4 Ways Technology Can Help

Mitigate Pay Bias

www.compright.com   hello@compright.com

Today, women earn just 82% of what men in the same roles do. The delta gets worse when you bring ethnicity into the equation.

Latina and Black women earn just 54% and 62% of what white men do, respectively.

Part of the problem is how HR teams and managers approach compensation. Up until only recently, pay decisions were strictly human. While legitimate factors like market rates, experience, and education may have been considered, technology played little role in making those calls. Unconscious bias, left unchecked, influences how companies and their HR teams think about compensation.

Technology has already been used to help bring greater equity into recruiting, performance management, and other HR focus areas. Compensation strategy is overdue for the same treatment. Read on to learn how software can help companies close the pay gap.

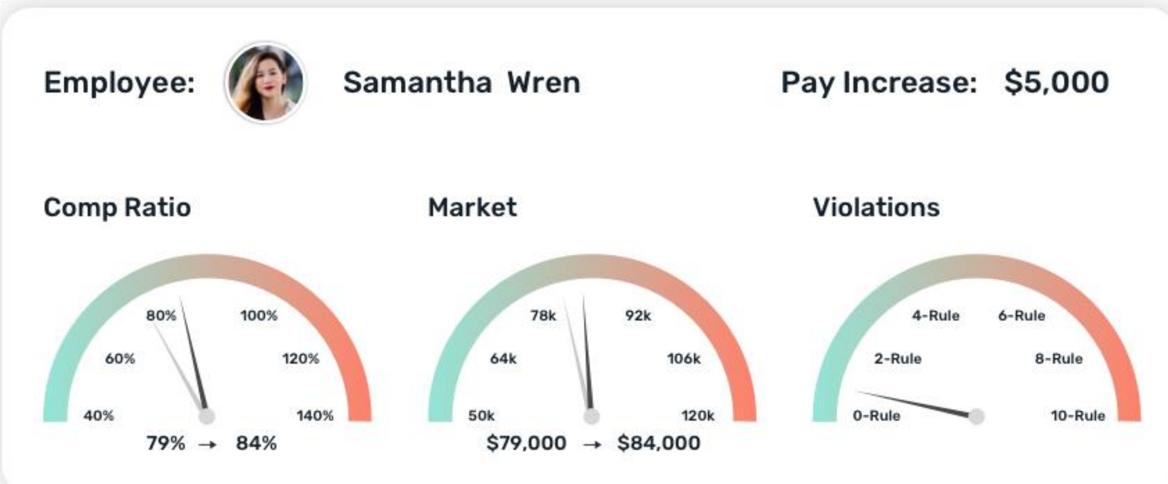
1 Identify disparities on an ongoing basis.

Companies have known about the gender and ethnicity pay gap for decades, turning to expensive third-party consulting firms to remedy the problem. While these (often costly) firms might be able to identify discrepancies at a moment in time, they do little to empower HR teams and to do so on an ongoing basis.

Compensation software gives teams a way to easily identify pay disparities and compliance risks on their own. By weighing factors like gender, ethnicity, job level, performance, and comp ratio, tools like Compright help pinpoint pay disparities and even flight risks. Having access to this information adhoc makes pay equity less of a “one-and-done” exercise every few years and instead, something monitored year-round. That’s especially important for companies with seasonal workers or teams who don’t grant raises and bonuses on a set schedule.

2 Add structure to your compensation strategy.

Today's managers have access to tools that make it easier to lead, manage projects, and collaborate with their direct reports. But while technology has made them more effective in some respects, compensation decisions are still handled loosely. According to the [Society for Human Resources Management (SHRM)](), almost 15% of managers receive zero guidance on how to handle raises or promotions. Another 44% are given some guidance by their HR teams but are otherwise allowed to deviate from it.

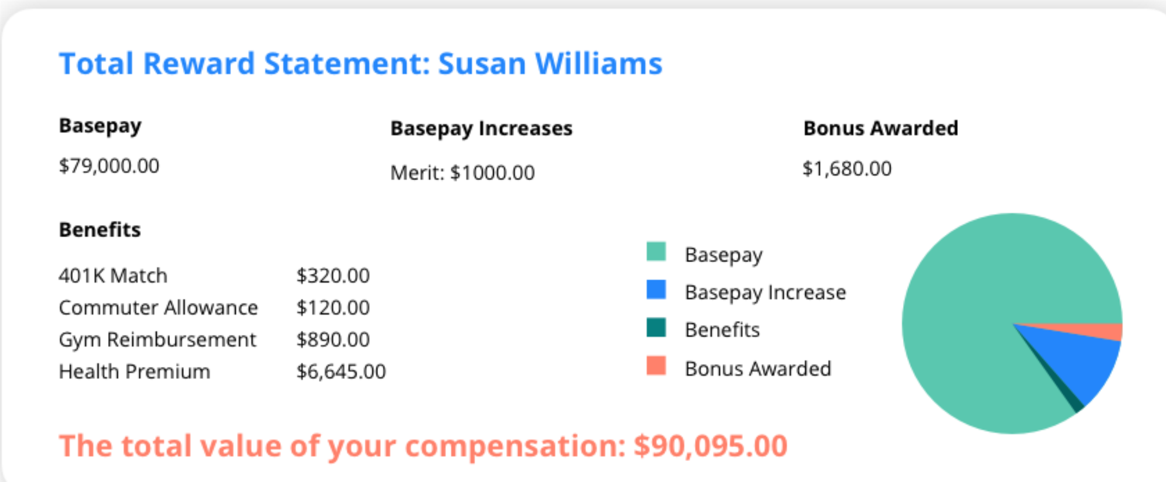


Bottom line? Compensation decisions shouldn't be made on a whim. When well-intentioned managers don't have ready access to budget, comp ratio, market data, and compliance risk, they generally make bad (and potentially biased) decisions about pay. Compensation management software empowers HR teams and managers to adopt a more data-driven, structured approach to their total rewards program. When combined with a formalized performance management process that includes job leveling, competencies, and ratings, your compensation strategy becomes even more transparent.

3 Check disparities across your total rewards.

Compensation is about more than just salary. Stock options, bonuses, and 401(k) matching are just some of the means employers turn to attract and retain talent. Unfortunately, disparities exist here as well.

Data from Carta, an equity management platform, found that women employees own just 49 cents in equity for every dollar men own – making the equity gap even worse than the pay gap. The dynamic plays out similarly when bonuses are considered. In short, your efforts to address pay disparities will fall short if you don't consider supplemental wages, stock options, and other rewards. In practice, two employees' salaries may be comparable – but one might have received a substantial sign-on bonus, resulting in a major disparity.



When your compensation software considers the bigger picture, you can diagnose and rectify discrepancies like these. This visibility also gives managers greater flexibility – if you find that an employee needs a raise that exceeds your company guideline or increase cap, you can instead turn to other forms of compensation. Compright's open API makes this easier since you can integrate it with tools you use for managing payroll, retirement benefits, and employee stock options.

Compright

4 Use budget modeling before the job offer.

While pay disparities can worsen over time through mishandled raises, bonuses, and promotions, they often date back to the original hiring decision. A 2019 report found that women in Silicon Valley receive job offers lower than their male counterparts over 60% of the time. What's more, the same study found that women were also less likely to negotiate and receive a higher offer during the recruiting process. Budget modeling empowers recruiters and hiring managers to identify pay inequality risks even before the offer letter gets sent out.

Having visibility into future-state data gives your company an advantage when it comes time to negotiate. If a hiring manager is trying to decide between two outstanding candidates, for example, the final decision may ultimately come

down to their salary, bonus, or equity. By inputting offer letter information into a tool like Compright, you can see how potential hires could impact your company's gender-compensation matrix and compliance risk.

Note that using compensation management software in this manner won't always lead to a lower offer. If a candidate undervalues their worth, you may actually be prompted to offer them a higher salary. Because pay discrepancies tend to follow candidates from job to job (and skew their expectations in interviews), tools like Compright can help you effectively "reset" the pay gap.

Some decisions shouldn't be left to intuition alone. Unchecked, unconscious bias and pre-existing pay disparities can worsen your company's pay gap over time.

By giving HR teams and managers a clear view of theirbudgets, Compright makes it easier to make informed, data-driven decisions about pay. Schedule a demo to see how our award-winning compensation software empowers you to do right by your employees and build a more equitable workplace.