

TIPS FOR BUILDING FAIR COMPENSATION POLICIES THAT SUPPORT PAY EQUITY

How to build a sustainable pay equity management framework, and how auditing your pay policies can lead to a more inclusive, transparent company culture.

Compensation management is not a one and done process, but rather an ongoing one to sustain a culture of fairness. From defining pay philosophy and fair pay goals to building a sustainable approach to fair pay—Payscale data, technology, and services support our customers throughout the journey to fair pay.

PITFALLS AND TIPS: 5 KEY AREAS TO ASSESS ON THE JOURNEY TO FAIR PAY

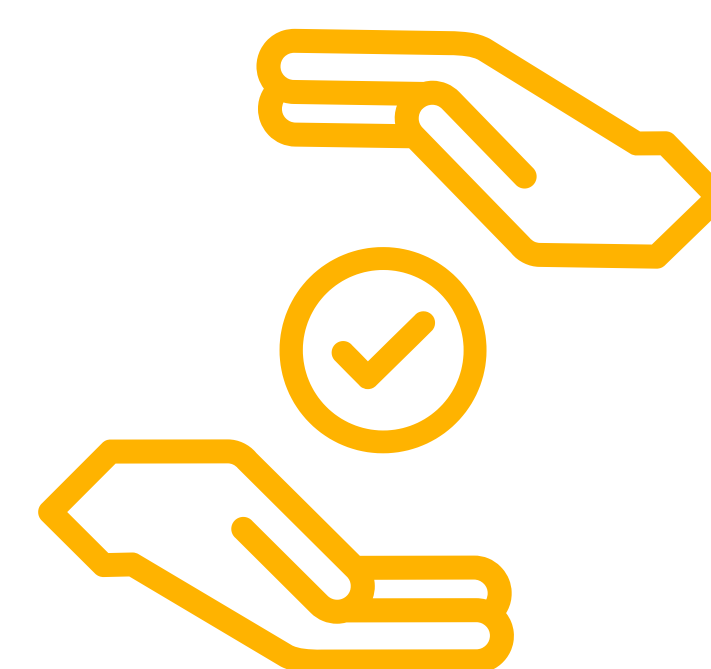
1. Talent Acquisition

Pitfalls: Asking a job applicant's salary history

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

Tips: Impact of salary history bans in the U.S.

- Eliminate asking "What are you looking for?" to stop 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



ABOUT PAYSCALE

As the industry leader in compensation data and technology, Payscale helps organizations leverage the power of pay. Payscale is the only technology solution for managing compensation that provides multiple streams of fresh, transparently curated and validated salary data.

To learn more about pay equity as a strategic business imperative, and how these insights are critical to advance the journey to DEIB, watch the [full video here](#) with Payscale's pay equity experts Ruth Thomas and Vicky Peakman as they share best practices.



2. Talent Progression

Pitfalls: Risk of loss of talent and business knowledge if not managed fairly

- 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 and managing range penetration

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

- Revolutionize culture around career breaks
- Make all roles flexible by default
- Determine salary before interviews
- Identify legitimate factors for range position and stick to them

3. Ad Hoc Adjustments

Pitfalls: Many organizations do not track the cost nor who receives one

- Men are 4x more likely than women to ask for a raise, and when women do ask, they typically request 30% less than men
- While women are less likely as men to ask for raises, they were 25% less likely to receive a raise

Tips: Be transparent about pay policies so all employees feel comfortable to ask

- Actively track the cost of 'out of cycle' pay increases to the business
- Track metrics of requests and those approved by protected categories in order to identify systemic issues
- Ensure a credible governance process is in place, and consider the impact an adjustment has on the whole group

4. Pay Reviews

Pitfalls: Ensure you're making a positive impact on 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 make smart decisions
- Paying for individual performance can add to pay inequity

Tips: Start early and be transparent

- Determine the best way to spend your budget
- Provide metrics to managers while making decisions, not afterwards
- Reassess whether bonuses are effective
- Assess performance review criteria and output each year to ensure no bias

5. Allowances and Benefits

Pitfalls: Non-consolidated pay can go unnoticed when assessing pay equity

- Allowances are often in male dominated professions
- Car allowances and certain benefits are often related to seniority
- Pension percentages often increase with seniority
- Overtime is another pay element that is often overlooked

Tips: Be transparent and reflect the organizational culture

- Assess your eligibility criteria for allowances and benefits
- Review the actual provision of allowances and benefits
- Review overtime policy and practice
- Consider providing the same benefits for all

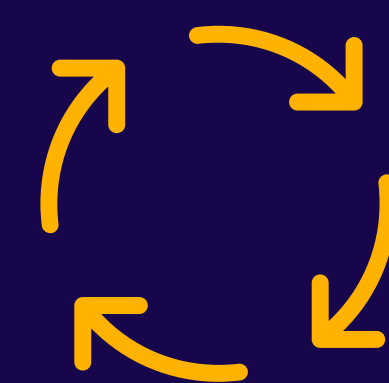
Pay Equity by PayScale



Identify where pay gaps exist and the drivers behind pay variance.



Understand costs and actions for remediation based on your strategy.



Create sustainable pay equity with a self-service solution and analysis.