

Decoding Pay Equity: Trends, Challenges, and Solutions with Joanna Colosimo

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Shari Simpson: Joining me today is Joanna Colosimo, an IO psychologist, diversity, pay equity, and OFCCP expert, and vice president at DCI Consulting Group.

Shari Simpson: Joanna, thank you so much for sitting down with me today. Thank you for having me, Shari. So I know that you are just out of your session on that speaker high. I absolutely love that. I think it's the best way to interview somebody. So I'm glad you were able to sit down with me now. And we are talking about pay equity and a lot of things related to pay. And that might not be the sexiest topic, but I think it is a very relevant, very important topic for our audience to have a better understanding of. So let's start with this. What are the latest trends in pay equity that you're seeing?

Joanna Colosimo: Oh my goodness, Shari, so many trends right now. So if we talk about pay equity at a global, from a global perspective, we know that the EU and the UK currently have directives and initiatives for gender pay equity. So for those of us that are in international firms, those are things we'll have to comply with. The last few years, we have seen a slew of state legislators really focus on pay transparency as a vehicle to achieve pay equity long-term for organizations. And so especially states like California or Illinois, where we're actually reporting pay data. And then of course, a lot of the work that I do is at the federal level with OFCCP and AEMUSC. So what we've seen with OFCCP, which is that federal agency that enforces non-discrimination and affirmative action for federal contractors and subcontractors, they have really ramped up their compensation equity enforcement trends. And they've also done a lot more in expecting more from contractors. So they recently, recently, as of last year, September 2023, they changed information that goes into an OFCCP audit. And the reason I bring this up is many organizations are federal contractors, subcontractors, and not only are they getting one year of data, they're looking at two years of data. They want to look at pay equity trends over time in an organization. They want evidence from organizations that they are doing annual compensation evaluations. So we're definitely seeing this holistically from the international perspective, from a state perspective, from the federal perspective, from a regulatory perspective, but that's not even talking about equity from like a social construct, right, Shari? And so really over the last few years, we've seen that continued pressure from shareholders to organizations on things like reporting their pay gap, adjusted and unadjusted. And we can talk about that in a moment. But we've seen that social pressure from shareholder groups. We've seen employees and applicants really taking heart from those state pay transparency laws and being empowered to ask their employers about

what the pay range is to negotiate. it's very different from when maybe I started my career, Shari, or when you grew up was, you know, we didn't talk about pay, right? It was like, okay, no, I don't want to tell, you know, my colleague what I make or I'm concerned or, or whatnot. And that's just, that's just different now.

Shari Simpson: No, now it is like, what was your raise? How much do you make? How much do I make?

Joanna Colosimo: Absolutely. You're absolutely right. I just think that there's generational differences in the workplace now. We just see employees and applicants feeling more empowered. And so it's really hitting organizations across the board, really. It's the regulatory framework that we're seeing at international, state, federal levels. But it's also that social pressure. And the social pressure is not just coming from your employees or applicants. it's coming from shareholders, it's coming from activist groups, especially large enterprise organizations that they're really being pressured to like report this data, answer questions and social responsibility reports, so on and so forth.

Shari Simpson: I'm hoping maybe you could elaborate a little bit more on how companies ensure that they're being compliant with EEOC and the OFCCP and if there's headcount thresholds that they need to be cognizant of or that doesn't exist.

Joanna Colosimo: Yeah, so great question. So keep in mind, EEOC is enforcing the Equal Pay Act. And so for smaller businesses, you know, if we're under certain thresholds, we, you know, we're not going to be really subject to some of this. But for the most part, EEOC is hitting most employers in the United States, right? And so the Equal Pay Act is a little more narrow in terms of burden of proof. And so the reason I bring that up is it's really like role to role comparisons. And we don't just see that much activity with Equal Pay Act enforcement from EEOC as much as we might see OFCCP at the federal contractor and subcontractor level, if you're subject to their jurisdiction, if you have federal contracts and subcontracts of certain values and have 50 or more employees, you're subject to a lot of those regulations and OFCCP is enforcing systemic discrimination. And so, one of the best ways to just really be in compliance at this federal level is to do an annual pay equity study. One, if you're a federal contractor, subcontractor, you're required to, that's in the regulations, to do an annual pay equity review. To get out of the trouble or to avoid risk with EEOC, it's always good, even for smaller businesses, to take a step back, look at their structures, understand how they're paying people, and understand if there are race, gender, or ethnicity-based disparities in their pay. And there's ways that small businesses can tackle that as well.

Shari Simpson: I love that. Such good advice. What do you see as some of the biggest challenges in achieving pay equity?

Joanna Colosimo: Oh my goodness, yeah. There's so many challenges here. So pay equity is nuanced. I think that the thing that we forget about pay equity, sometimes at a social level, it's like we're not in the data, we're not in the analytics, or we're not, you know,

practicing this every day. Sometimes it's easy to say, okay, well, why can't we just pay people fairly? You know, what's wrong with organization. They just gave people fairly, but it's complex, right? Because pay, especially base pay is a culmination of years of decision-making, right? You know, so you might have people in your workforce that have been there 35, 40 years, but you had nothing to do with when you set them, their starting salary started. And we know that starting salary is a huge driver for pay equity issues, Shari, right? And so one of the challenges is truly just like the fact that there's years and years of history that we have to overcome is a burden for organizations. And so I think that that's a problem, right? If you have people in your organization that you had no decision-making power for a period of time. You know, we're not actually, if we haven't been annually reviewing their data, it could be problematic. I would also say, you know, there's obviously ways to make change, right? Like you can go backwards and say, yes, let's make adjustments. Let's dig in. And so we can do that. But the reality is, and this just came off my presentation, we talked about this, there's no easy button. Everybody wants to just push a button and be like, all right, just tell me what I have to adjust and all my pay equity issues will go away. It's complicated, right? We have to define who's similarly situated. to each other. Do we have the data? Do we have the whole story? We see that with organizations like, oh, we pay people for education, or we pay people because of their certification. But when it comes time to look at the data, they don't have that data in their HRS system, right? So when you're trying to predict what people should be paid, it's hard if that data doesn't exist anywhere in an electronic format, right? Especially if you're a large organization with thousands of employees, you're not just you know, transcribing files to do that, Shari. So those are difficulties. And then I would say kind of another final difficulty would be sometimes organizations simply don't have the budget to make wholesale changes immediately. So that could be either they don't have the budget to make wholesale adjustments, or then with a budget to do the work of defining salary structures or defining jobs in a really meaningful way for comparison purposes. And so it just takes time to prioritize those initiatives. Like, are we going to focus on job architecture this year first? Well, getting that in order might take some time. And then once you get your job architecture, Do we have the data capture? So it's just a really holistic experience. And I think that organizations should struggle with priorities and funding and resources.

Shari Simpson: Yeah, I have two follow up questions for that. The first one is, you mentioned the Like level up opportunities, right? In pay. So I got my degree, I have a certification. If you're a salaried employee, have you seen organizations implement pay codes to be able to capture that kind of data that you're talking about? So it's not all lumped into just, here's my salary.

Joanna Colosimo: Absolutely. Like, so like coding in the data for, yeah. So, so for example, Like a salary grade salary band? Yeah, absolutely. So most organizations that do this pretty well have a

structure to their whole system, right? They have put together banding, they define market ranges and midpoints may use a lot of different source data. to help define that and like defining that external market data. So definitely.

Shari Simpson: Yeah, that's good. My follow up question is, you know, I think you brought up a such a good point about historical salaries and how that's impacting your ability to create real pay equity. How do you foresee the challenges of the potential, I'm using that word strategically, potential overtime threshold changing and its effects on pay equity?

Joanna Colosimo: Oh my goodness. Yeah, that's such a great question. We're dealing with it now. I'll be honest. We have clients that are in spaces where they're having to increase certain members of their organization to hit that federal minimum wage, but they don't necessarily have the funding to make that a wholesale adjustment. Yeah. And so here's the thing. We talk about pay equity. There's internal and there's external pay equity. And so You know, from an EEO perspective, if you just put in your equity lens on, are there gender, race or ethnicity based disparities, ideally, ideally, you know, if you are making wholesale adjustments and it doesn't, you know, you're not favoring one race or gender, that shouldn't immediately cause initial pay equity concerns. However, however, we know that that's not always the reality, right? Like the world is a messy place and how, you know, decisions are made can be can be really messy. So I see I actually foresee a lot of potential salary compression issues for the people that are or higher in the range, maybe regardless of race, ethnicity, gender, potentially that could be a factor in the conversation. So I think it's going to take years for organizations to adjust to minimum wage standards when it comes to salary and dealing with potential compression issues, making sure that they're annually looking at this and that they have an explanation for what's really going on in their data.

Shari Simpson: When you said it a couple of times, and I think it's a point to just kind of double down on, is being able to document what you're doing so that you can explain it. So if you are giving somebody additional compensation because they have a certification, where is that captured? If you're giving them, you know, whatever you're doing, you know, how are you documenting? That's such a good point. I want to ask, how do you see pay transparency layered on top of all of this affecting how we think about pay equity?

Joanna Colosimo: Yeah, such a great question. So the impetus for a lot of the pay transparency laws and regulations really was to impact pay equity at a macro level. Many times if you read the preamble to those laws and regulations, it starts with something like, oh, the gender wage gap is \$0.84 on the dollar. It really starts with that end in mind. And the funny thing is, and I just did a presentation on this, A lot of the pay transparency laws, both at the federal and the state level, aren't necessarily collecting like meaningful data for an organization to do a really robust pay equity analysis. But what it's been doing is kind of forcing the hands of organizations to be

accountable. So even just going through the motions of posting your salary ranges in certain states and having that transparency, some organizations are like, huh, I don't have salary ranges. I didn't define that for a job. Now let's do some job architecture work. Let's define our min, max, midpoint data. And I think that the pay transparency is definitely holding organizations accountable to get their structure and things. Yeah. And, and, and that's actually been a beauty of it. I also think pay transparency is helping employees ask strategic questions about their pay to HR, ensure that we're empowering applicants with the right data. So I think it's been stressful for organizations to adapt quickly, but what it is doing is keeping them kind of accountable.

Shari Simpson: How do you, how do you talk to the C-suite leader who has some trepidation about posting that stuff publicly?

Joanna Colosimo: Yeah, such a great question. Shari, I mean, these are really real world questions because we see it all the time. So I think sometimes we have to just start with the law or the regulation. In some cases, you don't necessarily have a choice. If this is what the state law is telling us to do, this is what we have to do. I do know C-suite leaders are concerned about their competition, though. They don't want their competition to know what they're paying. And I think this is where we get a little strategic. I don't think we should be playing hide the ball. We shouldn't be using, and we've learned through case law, that we shouldn't be posting salary ranges that's like \$15,000 to \$215,000. Like, really, what does this job pay? Right, right, right. So we don't play that kind of game. But you can be strategic, you know, as a leader to say, you know, if we know that there's some special circumstances, and we want to be a little bit broad with our ranges, we could certainly do that. And so I think hearing out a C-suite leader to understand what their concerns are first is always always the best takeaway. Listen and listen actively. Because what I usually hear is, I don't want my competition to know. But guess what? Your competition is also going to have to post their salary ranges. So maybe you can take it as a competitive advantage and take that back. So I really do think the legal conversation helps a little bit in that perspective.

Shari Simpson: Yeah. And we're already posting our benefit plans out there. You know, that's, that's pretty common now. I don't see that usually behind, you know, any sort of walls anymore. You can compare organizations and what their benefit packages are. So I think it's just one more, one more thing that we're going to become more transparent with. How do we educate our employees on our efforts to be more transparent in, in pay so that You know, I think the first step was, you know, making sure that they understand they are allowed to talk about what they're getting paid, that that's not something that the company can govern. And then our next step is we're actually becoming more transparent. We're showing hey, if you're in this role, here's the range. Because it does, it can create some anxiety for employees if they see that range for the first time and go, oh, wait, I'm in the 25th percentile of that range. I'm wondering where my

coworkers are. Is there any education that we need to give our employees as we're launching this stuff for the first time?

Joanna Colosimo: Oh my goodness, absolutely. Sharon, you get the nail on the head that like sort of the initial conversations need to start like, we're doing this, we're going to post, you know, we're going to post a salary ranges. Here's our plan of action for implementation over, you know, multiple years of time. That's a great starting place. I'll be honest, even even as a, as an employer myself, right, as a leader that has to manage pay of others, you know, employees don't always understand pay systems, for sure. And people do see equity issues where equity issues may or may not be right, their perception is their reality. And so where we found a lot of value is training managers, because managers and supervisors are also going to get a lot of questions initially, before maybe an employee goes to HR, if they trust their manager or supervisor, they're going to go there first. training managers on actually your compensation system and how you pay people and you know what standard merit increases giving them toolkits, we found a lot of success in that regard to just like having a manager toolkit with like commonly asked FAQs on compensation, I think is a great starting point, because that's going to get sort of that first line conversation handled. And if your managers don't have a great explanation for it, that does not make the company look good in any way, shape or form. So giving them sort of that first line is a great opportunity. I think also in that toolkit explaining kind of how salary ranges work and compa ratios work is really important. I think employees see that top of the range and if they just entered in the range, they're like, well, I'm at the bottom of the range. And so having that toolkit to explain that a salary range exists for people to have growth in their job, the purpose of it is you might be in your job for a few years. So don't you want to grow in that job? And that's a great conversation point for employees and having sort of those opportunities and toolkits. Keep in mind, your employees are not always going to get it. You still have employees that have perceptions of inequity, but it happens. And that's, that's HR, right? That's just being a great HR leader is, is knowing what you can control and what you can't control. Yeah.

Shari Simpson: So I have talked to many a payroll person in my lifetime. You seem very passionate about this topic in the best way possible. What makes you so excited to be working in this pay equity space?

Joanna Colosimo: It's such a thoughtful question. It's such a personal question. So everybody deserves equity. Like I think at a baseline, I'm, I'm very passionate about equity topics in general. And just that, you know, how we treat people is, is important, you know, being respectful in the workplace, but also making sure that the outcomes they receive is important. That has always been a value of mine. I would say for pay equity, there's, there's sort of like three major life incidences that really have, have led me here. One, I would say, this is more personal. When I was a kid, I know my dad struggled with employment and he had a disability. And I watched, you know, maybe

what, you know, as a child, you don't really know what's going on, but you know, my perception of what I thought was inequitable because my dad was a superhero, right. And, you know, he had gotten laid off and, you know, difference. situations. And so I think that was a, that was something for me that being passionate about equity topics in general, because of my dad's disability and some struggles with employment when I was a child, I think was a real reason I became an IO psychologist and went into HR. So that was one. Two, when I was in college, I learned so much about the gender wage gap. And I remember being like fired up, like, why is Why does this gendered preach gap exist? That doesn't make any sense. I can't believe it's, you know, at the time I was like year 2000. And I can't believe it still exists in 2000. Here we are in 2024. I'm still having the same conversation. But why? So I was really fired up by that. I remember learning that in college. And that, you know, those were kind of my main critical incidences.

Shari Simpson: Wow. Well, I'm so glad that I was able to sit down with you and talk about this very important topic here at Charm this year. And I look forward to a continued relationship. And more information is, you know, we see what happens with pay in the future and things like the overtime rule and all those things. So thanks for sitting down with me.

Joanna Colosimo: Yeah. Thank you for having me, Cheri. I appreciate it.

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