



The Evolving Landscape of Fair Pay

Advancing Fair and Compliant Compensation
Practices

“Without data you’re just another person with an
opinion.”

W. Edwards Deming



What Has Changed?

- Pay equity has been a topic for decades...
- Yet progress has been slow and uneven
- What's changed?
- It is no longer just the conversation,
...but the context, the pressure points, and the accountability mechanisms.



What Has Changed?

- Data Transparency:
 - Is no longer optional (e.g., in California, Colorado, New York) require pay range disclosures.
- EEOC may soon revive Component 2 pay data reporting.
- Investors:
 - ESG investing has mainstreamed pay equity as a governance issue adding pay equity metrics.



What Has Changed?

- Technology:
 - Use of AI tools to uncover and correct inequities faster and more precisely.
- Worker expectations:
 - Newer generations expect fair and transparent pay.
- Litigation and regulatory risk:
 - Has grown at state and local levels.



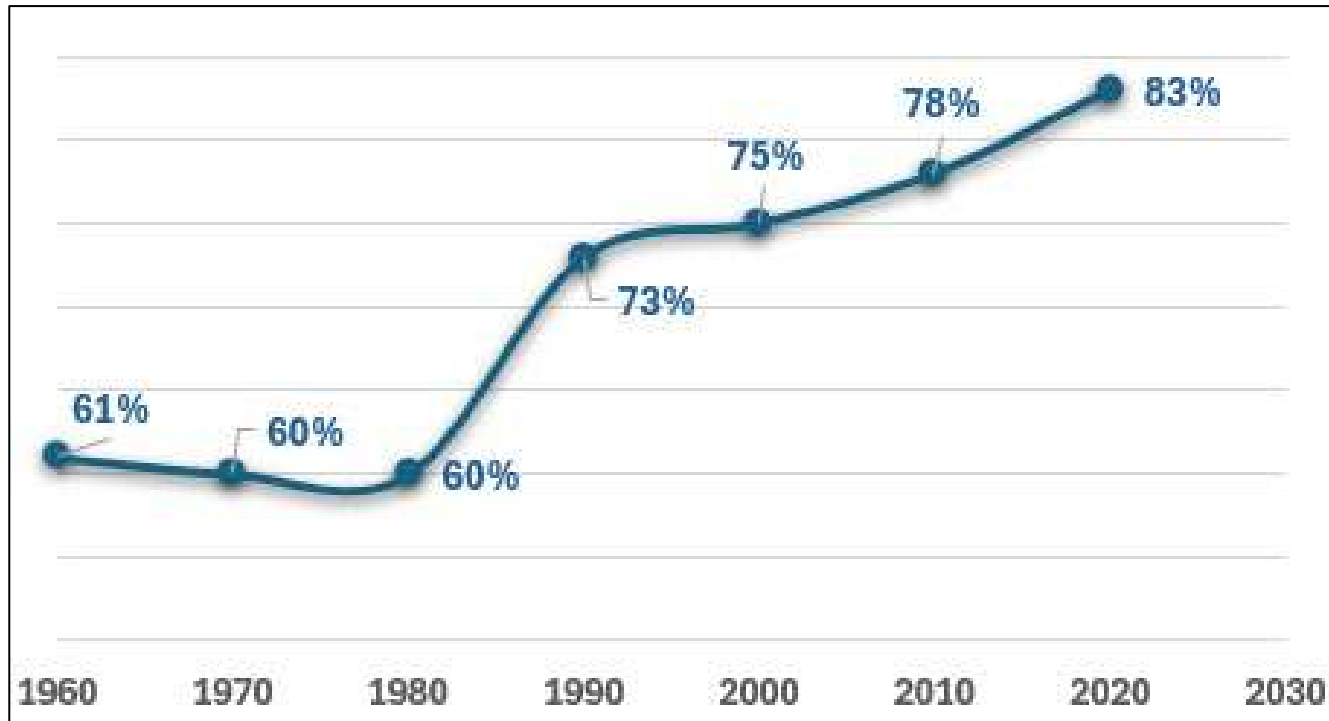
Key Objectives

- Understand key principles of pay equity
- Review legal landscape and compliance requirements
- Learn how to analyze pay equity using data
- Explore corrective actions and communication strategies



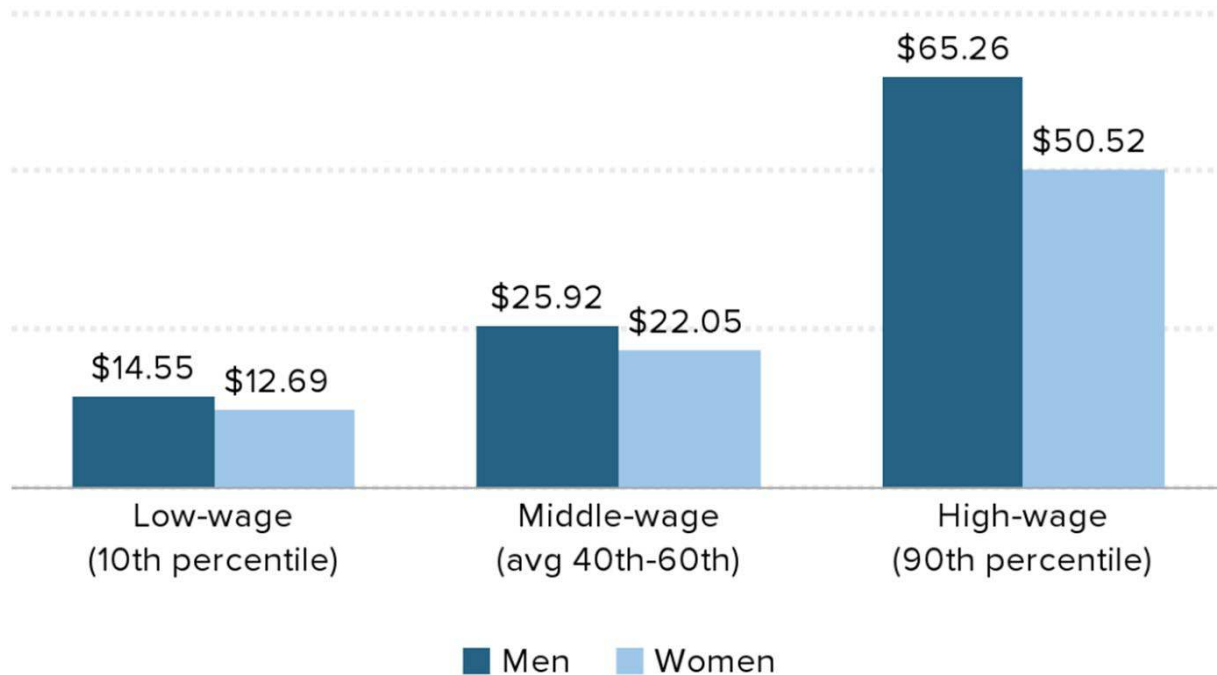
Gender Pay Gap by Decade

- The gender pay gap has narrowed over time, but it persists.



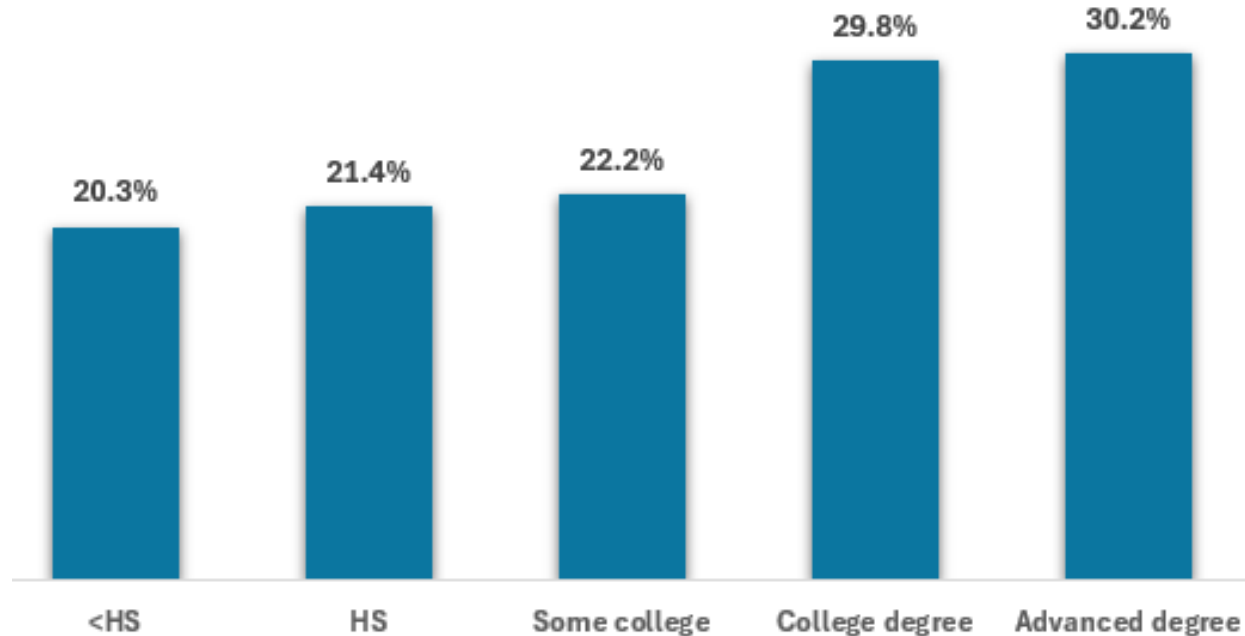
Key Statistics

- Gender pay gap by earnings categories



Gender Pay Gap by Education

- The gender pay gap increases with higher levels of educational attainment.



Legal Environment

Federal Law

State and local legislation

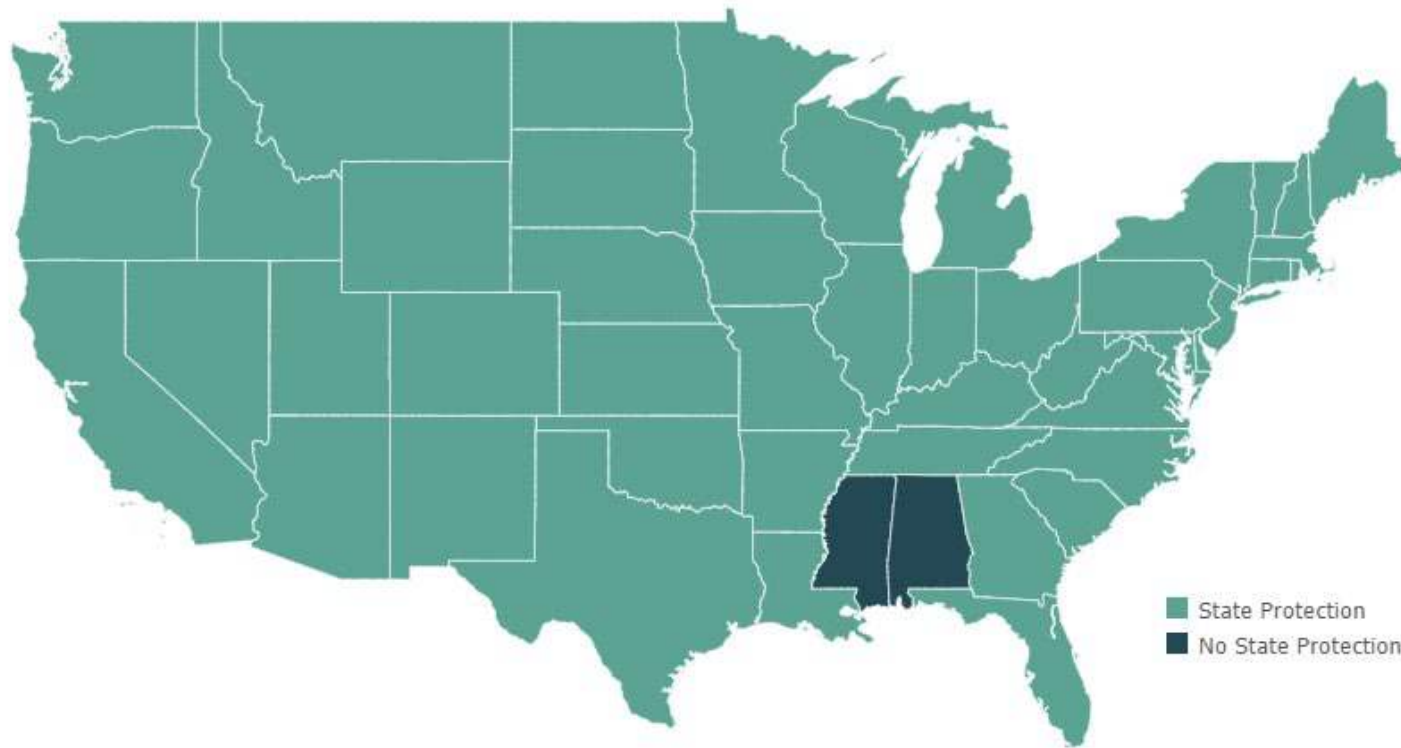
Substantially similar work

Affirmative defenses



States with Equal Pay Laws*

Source: U.S. Department of Labor



*Alaska, Hawaii and Washington D.C. do provide equal pay protection at state levels

Legal Environment

- 1963 Equal Pay Act
- Title VII of Civil Rights Act of 1964
- Lilly Ledbetter Fair Pay Act (2009)
- State and local laws



Latest Legal Developments

Google – \$28 million settlement (March 2025)

A class-action suit alleged Google paid white and Asian employees more than other racial groups, and used salary histories that disadvantaged diverse candidates. Google has denied wrongdoing but settled for \$28 M.

Apple – Ongoing gender pay bias case (filed June 2024)

Two female employees sued Apple in California, alleging a systematic gender pay gap and that Apple circumvented salary history bans. The litigation is currently before San Francisco Superior Court.

Disney – \$43.25 million settlement (May 2025 pending approval)

A class-action under California law (Rasmussen v. Disney) claims women were underpaid relative to male colleagues in similar roles. Disney reached a preliminary \$43.25 M settlement and agreed to enhanced job matching reviews and audits.

Mastercard – \$26 million settlement (January 2025)

Hayman v. Mastercard alleges systemic underpayment of women and minorities. Mastercard agreed to \$26 M, plus third-party workplace practice audits.

Equal Pay Act Overview

- Equal pay for substantially similar work, regardless of gender, race, or other protected characteristics
- Identify and correct unjustified pay disparities
- Substantially similar jobs
- Define “substantial”
- Affirmative defenses

Act Prohibits

- Discriminating in wage assignments based on gender
- Seeking the wage rate history requiring disclosure
- Relying on a prior wage rate to determine a wage rate
- Retaliating for actions asserting the rights established by act
- Retaliating for inquiring about, disclosing, or discussing the employee's wage rate



What Is "Substantially Similar" Work?

- Not job title alone
- Job content and body of work:
 - Skill
 - Effort
 - Responsibility
 - Working conditions

Components of Pay Equity

- Job Equity: Relationship between jobs based on value
- Pay Equity: Relationship between workers' pay in jobs that are "substantially similar"
- Pay Secrecy: Practices that restrict workers disclose their pay
- Pay Transparency: Transparency replacing secrecy – for employers and employees
- Affirmative Defenses: Reasons for pay variance between workers in "substantially similar" jobs



Affirmative Defenses

- Seniority systems
- Merit systems
- Quantity or quality of work
- Geography
- Differential factors other than sex



Criteria to Use for Equity



Conducting Pay Equity Audit

Identifying causes of inequities

Key metrics

Process

Use of AI



Red Flags in Pay Equity

- Unexplained pay gaps
- Consistent disparities
- Informal pay-setting
- Vague job descriptions

Conducting a Pay Equity Audit

- Collect compensation and demographic data
- Define comparator groups
- Identify controls
- Select compensation driver
- Perform statistical analysis
- Interpret findings

Key Metrics and Tools

- Average pay and pay range
- Standard deviation & coefficient of variation
- Regression analysis
- Correlation
- Visualization tools



Standard Deviation

- SD helps understand how much salaries vary within a group
- Low SD means tight pay distribution
- High SD tells us there's a wide spread in pay
- The goal isn't always to make SD as small as possible
- The goal is to make sure the variation is explainable
- When small SD is appropriate?
- When wider SD is appropriate?

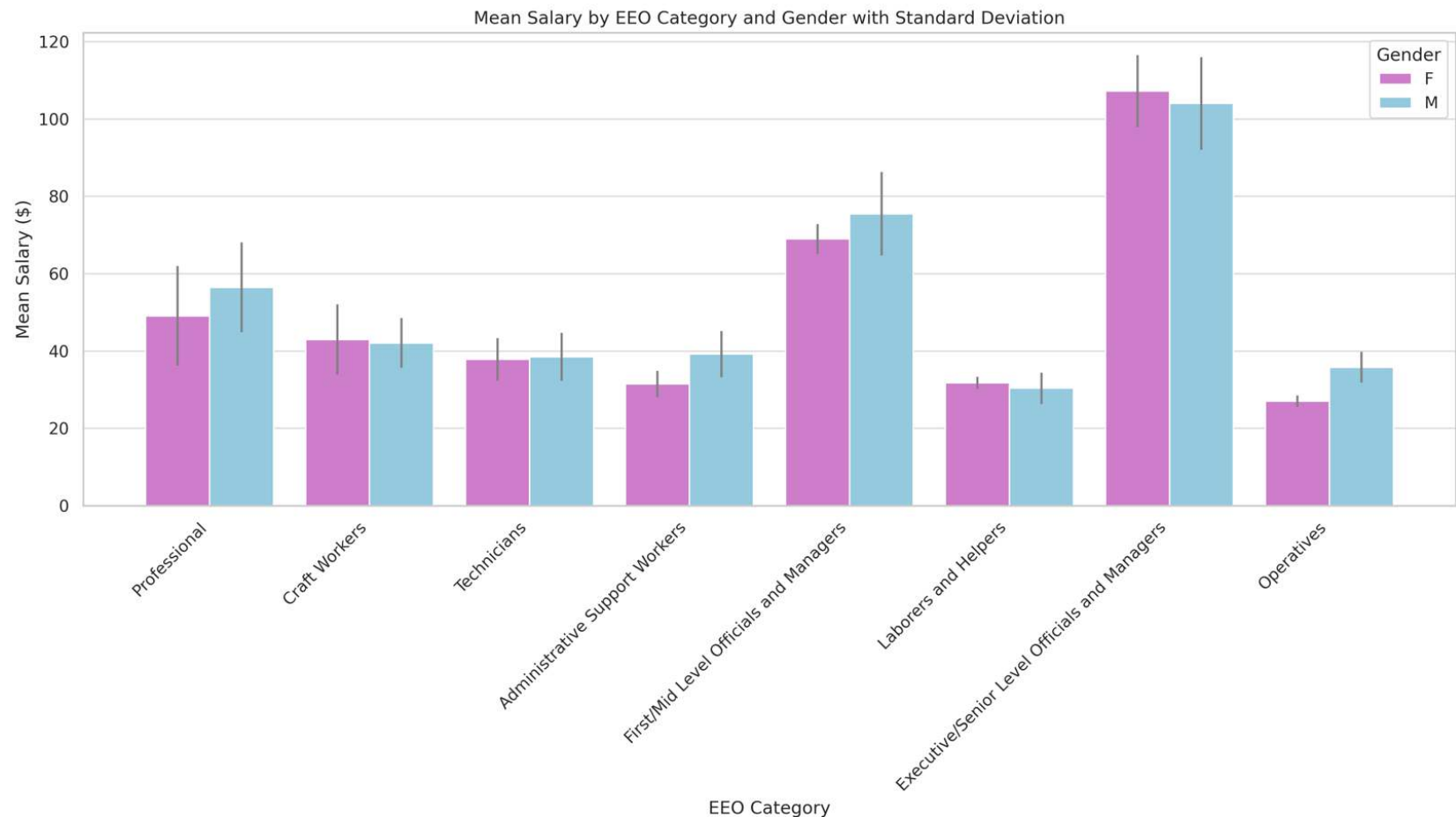


Statistical Significance

- SS tells whether a pay gap is likely real — not just a fluke or random variation
- How would we know?
- Usually by conducting a t-test or regression analysis
- Compare the difference between group averages against the SD and sample size
- If the result has a p-value below 0.05, it's considered statistically significant
- In other words, there's less than a 5% chance the gap happened by chance



Standard Deviation by EEO Category



SD Calculated off Compa-ratio

Std Dev Range	Interpretation
< 0.05	Very tight clustering; could indicate pay compression or over-standardization
0.05–0.10	Healthy, controlled range in many organizations
0.10–0.15	Acceptable, but monitor for outliers or inconsistencies
> 0.15	High variability — investigate for inequity, outliers, or misaligned salary ranges

- Why use compa-ratio in Pay Equity audit?
- Similar jobs assigned to different pay grades cannot be easily compared otherwise

Three Areas of Focus to Fair and Equitable Pay Distribution

Sound, consistent, effective Pay Policy
(Pay structure design and systematic pay administration)

Use of objective and defensible measure criteria

Use of well-designed audit mechanism (tool)

Best Practices

- Select affirmative defense and compensation driver
- Adjust unjustified pay gaps
- Improve pay decision documentation
- Update job classification and policies
- Provide training to managers

Pay Transparency Best Practices

- Disclose salary ranges
- Standardize pay offers
- Communicate policies
- Monitor equity



Questions?

