



Pay Equity Obligations & Implications

CCIC Member Forum
Garry Straker | June 12, 2018



Gallagher

Insurance | Risk Management | Consulting

Agenda

- Background – Current Environment
- Pay Equity in Higher Education
- Legislative action
- Pay Equity Issues & Trends
- Pay Equity – The Business Case
- Conducting a Pay Equity Analysis

Pay equity Gains Momentum and Becomes a Strategic Priority

Boosted by legislative action at the state and municipal level, a heightened level of scrutiny regarding treatment of women in the workplace, and an increase in human capital investment on the back of tax reform; pay equity is picking up steam.



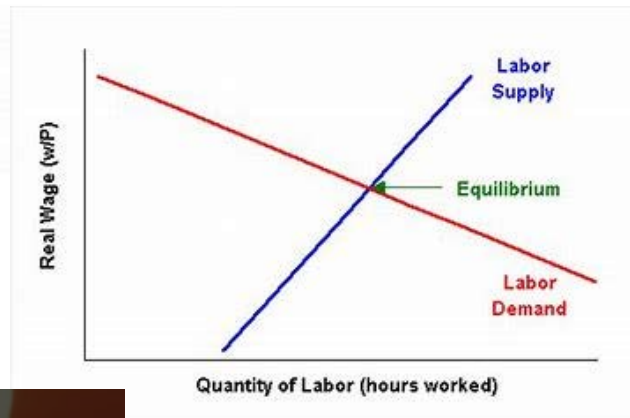
2017 Diversity & Inclusion Report



The New U.S. Pay Equity Laws

How Can You Safeguard Your Company?

STUDENT ACTIVISM
MAKING CHANGE HAPPEN



TIME'S
= UP

ARJUNA CAPITAL

me too.

SHAREHOLDER ENGAGEMENT
pressing corporations for change



Wage Gap vs Pay Equity

Wage Gap

- Difference in earnings by gender across all job levels regardless of position or hours worked.
- Influenced by the degree of representation of each gender group in senior level or higher paying jobs

Pay Equity

- Equal pay for jobs requiring equal skill, experience, effort and qualifications, and under similar working conditions
- Expectation that workers performing “substantially similar” or “comparable work” will be paid the same, unless pay difference can be justified due to permissible factors that are job related.

Wage Gap vs Pay Equity



“There are lies, damn lies and statistics”

Mark Twain

“Congress, The DOL and EEOC should be careful in passing federal legislation or adopting policies to correct a pay-gap problem that in all likelihood no longer exists”

John Kilgour, Ph.D professor emeritus in the Department of Management at California State University



Pay Equity in the News



Salesforce.com Inc. announced in March 2016 that in 2015 it spent \$3 million adjusting salaries to **ensure its female and male employees received equal pay** for equal work.

March 21, 2018 Community

Starbucks announces 100 percent gender, racial pay equity for U.S. partners, sets global commitment



Pay Equity in the News



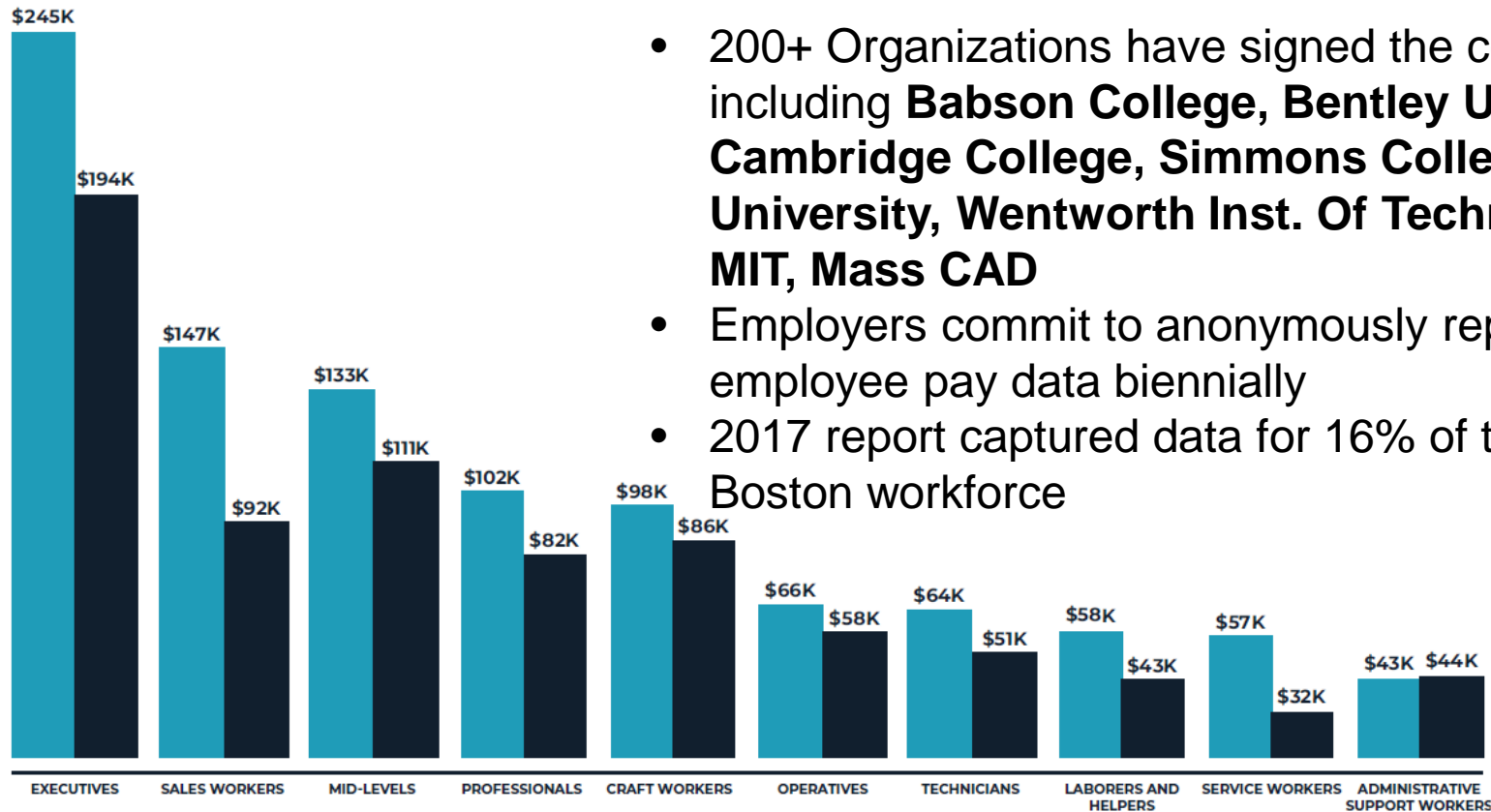
- DOL Investigation - found “Systemic Compensation Disparities pretty much across the entire workforce”
- “...discrimination against women in Google is quite extreme...”
- In 2016, Farmers agreed to pay \$4 million to approximately 300 female attorneys, as well as conduct annual analyses of its pay practices, increase salary transparency and increase the representation of women in higher salary grades over the next three years.



Boston Women's Workforce Council 100% Talent Compact



FIGURE 8: Average compensation by EEO-1 Job Category ■ WOMEN ■ MEN



- 200+ Organizations have signed the compact including **Babson College, Bentley University, Cambridge College, Simmons College, Suffolk University, Wentworth Inst. Of Technology, MIT, Mass CAD**
- Employers commit to anonymously report employee pay data biennially
- 2017 report captured data for 16% of the Greater Boston workforce

LEAD SPONSORS:



Pay Equity In Higher Education



- 2018 – **University of Denver** - settles pay discrimination lawsuit with \$2.6 million to seven female law professors. Women full professors were earning an average \$19,781 less than their male counterparts
- Settlement included back pay and compensatory damages, increases in current salaries and significant changes to the schools compensation policies



- 2018 – **University of Cincinnati** – retired geography professor sued and was awarded \$200,000. Female professor was paid \$20,000 less than a male colleague hired at the same time.

Pay Equity In Higher Education



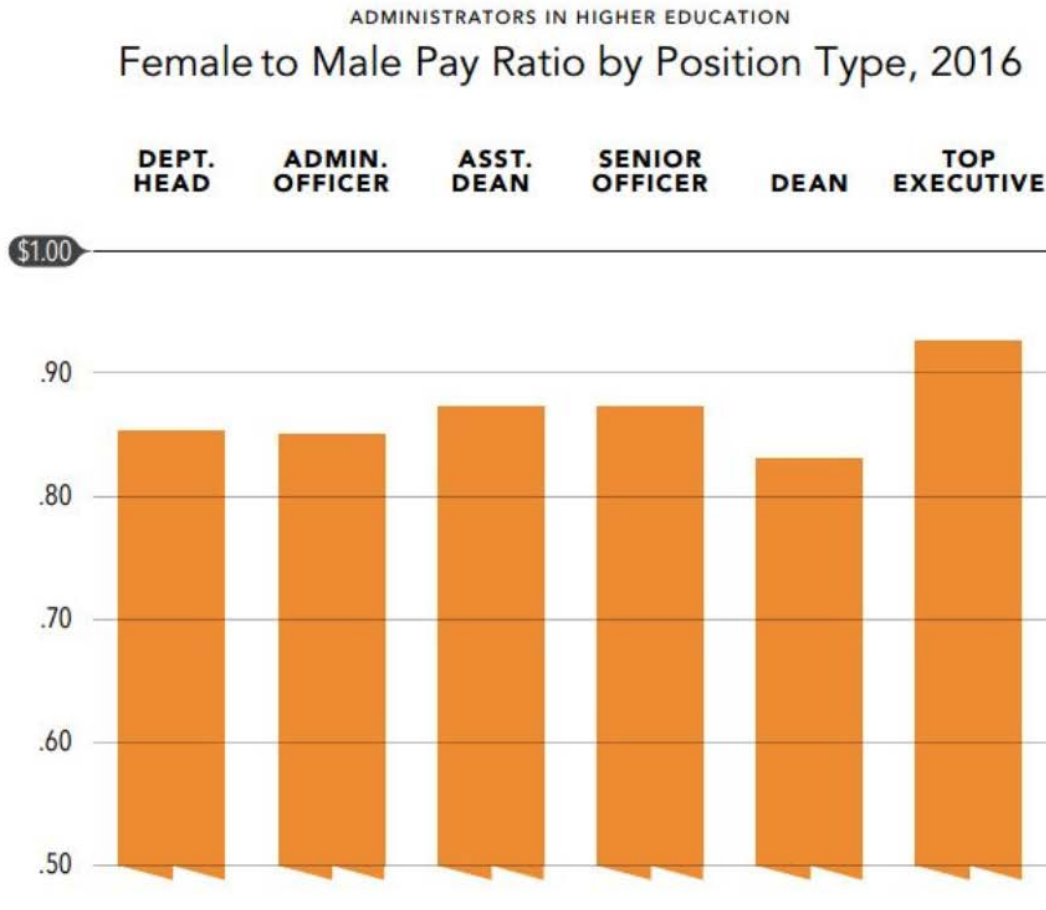
- 2017 - **University of Arizona** - former Dean filed a lawsuit stating that similar and less-experienced male deans at the University were making tens of thousands more dollars. Specifically, male dean positions made \$70,000 and \$100,000 more.



- 2017- **University of Virginia** - Assistant Vice Provost filed suit with the claim that her workload was higher than male colleagues who were paid more, and even after a pay increase, her salary still lagged comparable male positions.

Pay Equity in Higher Education

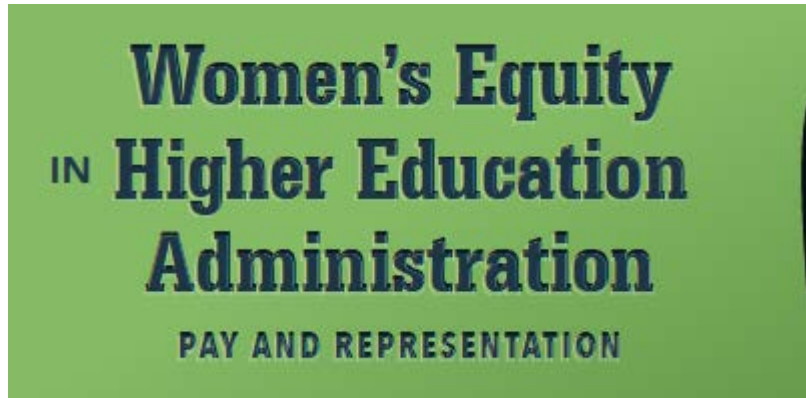
- CUPA-HR study finds pay inequities in gender and minorities for all job groups and levels except office support in 2017 study.



Female university administrators earned 80 cents for every dollar their male counterparts earned.

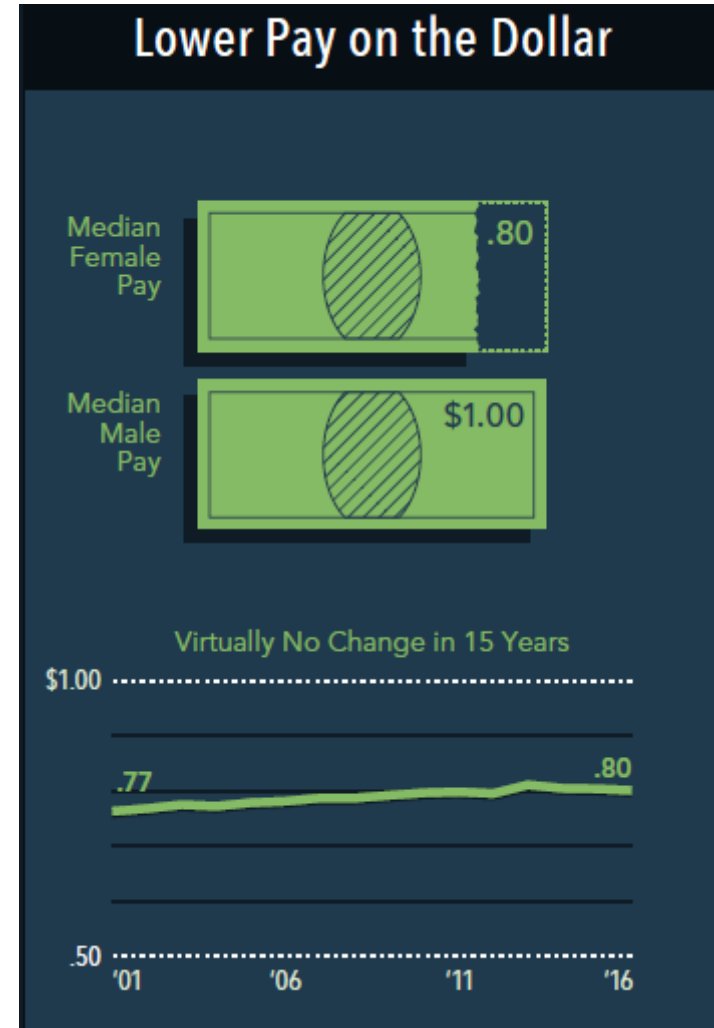


Pay Equity in Higher Education



Pay Equity:

Virtually no change in 15 years

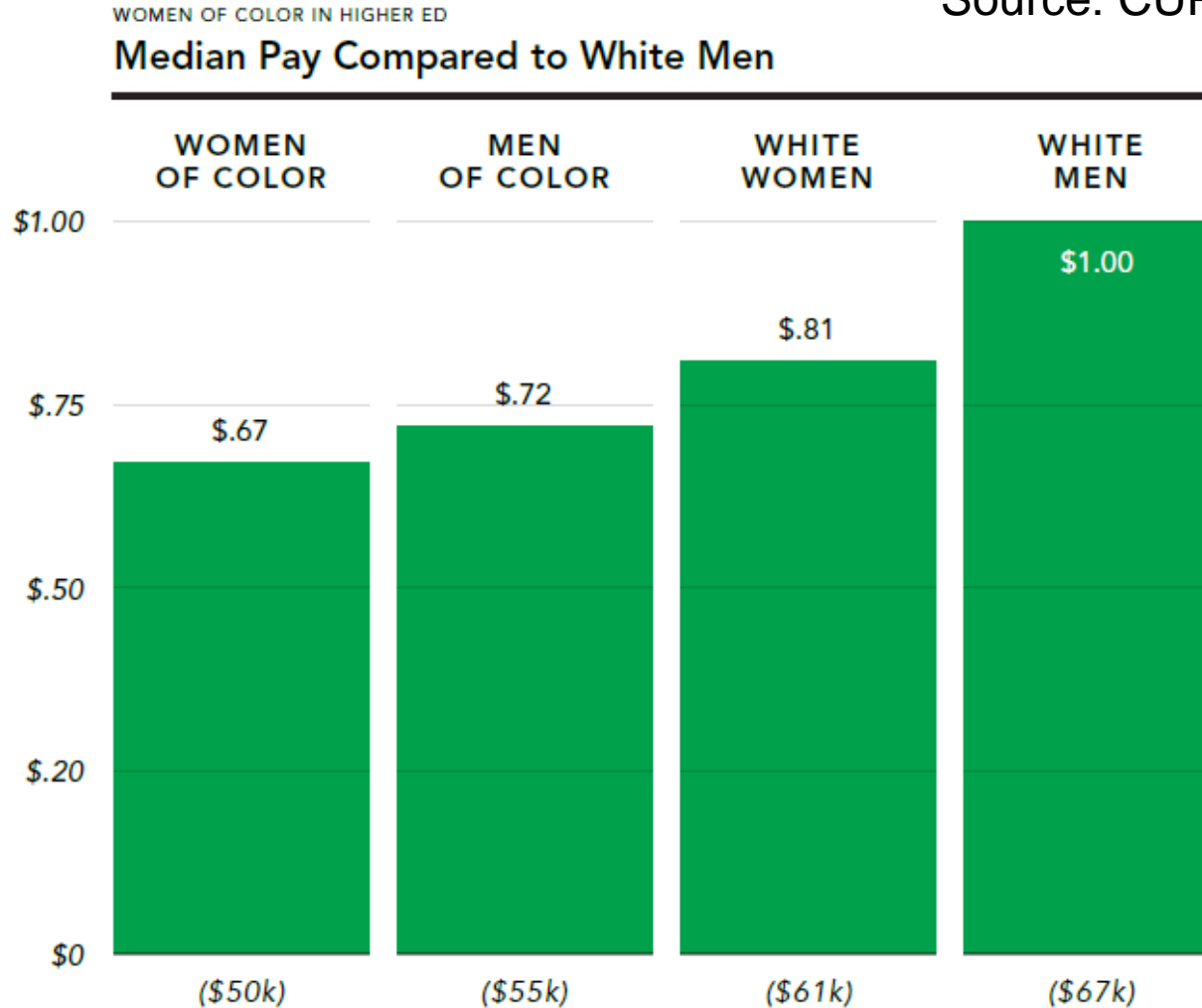


Pay Equity in Higher Education

Representation and Pay of Women of Color in the Higher Education Workforce

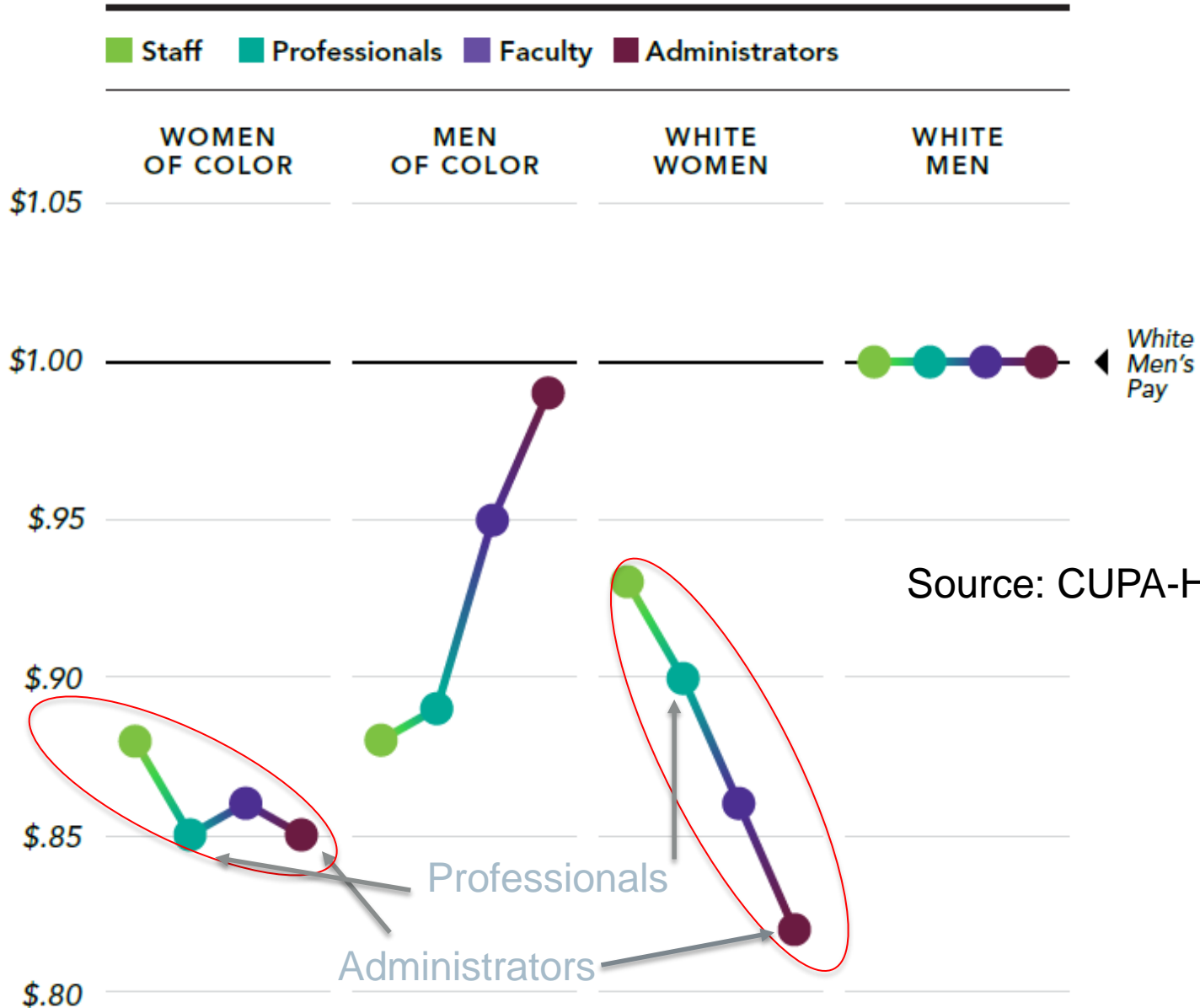
A CUPA-HR Research Brief
Jasper McChesney, M.S., Data Visualization Researcher

Source: CUPA-HR May 2018



Pay Equity by Position Type

Median Pay as Proportion of White Men's Pay



Higher Education - Documented Faculty Pay Disparities

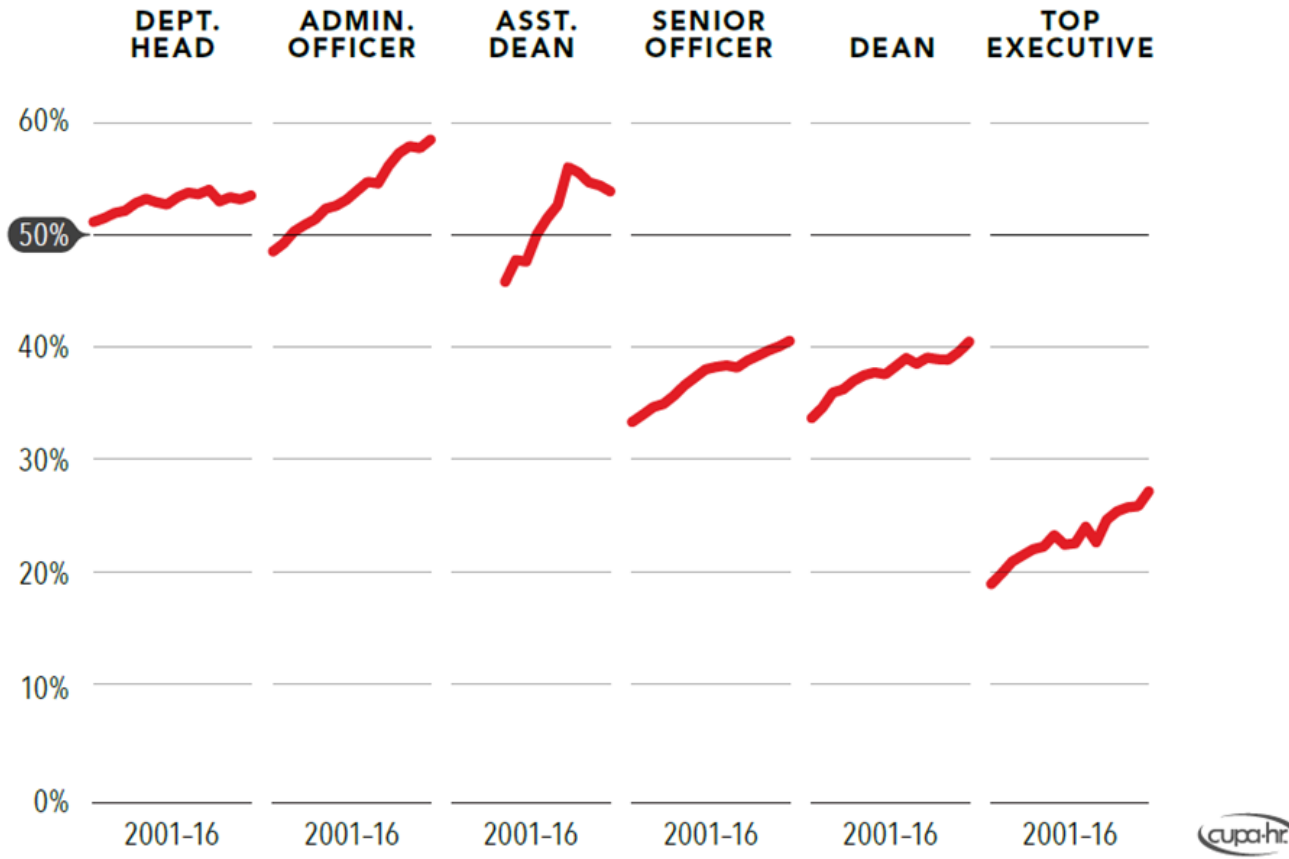
CUPA-HR (March 2018)

- For all types of faculty, **the representation and pay of women decreases with increases in rank from assistant professor to Professor**
- In terms of pay ratio, **the discipline with the highest gender wage gap is health professions — women are paid only 76 cents on the dollar compared to men, across all ranks.**
- Health professions and nursing top the list for the most new faculty hires in 2017-18.
- The representation of racial/ethnic minorities decreases with promotion in rank for all types of faculty. **For most faculty types and ranks, minorities are paid similarly to or more than their non-minority (White) peers.**

Transforming Leadership in Academia

ADMINISTRATORS IN HIGHER EDUCATION

Female Representation Across Position Types, 2001-16



Transforming Leadership in Academia



Advancing Women in Higher
Education Leadership

- More than 500 institutional presidents nationwide have signed on including **Mitchell College, Southern CT State University, Trinity College, University of Connecticut, University of Hartford, University of Saint Joseph**
- Goal: have **50%** of U.S. college and university chief executives be women by 2030; the number now is **30%**.
- At Nichols College in Massachusetts, the second female president in 203 years **has begun to transform the all-male leadership cabinet she inherited; now 42% of the cabinet are women.**
- More female representation among executive ranks comes with added scrutiny and responsibility due to Form 990 pay disclosure
- Increased pay transparency provides an important signal to administrators, faculty and students about an institution's commitment to pay equity.



City of Boston

- The Mayor's Office of Women's Advancement has teamed up with American Association of University Women (AAUW) to offer free salary negotiation workshops to address the gender wage gap in Boston.
- Goals is to teach women who live or work in Boston how to:
 - evaluate
 - negotiate, and
 - articulate their worth in the job market.



City of Boston

- 1,800 participants in year one.
- 87% identified target salaries.
- 73% benchmarked their salaries using market research.
- 48% either negotiation a starting salary and or a pay raise
- 29% asked for a raise



PAY EQUITY LEGISLATIVE ACTION

Recent Pay Equity Legislative Activity in the Northeast

State	Date Signed	Effective Date	Key Provisions
Connecticut	May 22, 2018	Jan. 1, 2019	<ul style="list-style-type: none"> • Salary History Ban • Employee transparency/anti-retaliation
Vermont	May 11, 2018	July 1, 2018	<ul style="list-style-type: none"> • Salary History Ban
New Jersey	April 24, 2018	July 1, 2018	<ul style="list-style-type: none"> • Employee transparency/anti-retaliation • Long list of protected classes. • 6 year look back
Massachusetts	August 1, 2016	July 1, 2018	<ul style="list-style-type: none"> • Salary History Ban • Employee transparency/anti-retaliation • Affirmative Defense to liability
New York	October, 2015	January 19, 2016 Executive Orders: January 9, 2017 and June 1, 2017	<ul style="list-style-type: none"> • Salary History Ban (State Agencies) • Employee transparency/anti-retaliation

Legislative Action – Connecticut Public Act 18-8

- Effective January 1, 2019

No employer shall:

- Prohibit and employee from disclosing or discussing the amount of his or her wages or the wages of another employee
- Discharge, discipline or retaliate against any employee who discloses or discusses wages
- Inquire about prospective employee's wage and salary history, unless voluntarily disclosed.
- Employer can inquire about elements of compensation structure, but not the value.
- Violations subject to compensatory damages, attorney's fees and costs, punitive damages, and legal equitable relief as the court deems just and proper.
- No action shall be brought except within two years of violation



Legislative Action - Increases Risk

What does this mean for employers?

More:

- Scrutiny of hiring and pay practices, decisions
- Greater transparency and open discussions of employee pay
- Pressure to raise wages to address pay disparities
- Negotiations for higher pay
- Union organizing and contract negotiations
- Government investigations
- Pay discrimination lawsuits





PAY EQUITY ISSUES & TRENDS

Career Breaks Affect Women More than Men

- Women are **five times** more likely to take breaks from working than men.
- People who return to work after a break make **4% less** than someone without a career disruption.
- Pay Gap increases as women progress in their careers
 - **For women 45 and older the gender pay gap is greater** than for younger women
- In the age group older than 45 years, **59% of women** are in individual contributor positions vs 43% of men
- By mid-career, **men are 70% more likely** to be in executive positions than women.

Workforce Evaluation

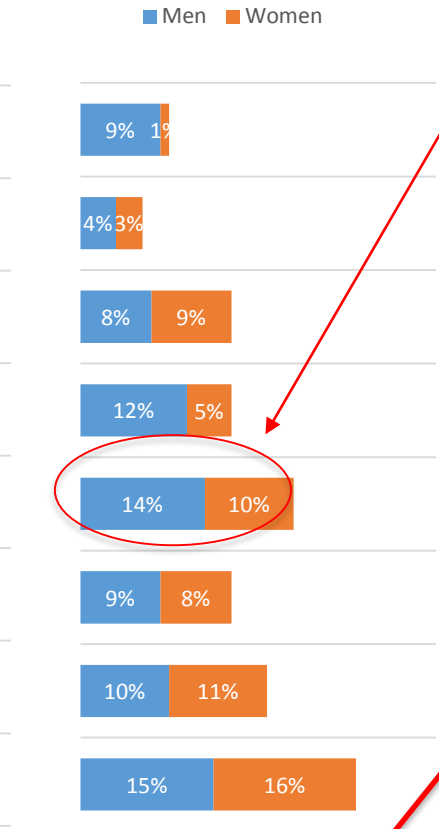
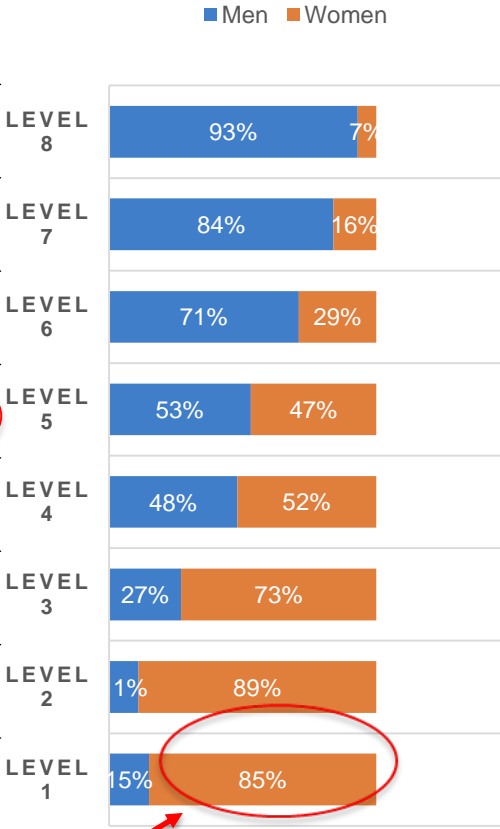
Male Talent Entry

Female Glass Ceiling

REPRESENTATION

TOTAL PROMOTIONS

Career Level	Gender	Total Hires
Level 8	Women	0%
	Men	2%
Level 7	Women	1%
	Men	4%
Level 6	Women	3%
	Men	5%
Level 5	Women	5%
	Men	6%
Level 4	Women	8%
	Men	7%
Level 3	Women	9%
	Men	4%
Level 2	Women	11%
	Men	10%
Level 1	Women	15%
	Men	15%



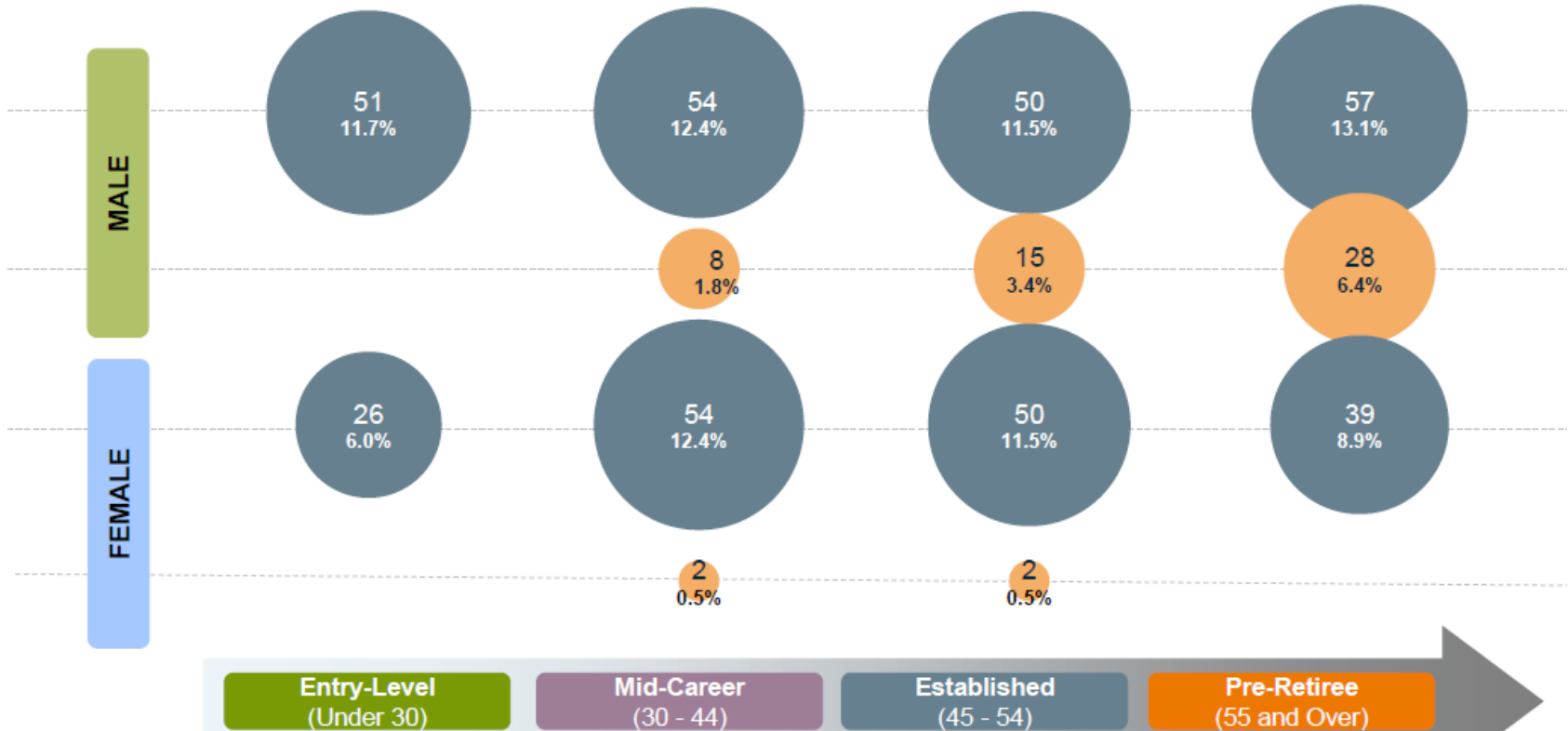
Gender	Total Exits
Women	0%
Men	4%
Women	2%
Men	3%
Women	3%
Men	5%
Women	7%
Men	8%
Women	13%
Men	10%
Women	12%
Men	8%
Women	11%
Men	16%
Women	16%
Men	22%

Female Talent Entry

More Women Exit



Workforce Evaluation



All Other Employees
Key/Critical Employees

Class	Entry Level	Mid-Career	Established	Pre-Retiree
Male Key	0	8	15	28
Female Key	0	2	2	0
Male Non-Key	51	54	50	57
Female Non-Key	26	54	50	39

Market Pricing and Pay Equity

Under the Equal Pay Act:

- The courts have been clear that **basing pay disparities entirely on prevailing market rates is not an acceptable defense** and is exactly the type of practice the EPA was intended to rectify.
- **Market value qualifies as a defense only if the employer can demonstrate that it assessed the marketplace value of the particular individual's job-related qualifications, and that the compensation disparity is not based on gender.**



Since the perception is that gender bias is systemic in the marketplace, a job evaluation system and salary administration program based solely on salary market data would be seen as reinforcing historical gender bias.

Market Pricing vs Internal Equity



World at Work surveys confirm **the use of a market-pricing based job evaluation methodology has increased**

<u>Job Evaluation Methodology</u>	<u>2012</u>	<u>2014</u>	<u>2016</u>
Market Pricing	88%	89%	91%
Point Factor	20%	18%	15%
Classification	17%	18%	16%
Ranking	15%	13%	13%
Other Method	7%	7%	7%

Market Pricing and Job Evaluation



- Neither Market Pricing nor job evaluation perform as well in isolation as they do together.
- Both are needed to get a best practice compensation system that is both market competitive and internally equitable.

Market Pricing	Job Evaluation
There is no true definitive market for every job	Requires spending more time on salary administration
Market data can vary widely based on survey participation	Incumbents and managers may “game the system” to move up the hierarchy
Market data may establish a hierarchy of jobs inconsistent with internal ranking	Does not provide insight on pay relative to the market.
Market Pricing will not determine which jobs are performing “comparable work”	Will more effectively determine which jobs are performing “comparable work”

Pay Transparency



Nearly half of US workers reported they were either "contractually forbidden or strongly discouraged" from discussing pay with coworkers.

Source: 2010 survey by the Institute for Women's Policy Research revealed

- **59% of workers check salary market rates online using sites such as Glassdoor, Salary.com, Payscale**
- **Employees born after 1980 tend to be more open and share pay information.**
- **Millenials value transparency and Fairness**

(Source; Robert Half International)

Communication Drives Understanding and Satisfaction

- Employee understanding of how compensation programs work is strongly linked to satisfaction



Pay is personal:

- Directly impacting how employees believe they are valued/not valued by the organization and affects their trust in leadership



Directors and managers must believe they're being **treated fairly**, personally understand, value, and accept the program to be effective communicating with their reports

- They must be trained to answer questions appropriately and consistently across the organization




Well known example: Mayo Clinic

Mayo Clinic moved employee satisfaction from below 20% to over **80%** by simply changing their communication process (i.e., without changing pay programs)

Communication alone **does not** override the need for competitive pay; Mayo already targeted the 60th percentile!

Best Practice Communication




**Start with a
comprehensive
compensation
philosophy**

- Define the competitive positioning of all elements of compensation and benefits
- Define who should make decisions regarding pay
- **Define what the pay system is meant to achieve**

All leaders should be able to address any questions or concerns regarding the philosophy

- Consistent understanding of philosophy requires repeated, consistent training over time
- Leaders must use consistent language to describe the philosophy - saying the same thing in the same way
- **Directors and managers must understand the pay system, otherwise they're more likely to sympathize with employees than act as part of leadership**



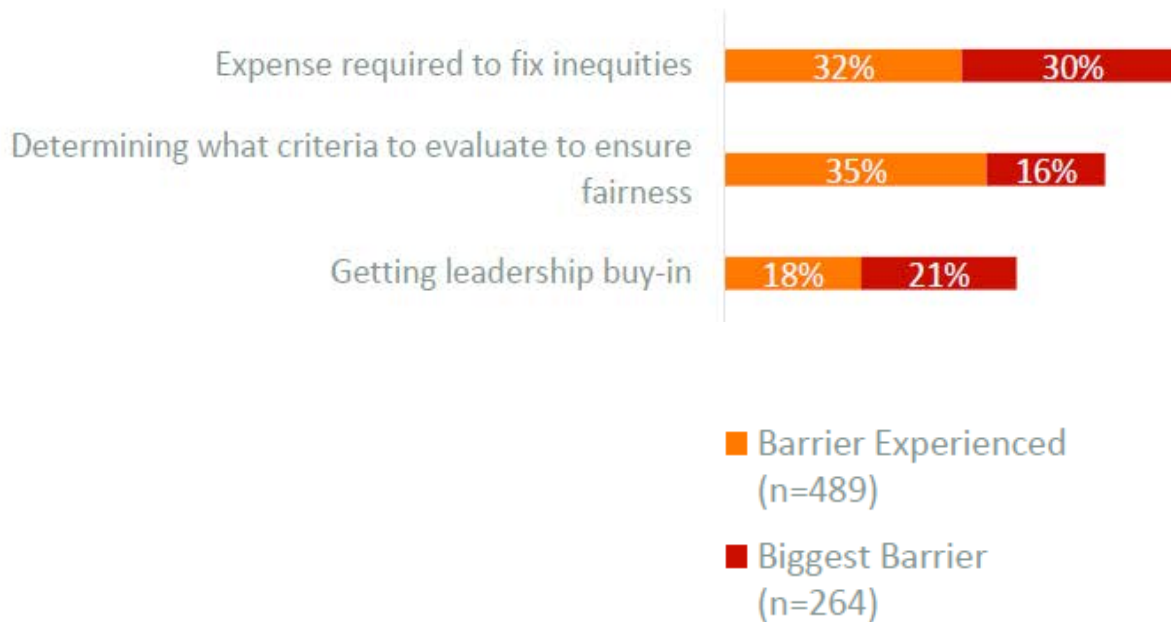
**Communicate
the philosophy
regularly**



PAY EQUITY – THE BUSINESS CASE

43% of Employers expect to spend more time on Pay Equity in the coming year

Barriers to Establishing Pay Equity



Pay Equity and Employee Engagement

- Recent Gallagher studies have found that employees paid less than other employees in their same position assign a lower favorability to key engagement drivers.
- When pay is perceived as unfair/unfavorable, it creates a barrier to people being favorable about the drivers of engagement
- Without EQUITY, even in the best circumstances, it is difficult for engagement to emerge

Pay Equity and Employee Engagement

- Proactive institutions understand that Pay Equity is fundamental to reward strategy.
- Institutions must take reasonable action to remedy bona fide pay inequities once found.
- These organizations understand that you don't sit on pay disparities if you find them.

Pay Equity and Becoming a Destination Employer



**How will
addressing Pay
Equity Impact
your value
proposition?**



CONDUCTING A PAY EQUITY ANALYSIS

Steps to Conducting a Pay Equity Analysis



1. Consider attorney client privilege
2. Engage key campus constituents
3. Decide groupings of jobs for analysis based on “Comparable Work”
4. Gather Data
 - There is always potential for error in raw data.
 - Not all factors influencing pay may be captured in workforce (HRIS) data
5. Conduct Statistical or comparative analysis
 - Careful modeling and interpretation of the drivers is necessary
6. Make equity adjustments if needed

Establishing “Substantially Similar” or “Comparable Work” thru Job Evaluation

- Since the Pay Equity process involves testing for “equal pay for comparable”, a **systematic job evaluation process** is required to establish the relative value of jobs within an organization.
- Job Evaluation determines as objectively as possible, the relative ranking of jobs in an organization
- Job Evaluation is concerned with jobs, *not with the performance* of the people who hold these jobs.
- Methodology should provide consistent outcomes for determining “comparable work”
- Provides a foundation for building salary structure hierarchy

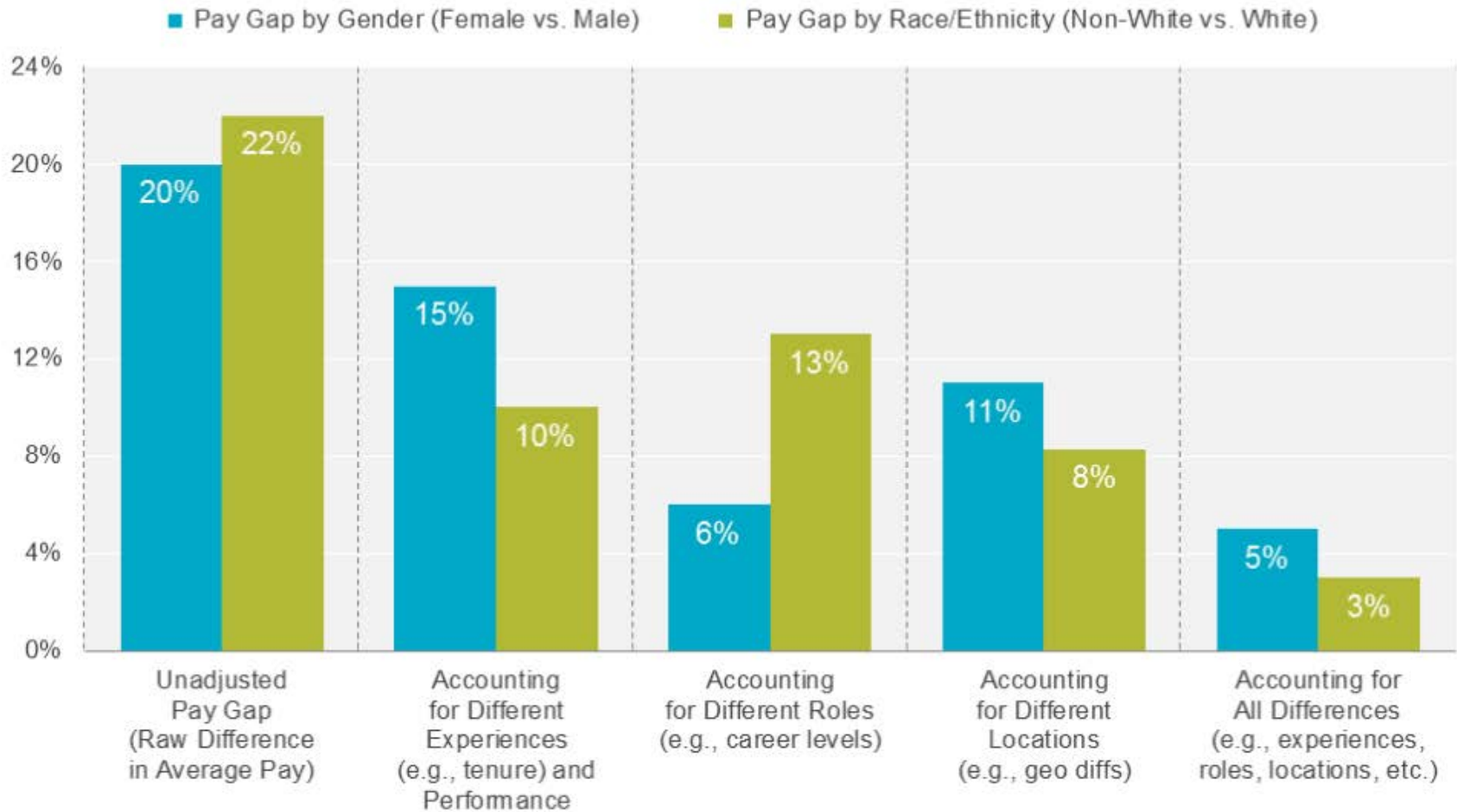
Statistical Methodology

- The accepted methodology in the analysis of a pay system for Equal Pay issues is to conduct a series of statistical tests. The purpose of the tests is to discover whether there are any pay differences between protected groups and other employees that are statistically significant, and whether these differences can be explained by a factor other than gender, race, or age.
- The statistical methods used are:
 - Multiple Regression Analysis: This method is an effective technique to learn the effect of multiple variables on a given outcome. Multiple regression allows the researcher to ask (and hopefully answer) the general question "what is the best predictor of pay".
 - Statistical Significance Level (p-value): This is a judgment of the quality of the test data. The statistical significance of a result is the probability that the observed relationship or a difference occurred by pure chance, and that in the population from which the sample was drawn, no such relationship or differences exist. Results that are significant at the $p \leq .05$ level are commonly considered statistically significant, and $p \leq .005$ level are often called highly significant.
 - Average Comparison: Average pay difference among different employee groups within the organization will be calculated and reviewed to determine if there is any significant pay difference for protected group.

Statistical Methodology

- First analysis typically includes all of the variables to determine which have a statistically significant impact on pay.
- Once variables are identified that did not have a statistically significant impact on pay, remove them and re-run the analysis until the best set of variables that impacted pay are identified.
- The analysis may require multiple “runs” of data to obtain the best set of variables that impact pay.

Statistical Analysis



Conclusion

- It's a (half) marathon – not a sprint
- Involve key stakeholders early
- Evaluate and scrub data
- Develop a communications strategy
- Review hiring practices and policies
- Consider talent management initiatives
- Maintain a broad total rewards perspective

Quotes

“Culture eats strategy for breakfast.”

Attributed to Peter Drucker– Management Guru

Thank You!

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