Blogs
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Public Chatter

Six Questions Companies Are Asking About Pay Equity

Why focus on pay equity now?

Robust ESG compliance commitments and recent social movements have pushed pay equity to the top of many companies' priorities. Other factors such as activist shareholder proposals, changes in state laws, Biden administration efforts, and calls from employees regarding greater transparency have spurred companies to find out where they stand.

What is pay equity?

Pay equity is a measure of the systemic differences in pay between protected classes who work in comparable positions that accounts for various legitimate business factors, such as training, years of service, geography, and performance.

Is this different from measuring a pay gap?

Yes. Pay gaps often look at the raw average pay difference between groups (i.e., men and women). When we hear that women make cents on the dollar compared to men, those raw gap numbers often compare men and women in different jobs.

What are the basics of determining pay equity?

Pay equity analysis boils down to three questions:

1. What groups of employees are appropriate for comparison (for example, analysts)?
2. Is there a statistical pay difference between employees in each protected class?
3. Are there legitimate business-related factors that account for the pay difference?

While appearing simple, correctly answering these questions requires complex analysis and a deep dive into compensation practices.

What are the top legal considerations in performing an equity audit of pay practices?

First, companies need to evaluate legal risks to ensure that they are not targeted by government officials, such as the U.S. Equal Employment Opportunity Commission (EEOC) or private class action lawyers. Second, companies should ensure that the process is led by experienced legal counsel to preserve legal privileges and conducted by statistical experts who are skilled at performing deep analysis.

What are the latest trends in pay equity?

Several key trends warrant close monitoring, including:

- ***Evolving focus and complexity***. Audits are expanding their focus on evaluating racial and ethnic pay differences in light of recent social movements. Moreover, organizational shifts, from acquisitions to job

architecture changes, may cause havoc with ensuring fair pay throughout an organization.
- ***Changing labor market.*** The tight labor market makes it important that starting salary and retention pay decisions follow established principles of pay equity.
- ***Greater pressure to disclose***. Employees have become far less shy about sharing information about their pay, and many states require disclosure of starting salary data. Recently, the EEOC has signaled a renewed interest in obtaining pay data from employers. These efforts trigger intricate issues related to how companies typically disclose information and how long-standing legal privileges are evaluated.
- ***Aggressive government enforcement***. We are seeing unprecedented coordination among Biden administration officials to investigate and enforce laws related to pay equity. In addition, states like California and Illinois have put into place very robust compliance and enforcement obligations with enhanced penalties for violations of the law.

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