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Ditch the Calculator: Using Analytics to Solve Broader Pay Inequities

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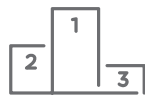
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The Conversation Around Pay is Changing

Many companies are fundamentally altering how they think about and manage employee pay

Competitive Pay



Supply & Demand
Attract & Retain
Pay-for-Performance
War for Talent

Fair and Transparent Pay



Equitable
Culturally-Aligned
Customized
Justifiable

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What Makes Fair and Transparent Pay Possible?

Leveraging analytics tools and methodologies, companies have a realistic chance to create transparent and consistent approaches for balancing and applying all of the factors required to make fair pay decisions

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It Starts With Pay Equity



Pay inequality is a
global issue



Closing the gap is
good for business



There have been
marginal improvements

But more needs to be done...

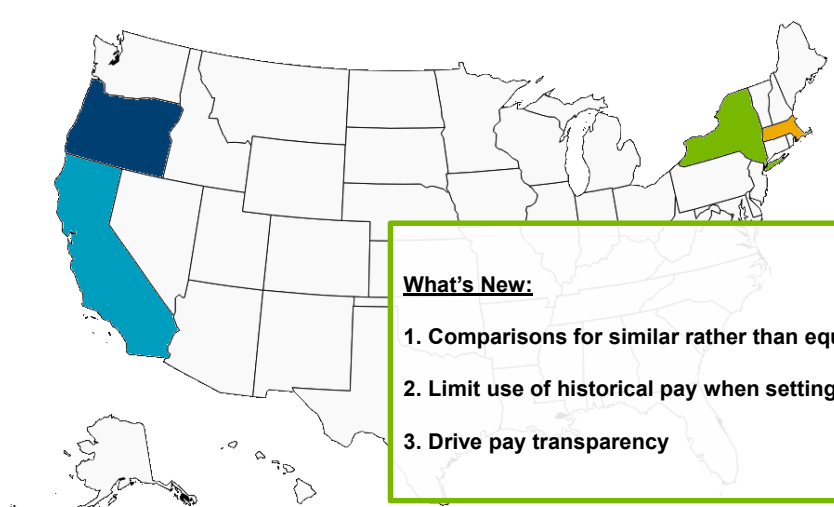
- In addition to maintaining compliance, employers have other motivations to close the gap, such as technology driving pay transparency, diversity driving business performance, and protecting their reputation
 - Out of 23 *OECD countries, the **US has the 7th largest gender pay gap**
 - Women still earn **80 cents for every dollar** vs. what men earn
 - At this rate of progress, **it will take women decades to close the wage gap**

*Organisation for Economic Co-operation and Development

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State Laws That Drive Pay Equity



What's New:

1. Comparisons for similar rather than equal jobs
2. Limit use of historical pay when setting starting pay
3. Drive pay transparency

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Pay Equity Analysis

Traditional Analytics

- Review of base pay spreads and bonus payout spreads across grades and identification of gender outliers
- Build remedial action based on budgets

Pay Equity Analysis

- Conducting multivariate regression to assess your “true” gender pay gap
- Identify workforce policies and processes that drive pay inequity
- Assess and build remedial actions (e.g.; estimating potential cost impact for addressing pay equity challenges)

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The Current State of Pay Equity Analytics

	Traditional Pay Equity Analysis	Multiple Regression for Risk Assessment	Multiple Regression for Risk Diagnostics
Life Sciences			
Pre-Commercial	47%	7%	0%
Commercial	54%	17%	5%
Technology			
Private	70%	6%	3%
Public	51%	30%	16%

Our Point of View:
A traditional pay equity analysis is *not* actionable

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Source: 2018 Radford Talent Pulse Survey.

Just Comparing Men vs. Women Is Not an Appropriate Risk Assessment



If you don't understand what drives pay inequity in your organization, you are at risk

What can cause the problem

- Starting salary →
- Lack of structure →
- Promotion practices →
- Managerial bias →
- Performance ratings (or lack of) →
- Leaves of absence →
- Successful diversity outreach →

How you can solve it

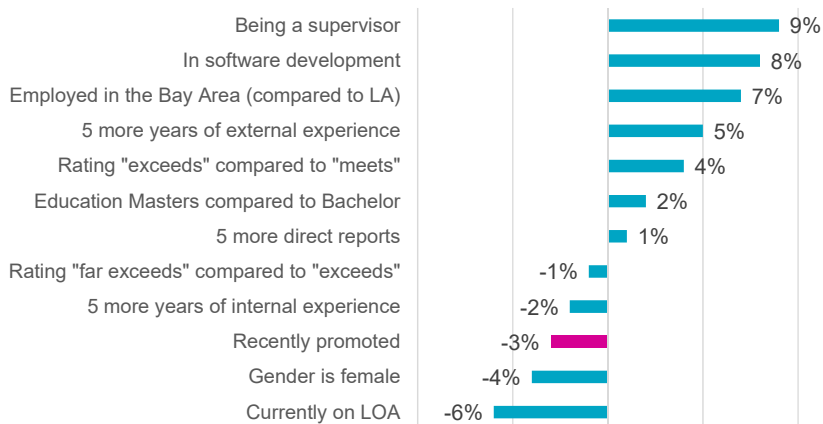
- Starting salary algorithm
- Develop or refine salary structure
- Framework, review committee, stat analysis
- Managerial training and development
- Rater bias training and statistical analysis
- Constant monitoring, individual adjustments
- Effectively tell your story

How do you know where to start?

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Sample Outputs From a Pay Equity Analysis

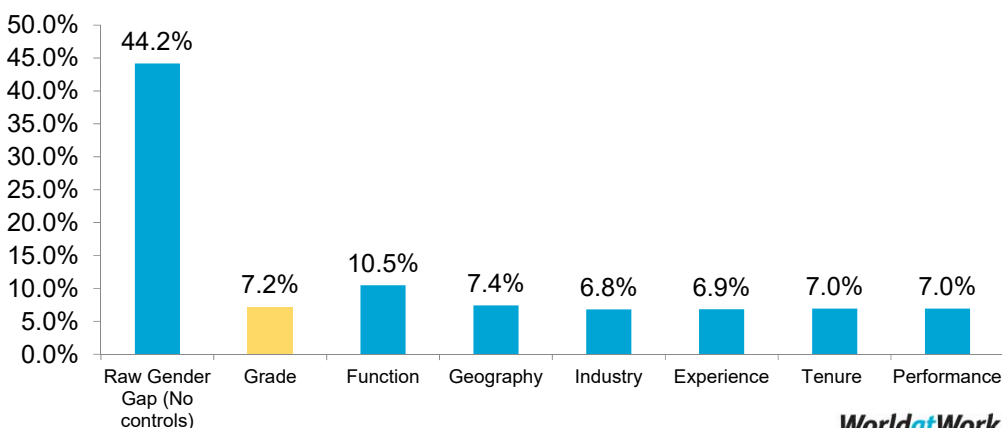
Base Pay Impact



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Sample Outputs From a Pay Equity Analysis (cont.)

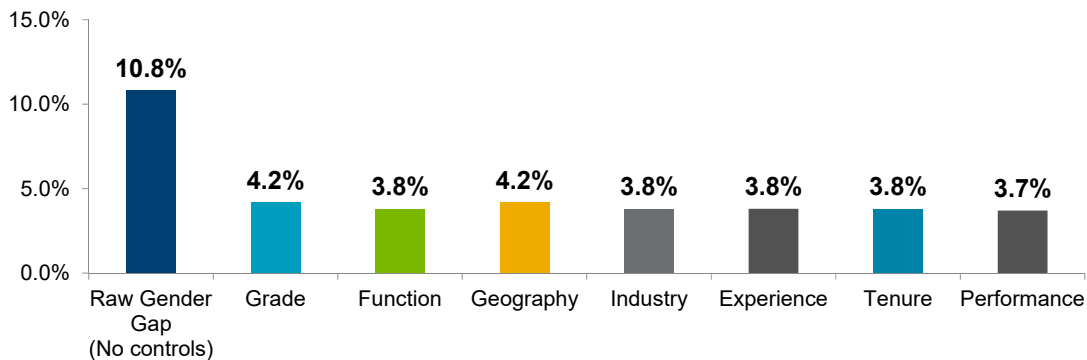
Impact of Gender After Controlling for Additional Factors



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Gender Pay Gap: Example Life Sciences Industry

Impact of Gender After Controlling for Additional Factors



R Squared = .89

Source: Radford base pay calculator, Global Life Sciences, January 2018.

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Gender Pay Gap in Life Sciences by Functions

Functions	Raw Gap	Net gap
Administration	26.6%	2.0%
Clinical	24.5%	3.8%
Finance and Administration	22.8%	2.4%
General Management	14.7%	5.1%
Human Resources	15.8%	1.9%
Information Technology	12.6%	2.5%
Marketing/Business Development	18.4%	4.1%
Product Development/Engineering	7.6%	4.1%
Quality Control/Assurance	9.8%	2.8%
Research and Development	17.1%	4.4%
Regulatory Affairs	17.0%	2.8%

*Raw gap indicates the impact of gender with no controlling factors; Net gap indicates the impact of gender after controlling for performance, grade, geography, industry, experience, and tenure

Source: Radford base pay calculator, Global Life Sciences, January 2018.

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When it Comes to Equalizing Pay, Start with Easy Fixes



Leveling roles and salary structures



Establishing equitable starting salaries



Creating a bias-free performance-management system



Calculating how leave of absence policies affect compensation

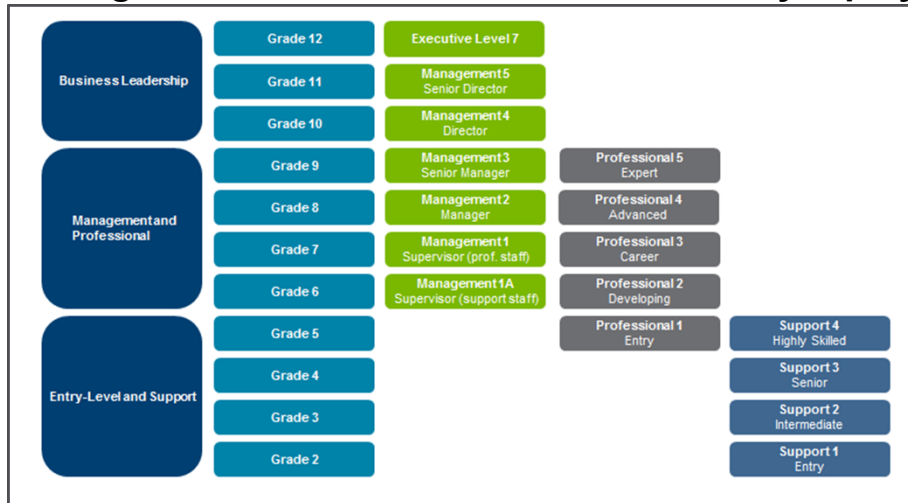


Training managers to avoid bias

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Leveling Roles Becomes Critical to Ensure Pay Equity



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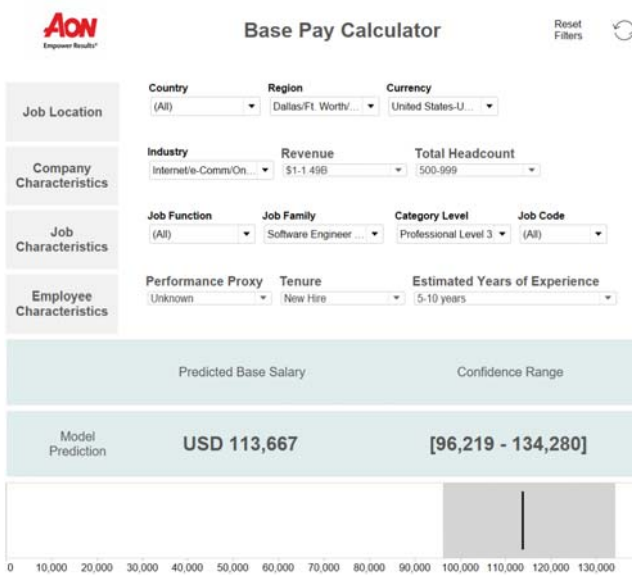
Tighter Salary Ranges Limit Manager Discretion

Grade	Marketing			Engineering			Legal		
	Min	Mid	Max	Min	Mid	Max	Min	Mid	Max
11	191,500	225,000	264,500	204,500	240,000	282,000	225,500	265,000	311,500
10	153,000	180,000	211,500	166,000	195,000	229,000	187,000	220,000	258,500
9	123,500	145,000	170,500	132,000	155,000	182,000	153,000	180,000	211,500
8	98,000	115,000	135,000	106,500	125,000	147,000	123,500	145,000	170,500
7	81,000	95,000	111,500	89,500	105,000	123,500	102,000	120,000	141,000
6	64,000	75,000	88,000	72,500	85,000	98,000	67,000	78,000	91,000
5	53,000	61,000	70,000	59,000	68,000	78,000	56,000	65,000	75,000
4	42,500	49,000	56,500	48,000	55,000	63,000	45,000	52,000	60,000
3	34,000	39,000	45,000	39,000	45,000	51,000	37,000	43,000	49,000
2	27,000	31,000	35,500	31,500	36,000	40,500	31,000	36,000	41,000

Grade	SF Bay Area			San Diego			Germany		
	Marketing	Engineering	Legal	Marketing	Engineering	Legal	Marketing	Engineering	Legal
11	225,000	240,000	265,000	216,000	230,500	254,500	184,000	196,000	216,500
10	180,000	195,000	220,000	173,000	187,000	211,000	147,000	159,500	180,000
9	145,000	155,000	180,000	139,000	149,000	173,000	118,500	126,500	147,000
8	115,000	125,000	145,000	110,500	120,000	139,000	94,000	102,000	118,500
7	95,000	105,000	120,000	91,000	101,000	115,000	77,500	86,000	98,000
6	75,000	85,000	100,000	72,000	81,500	96,000	61,500	69,500	81,500
5	61,000	68,000	80,000	58,500	65,500	77,000	50,000	55,500	65,500
4	49,000	55,000	65,000	47,000	53,000	62,500	40,000	45,000	53,000
3	39,000	45,000	53,000	37,500	43,000	51,000	32,000	37,000	43,500
2	31,000	36,000	44,000	30,000	34,500	42,000	25,500	29,500	36,000

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Establishing Equitable Starting Salaries Mitigates Future Problems





To start addressing systemic issues that can affect pay, examine the entire employee life cycle.

A Wider Perspective on Addressing Pay Equity



Do we have a workforce representation problem?



Are we rewarding our employees appropriately?



Is our talent-attraction strategy in line with labor market conditions?



Are we engaging everyone at the organization?



Is our onboarding Inclusive?



Are we retaining talent and minimizing regrettable loss?

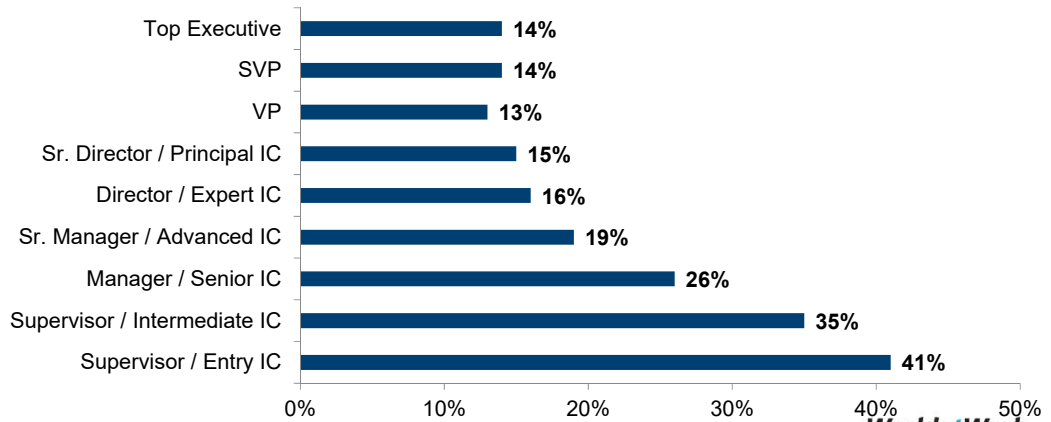


How diverse and deep is our talent pipeline?

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A Bigger Problem is Job Equity vs. Pay Equity

Percent Female by Grade Level



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Regulation + Technology = Pay Transparency

• What is it?

- Technology and regulation makes it harder for employers to rely on secrecy to manage potential pay gaps
- Pay transparency is about employees freely comparing their pay levels and making their own judgments as to what “fair” pay actually means for them

• Case

- Organization in the US West made fairness pay adjustments based on a pay equity study
- Employees compared their adjustments and some complained – most because they thought that employees with more internal tenure should be paid more
- The problem was that historical pay freezes and pay premiums granted to new hires led to a situation where internal tenure was not rewarded

• The problem

- Few organizations can tell a fact based story as to what they really pay for
- In the age of pay transparency, employers will either take control or employees will tell that story for them

Pay transparency will drive the need for pay fairness for everyone

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Compensation in the Age of Pay Transparency

The good news

- The same data that your employees can access to compare pay levels can be used by you to compute fair pay levels that go beyond job and location

The other good news

- More rigor and more data will further elevate the role of the compensation expert
 - Rethink your reward strategy and compare it to the facts
 - Tell your story
 - Set and adjust pay in a way that is consistent with your story (internal equity, external equity, strategic alignment). Provide tools to managers to set pay levels
- **And of course: *Tighten up your job architecture!***

Regulations and Pay Transparency require new tools to aid pay decisions

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Four Key Steps to Addressing Pay Transparency

Analyze	Strategize	Implement & Communicate	Maintain
Review and update your job architecture	Identify skills and behaviors that should be rewarded	Formulate your rewards strategy and communicate it to employees	Provide tools, rules and training so managers can make fair pay decisions
Conduct an internal pay equity analysis	Use your pay equity results to compare if skills and behaviors that should be rewarded are actually rewarded	Over time, increase alignment of your rewards strategy with actual pay levels	Annually update your internal pay equity analysis
		Update employee pay, taking into account budget, wherever you find misalignments	

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Thank you!

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