Fundamentals of Pay Equity Analysis

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Wilson Group

About Us

Wilson Group is a boutique compensation consulting firm specializing in executive, sales and employee total compensation. We have been trusted advisors to over 400 organizations, nationally and globally, across a wide range of industries and business structures.

The firm is co-owned by Rhonda Farrington and Susan Malanowski, who work with a team of highly experienced professionals and partner organizations, to drive business performance through effective pay programs and strategies.
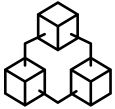
We have developed deep relationships with our partner organizations to provide even broader services to our clients including areas such as benefits and human resources operations.

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Agenda

Overview and Introduction

Methodology and Approach

Pay Analysis and Remediation

Pay Equity Solutions

Session Summary

Overview and Introduction

Webinar Purpose and Objectives

- Providing a comprehensive examination of the relationship of pay across all jobs in the organization

- Answering fundamental questions before embarking on a pay equity analysis

Why you are conducting an analysis, what is your pay philosophy and what is your readiness to make pay adjustments

How you will ensure your pay equity analysis remains confidential until you are ready to share the results

What is involved in the data analysis including traditional (regression) and other types of analyses and who to involve in the process

How to address the challenge of maintaining pay equity on an ongoing basis

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Overview and Introduction

Pay Equity Definition

- Fair pay for comparable jobs that is internally equitable, externally competitive and transparently communicated

- Establishing and maintaining pay equity in your organization requires an approach that reflects what is going on inside and outside an organization

  ➢ Pay equity should not be a one and done exercise

  ➢ Going beyond complying with state or federal laws

  ➢ A philosophy that is both market competitive and internally fair

  ➢ The right communication strategy

Overview and Introduction

Reasons for the Analysis

Pay transparency is needed or is an area for improvement

Identify and address pay gaps

Compensation philosophy and/or organizational values

Acquisitions require analysis of new jobs being added to the organization

Employee survey results or complaints that have been received

Legal Compliance at the Federal, State, City and Industry level requires this analysis

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Overview and Introduction

Before Conducting a Pay Equity Analysis

Define the goals or reasons for the analysis

- Set an agenda and timeline for completing the analysis
- Determine who should be involved in your pay equity project

Determine the level of company confidentiality that is needed when conducting any internal analysis of jobs

- Understand what needs to be protected
- Connect with internal or external legal counsel
- Discuss how to manage the paper and online trail of data output

Prepare to Create 'Comparable Jobs'

Collect:

- Job description and organization data
- Compensation and benefits information by EE
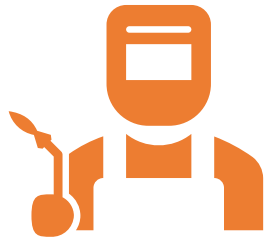- People data, demographics, employee data

Methodology and Approach
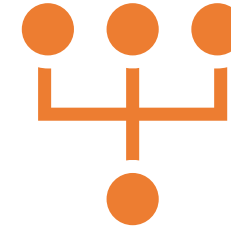
Methodology and Approach
Defining Comparable Work

Comparable Work has similar:

Skills: Knowledge and abilities required to perform the job

Responsibilities: Duties and tasks assigned to the job

Effort: Level of mental or physical exertion needed to perform the job

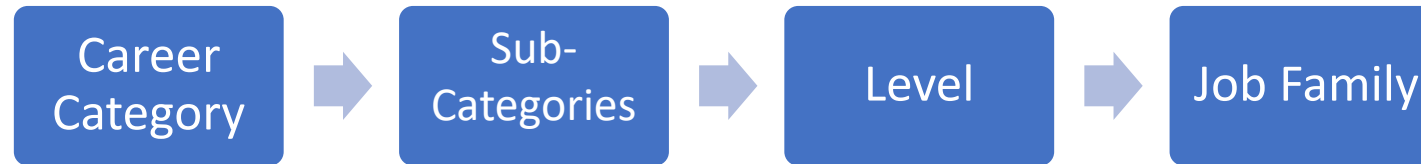**Working Conditions:** Environmental factors surrounding the job

Where to start:

Develop categories and groups that make sense for your organization, and the type of work

– **Comparable Job Groupings**

Methodology and Approach
Development of Comparable Job Groupings

Career Category	→	Sub-Categories	→	Level	→	Job Family

Three core *Career Categories* are first defined:

- **Management (M)**: Includes positions where the incumbent primarily achieves department objectives through the coordinated achievements of two or more subordinate staff who report to the incumbent.

- **Professional - Individual Contributor (P)**: Includes positions which require a theoretical and conceptual knowledge of the specialization. Problems are typically solved through analysis and strategic thinking.

- **Support - Individual Contributor (S)**: Includes clerical administrative support, service-oriented, or operational positions. Issues are typically solved through knowledge of past practices and procedural guidelines, or knowledge gained through a certification or licensing program.

Methodology and Approach
Development of Comparable Job Groupings

Sub-Categories would then be defined to address the difference in job skills and responsibilities:

- **Administration (A)**: Positions providing administrative support to an organization, e.g., Administrative Assistant

- **Business (B)**: Positions providing skills or knowledge in the business field, e.g., Marketing Coordinator

- **Technical/Operations (T)**: Positions providing skills or knowledge in the technology field, e.g., System Administrator

Methodology and Approach
Defining Career Categories and Sub-Categories

Sample Language

Professional Business	Non-technical jobs as found in Human Resources and Finance. Usually exempt-level salaried professionals. Some prior experience or on-the-job knowledge of a specific field. Main responsibilities are within the specific field of knowledge and ensuring the day-to-day tasks are completed.
Professional Technical	Technical jobs as found in Information Technology and Engineering. Usually exempt-level salaried professionals. Some prior experience or on-the-job knowledge of a specific field. Main responsibilities are within the specific field of knowledge and ensuring the day-to-day tasks are completed.

Methodology and Approach
Development of Comparable Job Groupings

Career Levels are then assigned using career level descriptors as a guide to making level decisions based on:

- a review of the job descriptions of all positions
- a discussion with Human Resources and others as needed

Remember - career level descriptors are developed based on the job factors:

- Skill
- Effort
- Responsibility
- Working Conditions

Career Level/Sub-Category	Levels
Management Business (MB)	1-6
Management Technical (MT)	1-6
Professional Business (PB)	1-5
Professional Technical (PT)	1-5
Support Administration (SA)	1-5
Support Technical (ST)	1-4

Methodology and Approach
Development of Comparable Job Groupings

Job Families	
Administrative	ADM
Engineering	ENG
Finance	FIN
Facilities	FAC
Human Resources	HR
Information Technology	IT
Marketing	MKT
Sales	SLS

Job Families are an additional way to further organize comparable jobs for larger companies

*An additional benefit: The development of a structured system (Job Architecture) that defines and categorizes all the positions within the company based on widely used practices

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Methodology and Approach

Defining the Data and Factors for Analysis

Data Key SAMPLE

Location Key

1 - Nashville, TN

2 - Memphis, TN

3 - Knoxville, TN

4 - Chattanooga, TN

Gender Key

1 - Male

2 - Female

3 - Non-Binary

Age Key

1 - Under 40

2 - Over 40

Ethnicity Key

1 - Black

2 - Hispanic or Latino

3 - White

4 - All Other Ethnicity/Not Specified

Total Rewards

Basic Pay + OT

Bonus

Other Bonuses

Car Allowance + Other Perquisites

Benefits

Other Factors and Defensible Systems

Salary Ranges

Market Data

Performance Ratings

Time in Position

Overall Tenure

Relevant Experience

Methodology and Approach
Types of Analysis

Traditional analysis methodologies for identifying potential disparities:

Pay Gap Analysis: A quantitative method that compares the average earnings of these employee groups (gender, race, etc.) to determine if there are significant differences.

Regression Analysis: A statistical method that controls for factors that legitimately influence pay differences, such as job role, experience, performance, education, and location.

Note: An analysis to market or position within salary ranges is another method but not as in-depth.

Methodology and Approach
Pay Gap Analysis and Comparable Pay

Pay Gap Analysis Methodology

Identify pay gaps based on the variance of average pay between the primary data point and all other data points, e.g., Male employees compared to Female employees, Male employees compared to non-Binary employees.
Average Female Pay $104,902/Average Male Pay $106,385 = 99%

Comparable Pay Methodology

Calculate the percent of the average pay difference between the two data points for all incumbents in a Comparable Job Grouping

Use consistent variance definitions such as those shown below for each comparable job grouping, recommended adjustments to compensation should be agreed upon.

Variance of 5% or less: For Comparable Job Grouping levels 1-2 in Management, Professional and Support

Variance of 10% or less: For Comparable Job Grouping levels 3-6 in Management, Professional and Support

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Methodology and Approach
Analysis Impact on Comparable Job Groups

- Do we have the jobs in the right career level?

- Are the career category descriptions reflective of the jobs in the organization?

- Are there any jobs in a comparable job grouping that do not fit?

Exercise: Using all jobs within a comparable job group, review and discuss the draft career level descriptors

Job Title	Career Category	Career Level
Project Engineer	Professional Technical	Level 2
Assistant Estimator	Professional Technical	Level 2
System Administrator	Professional Technical	Level 2
Field Engineer	Professional Technical	Level 2
Assistant Superintendent	Professional Technical	Level 2
Assistant Safety Manager	Professional Technical	Level 2
Preconstruction Coordinator	Professional Technical	Level 2

Pay Analysis and Remediation

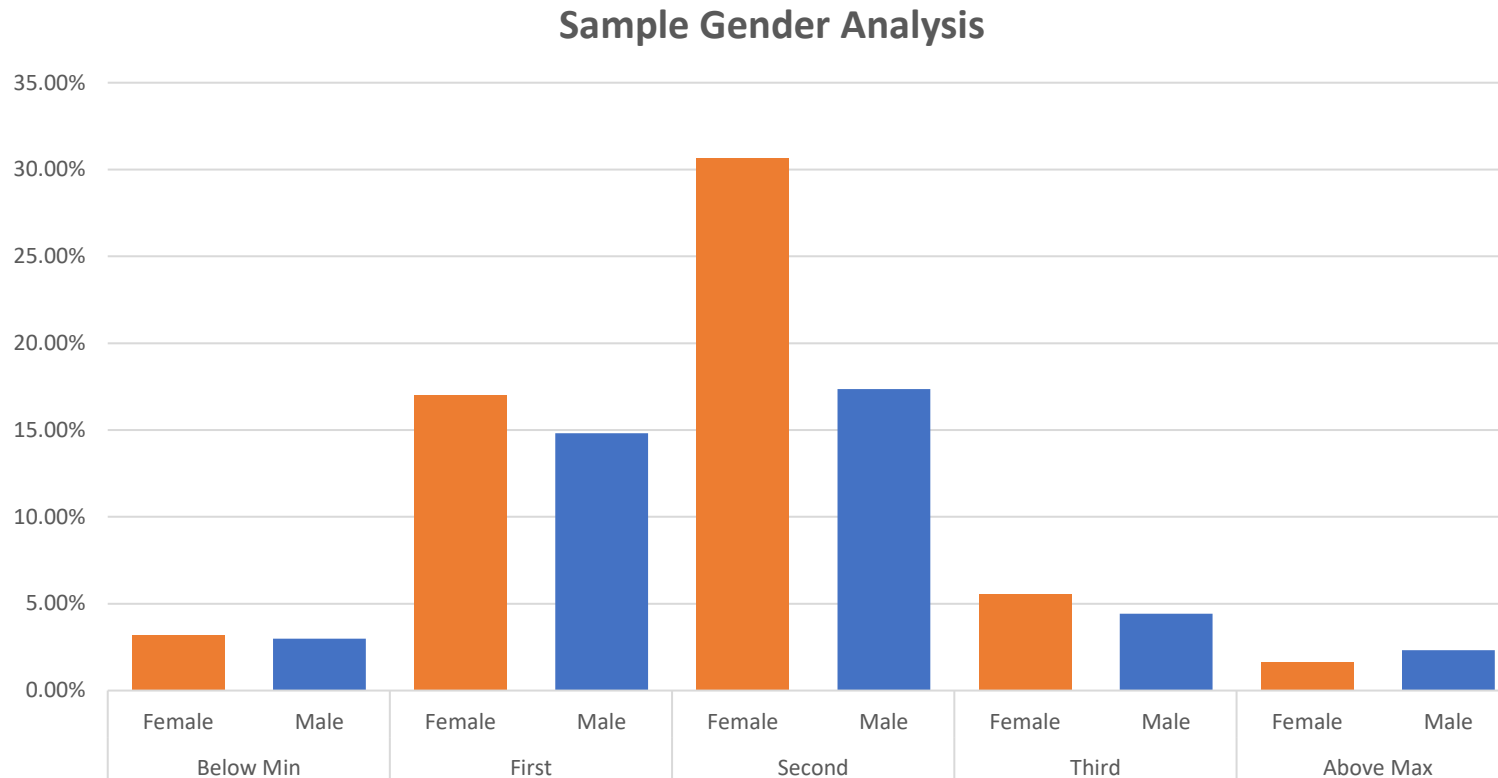# Pay Analysis and Remediation
Pay Gap Analysis - Gender Sample

- In this Professional Business Level 2 group, female average pay is 99% of male average pay

- This variance is consistent in LA, female average pay is 97%

- In NYC, female average pay is 102%

Gender Overall	Male	22
	Female	31
	Average	$105,517
	Average - Male	$106,385
	Average - Female	$104,902
	Variance % - Male/Female	99%
	Variance $ - Male/Female	$1,483
Gender LA	Male	15
	Female	21
	Average	$103,153
	Average - Male	$105,079
	Average - Female	$101,777
	Variance % - Male/Female	97%
	Variance $ - Male/Female	$3,303
Gender NY	Male	7
	Female	10
	Average	$110,525
	Average - Male	$109,182
	Average - Female	$111,465
	Variance % - Male/Female	102%
	Variance $ - Male/Female	-$2,283

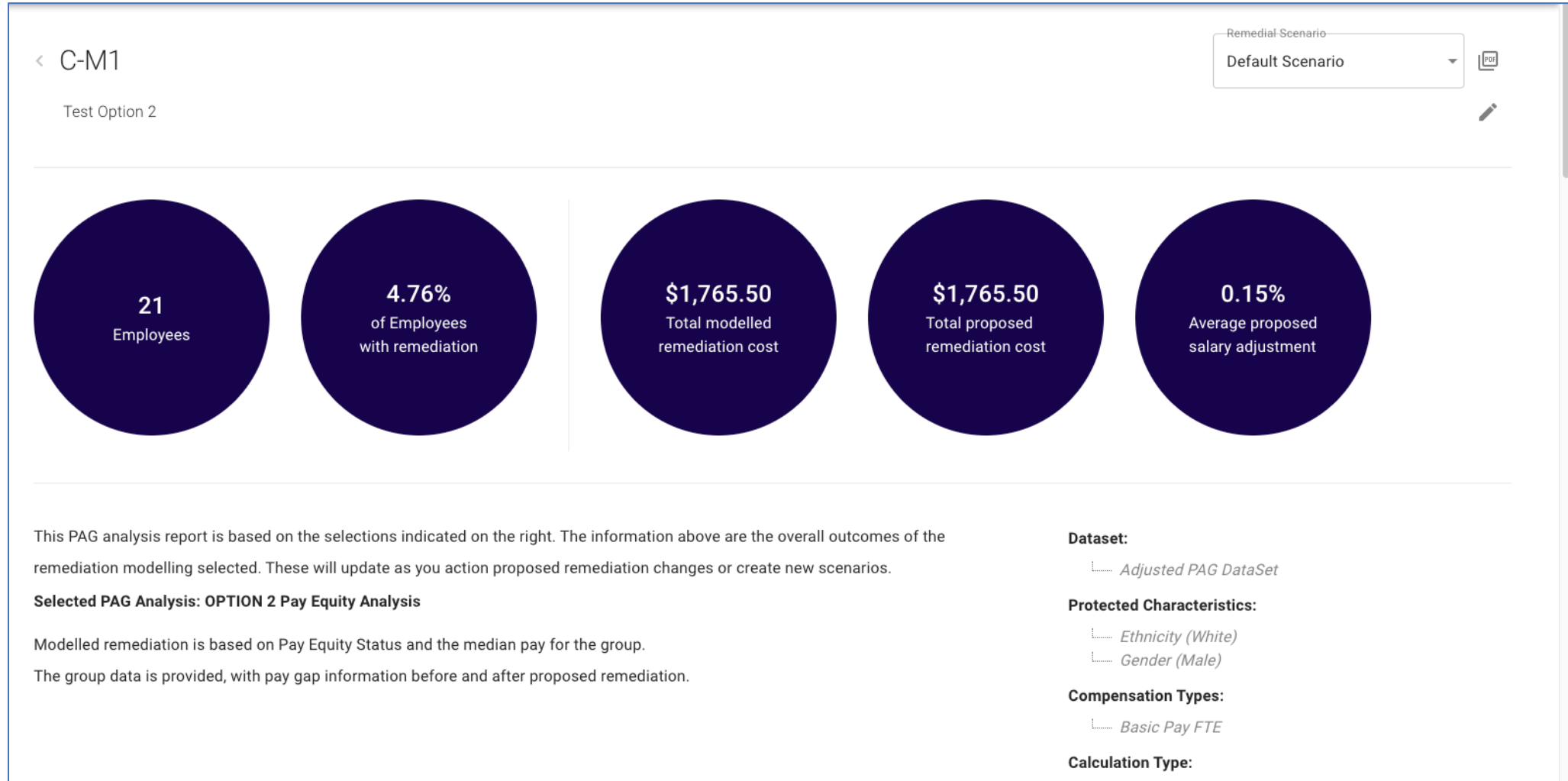Wilson GROUP

Pay Analysis and Remediation
Salary Range Analysis Sample

Across all employee groups, the analysis of gender position in range indicates that males and females are distributed consistently across ranges, with more females being paid at market or better.

Sample Gender Analysis

Pay Analysis and Remediation
Remediation Sample

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Pay Analysis and Remediation
Remediation

- When there are employees (e.g., male or female) within a comparable pay grouping that are identified as outliers, after factoring for performance, relevant experience, tenure, etc., a new salary (or other compensation) is established.

- If salary increases are large for some employees, e.g., > 10%, or the organization cannot afford to increase all identified employees, the increases may take more than one year to implement.

- Increases are often effective at the same time as annual increases.

- A communication strategy with messaging is developed.

Pay Equity Solutions

Pay Equity Solutions
Features and Providers

Group Comparable Jobs	Model Internal Equity
Benchmark External Competitiveness	Communicate Transparently
Update Continuously	Attorney/Client Privilege

- Excel/Power BI/Tableau

- Salary.com

- PayScale

- Trusiac

- HCM providers, such as Workday and Oracle

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Summary

Session Summary

Pay Equity Analysis Steps

Examine the relationship of pay across the comparable job groupings

1. Develop pay equity analysis methodology

2. Determine comparable jobs

3. Analyze total compensation

4. Identify outliers and finalize analysis

5. Determine pay actions, cost and process for remediation

6. Confirm ongoing process and tools to maintain pay equity

Questions??

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