

# Pay Equity: More than an Annual Analysis

Michael O'Malley, Principal, SullivanCotter



There are several statistical methods used to examine pay equity between select groups. However, all attempt to achieve the same ends of controlling for differences between groups when analyzing the compensation between those groups. Thus, if the groups are equivalent in all relevant respects, would they (e.g., men and women) be paid the same?

However, even when a pay equity analysis comes back citing no statistical differences between groups, organizations still must pause to consider if these results reflect a true state of affairs or if inequities are buried deeper within their organizations that an analysis of compensation alone does not reveal. Other fundamental questions need to be asked and answered before the results of a pay equity analysis can be fully embraced as true. We discuss 5 of these questions below, using gender as our example group.

## DO MEN AND WOMEN SEPARATE FROM THE ORGANIZATION AT DIFFERENT RATES?

If lower-paid women, or those who receive lower counter-offers than men when pursued by competing organizations, exit organizations at a higher rate, then the remaining organizational sample is biased. The sample for the pay equity analysis includes only higher-paid women who have stayed with the organization. Those who have felt unfairly treated have left.

**Solution:** Test for group differences in organizational exits, examining if compensation is a factor in separations.

## DO MEN AND WOMEN PERFORM AT ALL THE SAME LEVELS?

Equity suggests that those who contribute more should be paid more and vice versa. Thus, for example, a woman who performs at a lower level (e.g., is less productive) should be paid less than a man who performs at a higher level and is paid more. The results of a pay equity study will conclude that is okay. However, if women's performances are lower than men's, we must ask, "Why?" Perhaps performance ratings are biased against women or their true performances are negatively affected by actions that impair performance. For example, women may be provided with fewer resources, developmental opportunities, or mentors.

**Solution:** Assess performance differences between groups and, where they exist, the reasons for those differences.

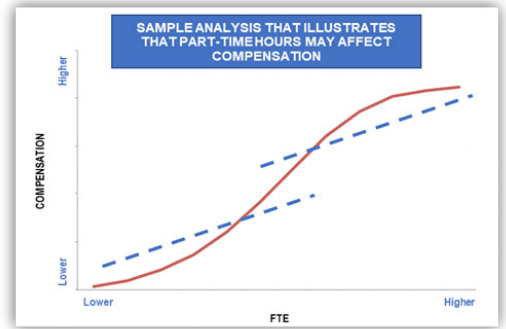
## DO WOMEN GET FINANCIALLY PENALIZED FOR PART-TIME WORK?

Many more women than men work part-time (or do not work at all) because they remain the family's primary caretaker for home and children. These facts are reflected in a recent report from the Center for American Progress (The State of Women in the Labor Market in 2023) that shows employment rates of women are 40% lower than that of men when children under the age of 5 are at home. This gap narrows to 5% when no minors are at home. Additionally, the report indicates that women are 5 to 8 times more likely to have their employment prospects disrupted by caregiver responsibilities through reduced hours or by dropping out of the workforce altogether.

The decision to work part-time, in itself, may unduly undermine women's performance and career prospects. For example, part-time workers may be excluded from training opportunities, important meetings and committees, have less access to critical information and resources, be allotted the most disadvantageous work times, and are often forced to contend with the stigma that they are not serious about their professional lives.

Taken together, women who work part-time may be at a profound disadvantage, placing their performance and careers at risk for the good of the family.

**Solution:** Examine the relative incidence of part-time work by group and whether part-time work adversely affects performance and compensation.



## ARE MEN AND WOMEN PROMOTED AT THE SAME RATES?

In many organizations, the typical financial progression is upward through salary levels. However, that path may be more difficult and time-consuming for women. In this case, women who have faced long periods of stagnation within a job level may receive incremental pay increases that gradually move them higher and higher within their salary ranges, and consequently appear to be well compensated for their work. The pay of women, therefore, may aptly reflect their extended tenures by being paid highly within their ranges, but this obscures the fact that many women may have been passed over for well-deserved promotions and really should be at a higher job level and receiving greater compensation.

**Solution:** Investigate time to promotion by group.

## IS THE MARKET BIASED AGAINST WOMEN?

Occupations differentially populated by women sometimes do not get the market recognition these positions are owed: the value of the job to organizations is greater than the market gives credit for. And, yet, pay equity studies in the United States are conducted as if the market perfectly assesses value. For example, one job that is immensely complex and central to the operational excellence in healthcare is the Chief Nursing Officer (85% female<sup>1</sup>). There has been ample speculation that the market does not fully recognize the import of this position to organizations. Thus, women who are paid to market may be getting less than their true value to the organization, requiring a pay equity analysis that evaluates the worth of jobs independently of the market.

**Solution:** In addition to the customary benchmarking of positions, evaluate positions independently of the market using standard job criteria and relate those values to current compensation.

These are a few of the more common questions we suggest that organizations ask and answer. The relief experienced when a pay equity study returns favorable outcomes should only offer partial comfort. A deeper, more inquisitive analysis is required to understand if true equity exists and, if it does not, to make meaningful changes so that it can.

<sup>1</sup>SullivanCotter's 2023 Health Care Management and Executive Compensation Survey

## Looking for additional insight?

At SullivanCotter, pay equity studies are a foundational component of our compensation advisory services. With an experienced team of statistical and industry specialists, we work with organizations to address a variety of objectives to support a best-in-class pay program

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