

CHECKLIST | PAY EQUITY AUDITS

Presented by Franconia Insurance & Financial Services

Pay equity is the practice of compensating employees the same when they perform the same or similar job duties while accounting for factors such as experience, job performance and tenure. This practice considers all forms of compensation, such as salary, overtime pay, bonuses and other benefits. Employees' right to be free from discrimination in their compensation is protected under several federal laws that employers must comply with, including the Equal Pay Act of 1963, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967 and the Americans with Disabilities Act of 1990.

A pay equity audit is the process of analyzing compensation data of employees doing similar work within an organization. Performing pay equity audits can help employers determine if pay discrepancies are based on legitimate, nondiscriminatory reasons, such as seniority or education. If pay discrepancies cannot be explained by nondiscriminatory reasons, the audit allows employers to correct them.

Overview

This checklist outlines the steps for conducting pay equity audits. It's intended to be used as a guide, and not all of the following steps may be necessary to perform an audit. Additionally, the steps in this document should be modified to meet any jurisdictional requirements. Employers are encouraged to seek legal counsel to address specific issues and concerns.

Establishing a Pay Equity Audit	Completed
Determine the scope of the audit. This may include: <ul style="list-style-type: none">Defining the audit's scope (e.g., disparities based on protected characteristics, such as gender, race and ethnicity) and objectives (e.g., remedial or causal analysis)Identifying specific positions that will be included in the auditDeciding whether the audit will cover the entire organization or specific departments	<input type="checkbox"/>
Establish a timeline for completing the audit.	<input type="checkbox"/>
Decide which individuals or departments will be involved in the audit, such as HR, finance and legal. This may include third parties, such as labor economists, statisticians, professional employer organizations and outside legal counsel.	<input type="checkbox"/>
Allocate sufficient resources and time for pay data collection and analysis.	<input type="checkbox"/>
Prepare leadership and senior management for the audit's possible outcomes, including potential compensation changes that may be necessary due to the audit's results.	<input type="checkbox"/>
Obtain leadership and senior management's support for conducting the pay equity audit and taking action to address the audit's potential outcomes.	<input type="checkbox"/>

This checklist is merely a guideline. It is neither meant to be exhaustive nor meant to be construed as legal advice. It does not address all potential compliance issues with federal, state or local standards. Consult your licensed representative at Franconia Insurance & Financial Services or legal counsel to address possible compliance requirements. © 2023 Zywave, Inc. All rights reserved.

Conducting a Pay Equity Audit	Completed
Gather job descriptions and qualifications for each job or job category to be analyzed.	<input type="checkbox"/>
Collect comprehensive data for each employee in the job or job category to be analyzed, including: <ul style="list-style-type: none"> • Job title • Hire date • Gender or other demographic information (i.e., race, ethnicity and age) • Work location • Resume • Employment application • Total hours worked • Total compensation data, including salary, overtime pay, bonuses, stock options and other benefits 	<input type="checkbox"/>
Review job descriptions or categories to determine whether the employee's job titles and descriptions accurately reflect: <ul style="list-style-type: none"> • The job's duties, experience, skills, education and training required • The job's responsibilities • The mental or physical exertion required to perform the job • The job's working conditions 	<input type="checkbox"/>
Analyze pay data by job grouping to determine which employees are performing equal or substantially similar work based on factors such as skill, responsibility, effort and working conditions.	<input type="checkbox"/>
Calculate the average total pay for each job grouping.	<input type="checkbox"/>
Determine whether pay differences exist between men and women (or between other demographic groupings) for each job or job category.	<input type="checkbox"/>
Account for any pay differences between men and women (or between other demographic groupings) for each job or job category.	<input type="checkbox"/>

Analyzing Employee Pay Data	Completed
Identify the causes for pay differences, if any.	<input type="checkbox"/>
Evaluate legitimate and legal reasons for pay differences under federal, state and local laws.	<input type="checkbox"/>

Establish whether there are any legitimate or legal reasons for the pay differences, such as seniority, merit, training or experience.	<input type="checkbox"/>
Consider whether any written policies outline decisions for pay differentials.	<input type="checkbox"/>
Assess whether gender (or other demographic information) is one of the reasons for the pay differences.	<input type="checkbox"/>

Developing a Pay Equity Plan	Completed
Communicate the results of the pay equity audit to the organization's leadership and senior management.	<input type="checkbox"/>
Review the organization's compensation policies and practices to ensure they are based on objective criteria.	<input type="checkbox"/>
Evaluate recruitment and hiring practices to ensure they are equitable and transparent.	<input type="checkbox"/>
Examine promotion and advancement practices to identify any potential biases or barriers.	<input type="checkbox"/>
Evaluate any criteria used to determine employee salary, raises, bonuses and other forms of compensation.	<input type="checkbox"/>
Identify any biased, subjective or discretionary criteria that may contribute to pay differences.	<input type="checkbox"/>
Create a plan to address pay differences, including how and when to address the disparities within job groupings or categories.	<input type="checkbox"/>
Prioritize salary adjustments for employees whose pay differences are based on biased or subjective criteria.	<input type="checkbox"/>
Develop strategies for ensuring equitable compensation practices, such as implementing salary bands or ranges to promote pay transparency and consistency.	<input type="checkbox"/>
Monitor and regularly evaluate the organization's pay equity plan or initiatives.	<input type="checkbox"/>
Consider seeking legal guidance to ensure the organization's pay equity plan and compensation practices comply with applicable pay equity laws and regulations.	<input type="checkbox"/>

While successful pay equity audits will differ based on the organization and applicable legal requirements, they are ongoing processes. Regularly reviewing and evaluating compensation practices are essential to ensure compliance with pay equity requirements.

Contact Franconia Insurance & Financial Services today for more information about pay equity audits.