

MANAGING EMPLOYMENT PRACTICES RISK: MERCER'S PAY EQUITY CALCULATOR™

Mercer's Pay Equity Calculator™ (PEC) tool provides an efficient way to review and resolve pay inequities for an organization's entire workforce, using a methodology that meets stringent new government standards for self-evaluation.

The pay equity assessment process has three steps:

- **STEP 1 DATA GATHERING.** The foundation for analysis lies in the organization's human resource information system. The data provide information on individual, organizational, and external factors that can legitimately explain pay differences (see Figure 1).

- **STEP 2 ANALYSIS.** The data are used to construct statistical models that reveal the unique drivers of pay for your organization.

- **STEP 3 ASSESSMENT.** Review of the pay drivers can provide for systemic solutions — HR practices that can stop pay gaps from emerging. For example, it might suggest that the organization concentrate on pay equity among new hires or between employees taking and not taking leaves of absence, or that it address the systematic channeling of employees into certain jobs by gender or minority group status.

The pay drivers also help identify employees who are paid significantly less than expected and can be used to recommend potential pay adjustments. Mercer's PEC incorporates these statistical findings, allowing users to systematically examine gaps.

Figure 1: Factors Driving Pay Differences



