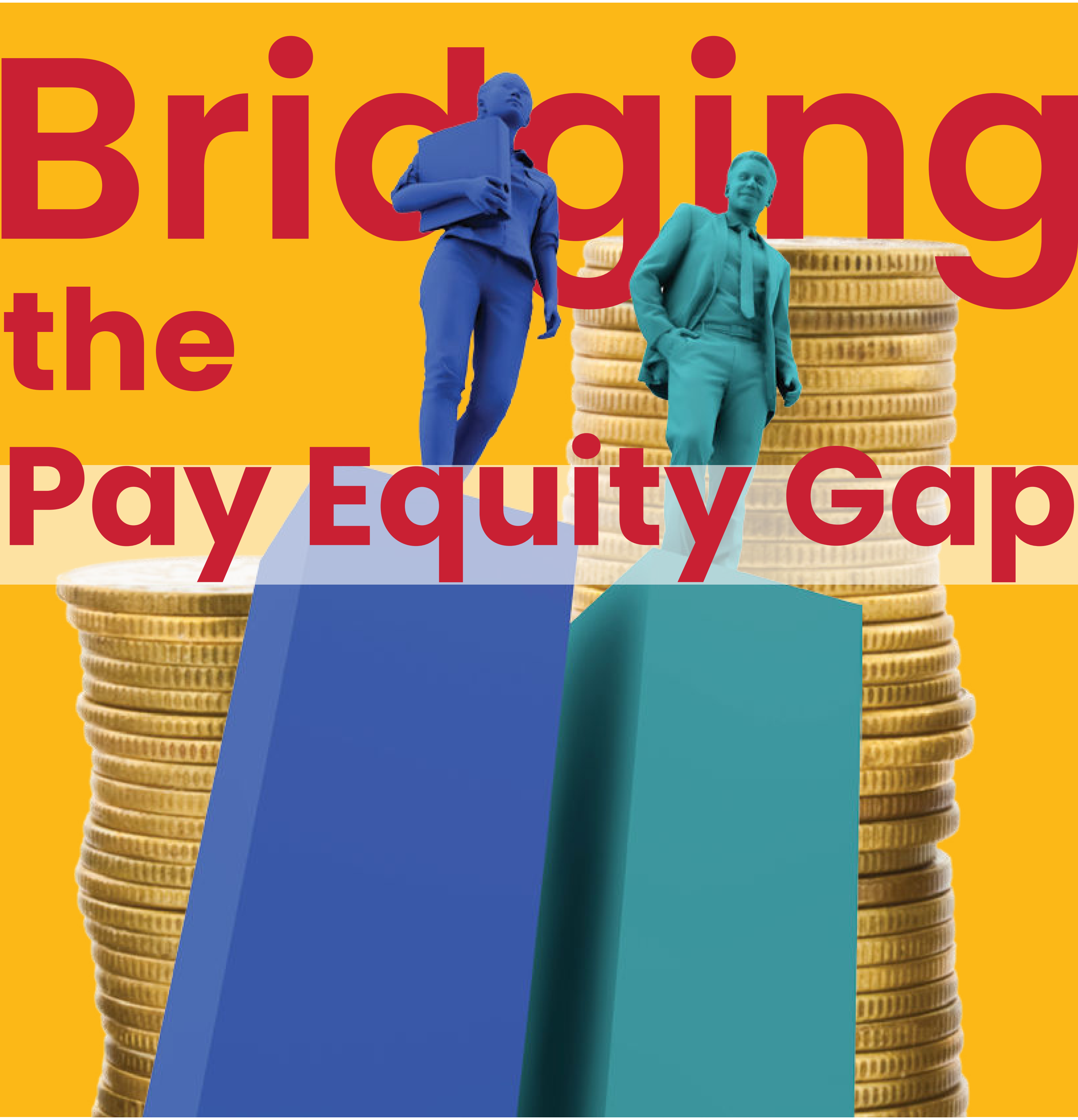
JER HR Group

Trainery 1™

Bridging the Pay Equity Gap



Potential starts here.

From **Insights** to **Change**

JER HR Group helps your organization build a fair and equitable rewards plan that attracts and retains talented individuals. We help you define a compensation philosophy and strategy, evaluate market competitiveness, and build tailored plans that fit your workplace culture.

OUR STRENGTH IN NUMBERS

40+ CONSULTANTS

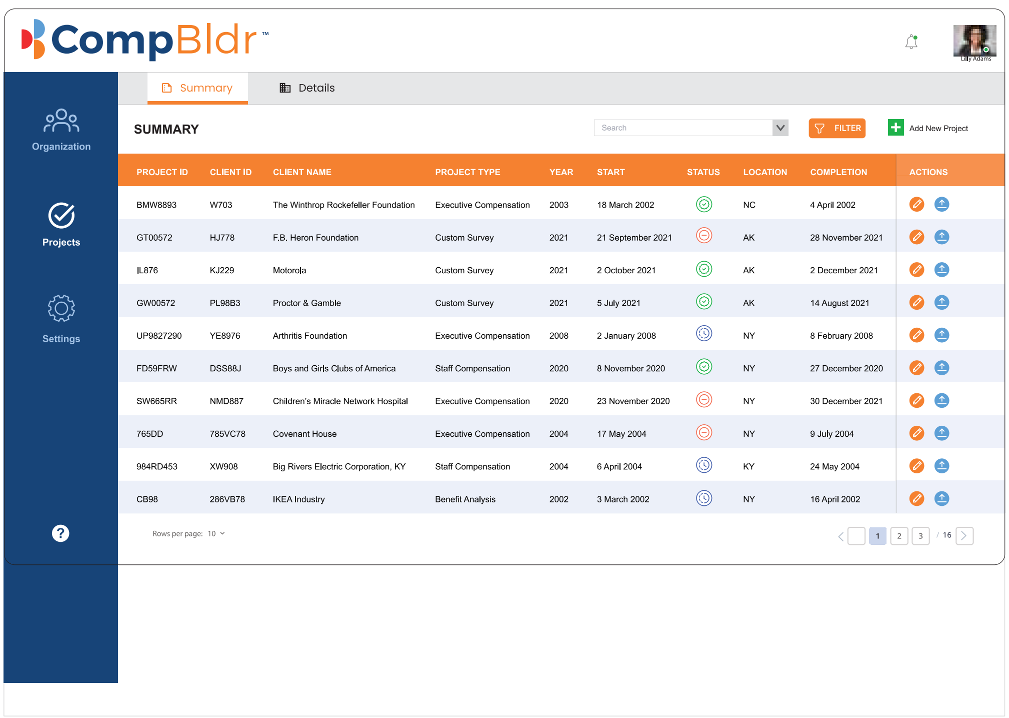
35+ YEARS OF EXPERIENCE

1,000+ CLIENTS

20+ YEARS OF EXPERIENCE PER CONSULTANT

From insights to tools, we go further.

JER HR Group's compensation plans are powered by **Comp**Bldr, an integrated comprehensive job description creator, market pricing and compensation analysis tool that helps you get your pay right. **Comp**Bldr is part of our Trainery™ HCM SaaS Solutions.



Why are we still talking about this? Hasn't the Equal Pay Act been around for decades?

When the Equal Pay Act was enacted in 1963, women were paid 59 cents on the dollar compared to male counterparts, a 41% wage gap. Throughout the '80s and '90s, there was a steady change to close the wage gap, but since 2004, the progress stagnated and the wage gap has only closed by 2% (from 80% to 82%).[1,2,3] **The pay gap is even wider for women of color, mothers of young children, and women with disabilities.**

Why are we still talking about this?

And this was pre-Covid. While the pandemic did not necessarily widen the pay gap, women in the workforce have been disproportionately impacted in the short-term economic fallout of COVID-19. The crisis has battered industry sectors in which women's employment is historically more concentrated—restaurants, retail, hospitality, and healthcare. Women are also at a higher risk for pay stagnation or reductions due to being the primary family caregiver and taking time away from work to care for children being schooled remotely from home. **To help recover from the crisis, many organizations are finding ways to offer greater workplace flexibility and individualized work plans to mitigate the disproportionate impact on women related to caregiver responsibilities.**

In 2022, on average, **men will earn $10,381 more than women will across the nation**. Excluding Washington, DC, **all states have at least a 10% lower median pay for women compared to men**.[1] But of course, not all states are created equal.

Experts have considered various reasons for the gender pay gap. Examples range from women opting to stay home for family, choosing lower paying jobs, or having less education. However, Pew Research reports that more women have higher educational attainment than men, and women's higher education level helps close the overall pay gap.[1] But comparing equal education levels between men and women shows an even greater gender wage gap. This means working women are more educated than their male counterparts but earn less at equal levels of education.[1]

Women who are parents seem to experience the largest pay gap, known as the motherhood penalty. When women indicated they were a parent or primary caregiver, we observed an uncontrolled pay gap of $0.74 for every dollar earned by a male parent. Conversely, the gender pay gap shrinks considerably between men and women who are not parents. The uncontrolled pay gap reduces to $0.88 on the dollar, suggesting women without children face fewer social barriers in climbing the corporate ladder or securing demanding, higher-paying jobs (despite mothers being just as capable).[3] Women also face biases that working mothers are less committed to their work, which can inhibit career progression.

Why we need to get it right.

While there are very real legal requirements and social justice reasons that may or may not resonate, doing the right thing around pay equity is also a solid business strategy.

Legal requirements.

It's been almost 60 years since President John F. Kennedy signed the Equal Pay Act (EPA) of 1963, requiring that men and women in the same workplace be given equal pay for substantially equal work, and since Title VII of the Civil Rights Act of 1964 outlawed discrimination in pay and promotions on the basis of race, sex (including pregnancy, sexual orientation, and gender identity), color, national origin, or religion. Other important protections are also in place to protect workers from discrimination based on age or disability — the Age Discrimination in Employment Act (ADEA) of 1967, and Americans with Disabilities Act (ADA) of 1990.

On a state level, there are more than 20 states with laws that prohibit recruiters and hiring managers from asking job seekers their salary history or have bans that protect employees who discuss pay with coworkers. In those states, employers can discuss a candidate's salary expectations, however, they cannot inquire about their current salary.[6] This is important to prevent historic pay inequities from being carried forward, allowing salary negotiations to start with a clean slate. This is an equitable solution, as opposed to a solution that provides an equal outcome, because equal outcomes continue to carry forward the inequities of the past.

Several states and cities have instituted pay transparency laws, requiring employers to disclose the pay range for a position if the applicant asks for it.[7] New York City and Rhode Island are taking it further – starting November 1, 2022, New York City will begin requiring that employers advertising jobs must include a good faith salary range for every job, promotion, and transfer opportunity advertised.[8] In January 2023, Rhode Island will require employers to disclose the pay range for a job prior to discussing compensation. There are more bills in the works in other states, with more and more states adopting pay transparency laws.

Beyond the laws in place to address pay inequities, there are **social justice reasons** to get this right.

We all want to be paid and treated equitably for the work that we do. Although there is plenty of 'verbal support' around pay equity, the flow of funds does not yet meet the flow of support. It is unrealistic to think that a community is going to perform at 100% with fewer capital resources.

Within the United States, we now recognize Equal Pay Day, which symbolizes how far into the next year women must work to 'catch up' to what men earned in a previous year. For example, if Equal Pay Day falls on March 15, women have essentially provided free labor for 2-1/2 months each year. Due to pay inequality, women stand to lose approximately $407,760 over the course of a 40-year career.[8] We cannot achieve an equitable society when women and minorities aren't paid fairly for their contributions and the value they add.

The nation has seen progress in narrowing the pay gap, most notably among younger women (ages 25 to 34) who on average earn 93 cents for every dollar paid to a man in the same age group. However, women are still overrepresented in lower-paying positions within our country's workforce, and significant and unjustified pay disparities persist.[8]

Who pays for that?

Women live longer, are out of the workforce for longer periods of time to invest in our children, and make less than men. We all pay for it because it keeps women in a place of reliance and disadvantage, essentially undervalued and in a place of need.

Part of sound business strategy is managing risk. Without a regularly scheduled compensation audit, you are taking an uninformed risk. Defending a pay equity claim is often expensive. Regardless of the outcome of the case, allegation of pay discrimination alone can negatively impact the employer's brand and reputation, which can adversely impact recruitment, stakeholder equity, customer loyalty and the organization's bottom line. Pay inequity is evidenced in lost productivity and innovation, attrition, and low staff morale (which often brings a cost of absenteeism, illness, and retention issues).

Part of a sound business strategy is managing risk.

As America continues to become more diverse, it becomes increasingly important to avoid a concentration of investable capital within a small group of people who could potentially suffer from groupthink.[8] This should include investing in equitable pay, professional development, promotions, and opportunity to succeed.

Given the top national priority of the U.S. Equal Employment Opportunity Commission (EEOC) to combat and remedy pay discrimination, the business cost of noncompliance is quite real. In the past five years alone, through their administrative process, the EEOC has recovered $65.3 million for individuals filing Environmental Protection Agency (EPA) charges and $159 million for individuals filing Title VII pay discrimination. The EEOC recovered an additional $4.6 million for sex-based wage claims and $12.2 million for Title VII wage claims on any basis in litigation during the same time period.[8]

These corrective measures somewhat mirror the impact of industry regulation on the environment, as evidenced in EPA charges noted above. One could argue that the need for the Occupational Safety and Health Administration (OSHA) during the industrial revolution, and continued safety regulation today is similar to the need for the EEOC today.

This brings us firmly to the recognition that when workplace accidents were measured, safety improved. When equality is truly measured and managed, it too will improve.

Getting beyond verbal support to Measurable Results.

The discussion of targets, quotas, and goals have been vilified. However, we know that **what gets measured gets managed**.

In the last 2 years, attorneys have seen a significant increase in the number of companies, government entities, and nonprofits conducting internal and external racial equity or civil rights audits. There is a growing sense among investors, consumers, and the public at large that assessment and change are warranted in this space.[9]

Pay Equity Best Practices: *TIPS*

- **It's important to understand root causes so that systemic pay gaps can be addressed, rather than addressing only the symptoms.** For example, if you find that pay is higher for employees within a group that is due to strong performance, you might run a second data set to compare all employees within the organization who held strong performance ratings.

- **You'll want to analyze data from as many perspectives as possible to gain a full picture of causes for any pay inequities.** For example, if you first analyze base salary, you might also run an analysis using total compensation to include bonuses, long-term pay incentives, etc.

- **Organizations should undertake analysis of their own unique factors to determine whether potential for bias exists.** If potential for bias exists within these factors, they should not be used as rationale for pay differences. In this case, any process leading to bias should be corrected.

Pay Equity Best Practices: *Recommendations*

First, before you begin churning reports, you do want to **protect your organization** – you will want to **establish legal privilege** (speak with your counsel to determine appropriate measures for your organization).

- Pull an employee census report from your payroll system.

Recommended Fields of Data to Pull from Your HRIS or Employee Data Source

CURRENT DATA SAMPLE

Job Title	Job Grade	Hire Date	Date in Position	Gender	Ethnicity	Age	Pay Rate	% of M.P.	Hourly Midpoint
Accounts Payable Assistant	11	9/3/21	9/3/21	Female	Black	20	12.78	0.85	14.20
Services Director	23	5/23/06	5/23/06	Male	White	54	26.75	1.17	26.29
Office Manager	14	1/8/07	3/11/13	Male	Hispanic	57	17.07	1.03	15.86
Marketing Director	23	7/16/10	7/16/10	Female	Latino	38	25.82	1.07	26.29
Operations Director	26	8/17/11	7/26/13	Female	Asian	42	29.47	1.03	30.92
Database Analyst I	16	2/18/10	8/1/12	Male	White	32	20.60	1.09	17.47
Administrative Assistant	13	7/15/99	11/1/01	Male	Black	63	21.23	1.20	15.22
Training Manager	20	8/1/02	4/5/07	Female	Hispanic	54	23.96	1.15	21.66

AFTER ANALYSIS: DATA WITH RECOMMENDATION APPEND

Job Title	Job Grade	Gender	Ethnicity	Age	$ Var.	% Var.	Time in Position *(Years)*	Tenure *(Years)*	RECOMMENDATION: Change or No Change	RECOMMENDATION: Pay Inc. %
Accounts Payable Assistant	11	Female	Black	20	(1.4)	-11.1	0.9	0.9	Change	0.08
Services Director	23	Male	White	54	0.5	1.7	16.4	16.4	No Change	0.13
Office Manager	14	Male	Hispanic	57	1.2	7.1	9.9	15.6	No Change	0.09
Marketing Director	23	Female	Latino	38	(0.5)	-1.8	11.3	11.3	Change	0.13
Operations Director	26	Female	Asian	42	(1.5)	-4.9	9.0	10.6	Change	0.13
Database Analyst I	16	Male	White	32	3.1	15.2	12.6	10.0	No Change	0.13
Administrative Assistant	13	Male	Black	63	6.0	28.3	20.3	22.5	No Change	0.00
Training Manager	20	Female	Hispanic	54	2.3	9.6	15.5	19.0	No Change	0.10

Fields highlighted in orange were added to assist with data analysis & decision-making.

- If you have a grade structure in place you can group employees by grade. If you don't have a grade structure, **you'll want to group positions together that have similar external and internal value**. Nonprofit organizations are often advised to use the base pay of each individual.

- Review average pay for men within a group to the average pay for women in same group – which results in your **Raw Pay Gap**. Generally, the white male dataset is the baseline.

- Determine whether, and to what extent, pay equities exist.

- There are **potentially acceptable reasons for differences** in pay, such as education, experience, performance, specialized skills, job family, tenure, and location. Make sure that you look beyond the surface at potentially acceptable factors to make sure there is no innate bias. This step is critical—it is where it becomes important to understand root causes so that systemic pay gaps can be addressed, rather than addressing only the symptoms.

- It is important to review the potential reasons for anomalies and to review **if any abnormalities (such as performance) may result from inherently biased processes**.

  – For example, if you find that 'high performers' within a group are paid higher, this on the surface is appropriate. If strong performance in your organization is determined by the number of evening and weekend fundraising events someone attends, this can exclude some of your workforce and should not be used as a performance measure.

  – Studies have also shown that 'open comment boxes' on performance reviews are implicitly biased toward men. Female employees are more likely to receive vague feedback about their communication skills. Men are more likely to receive feedback regarding technical skills. Make sure you are measuring the right things so that your reasons for pay differences are defensible.

- Remember, you are starting with raw data, noting where there are acceptable factors that cause pay differences, and then **examining the actual factors to understand if there is any potential for bias**. If there is, these factors really should not be used as legitimate reasons for pay differences and you'll want to correct the processes that are leading to bias.

- **If anomalies are not based on permissible factors, consider what remediation is necessary**, such as adjustments to the cohort average. Examine relative levels of qualifications, relevant experience, and tenure.

- **Determine the tolerance level for your organization**. The majority of expert guidance suggests a 2% to 7% difference may be acceptable.

- **Develop and communicate a compensation strategy statement and be clear about the compensation strategy within and throughout the management of your organization**. Is your organization's strategy to match the market or perhaps lead the market? Or do you have such a strong benefits package that you can afford to lag the market in pay but remain competitive overall? Leadership should always know what the market is paying and ensure salary ranges are aligned with the market.

- **Communicate pay practices** so that employees understand the grade structure or how they can progress in pay.

- **Regularly audit pay decisions and levels to ensure consistency, correcting any inequities that might be discovered.**

Expected Outcome

What will you know at the end of the audit? You should have a clear understanding of the pay inequities in your organization.

The exhibit below demonstrates a sample **Pay Analysis Summary**, reflecting average salary by gender and race within each salary grade or grouping of positions. There is a lot of heavy lifting involved, and this can be an incredibly manual process. There are some pay equity technology solutions that can help ease the burden. JER HR Group's CompBldr SaaS solution provides a job description creation and pay equity software that creates visual graph pay points and analysis for gender, race/ethnicity, and age groups in comparison to internal mean pay lines. Pay differences by job value positions and glass ceiling pay disparities are visually identified.

Pay Equity Analysis: *Average Base Salaries*

SAMPLE

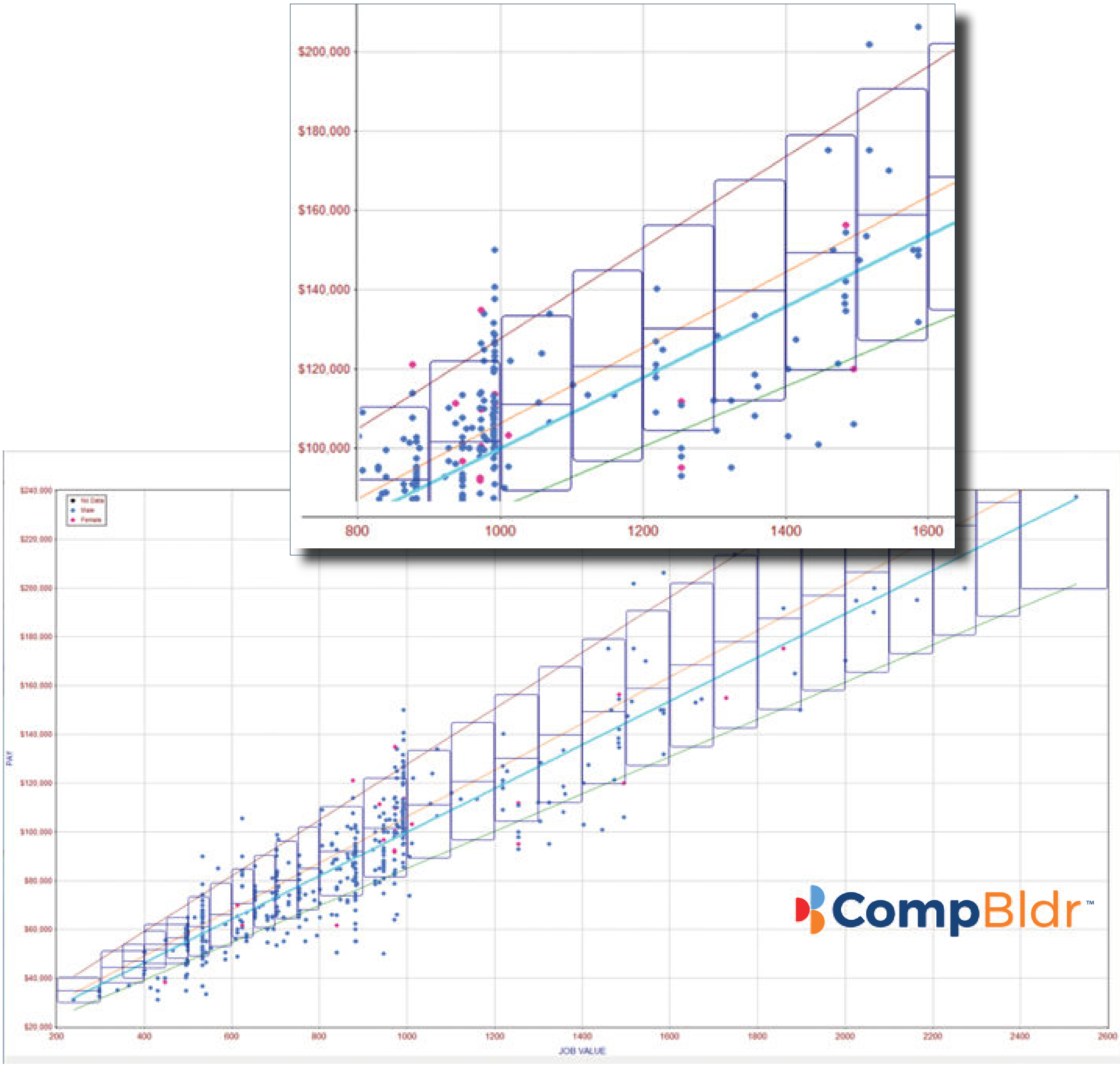
Job Grade / Title	All	Male	Female	Variance Female to Male	White	Non-White	Variance Non-White to White
Grade 3	$56,778	$63,438	$54,217	-17.0%	$59,434	$52,606	-13.0%
Number of Incumbents	*18*	*5*	*13*		*11*	*7*	

Analysis: Female incumbents are paid an average of 17% less than male incumbents. Non-white incumbents are paid an average of 13% less than white incumbents. The following should be reviewed:

- The female non-white Coordinator (X) is paid 27% less than the female white Compliance Coordinator (Y) despite similar tenure. X is 14 years younger and presumably has less experience, which could serve as rationale for the variance in pay.
- Female non-white Coordinator X is paid 36% less than female white Coordinator Y; both are in similarly priced Coordinator roles but X has 17 years less tenure and is 7 years younger (and if age is indicative of years of experience), a tenure/experience variance seems acceptable.
- Non-white Coordinator X is paid on the lower end given 9 years of tenure. It is recommended that this variance be reviewed.

Sample Scattergram by Gender

A sample scattergram by gender is shown below. Further analysis and measured results will help to confirm if justified or unjustified systemic pay disparities exist and need to be mitigated or eliminated.



It's time to get started.

Your first step is collecting and analyzing your data. Once you have a clear picture, identify inequities and work toward fixing them.

It can be overwhelming when you think of pay equity as a mysterious unknown. Once you are equipped with a data-driven current state analysis, you are ready to establish a game plan. Effective audits encourage real, and often difficult reflection. Once you have the results, you must use it effectively to create change in your organization.[9] You CAN plan forward, strengthen your business today, and position your organization for success for years to come.

Conclusion

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