HEALTH WEALTH CAREER

WHEN WOMEN THRIVE, BUSINESSES THRIVE

MERCER'S APPROACH TO PAY EQUITY

Gender diversity is a business imperative. Companies with an engaged female workforce report increased financial performance, greater innovation, improved customer satisfaction and higher average stock prices. Although many organizations have yet to realize the full potential of a diversified workforce, our *When Women Thrive, Businesses Thrive* research reveals pay inequity to be a major stumbling block. In fact, only 35% of organizations reported having robust pay equity review processes in 2016, though concern for pay equity, pressure from investors and increasing regulatory actions globally have all driven a recent rise in such activity.

PAY EQUITY IS TOP OF MIND FOR ORGANIZATIONS AS THEY SEEK TO:

- Respond to new reporting requirements, laws and regulations
- Minimize potential financial liability
- Respond to pressure for increased transparency
- Support workforce diversity
- Effectively compete for talent

REVIEW AND RESOLVE PAY INEQUITIES

Mercer's pay equity approach is 1) based on statistical modeling that conforms to the highest standards; 2) implemented by economists, psychologists and statisticians, working with your counsel; and 3) leveraged to ensure the alignment of your compensation practices with your rewards philosophy and overall talent strategy. Furthermore, Mercer's Pay Equity Calculator™ (PEC), a unique desktop tool delivered following Mercer's analysis, gives organizations the ability to investigate areas of risk, consider the impact of different actions and track decisions when reviewing individual outliers.

STEP 1: DATA GATHERING

Leveraging your organization's HR information system, Mercer gathers information on individual, organizational and external factors that are known to explain pay differences and which are deemed legally defensible (see Figure 1).

FIGURE 1: FACTORS DRIVING PAY DIFFERENCES

STEP 2: ANALYSIS

Mercer develops statistical models that reveal the unique drivers of pay for your organization. The models start with an understanding of company-specific compensation philosophies — how they vary across groups — to ensure that the right factors are taken into account, but then derive the actual impact of those factors on pay. A thorough understanding of how rewards are truly determined is a first step in assessing whether there are differences between groups, but might also speak to the effectiveness of underlying programs.

STEP 3: ASSESSMENT

Relying on these models, Mercer identifies "hot spots" where there appear to be systemic pay disparities by gender and/or race/ethnicity in the US, specific employees in these areas who appear to be paid significantly less than expected, and recommended potential pay adjustments for these individuals. The results of the assessment are incorporated into Mercer's PEC, allowing users to systematically examine and resolve pay gaps.

OBJECTIVE EVALUATION

The drivers of pay, together with the specific data for each employee, are used to generate expected pay levels, and this information is loaded into the PEC (see Figure 2).

The PEC compares expected and actual pay and, where it finds a statistically significant difference, recommends potential adjustment to mitigate differences.

EFFICIENT REVIEW

With the PEC, companies can quickly focus on those areas of the organization facing the largest potential gaps — a critical efficiency. In addition, the PEC allows users to “drill down” within areas to find specific employee groups requiring additional review (see Figure 3).

Most critically, the PEC institutionalizes a process of secondary review, allowing the organization to consider legitimate factors at the employee level that, for lack of sufficient data or for other reasons, were not taken into account in the statistical analysis (see Figure 4).

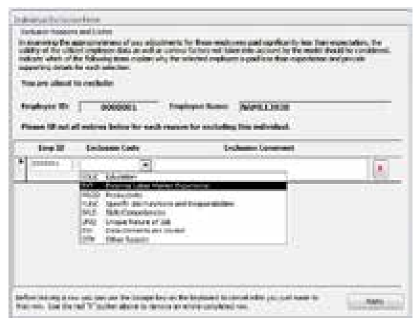
CLOSING GAPS

With companies under pressure to disclose pay equity details, Mercer is increasingly engaged to consider strategies to close gaps, from recommendations on actions that are informed by predictive models to different remediation strategies. On the latter, working with counsel, Mercer can test the impact of different approaches to “outlier” identification — to identify the most effective, fair allocation to close gaps.

FIGURE 2: EMPLOYEE DATA, WITH EXPECTED PAY LEVELS

FIGURE 3: DRILL-DOWN TO GROUPS DRIVING DIFFERENCES

FIGURE 4: DOCUMENTATION FOR SPECIAL CIRCUMSTANCES



Today, organizations face many challenges: globalization, disruptive technologies and changing demographics. It will take the unbridled enthusiasm of diverse employees to succeed. Mercer’s pay equity process can help ensure that all employees are paid fairly — supporting diversity, but also workforce engagement and productivity.

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Join the conversation and participate in our study:
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