

Pay equity analysis

Disciplined methods, designed for impact

Mercer's pay equity consulting is collaborative. Based on statistical methods that conform to the highest standards, it is implemented by economists, psychologists and statisticians, working side by side with your compensation and legal experts. It is also designed for sustainable impact.

Mercer's approach to pay equity

To meet a broadening set of demands — both internally and externally — organizations today are focused on enterprise-level change over simply aligning employees to norms. Using proactive analyses, decision-makers can test the impact of different actions to maximize progress. Mercer's approach consists of three broad steps, the last facilitated by our new Pay Equity CalculatorTM (PEC).

1. Data collection

2. Model creation

3. Risk assessment

Collect employee-level data and prepare analysis database

(Representative items below)

Individual attributes

- Compensation (base, bonus)
- · Gender, race/ethnicity
- Experience (tenure)
- Prior experience (age)

Job/Organizational factors

- · Salary grade, career level
- Job title, family, function
- Incentive plan eligibility
- · Organizational affiliation
- Recent mobility (promotion, lateral transfers, etc.)

Job/Organizational factors

- Work city, state and country
- · Geographic differentials

Create initial segmentations to run "first-pass" models



Review preliminary models and supplemental testing

Primary questions

Have we created the right model segments to reflect differences in pay practices?

Have we accounted for the right factors to adequately explain pay differences?



Finalize segmentations and models (client-validated)

Identify at-risk groups

(Where are there systemic differences in pay by class?)



Identify individual outliers

(Who is paid lower or higher relative to model expectation?)



Employee-level review

EED	Negative outlier?	In risk group?	Minimum adj.(\$)
A123	✓	✓	\$500
B456	×	✓	\$0
C789	✓	×	\$0

Newly updated, Mercer's Pay Equity Calculator™ (PEC) is a unique web-based tool that comes pre-loaded with your results. It helps teams investigate areas of risk, consider the impact of different adjustment scenarios and track the decision process for individual outliers.

What's new with PEC 2.0?

The new PEC retains the best features of the original. It is securely hosted on Amazon Web Services and provides expanded functionality to assess the impact of potential actions in real time.

1. Drill down into pay gaps

- Review pay gaps by gender and race/ethnicity for a limitless number of cohort definitions.
- Investigate actual and predicted pay distributions group by group.

2. Compare remediation plans

- Experiment with different adjustment strategies: who, where and how much to adjust.
- · Create custom strategies for specific groups.

3. Assess impact in real time

• Evaluate the impact of actions on existing pay gaps and budgets, review individual employees and document any necessary exclusions.



In partnership with Fair Pay Innovation Lab, Mercer now offers clients the "Universal Fair Pay Check," which recognizes organizations dedicated to true pay equity. The three-step certification is a verified, trusted and internationally recognized process that sets a new standard for both employers and employees.









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