

PAY EQUITY 2.0: LOOKING BEYOND JUST PAY EQUITY ANALYSES

Presented for the GREATER HOUSTON ILG

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Agenda

- The current pay reporting and transparency landscape
- Strategic considerations for pay transparency
- Best practices for promoting pay equity in a world of pay transparency



Pay Transparency

- First wave of pay transparency laws – prohibitions
- Second wave of pay transparency laws – pay data reporting and affirmative disclosures
- Consistent with developments in ESG and DEI disclosures
- Just getting started



PAY DATA REPORTING LAWS

California Pay Reporting Requirements

- **Deadline:** Second Wednesday of May (May 10, 2023)
- **Coverage:** Private employers
 - *Employee Report:* 100+ employees nationwide
 - *Contractor Report:* 100+ employees hired through labor contractors
- **Content:**
 - Number of EEs by race, ethnicity, and sex in each given job category
 - Median and mean hourly rate for each combination within each job category
- **Other:**
 - Report by establishment
 - Certified by corporate officer
 - No “individually identifiable information” made public



Pay Reporting Requirements

Illinois:

- Employers with > 100 Illinois employees
- Required to apply for an “Equal Pay Registration Certificate” by submitting a compliance statement and pay data report to the Illinois Department of Labor (IDOL)
- State “contacts” companies re: time to file (at 120 days’ notice)
 - Rolling deadlines that started in March 2022
- Deadline Spring 2024; must recertify every two years
- Report must list all employees during the past calendar year, categorized by gender and race/ethnicity, with corresponding wages paid to each employee during that period
- Also include county where the employee works, employee’s start date, and “any other information” IDOL deems necessary to assess pay equity



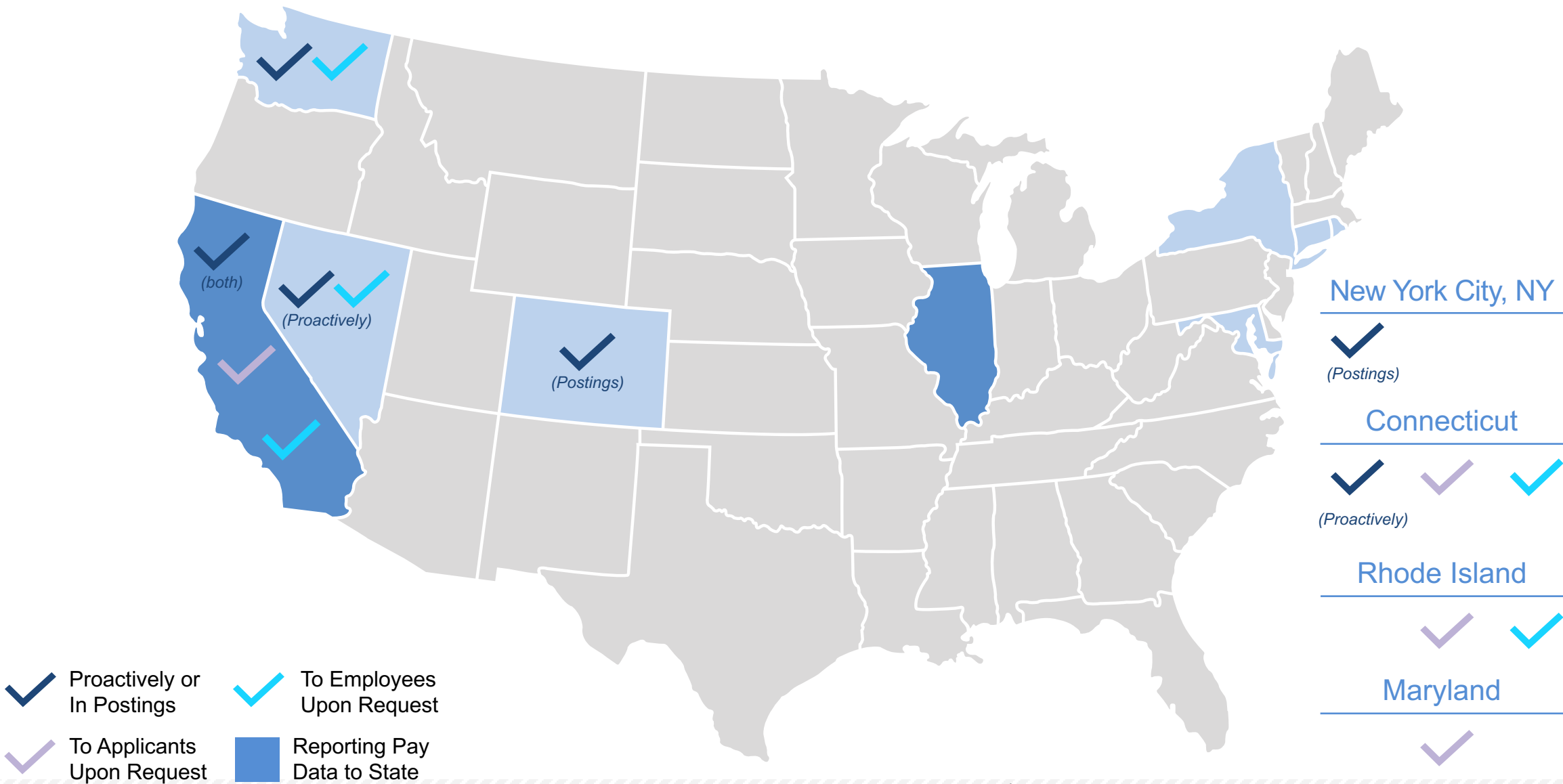
PAY TRANSPARENCY LAWS

Pay Range Disclosure Laws

- Obligate employers to affirmatively (and sometimes proactively) disclose the pay range for a given position under specific circumstances.
- At least 13 jurisdictions have enacted such requirements: California, Colorado, Connecticut, Maryland, Nevada, Rhode Island, and Washington, as well as Toledo, Cincinnati, Jersey City, New York City, City of Ithaca, and Westchester County.
- At least another 17 states and cities have similar bills pending.



Laws Effective Now or by 1/1/2023



* There are also several other local jurisdictions with laws

STRATEGIC CONSIDERATIONS FOR PAY TRANSPARENCY

Considerations: What “pay range/scale” are you disclosing?

- Broad range?
- Narrow range
- Entire pay band for the role?
- How are you going to address geo differentials?
 - Differentiate between states?
 - Single pay range?



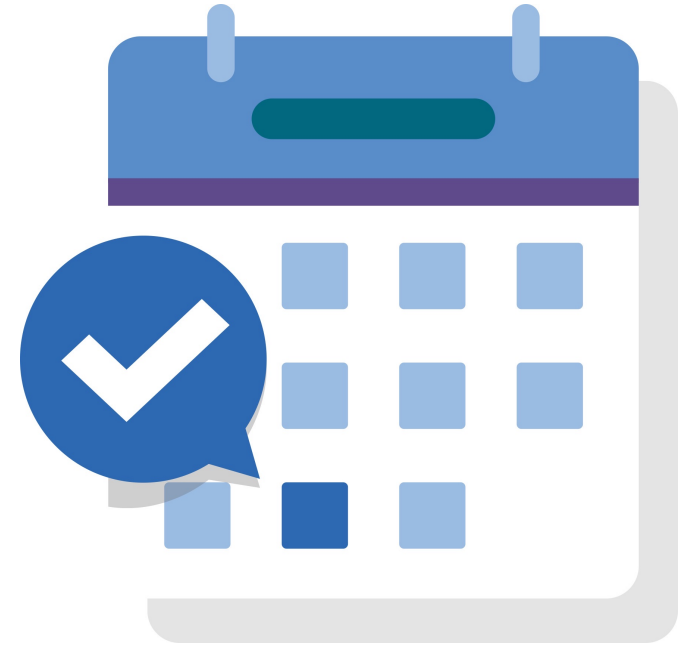
Disclosing Pay: Which Law Applies?

- Where is the company based?
- Where does the company have employees?
- Where will the work for the role be performed?
- Where will the hiring process happen?
- Where does an applicant or employee live?
- Where is the applicant's or employee's base location?

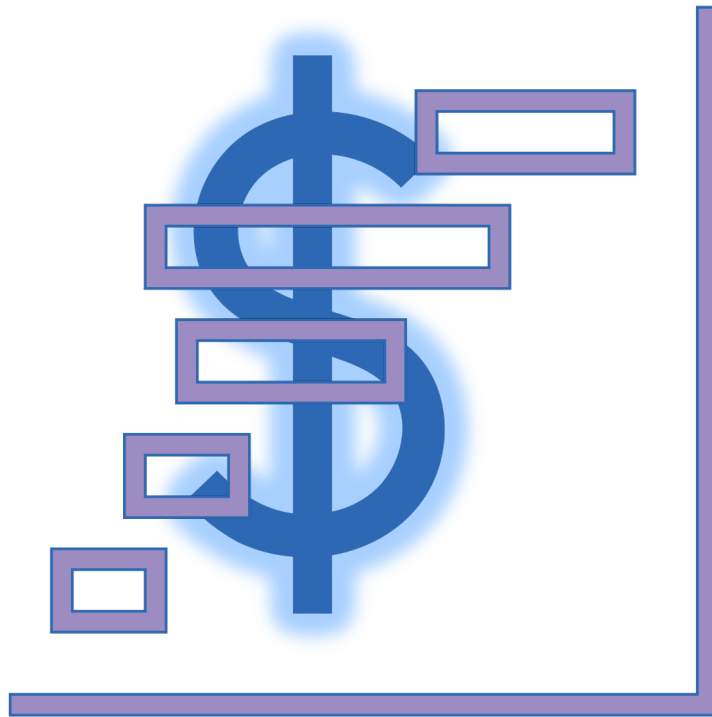


Disclosing Pay: Patchwork vs. Unified Approach

- Does it make sense to go jurisdiction by jurisdiction?
 - Each law differs in when, to whom, and what to disclose and for records.
 - Fourteen jurisdictions have already passed laws.
 - Sixteen additional jurisdictions have proposed laws.
- Or would a single nationwide approach work better?
 - On June 8, 2022, [Microsoft](#) announced it will disclose salary ranges in all job postings across the U.S. by January 2023



Disclosing Pay: Setting Ranges



- Generally, the laws require that a range be a "good faith estimate" of what the employer "reasonably believes" as of the time of the posting or disclosure it would pay for the position..
- How will we set the range? Narrow or broad?
- Will the same approach apply to every role?

Disclosing Pay: Adjusting for Markets

- Does it make sense to create separate postings for roles to be performed in different markets?
- Or should we provide compensation based on different markets in each posting?
- Or should we discuss geography as a consideration of actual compensation with each individual applicant?



BEST PRACTICES FOR PROMOTING PAY EQUITY IN A WORLD OF PAY TRANSPARENCY

Best Practices for Developing Equitable and Transparent Compensation Systems

- Compensation philosophy
 - “Pay for performance”
 - Approach to pay transparency
 - Approach to geo-differentials
 - Will you still have them?
- Job architecture
 - Job codes, job families, etc.
 - The importance of job levels



Best Practices for Developing Equitable and Transparent Compensation Systems

- External benchmarking / internal benchmarking
- Data collection of factors that matter when it comes to pay
- Documentation for compensation decisions



Meaningful Ways to Analyze for Pay Equity at the Group and Individual Level

- Pay equity analyses (base, bonus, equity)
- Cohort analyses
- Review of compensation systems (2.17 compliance)
- Other internal analyses (promotions, job leveling, performance)



Practical Advice for Promoting Pay Equity Internally and Externally



- Stay abreast of developments in pay equity and pay transparency laws
- Develop and maintain a meaningful job architecture
- Develop and maintain a meaningful compensation philosophy
- Conduct regular, robust pay equity analyses and take appropriate remedial actions
- Conduct regular robust analyses of other employment practices that impact pay, including promotions, job leveling practices, and performance assessment scores

QUESTIONS?