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# PAY EQUITY

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## Proactively Preparing for Pay Equity Scrutiny



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## A Brief History

In May of 2012, investment partner, Ellen Pao, filed a gender discrimination lawsuit against her employer, a famed venture capital firm. This suit sparked a national dialogue questioning fairness among professionals in the workplace.

Studies make the claim that almost 60 percent of women would earn more if compensated similar to their male counterparts with equivalent levels of education and responsibility. The pursuit of pay equity is fueling a campaign for which many organizations must proactively prepare.

Almost three years after filing her suit, a jury delivered a verdict in favor of Pao's employer. In spite of this outcome, Ms. Pao's effort served as the catalyst for lawsuits by women across Silicon Valley and around the country.



2012-2015 Litigation between Ms. Ellen Pao and her venture capital employer  
*Photograph courtesy of wikipedia.*

### The gender pay gap persists

Women earn 77.9 cents for every dollar earned by men.

In other words, the median salary for women is roughly 22 percent lower than the median salary for men into 2018. This is a slight improvement from 2016, when the median salary for women was roughly 24 percent lower than the median salary for men.

In fact, when an equally qualified man and woman do the same job, the woman earns 97.8 cents for every dollar earned by the man. Unfortunately, the uncontrolled pay gap has not changed since our 2016 study.

[www.payscale.com](http://www.payscale.com)



# LITIGATION

## Anti-Discrimination Developments Could Drive Litigation

The increased awareness of the gender pay gap issue is likely to continue to drive litigation, including from administrative agencies. In New York, for example, the state's Division of Human Rights recently made its own independent inquiry into previously filed discrimination claims to gauge whether direct action (or a penalty) was warranted.

In the years since Ms. Pao brought her claims, California has enacted what it touts as the nation's strongest equal pay law. In addition, a number of states, including New York, Massachusetts, and Pennsylvania, have followed that lead. Many, including California, have also prohibited a common practice of inquiring about prior salary in hiring discussions.

## Women Are Poorly Represented at Higher Levels of The Talent Pipeline

### There are Relatively Few Women at the Top

Our data (taken from [www.payscale.com](http://www.payscale.com)) shows that at the start of their careers, men and women tend to work at similar job levels. Most workers enter the workforce at the individual contributor level: 72 percent of men and 74 percent of women in the age group 20-29 are in individual contributor roles. This figure represents the uncontrolled - or "raw" - gender pay gap, which looks at the median salary for all men and women regardless of job type or worker seniority.

Over the course of their careers, men move into higher level roles at significantly higher rates than women.

- **By mid-career, men are 70 percent more likely to be in executive roles than women. By late-career, men are 142 percent more likely to be in VP or C-suite roles.**

On the flip side, women are more likely than men to remain in individual contributor positions over the course of their careers. By mid career, 60 percent of women are in individual contributor positions vs. 52 percent of men. By late career, 59 percent of women are in still individual contributor positions vs. 43 percent of men.



# COMPENSATION

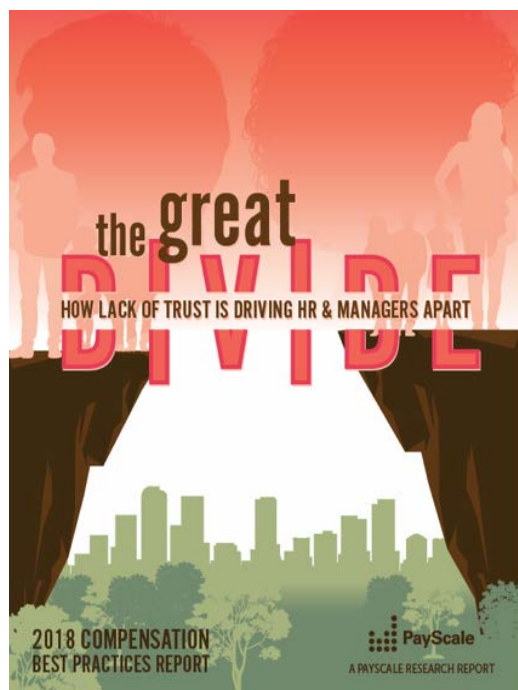
## Thoroughly Evaluate Your Compensation Practices

### Employers Call to Action

1. Employers must evaluate their compensation picture and the policies and practices surrounding it.
2. Establish a comprehensive plan of action to ensure that they address their findings with outside legal counsel.
3. Study and understand your organization's base pay and other forms of compensation, as well as the procedures governing their distribution.
4. It is critical to rigorously and objectively assess how, where, and by whom pay decisions are ultimately made.
5. Use accepted principles of compensation analysis with the assistance of a labor economist engaged by counsel. If changes are needed, identify the most powerful decision makers who can positively affect the outcome.

### Compensation Report 2018 Best Practices

The 2018 Compensation Best Practices Survey gathered 7,100 responses during November and December 2017. [Link to report](#)



- 84%** of organizations plan to give pay increases in 2018
- 73%** of organizations estimating avg. base pay increases of 3% or less
- 59%** of organizations called out employee retention as a major concern for 2018
- 71%** of organizations offer some sort of variable pay
- 52%** of organizations have completed a full market study within the past year
- 63%** of top performing organizations have no plans to conduct a race or gender pay equity analysis in 2018



# CREATING CHANGE

## Incremental Changes Can Have a Material Impact

### Key Takeaways

1. Understanding meaningful differences in compensation practices is essential since salary history is no longer a legal justification for a disparity in many jurisdictions.
2. Address and adjust inconsistencies in pay at hire since that has historically been an important factor in explaining disparities.
3. Transparency requirements are ever increasing and claims about purported imbalances strengthening. Organizations must adapt their protocols to ensure equity in their operations and limit their risk. They could also simultaneously foster a collaborative culture that promotes empowerment and more appropriately rewards performance.



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