affirmity

Embrace Pay Equity in 5 Easy Steps

Pay equity is a process that must be approached with precision. It demands a cultural and philosophical shift that requires significant groundwork. To start building that groundwork, use the following checklist as a five-point plan for transforming your organizational culture.

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Step 1: Conduct Your Pay Equity Analyses

A robust analysis of your current situation should sit at the core of your pay equity response. Without any grounding in what your pay equity issues are, and where they originate from, you'll be going nowhere fast. You'll need to:

☐ Perform a pay equity analysis considering the following data fields (as appropriate):

- Race
- Gender
- Location
- Role
- Typical performance level
- Time with company
- Time within role
- Experience level at time of hiring
- Education level

☐ Consider compensation items beyond base pay, including bonuses and equity

☐ Use the statistical and methodological options most appropriate to each group, for example:

- With larger groups, run a multiple regression analysis to find correlations with compensation.
- With smaller groups a cohort analysis may be more appropriate.
- Regardless of the method you use, ensure that you consider and control for other factors.
- Consult with a statistician if you're unsure what method would be best!

☐ If you find that class groupings relate to pay even after accounting for other important pay drivers, you may have an equity issue. Perform additional analyses and investigations to drill down to root causes.

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Step 2: Iterate and Improve Upon Your Process

You need a degree of openness to fully embed a culture of pay equity. Discussing pay has historically been taboo, but organizations need to be able to explain to employees why they make what they make. You can promote and prepare your organization for this openness by:

☐ Building rational and uniformly applied criteria for pay in each job.

☐ Collecting robust statistical proof that accounts for all possible significant drivers of pay. Account for sometimes overlooked factors such as the job-relevant experience an employee brings with them at time of hiring.

☐ Avoiding adjustments made without accounting for all factors—as they may create new pay fairness issues.

☐ Accounting for feedback from key stakeholders about your pay-setting process, adjustment mechanisms, and pay investigations.

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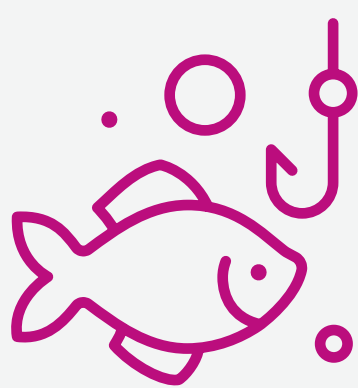
Step 3: Avoid Common Mistakes

As we journey further down the path of designing a pay equity-ready culture, it's worth pausing to consider how you can avoid some common mistakes:

☐ **Ensure that management discretionary spend has been given the proper oversight.** Deviations from your common formula for pay increases must be documented and discussed with HR.

☐ **Have a long-term strategy.** Avoid relying on quick fixes such as simply throwing money at equity problems. Build controls, guidelines, and expectations.

☐ **Perform your pay equity reviews as early as possible in your cycle.** Pay equity investigations are time-consuming. There won't be time to perform them properly if you wait until after your talent processes are complete.

☐ **Audit and review your processes continuously.** Companies, roles, employees, and decision-makers change constantly. Examine pay equity, its causes, and your processes at least annually.

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Step 4: Educate Your Decision Makers

Cultural change isn't just about communicating expectations to your stakeholders, it's about equipping them to communicate the reasoning for their decisions. It's also about helping them make *better* decisions. To this end, you should:

☐ Make sure leaders at all levels have access to and understand your pay philosophy and pay equity strategy.

☐ Communicate with decision-makers continuously throughout the year.

☐ Use a variety of formats such as videos, training materials, and presentations.

☐ Ensure that the messaging in your unconscious bias training is consistent with your values.

☐ Make sure that HR receives unconscious bias training alongside your compensation planning and performance managers.

☐ Train your managers on having conversations about pay, and how they can bring HR into these conversations.

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Step 5: Educate All Your Employees

While communicating with leadership is important, cultural change can only go so far if you limit your audience. Extend your messaging about pay equity to all employees by:

☐ Providing clear descriptions of your pay philosophies and strategies to everyone.

☐ Issuing compensation statements outlining the different components of compensation and the relevant metrics that determine your compensation decisions.

☐ Being prepared for employees to discuss compensation-related questions with their managers and HR.