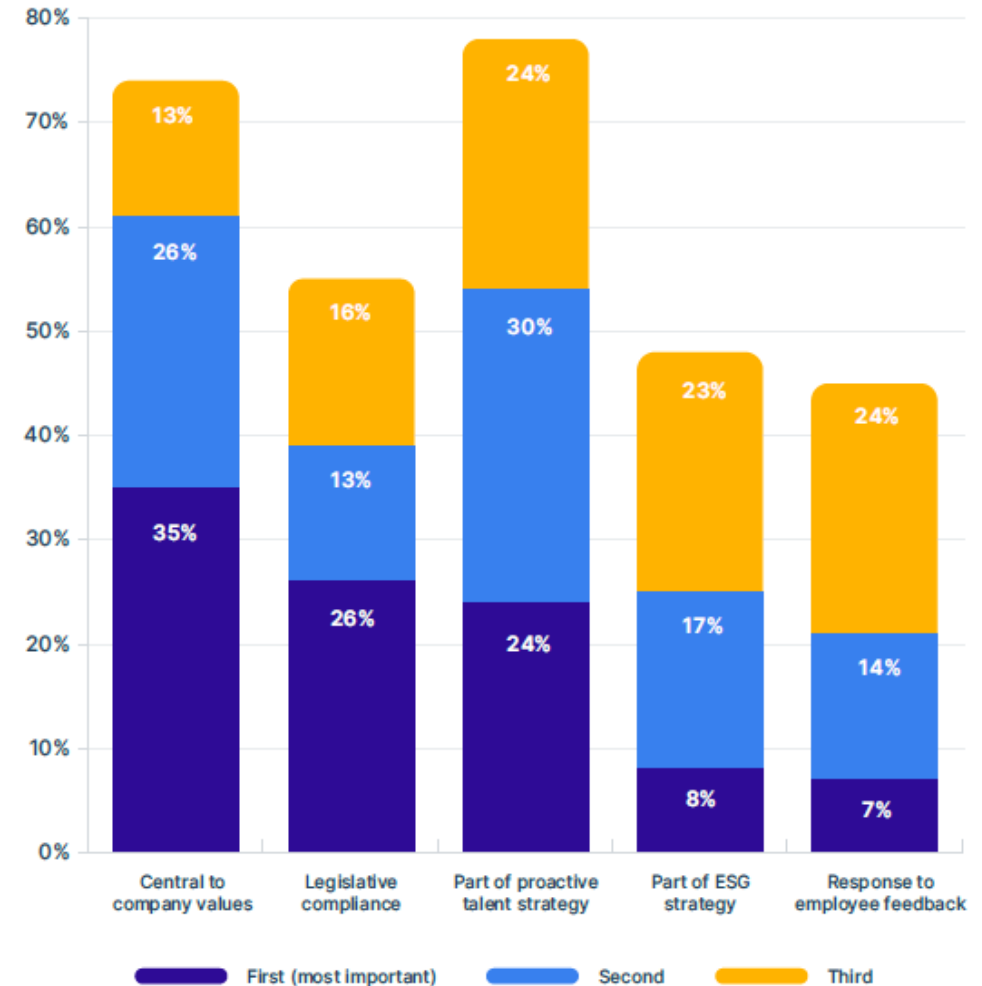
Comp maturity of 4 or above **72%**

Reasons to undertake pay equity are changing

- The key reasons to address pay equity remain value-led, with employers believing that it is part of a proactive talent strategy and central to their organization's values
- With emerging pay transparency legislation drawing attention to pay equity, legislative compliance rose to be the third most important reason for undertaking pay equity analysis (up from fourth in 2022)

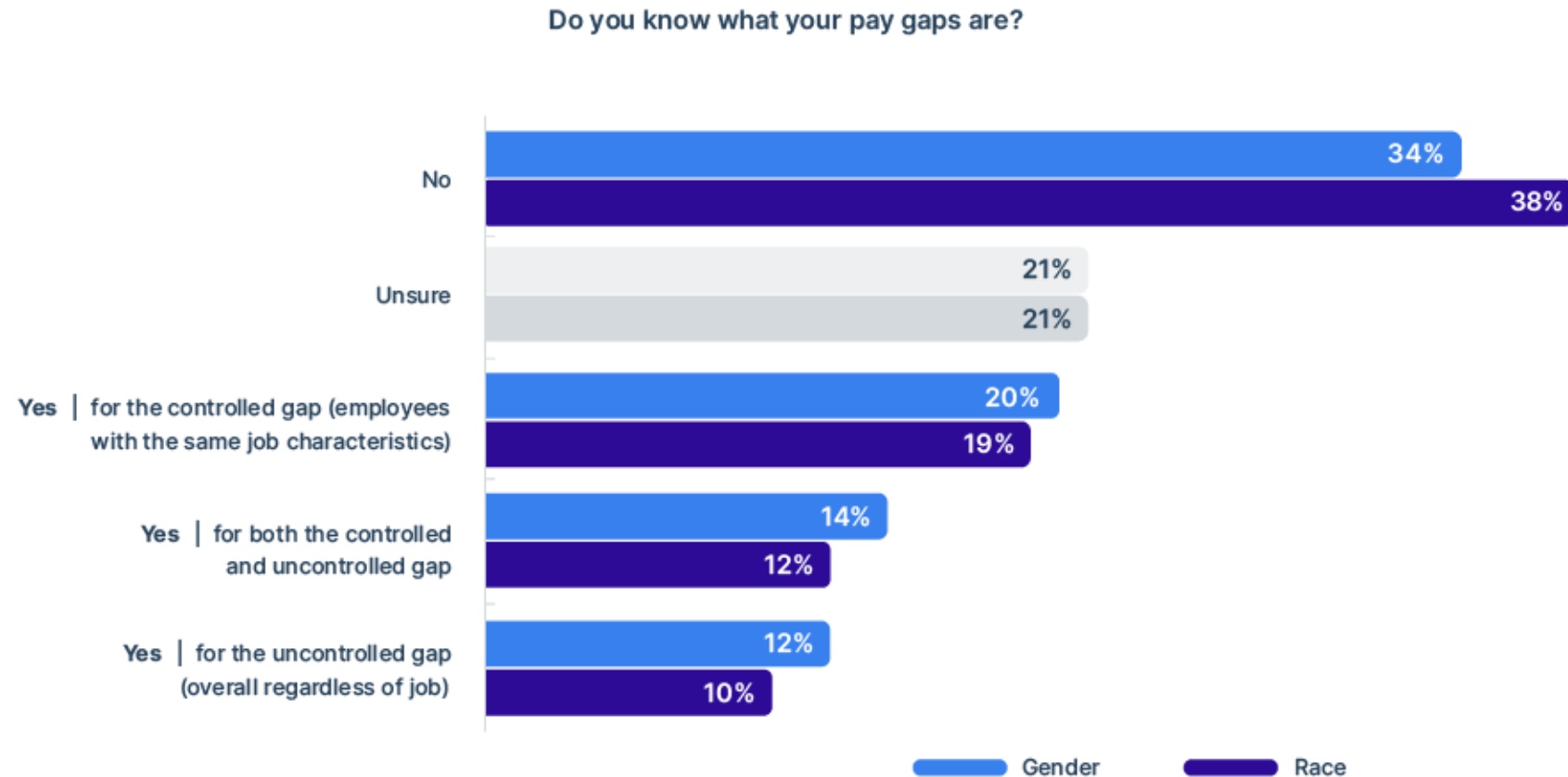
Why is pay equity a planned or current initiative?
(rank top 3 in order of importance)

Source: Payscale's 2023 Compensation Best Practices Report



Uncontrolled pay gaps are moving up the agenda

- More organizations are committing to calculating their uncontrolled pay gaps
- The percentage of organizations that know their uncontrolled gender pay gaps has increased from **21 percent to 25 percent**
- The percentage that know what their uncontrolled race/ethnicity pay gaps has increased from **16 percent to 22 percent**



How do you measure pay equity?

Controlled Pay Gap

(also known as adjusted or equal pay gap)

Measures equal pay for equal work -

legislation has broadened this definition to equal pay for comparable, substantially similar and work of equal value.

It is perfectly reasonable to pay people in the same job differently **if this is due to justifiable factors.**

These are typically called compensable factors and should be legally justifiable and aligned to your compensation philosophy.

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Uncontrolled Pay Gap

(also known as unadjusted, raw or opportunity pay gap)

The **average earnings** of one group of employees compared to another.

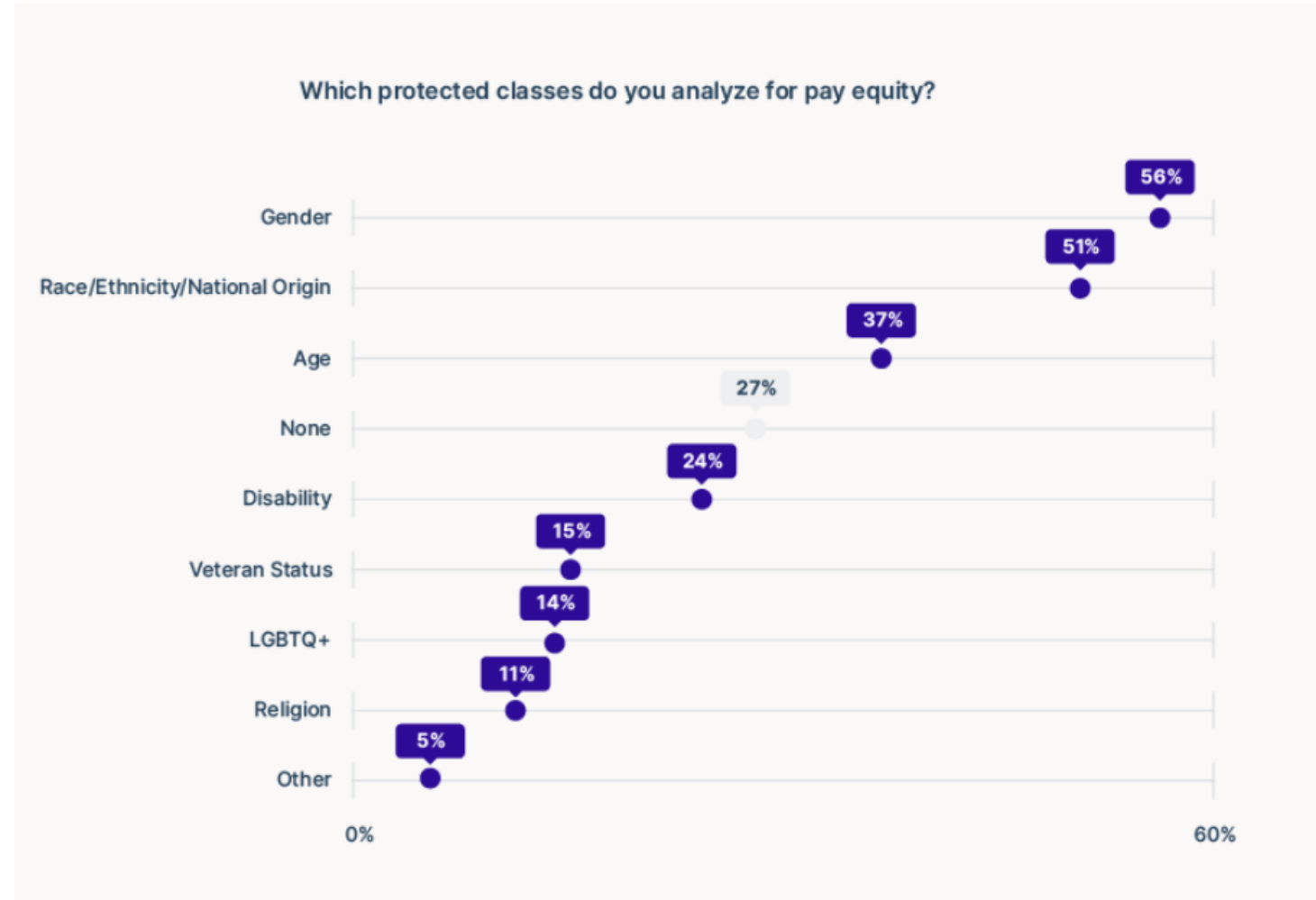
Gives an **overall position** on equity.

Often isn't directly related to pay but to systemic issues such as cultural bias, societal assumptions and a lack of progress in workplace design.

Recognizing the root causes of pay gaps allows employers to address these systemic issues rather than just the symptoms evidenced by pay gaps.

Which pay gaps do you analyze?

- When it comes to protected classes, most organizations analyze the gender pay gap (**56 percent**), followed by the racial pay gap (**51 percent**)
- All the lesser-analyzed categories are notably associated with top-performing organizations





What protected classes do you analyze for pay equity?

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

Pay equity needs to be an ongoing program

As more organizations act this year, we see that the progress of organizations overall is still at an early stage of maturity, with more focused on **diagnosing** and **measuring** pay gaps rather than implementing remediation measures or committing to actions to solve inequalities in the workplace.

How far does your organization intend to take pay equity in the next year or two?

Source: Payscale's 2023 Compensation Best Practices Report



What we have seen in the last 18 months

Client quote

“Digging into the Root Cause analysis is eye-opening. We clearly have some work to do outside of potential remediation”

Pay equity project growth

46 completed

62 in progress

Project stats

Median # factors: 4

Avg # Pay Analysis Groups (cohorts): 32

Size of company

14,000 ees average

Range:
Under 100 – 300,000

Project stats

Both US and international

Most projects focus just on gender for 1st year, move to intersectionality 2nd year

Client quotes

“We appreciated that the consultants could pivot with us if we changed our factors/cohorts”

“Our results were detailed and powerful once we learned how to slice the employee population for analysis”

What we have seen in the last 18 months...

Pay Equity Project Growth

- 46 completed
- 62 in progress

*Company size ranges from between less than 100-more than 300,000; with ~14,000 being the average

Project Statistics

- Median # factors: 4
- Avg # of pay analysis groups (cohorts): 32
- Most projects focus on gender in the 1st year and move to intersectionality in the 2nd year

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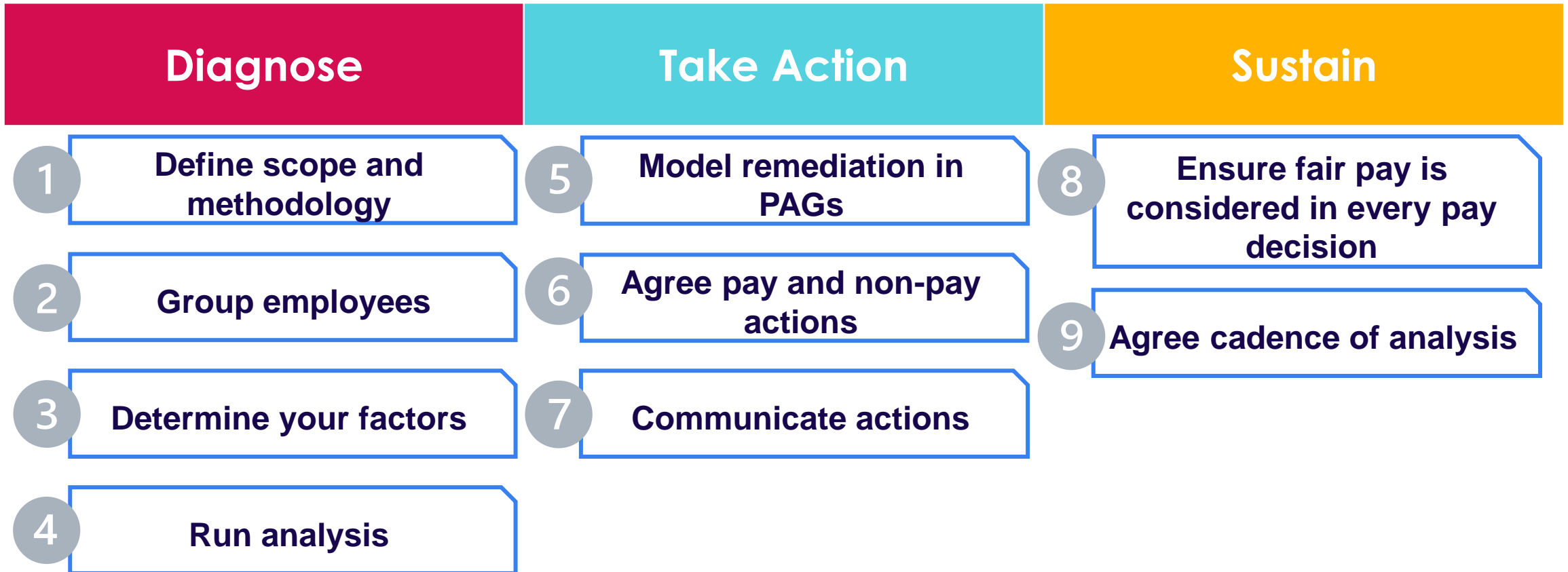
“Our results were detailed and powerful once we learned how to slice the employee population for analysis”

Pay Equity: Starting your journey

Pay Equity: A journey not a destination



Your Pay Equity Analysis project with Payscale





Poll: Which stage are you at?

- ☐ We are preparing to start
- ☐ We are in the diagnose stage
- ☐ We are taking action and remediation
- ☐ We are working towards sustainable fair pay
- ☐ Unsure

But first, COMMIT



How to COMMIT

- Address why this matters to your business- do you see this as a challenge or an opportunity?
- What will success look like?
- What investment are you prepared to make?
- Who will be accountable for success?
- Agree how and with whom you will communicate from the get-go

Pay equity: the challenge

How do I ensure employees are paid equally, manage risk of legal exposure and meet stakeholder expectations?

The Cost Mindset

“What we know is that a ‘trust me, women are paid fairly’ approach is not enough, and a defensive approach to gender pay equity will not solve the problem”

Natasha Lamb, Director Of Equity Research And Shareholder Engagement, Arjuna Capital

Pay equity: the opportunity

How to create a culture of trust, where every employee is valued and able to fulfill their potential?

The Investment Mindset

“We believe that when people feel respected and included, they can be more creative, innovative, and successful” *Adobe*

Shift the mindset

Challenge

- Identifying risk & exposure
- Is the data too sensitive to collect?
- How will I find budget?
- How do we protect what we find?
- Fear on how to disclose outcomes

Opportunity

- Positive brand and reputation
- Improved trust & transparency
- Increased diversity in workforce
- Increased employee engagement
- Improved company performance

What's next?

Watch for episode 2 in the
How to Prepare for Pay
Equity Analysis series:
Diagnose

Learn more about our Pay
Equity solutions at the
upcoming [Power Pay
Equity with Payscale](#) event

Dig into more [pay equity
resources](#) from Payscale



Poll: Have your say

- ☐ What else would you like us to cover in this series (free text)
- ☐ Would you like to share your story with our audience?
- ☐ Would you like to a demo of solutions that can support you with your pay equity journey?

Q&A

Feel free to ask any questions in the chat!

