University of Louisville

Faculty Compensation Study

Pay Equity Study Overview

Segal

Why Pay Equity?

Pay equity means that an employer **has no pay disparities based on gender, race, ethnicity, age and other protected classes**.

Fair and equitable pay is essential for employers that want to drive employees' trust, loyalty and retention, as well as prove their commitment to DE&I.

It is also legally required and enforced by state and federal authorities.

Pay equity is quantifiable

Leading employers conduct ongoing studies to identify pay gaps, remediate disparities and find the root causes of inequitable pay. By applying advanced mathematical models to each of your employee groups, you will:

Learn the extent to which disparate pay practices exist within protected classes

Receive a detailed scorecard for each "real" outlier

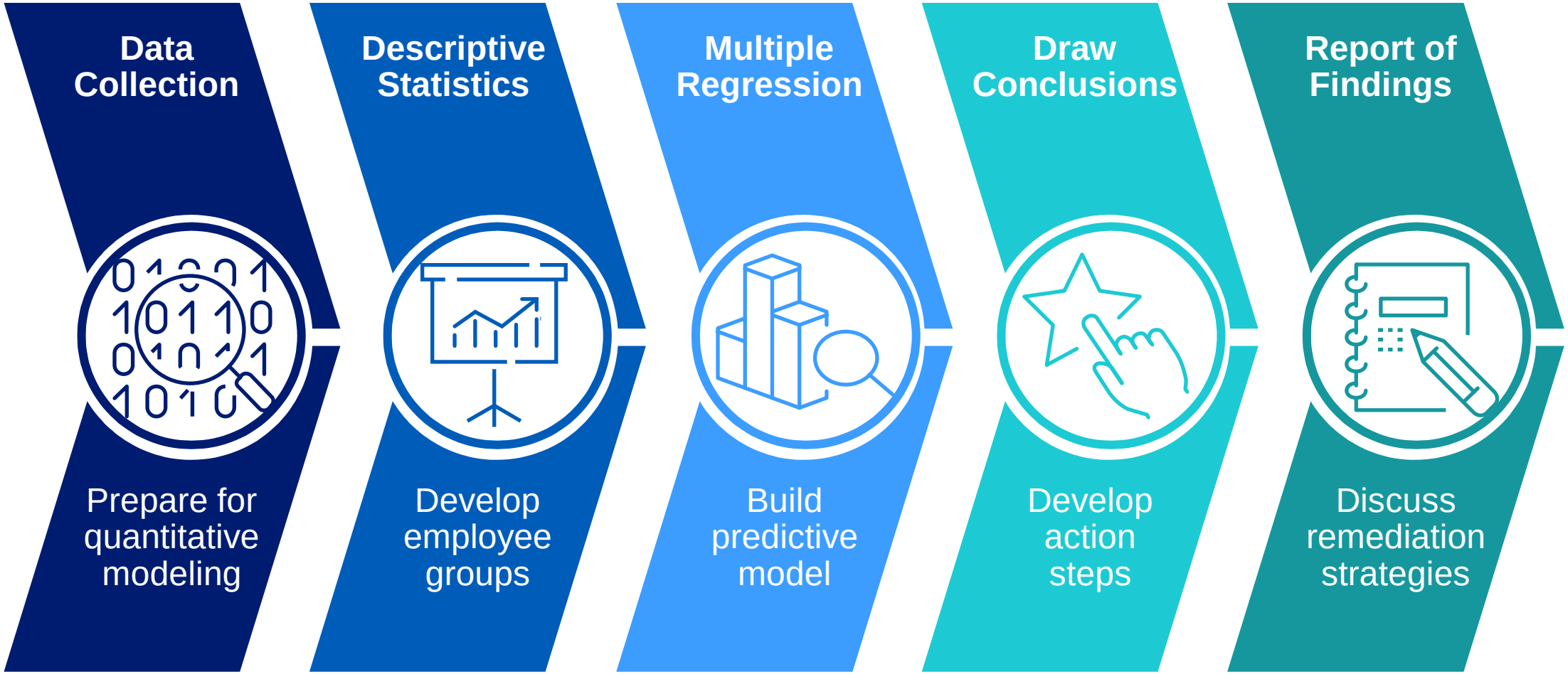
See the difference between "statistical" outliers identified by the model and "real" outliers that require your immediate attention because there is no defensible explanation for the disparate pay, helping to preempt potential issues.

Understand how the results will inform your overall pay management strategy, practices and policies

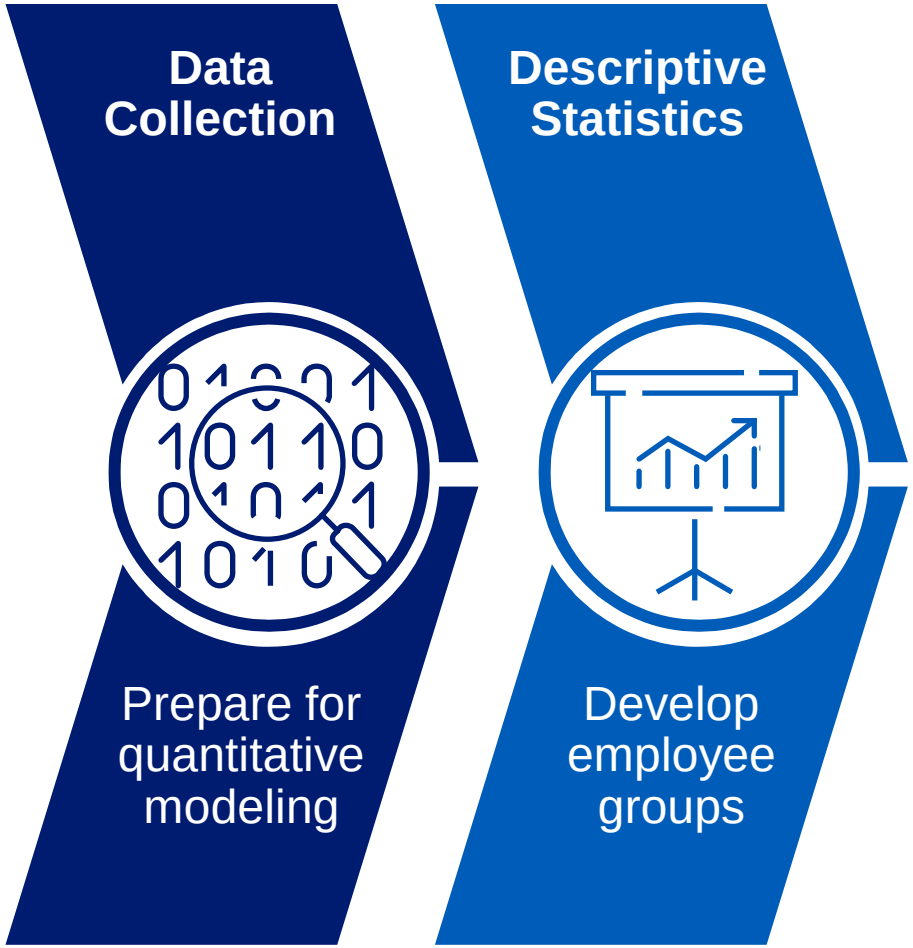
Outcomes of a Pay Equity Analysis

1. Determines the extent to which there is systemic pay inequity, potentially stemming from a gender or race/ethnicity bias
2. Identifies the variables that have the largest influence on pay differentiation, while accounting for multiple factors
3. Provides a list of individuals for whom actual pay is significantly different than their expected pay
4. Calculates associated costs necessary to remediate any issues

Pay Equity Methodology

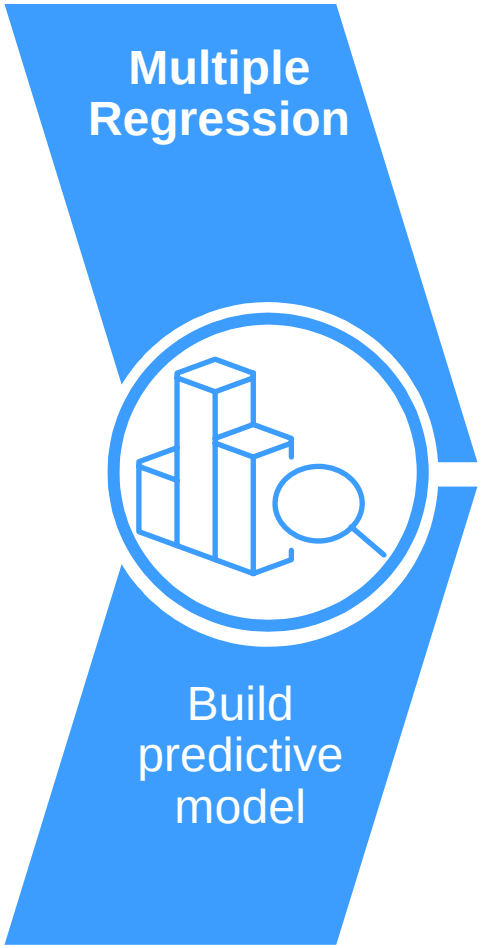


Data Collection & Descriptive Statistics

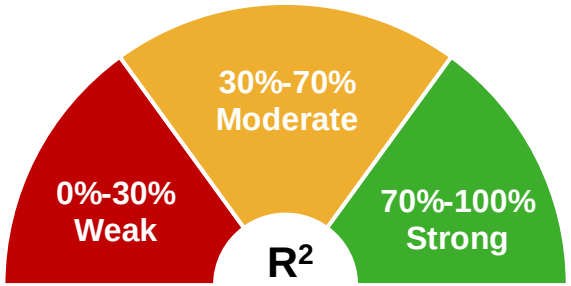


- Collect both qualitative and quantitative data:
  - **Qualitative Data:** Conduct interviews to understand how and what information is used in making pay decisions.
  - **Quantitative Data:** Include categorical, discrete, and continuous variables.
- Determine appropriate number and types of employee groupings.
- Identify initial pay gaps within each group, considering a variety of variables.
- Determine data transformations necessary for more rigorous modeling.

Multiple Regression Analysis

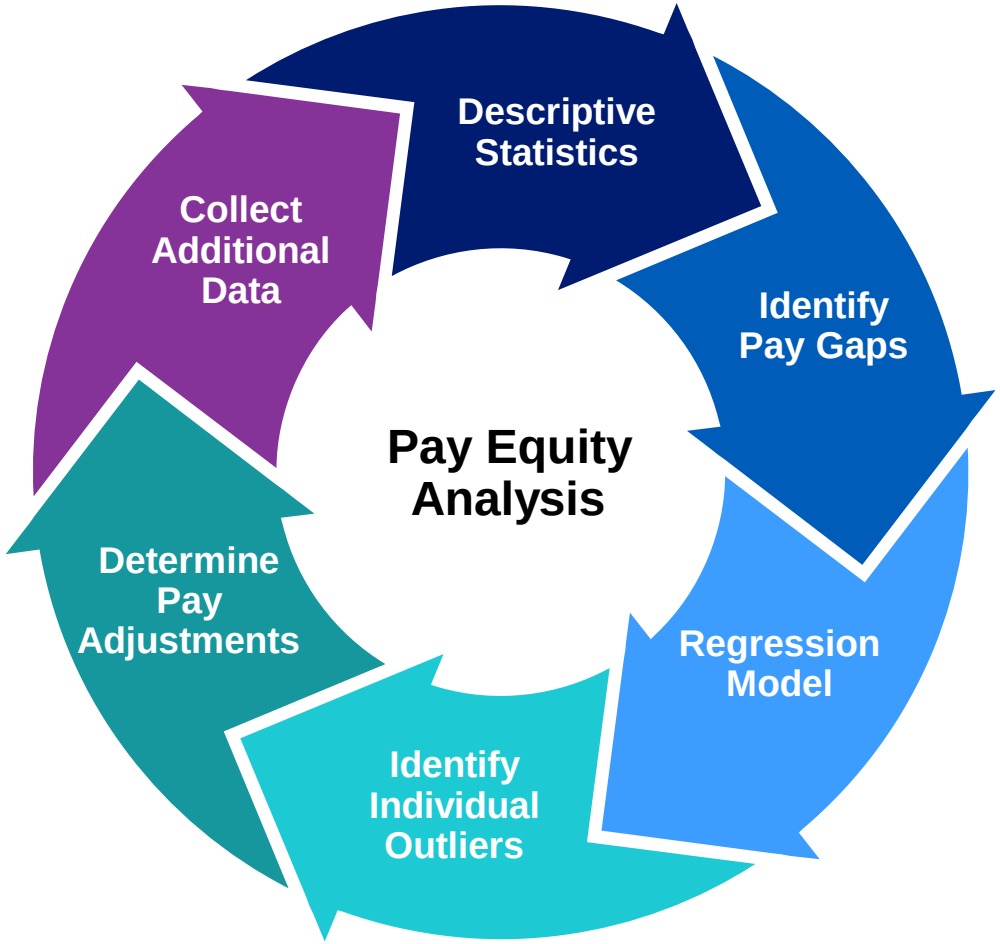


- Identify variables that have the largest influence on pay differentiation, while accounting for multiple factors.
- Determine significant differences across groups while controlling for effects of other significant variables.
- Develop a predictive model based on the primary drivers of pay.
- Conventional standards used to measure explanatory power **(R^2)** and variable significance **(p-value).** *The predictive power of each variable, or **p-value,** is the probability of obtaining a result at least as extreme as what was actually observed (e.g., 0.05 equals 1 in 20 likelihood)*



p-Value	Presumption
< 0.01	Very strong
0.01 to 0.05	Strong
0.05 to 0.10	Low
> 0.10	None

Multiple Regression Analysis: Iterative Process



- Once the initial round is complete, we recommend a collaborative and detailed review of individual outliers, as well as similar cohort groups with significantly variations in pay, to determine what, if any, additional data can be used to explain pay differences.
- If new data is available, rerun the descriptive statistics and identify any pay gaps closed and/or new gaps created, and new individual outliers

Drawing Conclusions & Report of Findings

- Determine the extent to which there is systemic pay inequity potentially stemming from a gender or race/ethnicity bias.
- Compare actual pay to expected pay for each employee and provide a list of individual outliers.
- Calculate associated costs necessary to remediate any issues under various remediation strategy alternatives.

Project Timeline

1. **Data and Discovery:** April 2024
2. **Preliminary Analysis (i.e., descriptive statistics):** Late April / Early May 2024
3. **Predictive Model and Outlier Review:** Late May / Early June 2024
4. **Remediation:** Summer / Early Fall 2024