

# How to Prepare for a Pay Equity Analysis, Ep. 3: Take Action

# Today's Presenters

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# Pay equity analysis 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



# Payscale's pay equity approach



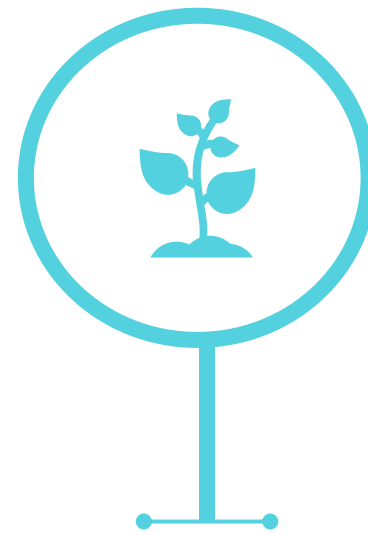
Commit



Diagnose



Take action



Sustain

# Today's agenda

- Best practice tips for taking action on pay equity analysis outcomes
- How to explore regression findings, pay gaps and outlier data in the context of pay analysis groups
- Why you should consider both pay and non pay remediation actions
- Key considerations before communicating pay equity outcomes



# Poll 1: How far does your organization intend to take pay equity in the next year or two?

- ☐ We will make a commitment to understanding pay equity
- ☐ We will measure our pay gaps (conduct pay equity analyses)
- ☐ We will remediate to close pay gaps
- ☐ We will establish procedures to maintain pay equity
- ☐ We will investigate systemic reasons for inequality within the workplace
- ☐ We will set goals to actively solve inequalities within the workplace
- ☐ We are not interested in doing this

# Take Action stage



Explore regression findings, pay gaps and outlier data in the context of pay analysis groups

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Consider pay and non-pay actions

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Communicate actions

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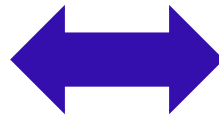
# Exploring outcomes

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## **Perform PAG analysis**

Explore regression, pay gaps, and outlier analysis in the context of Pay Analysis Groups

Review in cohorts within Pay Analysis Groups



## **Model remediation**

Model pay remediation scenarios for each Pay Analysis Group to close pay gaps

Summarize results



# Controlled Analysis - Example

Dataset: Training25 Data  
Protected Characteristic: Gender (Male)  
Factors: Grade (10), Tenure (Between 3-5)  
Compensation Types: Basic Pay FTE  
Employee Types: Full and Part Time Employees Included



## Uncontrolled and Controlled Pay Gaps

The numbers below show the Uncontrolled and Controlled Pay Gaps for the selected group. The Uncontrolled Pay Gap is the difference between the mean baseline group pay and the mean non-baseline group pay (for example the mean male salary and mean female salary), in both percentage and salary amounts. The Controlled Pay Gap is a range as it is a statistical calculation of the difference between the baseline group pay and the non-baseline group pay, after all the factors in the regression analysis have been taken into account. The range represents the margin of error (95% confidence interval). This means that we can be 95% confident that the Controlled Pay Gap lies between the two numbers.

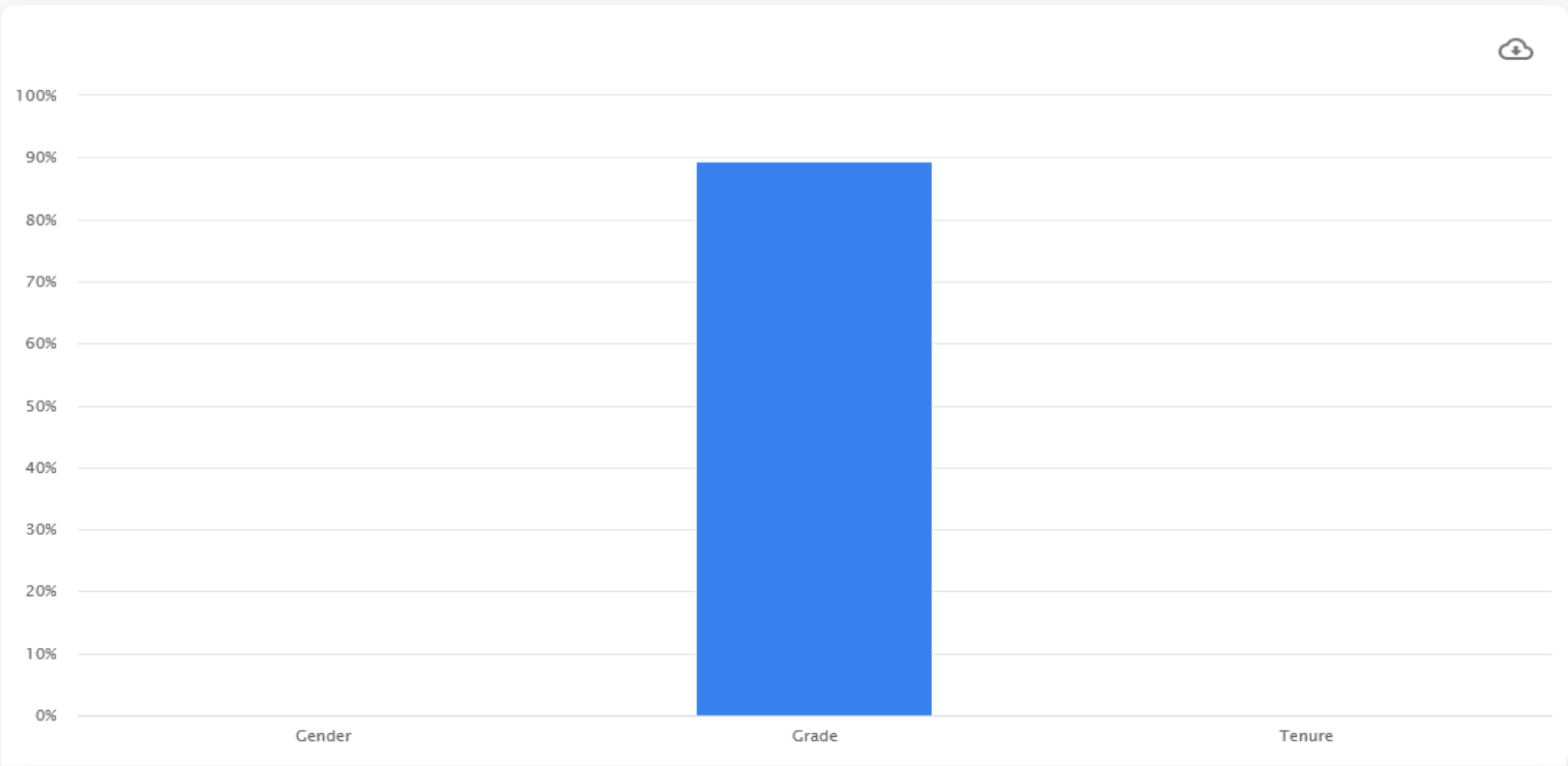


| Protected Characteristic | Baseline | Uncontrolled Pay Experience | Uncontrolled Pay Gap | Controlled Pay Experience Range | Controlled Pay Gap Range | Is the difference statistically significant? |
|--------------------------|----------|-----------------------------|----------------------|---------------------------------|--------------------------|--|
| Gender - female          | Male     | \$0.89 / \$1                | 10.57%               | \$0.96 / \$1<br>\$1.00 / \$1    | 3.54%<br>0.33%           | Yes  |

# Controlled Analysis - Example

## Pay Variance

The chart below is the output of an ANOVA (Analysis of Variance). It takes the pay for the selected group and determines the size of the contribution of each factor to the make up of pay. The black columns correspond to the protected characteristics. If these have little or no impact on the make up of pay, these will be small. The remaining factors are shown as blue columns. The higher the column, the greater the impact of this factor on the make up of pay. The percentages for each factor are shown when the mouse is hovered over the column, and are the proportion of total pay variance. The combined percentages are in the table on the right of the chart. The unexplained amount is made up of factors that have not been included in the analysis. It is likely to be made up of a large amount of small factors rather than one large factor. Please note that, although they are percentages, they are not related to pay gaps.



|                          |        |
|--------------------------|--------|
| Protected Characteristic | 0.04%  |
| Factors                  | 89.38% |
| Unexplained              | 10.59% |

# Exploring outcomes

## Assessing results

Controlled and  
uncontrolled pay gaps

Strength of the model

Statistics of the variables

Establishing cohorts

## Pay remediation philosophies

Protected  
Characteristic Impact

Outlier Analysis

Budget

## Model remediation scenarios

Model Remediation

Summarize results

**Why is it that there is so much noise within pay regression analysis?**

# Agree pay and non-pay actions

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How can you make sure that you don't have to make the same remediations next year?

What communication and training needs have come out of this analysis?



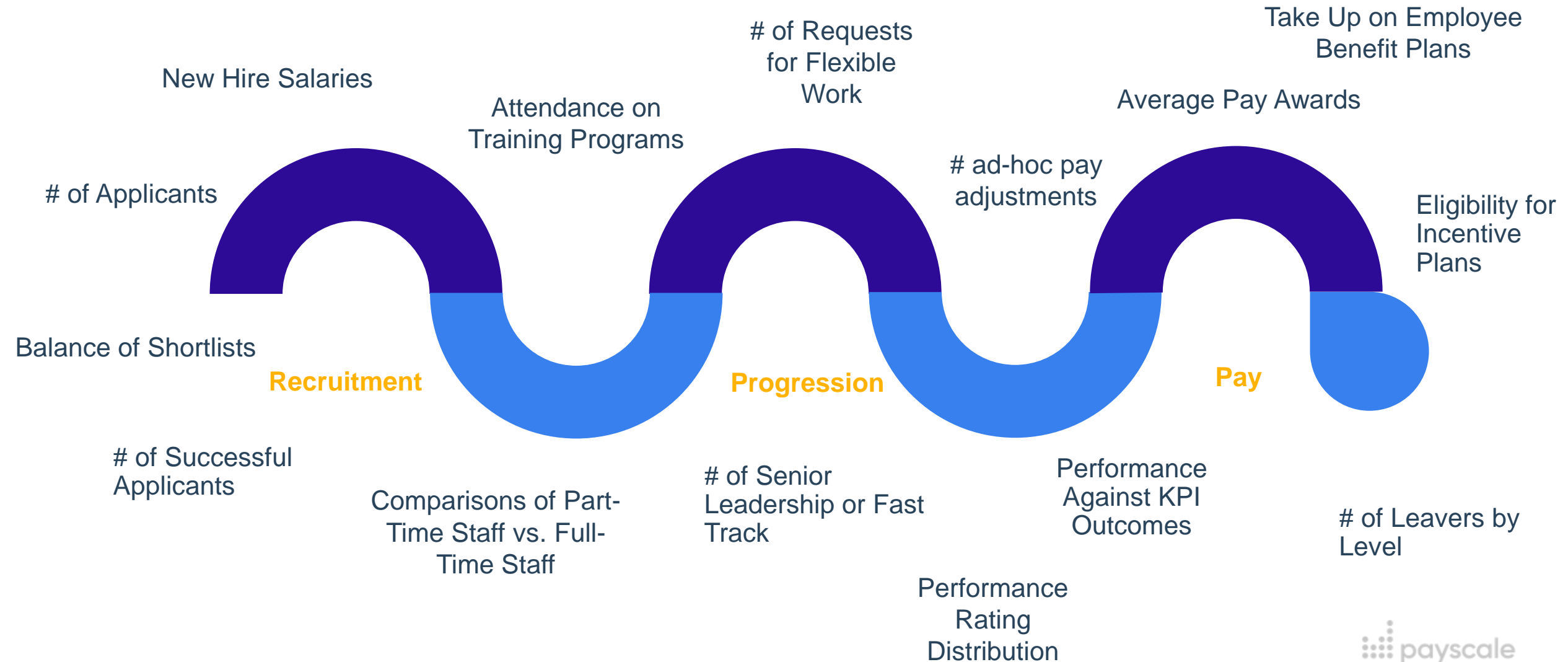
Should you do a review of factors that could potentially be biased?

What other structural changes are needed?

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

Do you need to review your Pay Analysis Groups?

# Identifying non-pay actions





## **Poll 2: Which of the following are you currently monitoring by protected characteristics (select all that apply)?**

- ☐ Analysis of controlled pay gap (equal pay)
- ☐ Analysis of uncontrolled pay gap (opportunity gap)
- ☐ Overall representation/headcount distribution
- ☐ Talent acquisition lifecycle analysis
- ☐ Promotion/progression analysis
- ☐ Performance ratings analysis
- ☐ Turnover distribution
- ☐ Average pay allocation
- ☐ Ad hoc/out of cycle pay adjustments
- ☐ None of the above



**“You cannot fix pay equity by just  
remediating pay. You need to understand  
whether everyone has an equal opportunity  
to earn the same.”**



# How to communicate

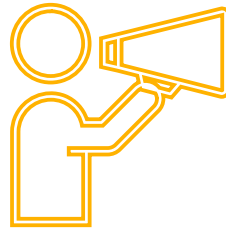
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What are you going to communicate?

- Pay remediation?
- Tackling structural issues?
- Review of pay and people policies for pay bias?

Who are you going to communicate the results to?

Is this the first time you have performed a Pay Equity Analysis?



How transparent are you about pay generally?

How comfortable are you with the results?

# Communicating to Stakeholders

## Leadership Team

Need to be part of the solution.

DEIB strategies work best where there is change driven top down.

Paint the whole picture - the level of risk, the cost to fix and where underlying root causes or systemic issues lie.

Provide informed solutions and present actions.

## Management

Discuss outcomes and proposed solutions simultaneously.

Explain how you expect them to contribute - accountability is key.

Recognize that they are key to consistent employee messaging - prepare them for this.

# Communicating to Stakeholders

## Employees

Set against context of your culture and pay transparency approach.

Emphasize fair, competitive pay that reflects your compensation processes.

Be prepared for misinterpretation.

Outline commitment to action on systemic issues.

## Public and wider

Can have a greater impact on employees internally and is a wider demonstration of commitment.

What you are comfortable disclosing? What do analyses say?

Emphasize “fairness” rather than “equality”.

Pledge a commitment to fair pay rather than specific steps.

# Pay Equity Messaging Tips

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- Start by **expressing commitment** to fair, competitive pay that reflects your compensation philosophy.
- Focus on the **headline outcomes of the analyses** followed by the **plan to address** them.
- Public statements tend to be short and well drafted, having decided what the company is comfortable disclosing. It's advisable to **emphasize 'fairness' rather than 'equality' and pledge a 'commitment' to fair pay** rather than specific steps.
- Organizations **rarely fix pay equity** in their first round of analysis, particularly because employees are continuously transitioning in and out and impacting analytics.
- It's more authentic to explain that **the route to pay equity and equality is a journey** and that there's intent to share the progress continuously and overtime. Communicating incremental progress builds trust.
- Treat communicating your pay equity outcomes as **an opportunity to demonstrate your commitment to DEIB.**



## Poll 3: How far have you, or are you planning to, communicate your pay equity outcomes?

- ☐ To the project team only
- ☐ To senior executives only
- ☐ To managers only
- ☐ To all employees
- ☐ Make a public commitment
- ☐ We have not undertaken analysis so far

# Key takeaways

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- ✓ What is our definition of a closed gap? Look from multiple perspectives.
- ✓ Identify PAGs – Do we need to re-think next time? Try another strategy that better aligns with our philosophy?
- ✓ Communication must be undertaken in a thoughtful manner with the audience in mind
- ✓ **Both** pay and non-pay actions may be required for true remediation
- ✓ Retrospective assessment – what went well/what didn't? What will make the next time easier/better?
- ✓ This is not the end of your pay equity journey, to not undo all of your work you must thoughtfully sustain your pay equity practice.

# What's next?

Watch for episode 4 in the  
How to Prepare for Pay  
Equity Analysis Series:  
Sustain

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

# Q&A

Feel free to ask any questions in the chat!

