

Pay Equity Lightning Round

The Anatomy of a Pay Equity Audit

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7 Steps for Conducting a Pay Equity Audit

1. Budget for costs of audit and compliance
2. Identify your team and set up privilege protocols
3. Examine pay policies and practices
4. Identify resources and collect data
5. Conduct a privileged audit/analysis
6. Determine corrective actions, if necessary
7. Revise compensation policies and human resources forms

1. Budget for Costs of Audit and Compliance

- Budget sufficient human and financial resources to effectively conduct and complete the audit
- Evaluate how will this impact your FY budget
 - Costs associated with data collection—HRIS database?
 - Correcting unlawful pay disparities, if identified
- Employers are prohibited from decreasing an employee's salary or compensation package to rectify the pay inequity

2. Identify Your Team and Establish Privilege Protocols

- **HR/Compliance team member(s):** person(s) who can access employee databases and personnel files, and who understand relevant pay and grading arrangements
- **Finance/payroll team member(s):** person(s) who can access the payroll system to collect data and generate reports
- **Legal counsel:** partner with internal and/or external legal counsel and implement a privilege protocol

3. Examine Pay Policies and Practices

- **Review existing pay policies**
 - Do you have a method to determine salaries and benefits?
 - Are jobs scored or assigned pay grades?
- **Determine how compensation decisions are made**
 - Are pay policies being followed?
 - How much discretion is involved?
 - Do you have a consistent job evaluation system?
- **Do you know of any factors that could skew pay (acquisition, geography, business need, etc.)?**

4. Identify Resources and Collect Data

- Review current HRIS and payroll databases and evaluate their compatibility and capabilities
- Coordinate with IT to review any issues identified
- Collect data, e.g.:
 - Job title or category
 - Hire date
 - Gender
 - Depending on the audit scope, other protected class identifiers such as race or ethnicity
 - Job location
 - Resume and/or employment application
 - Total hours worked by each employee over the past 52 weeks
 - Total compensation data

5. Conduct a Privileged Audit/Analysis

- Lawyers should be included in the process
- Select job group(s)
 - Determine which employees are performing substantially similar or comparable work
- Data retrieval (statistical model and analysis)
- Evaluate and document bona fide factors to justify differences
 - Skills, effort, responsibility, working conditions, experience, and performance
- Follow up: Additional analyses needed?

6. Determine Corrective Actions

- Forward red flags to HR/Compliance team
 - Further review with operations
- Correct any identified job title issues
 - Consider employee relations issues
- Equity adjustments?
 - Amount(s)
 - Timing
 - Employee relations issues
- Communications
 - Recruiters, hiring managers, compensation team, executive team

7. Revise Compensation Policies and HR Forms

- Revise job titles and descriptions, as necessary
- Update policies and practices to avoid pay disparities going forward
- Revise employee handbooks
 - Remove policies prohibiting employees from discussing pay-related issues
 - No retaliation
- Update employment applications
 - Remove inquiries related to salary history
- Train employees involved in hiring and compensation decisions

Pay Equity Practice Group

Practice Group Co-Chairs

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Thank You



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