

Best Practices in Compensation Management

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The amount of EEOC and OFFCP awards for discriminatory pay practices are on the rise and the EEOC is learning how to better assess systemic discrimination with employee pay through the use of powerful computers and systems like the OFCCP's Active Case Management (ACM) system. In 2008, the EEOC resolved 81,081 complaints under all statutes enforced by the EEOC. This represents an 11.9% increase over the 2007 resolution activity. The OFCCP enforcement efforts resulted in a record \$67,510,982 in back pay and annualized salary and benefits for a record 24,508 workers. Almost all of this record pay-out was associated with systemic discrimination which has become a focused enforcement target for the OFFCP. Given additional resources and staff for 2009 and 2010 budgets, greater effective use of the ACM system which utilizes statistical tools to rank and prioritize establishments of higher probability of systemic discrimination for further review and an increasing percentage of resolved cases, the OFCCP is well positioned to determine if your organization is paying your employees equitably. Why take chances, suffer embarrassment and pay significant penalties for discriminatory pay and back interest when you can be proactive with implementation of best practices in compensation management?

A good game plan for your internal pay plan will generate positive dividends well beyond compliance with the EEOC and OFCCP compensation regulations. Some of the essential elements to creating an internally equitable and externally competitive defensible compensation management system are:

- Comprehensive Position Analysis Questionnaires / Reviews / Interviews
 - Electronic, collaborative, and reviewed by Human Resources
 - Integrated and aligned with an internal job rating system
- ADA Compliant and Consistent Job Descriptions
 - Consistent format – one to three pages in length – reviewed annually
 - Purpose, essential duties, minimum education and skill requirements
 - Physical and work environment requirements to meet ADA guidelines
- Multiple Point-Factor Job Rating Process or an Internal Validated Rating System
 - Generates X point values on the X and Y regression line analysis
 - Nine to fifteen factors with a proven and validated weighted point system
 - Factors like: Experience, education, supervision, problem solving, communication, etc.
- Employee Data Download
 - Downloaded from HRIS or payroll system
 - Essential: Employee name, pay, position title and job rating points
 - Other data: Experience, DOB, DOH, gender, race, location, position tenure, grade, etc.
 - OFCCP's 12 data factors – Proactive regression and T-factor analysis
- Market Salary Data
 - Percentile (50th), means, range midpoints, medians and pay range data
 - HR/Comp associations, industry associations and published or electronic data
 - Competitors – five or more required for safe harbor on anti-trust regulations
 - Utilize job matching, benchmark positions and follow-up to validate data
- Use of Regression Analysis
 - Internal pay and point regression pay line and points analysis by protected sub-groups
 - Internal pay line and external market pay regression line analyses
 - Use of regression lines and market variances to establish competitive pay ranges