

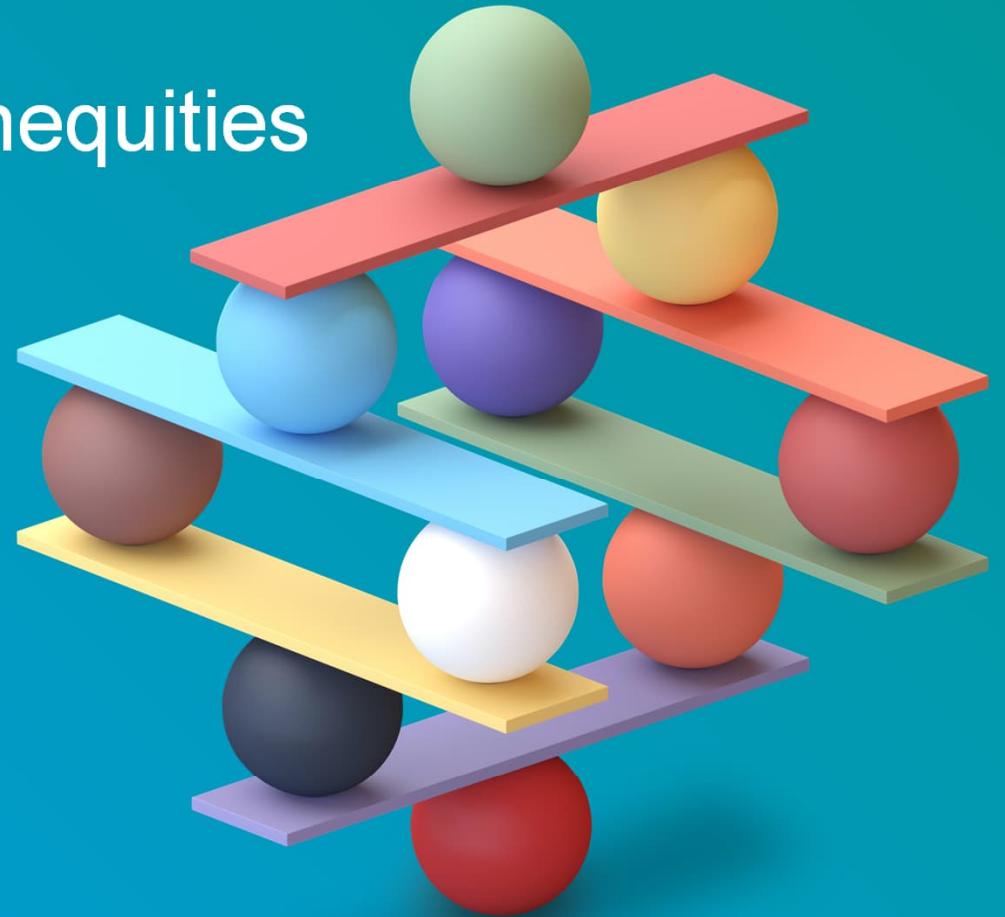
Fair Made Easy

Designing HR Policies to Prevent Inequities



Jack Jones
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A business of Marsh McLennan



Mercer is the world's largest HR consulting firm, uniquely placed to help companies with today's challenges

29,000 clients

80 year history

\$5 B in revenue

\$250 B in assets under management

\$11 T under advisement

79% FTSE 100

91% Fortune 500

24,000 colleagues

140 countries

115 million
lives touched



A spectrum of services across Health, Wealth, and Career



Health

- Benefit exchanges
- Benefit strategy, design and financing
- Individual and voluntary benefits
- Benefit plan management and brokerage
- Specialty health and benefits
- Benefits administration

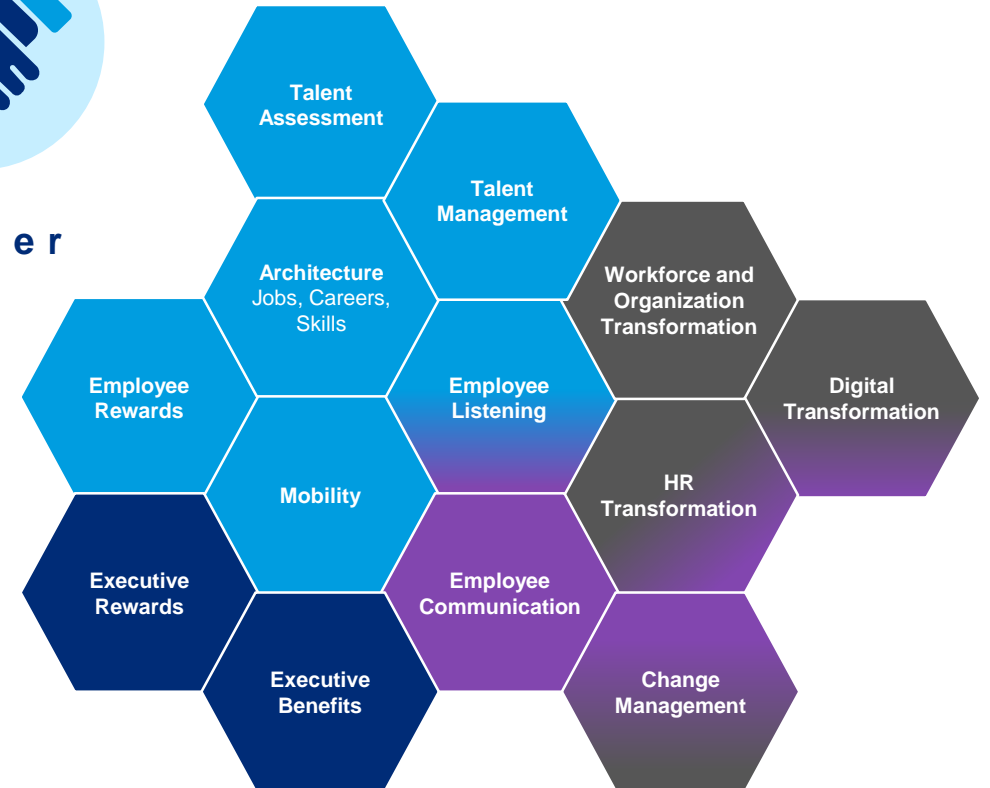


Wealth

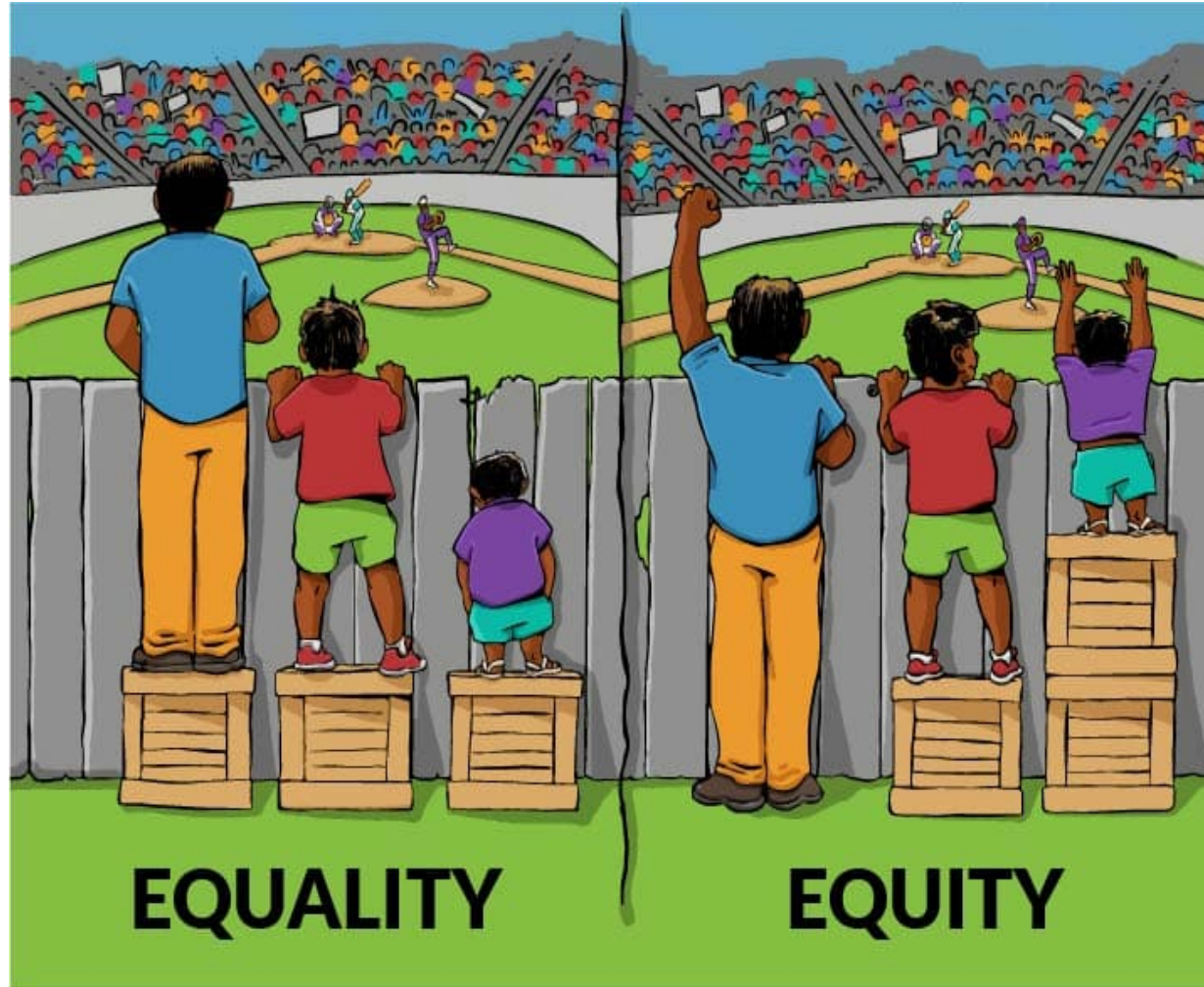
- Integrated defined benefit and contribution risk management and design
- Comprehensive plan management and administration
- Global actuarial consulting
- Strategic investment design
- Endowments and foundations
- Wealth management



Career



Pay Equity vs Pay Equality - Can anyone explain the difference?



Equality = SAMENESS

Equity = FAIRNESS

Why is Pay Equity at the top of mind of universities?



Why is Pay Equity at the top of mind of universities?



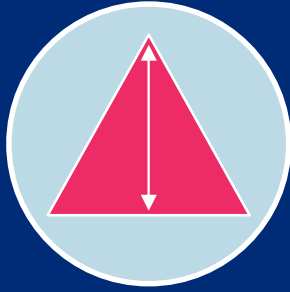
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Three Different Pay Assessments with Similar Names...



Raw Pay Gap

- Simple: **The median man compared to the median woman** (sometimes the average man compared to the average woman)
- Driven by differences in **career equity** and heavily influenced by **location**
- **No clear remediation plan**



Equal Pay Analysis

- Equal pay gap examines salary discrepancy between men and women **with equal roles**
- Grade, work location and job title, age, tenure in organization and performance can be considered
- Remediation is focused on **apparent outliers in roles with unexplainable gaps**



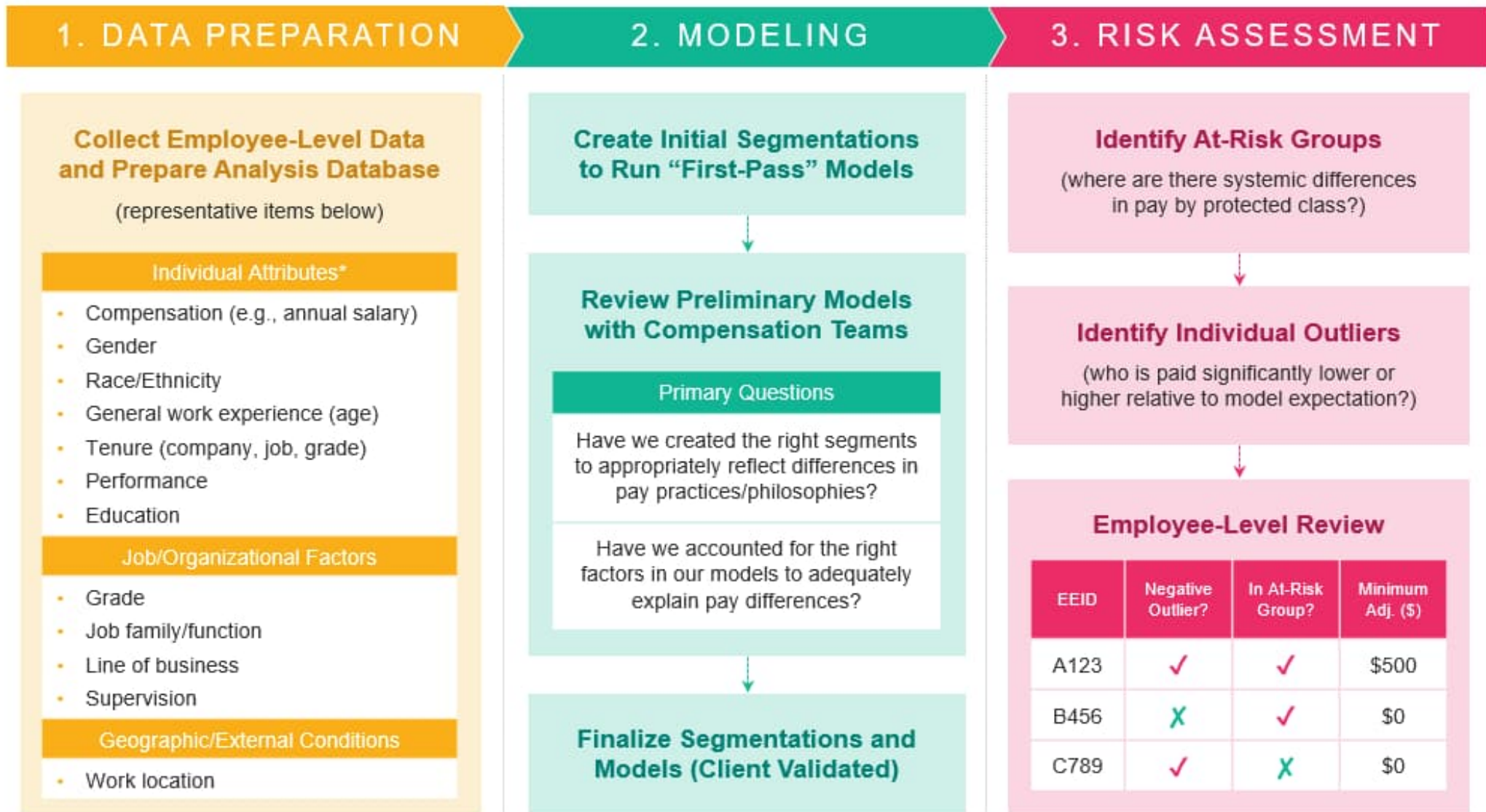
Pay Equity Analysis

- **Regression based statistical evaluation** of pay
- Identifies the impact of legitimate drivers of pay and any remaining influence that bias may play
- Generates a pure **pay** equity gap along with a **list of specific employees and the exact pay change required to eliminate gaps**
- Unbiased, comprehensive, often linked to disclosure

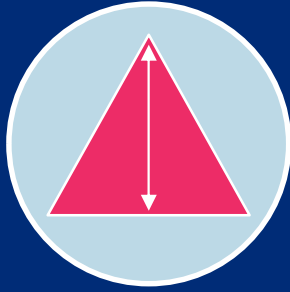
Simple, Focused on Compliance

Comprehensive Disclosure and Remediation

Mercer's Pay Equity Process



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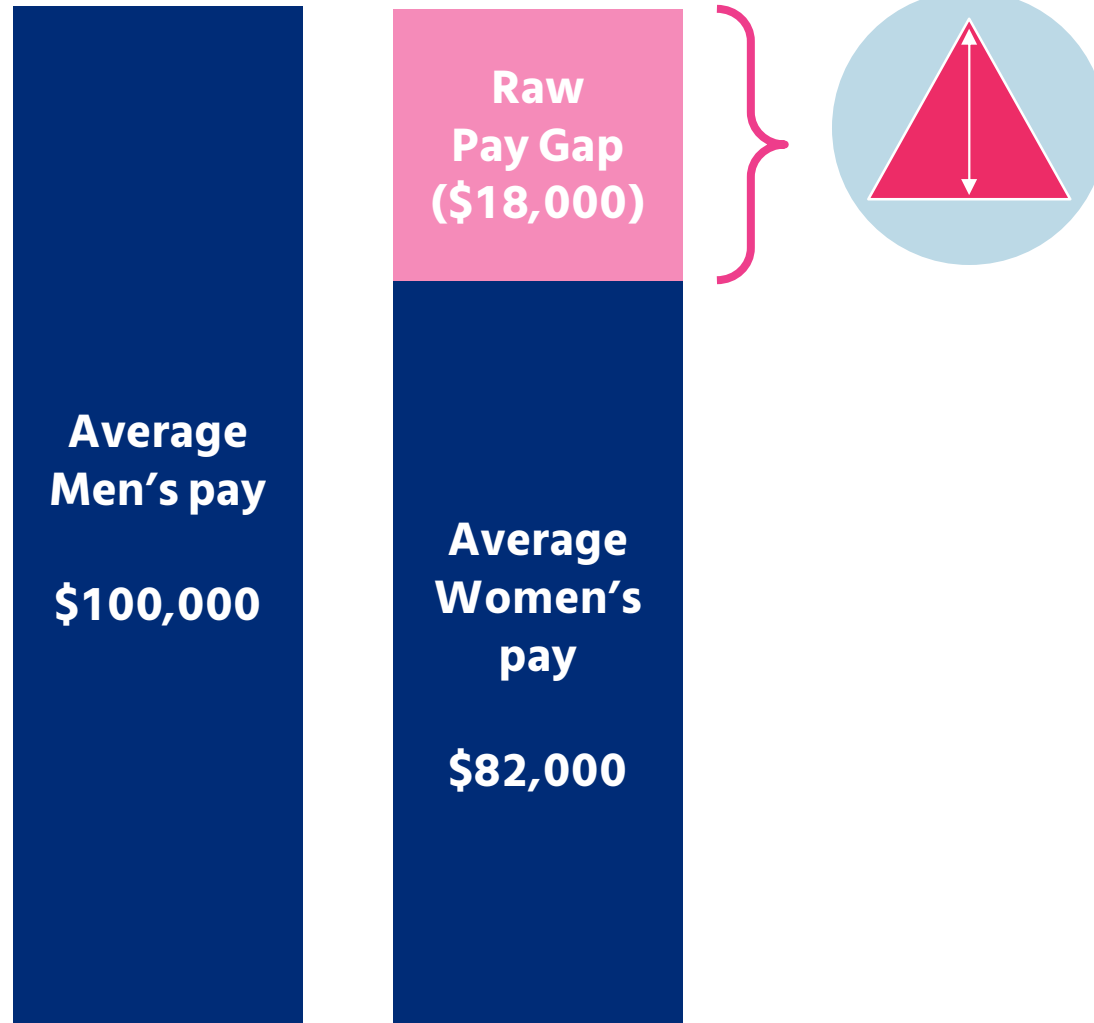
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Understanding the Pay Gap



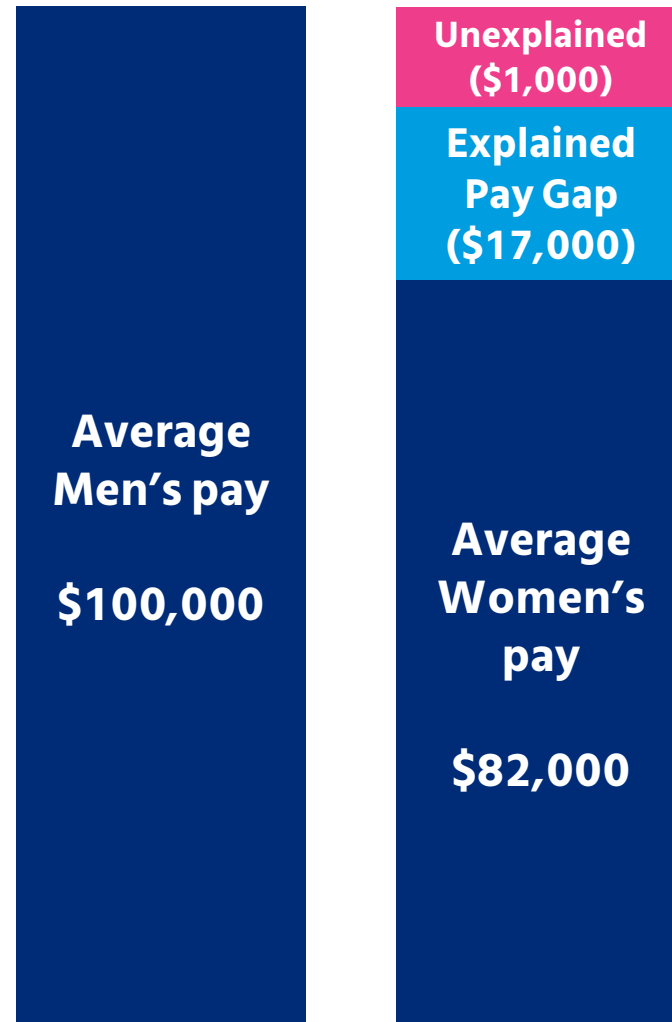
Source: Bureau of Labor Statistics report

Raw Pay Gap of 18%

a.k.a. "women earn 82 cents for every dollar a man earns"

Median salary for women is 18% less than median salary for men

Explaining the Pay Gap



Source: Mercer Internal Study

Pay Equity Analysis Pay Gap of 1%

a.k.a. “women earn 99 cents for every dollar a man earns”

After accounting for job type, seniority, location, industry, years of experience, and other “compensable” factors, the pay gap falls to 1%.

Explaining the Pay Gap



Unexplained = Cannot be captured in data

- Relationship with manager
- Negotiating skills
- Reputation
- Recruiting source
- Labor Market
- Timing of hire date

Explained = Quantified & Legitimate Drivers of Pay

Results of Regression Analysis (Adjusted R²)

- Pay band / Pay grade (42%)
- Department / Division (24%)
- Location (14%)
- Age / Experience (11%)
- Education / Degree (9%)

Which of these pay gaps should be our focus?

DE&I

lives within the
Raw Pay Gap

Opportunity
Partnership
Representation
Promotion
Leadership
Participation
Support



Inequities Are Not Specific to Pay

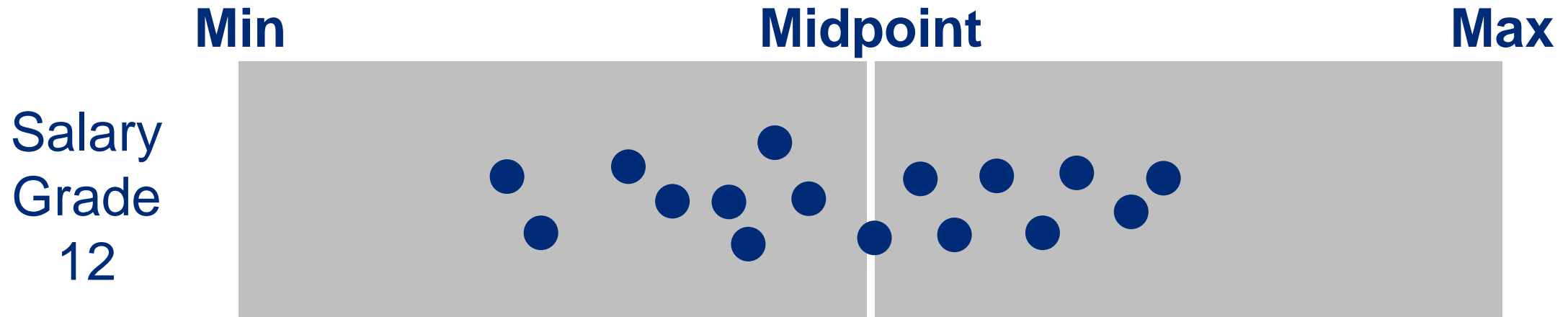
Pay Administration, Talent Strategy,
Promotional Opportunities can all lead to
equitable workforces

**Raw
Pay Gap
(\$18,000)**



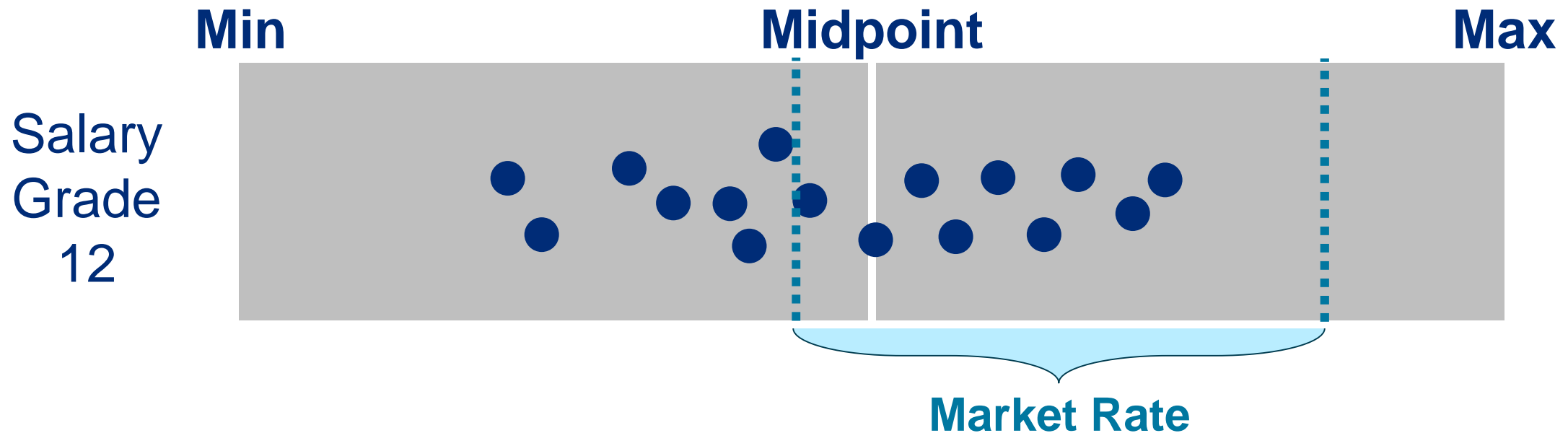
New Hire Salary Ranges

Use **salary grade**, market rate, and internal equity for salary offers



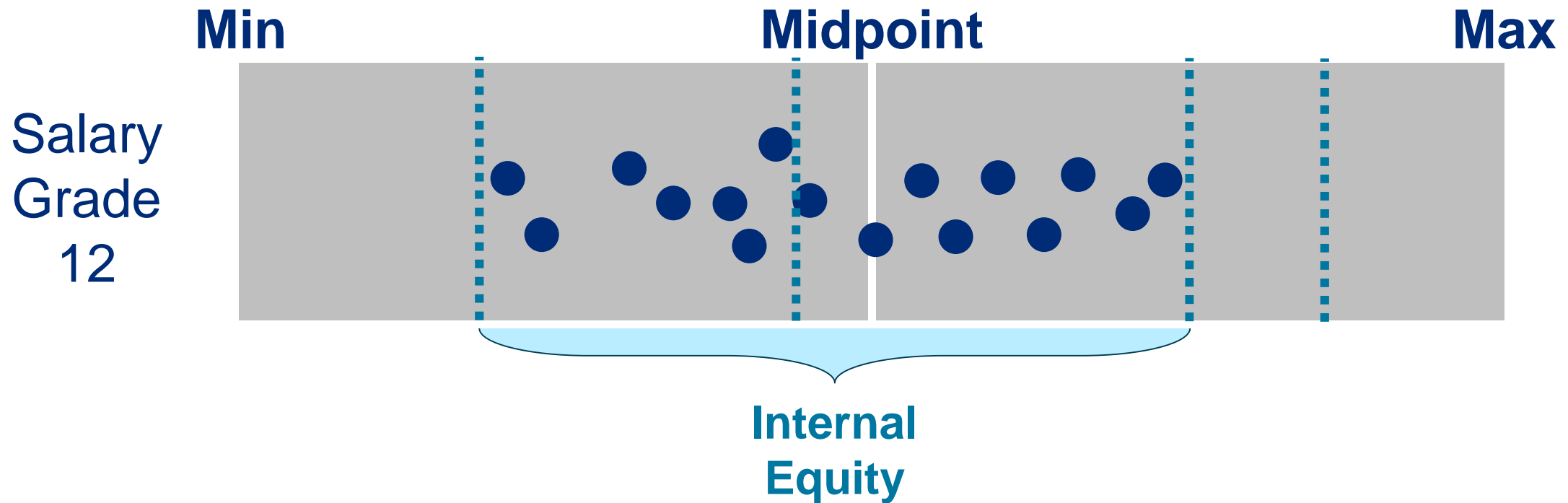
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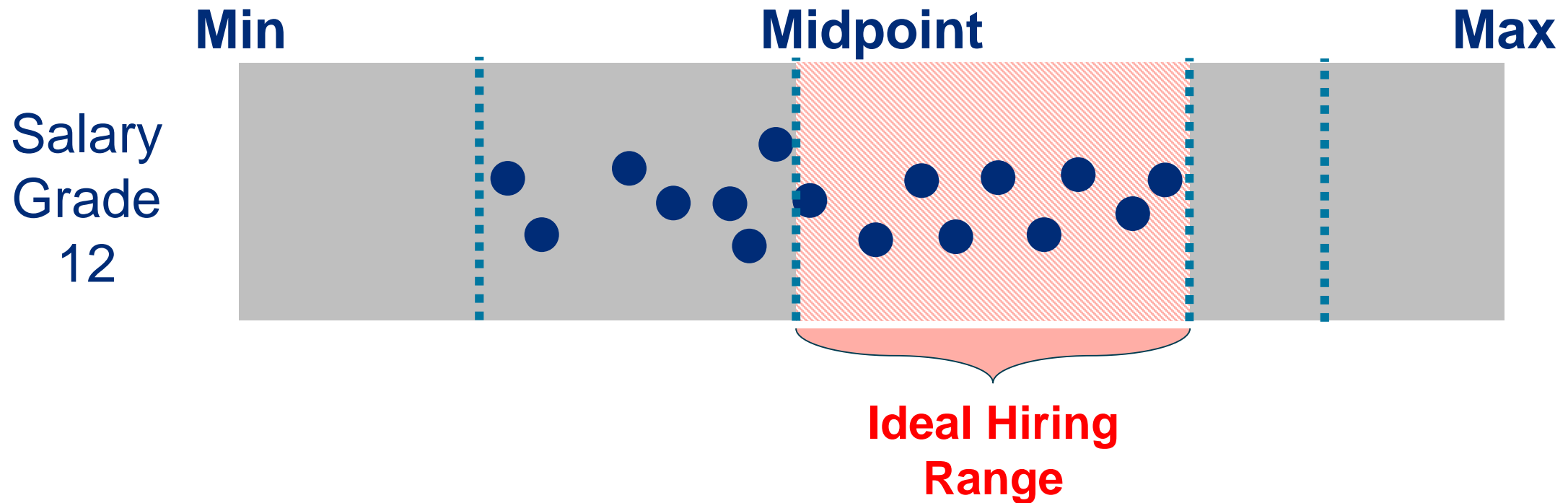
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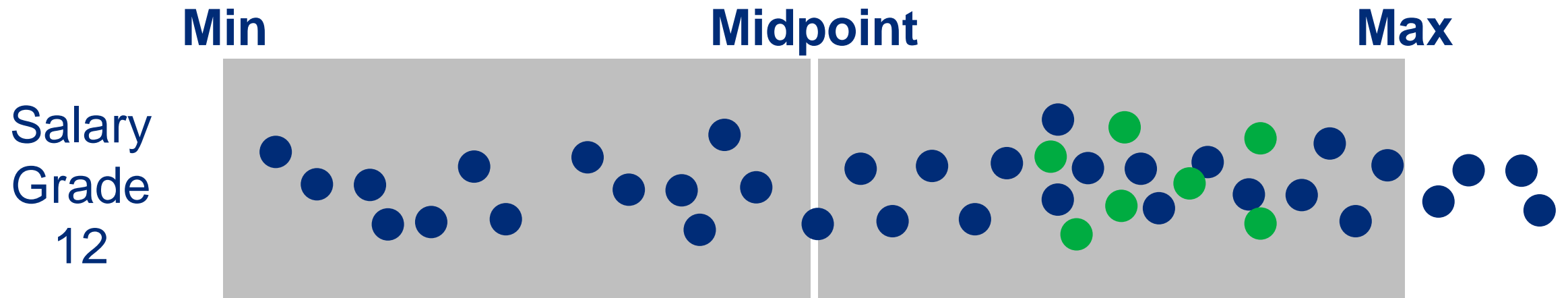
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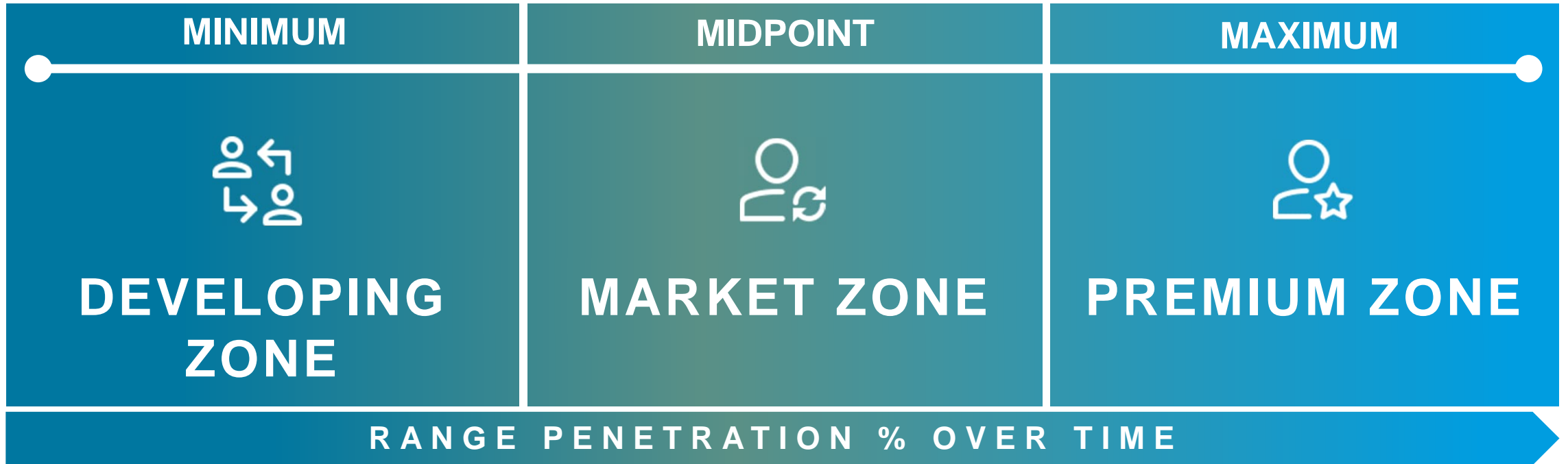
Pay Compression

- Employee in the salary grade
- Employee hired in last 6 months



56% of universities have experienced **pay compression** this year

Avoiding pay compression with time-based equity



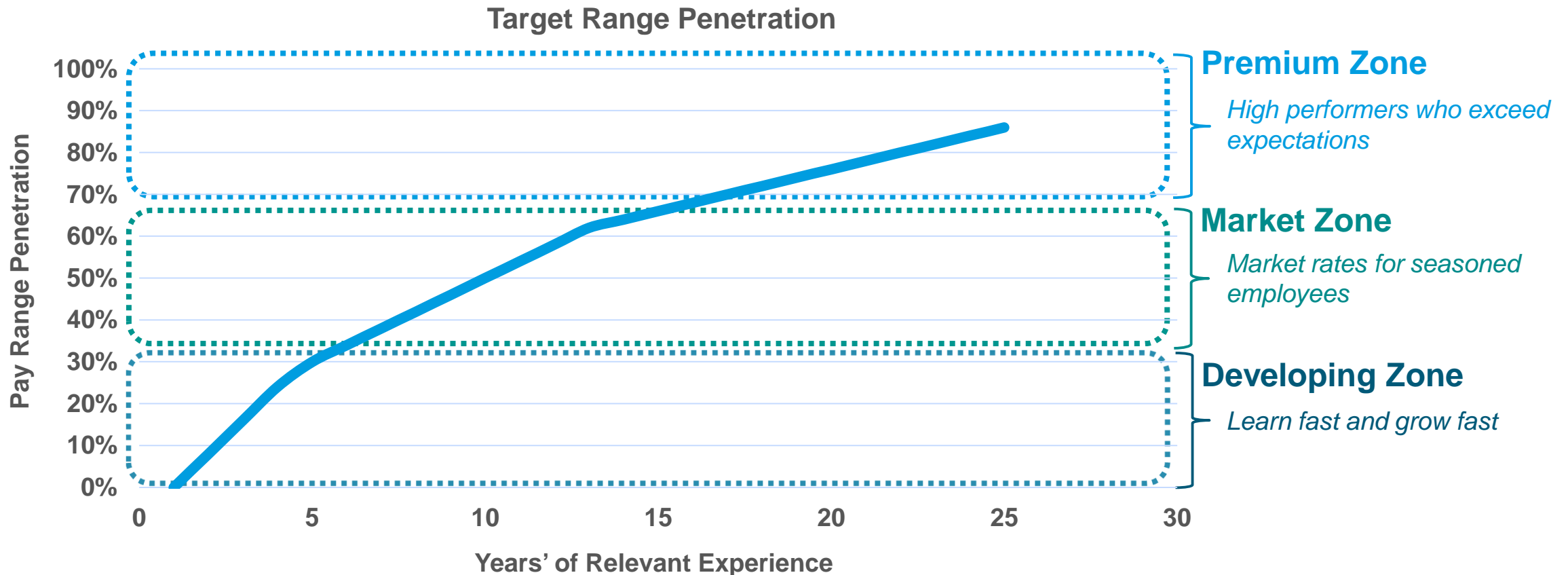
New hires or promotees
Developing and learning

Seasoned employees
Full competencies and duties

All-Star & veteran employees
Far exceeding competencies

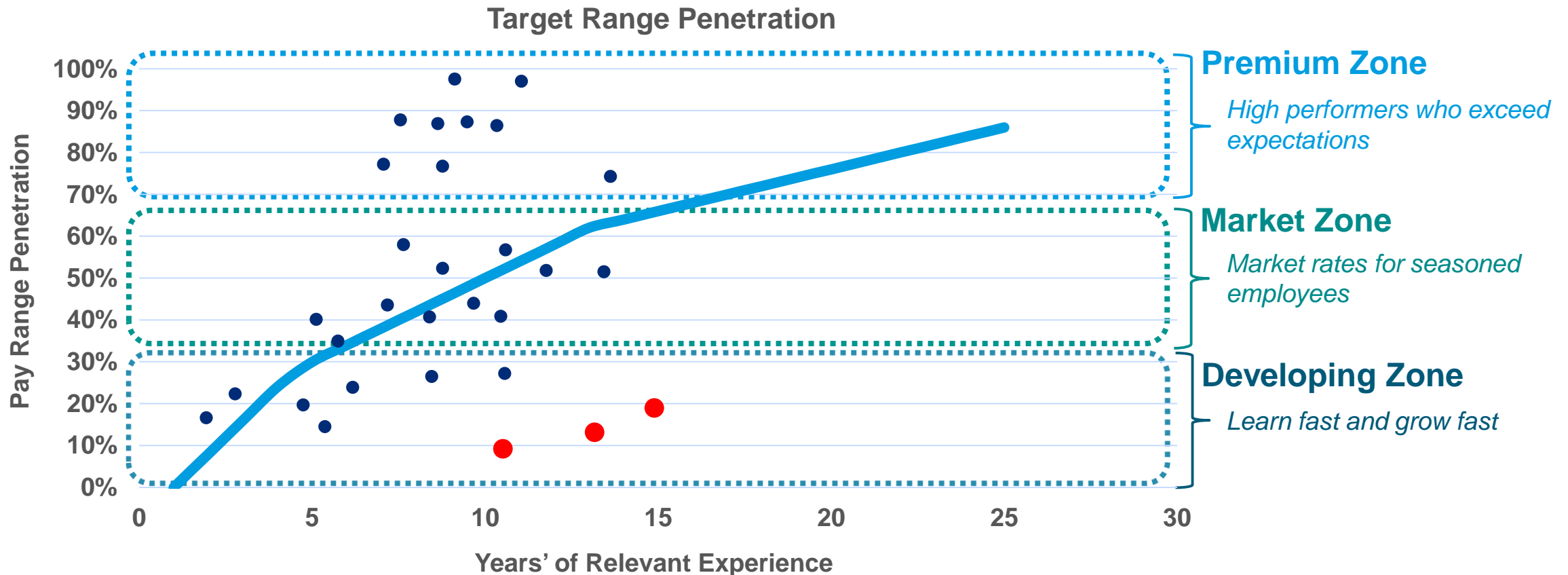
Avoiding pay compression with time-based equity

Use a formula to estimate an employee's range penetration



Avoiding pay compression with time-based equity

Use a formula to estimate an employee's range penetration



Define how to move up

2x

Employees are **2x as likely to plan a long-term future** with their employer when they feel promotions processes are transparent and fair

**DEFINE PROMOTION
CRITERIA CLEARLY**

Define how to move up

IT SUPPORT JOB

		Assistant	Associate	Manager
LEVEL OF WORK	Troubleshoot.....common issues	✓	✓	✓
intermediate issues		✓	✓
complex issues			✓
SKILLS NEEDED	Areas of expertise.....Microsoft	✓	✓	✓
hardware	✓	✓	✓
website/intranet		✓	✓
network			✓
security access			✓
RESPONSIBILITIES	Number of tickets per day required	6-10	10-15	15+
	Training employees		✓	✓
	Supervising and goal setting			✓
REQUIREMENTS	Preferred years experience	0-1	2-4	5
	Preferred education	Associate's	Associate's	Bachelor's
	Certifications required			✓

Promote Fairly

86

women are promoted to manager for every 100 men at the same level

81

minorities are promoted to manager for every 100 non-minorities at the same level

Promote Fairly

- Consider **all candidates**
- Understand each employee's **skills, competencies and values**
- Use your career ladders **consistently**
- Monitor **representation** at all levels
- Analyze duration in role **by demographics**

	Gender		Race/Ethnicity	
Support 1	86%	14%	55%	45%
Support 2	78%	22%	52%	48%
Professional 1	49%	51%	31%	69%
Professional 2	44%	56%	30%	70%
Manager	40%	60%	27%	73%
Senior Manager	38%	62%	26%	74%
Director	29%	71%	22%	78%
Senior Director	24%	76%	20%	80%
Vice President	0%	90%	10%	90%

Preventing Pay Gaps – What else can HR teams do?

01

Do not rely on salary history

Determine salary based on the pay range for the job and employee/candidate qualifications without regard to salary history.

02

Implement and use pay ranges

Assign all jobs to pay ranges. Place employee salary in ranges based on legitimate factors, such as relevant experience, performance, certification, etc.

03

Enforce pay guidelines

Develop and enforce administrative guidelines that articulate how pay decisions should be handled in different employment situations (e.g., starting salaries, promotions).

04

Minimize 'ad hoc' payments

Additional pay/stipends should be used sparingly and subject to guidelines.
Minimize exceptions to guidelines.

05

Assess pay and job change practices

Ensure that pay decisions for employment actions are consistently applied regardless of gender, race, ethnicity, and other illegitimate factors.

06

Monitor pay equity regularly

Consider pay equity in all pay decisions.
Conduct full analysis on regular basis (potentially every 2-3 years).

Inequities Are Not Specific to Pay



Document your procedures

Train your team appropriately

Apply procedures consistently

Document exceptions

Update as needed

Get help if you need it

Thank you!

Jack Jones

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