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.

Mercer's Pay Equity Calculator brings together comprehensive, expert analysis with customized software to provide for an effective, objective review process and assurance that an organization is compensating its employees equitably.

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).

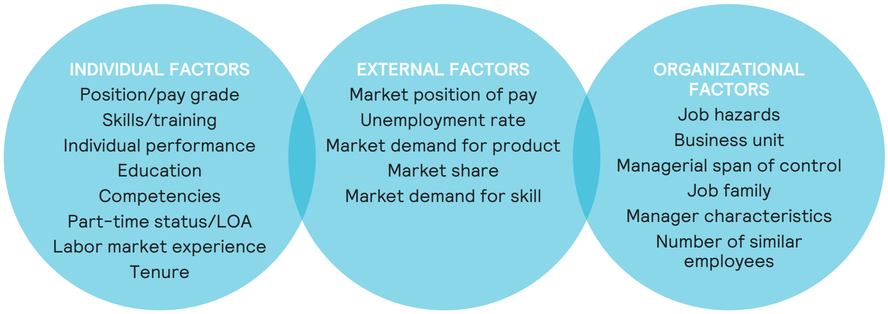
STEP 2 ANALYSIS

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.

FIGURE 1: FACTORS DRIVING PAY DIFFERENCES



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.

OBJECTIVE EVALUATION

The drivers of pay, together with the specific data for each employee, are used to generate expected pay levels (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 as well as other areas of interest – a critical efficiency in the context of a compensation audit. 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 account for 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)

EFFECTIVE, FAIR PAY ADJUSTMENTS

The PEC allocates limited compensation adjustment budgets fairly among employees facing gaps. Such adjustments, by design, allow organizations to mitigate inequities effectively, subject to their financial constraints.

FIGURE 2: EMPLOYEE DATA, WITH EXPECTED PAY LEVELS

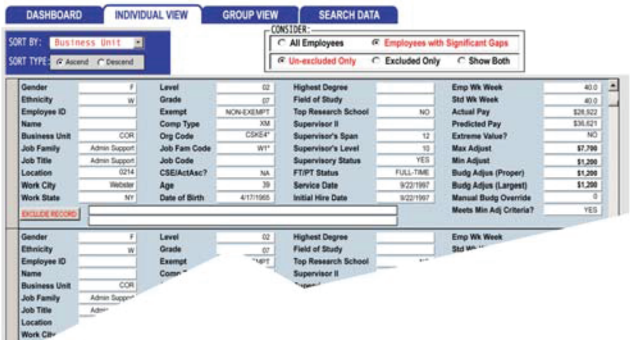


FIGURE 3: DRILL-DOWN TO GROUPS DRIVING DIFFERENCES

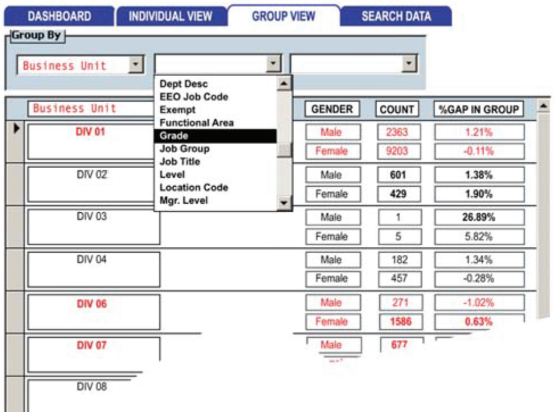
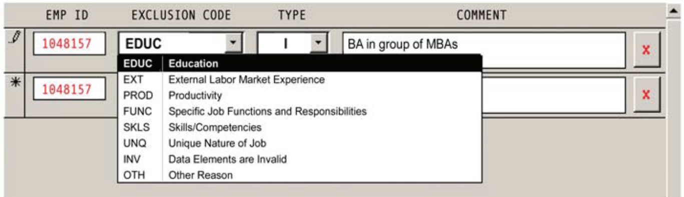


FIGURE 4: DOCUMENTATION FOR SPECIAL CIRCUMSTANCES



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