



Life Cycle of a Pay Equity Audit

Is your organization considering undertaking a proactive pay equity analysis? Changes to state and federal laws in the US and globally make undertaking such an analysis a wise decision and a key risk mitigation priority for your organization.

Seyfarth's Pay Equity team can guide you through this evaluation by developing an analysis that evaluates the key components of pay relevant to your organization. We will partner with you to model the compensation practices for your workforce, or you may choose to target a subset of those

employees. The analysis will be designed to align with your organization's objectives, identify and address unexplained differences in pay and ensure that your organization's practices align with stated business policies and priorities.

Together, we will guide you through the life cycle of a pay equity analysis:

1

Initial Contact: Identify Goals and Protect the Privilege

We will kick off the analysis by first identifying your organization's key goals and objectives, including whether to coordinate the timing of the audit with any typical annual review process. We will also identify the appropriate and right-sized internal and external resources necessary to conduct the analysis. Before the substantive components of the project begins, our Pay Equity attorneys will work with you to implement attorney-client privilege protocols to safeguard the analysis to the maximum extent possible.

2

Team Kick-Off Call: Identify Scope and Resources

During our first discussion with the audit team, we will define the scope of the analysis, including identifying the workforce and the components of pay under review. In order to better understand your organization, we will ask for information about compensation structure and pay philosophy and discuss the drivers of employee compensation. Together, we will determine the most appropriate way to group employees for the statistical analysis and identify the job-related factors that are relevant to employee pay.

3

Identify Litigation Risks and Possible Mitigation Strategies

By comparing the organization's compensation structure with industry-specific litigation trends, we can often identify potential drivers of litigation risk and mitigation strategies. Even small changes to policies or systems can significantly impact the defense of an equal pay lawsuit

4

Gather the Data

Our next step will be to partner with the key stakeholders responsible for data collection and maintenance (e.g., HRIS team) to gather relevant data regarding employee pay from the organization's electronic and physical data systems. Because the key data to be analyzed in an audit (such as time with the organization, time in role, job, grade/level, date of hire, performance metrics, and, of course, pay information) may be stored in a variety of systems, we will suggest efficient ways to gather the data.

5

Initial Statistical Analysis and Identification of "Hot Spots"

Once we have gathered the data, we will partner with statistical experts to conduct the statistical analysis. We will interpret the results and identify any "hot spots" within the organization that require further review.

6

Deeper Dive and Further Analysis

Often the initial analysis brings to light errors in the data, individual employees who were slotted in the wrong job or level, or additional factors that drive employee compensation that were not identified initially. We will help your organization identify these issues by leveraging the full force of the statistical tools to identify potential employees or groups of employees that are driving any apparent disparities. We can then work with you to explore additional factors that we may wish to include in the statistical model and data errors that need to be addressed in the further analysis.

7

Potential Pay Adjustments and Reclassifications

After the full investigation of pay differences is complete, we will provide advice related to mitigation strategies if needed. We will present our assessments and preliminary recommendations, and will work with you to develop solutions that stand the greatest chance of success in light of applicable legal, operational, and corporate-culture considerations and constraints. These recommendations may include pay adjustments or reclassification of employee levels or job titles.

8

Potential Changes to Policies and Practices

After reflection on the results of the assessment, we may provide additional recommendations with respect to modifications to policies or practices regarding hiring and starting pay, performance reviews, promotions and bonuses in order to best position the organization for future compliance.

9

Follow-Up

After the audit is complete, we will work with your organization to identify desirability and frequency of routine follow-up analysis, including real-time analysis of pay and promotion decisions. There is no one-size fits all with respect to the audit or follow-up—we have seen nearly every possible pay issue and are able to provide real-time and real-life recommendations on how to ensure that your pay practices are in line with your corporate culture and business objectives.
