Compensation Analysis: Total Compensation

Daniel Kuang, Ph.D.
Biddle Consulting Group Institute for Workforce Development (BCGi)

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<tr>
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<th>HR Assessments</th>
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<tr>
<td><em>Thousands of AAPs developed each year</em></td>
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<td><em>AutoAAP™ Enterprise software</em></td>
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<td><em>Video Situational Assessments (General and Nursing)</em></td>
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<th>EEO Litigation Consulting / Expert Witness Services</th>
<th>Compensation Analysis</th>
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<td><em>Over 200+ cases in EEO/AA (both plaintiff and defense)</em></td>
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<td><em>Focus on disparate impact/validation cases</em></td>
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Publications/Books

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<tr>
<th>BCG Institute for Workforce Development</th>
<th>Nation-Wide Speaking and Training</th>
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<td><em>EEO Insight™: Leading EEO Compliance Journal</em></td>
<td><em>Regular speakers on the national speaking circuit</em></td>
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<tr>
<td><em>Adverse Impact (3rd ed.) / Compensation (1st ed.)</em></td>
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Biddle Consulting Group Institute for Workforce Development (BCGi)

- **BCGi Standard Membership (free)**
  - Online community
  - Monthly webinars on EEO compliance topics
  - *EEO Insight Journal (e-copy)*
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  - EEO Tools including validation surveys and AI calculator
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Analyzing Total Compensation

• Why Analyze Total Compensation?
• Total Compensation—Defined
• Analyzing Base Pay
• Analyzing Total Comp—Doing it wrong
• Analyzing Total Comp—Doing it right

Analyzing Total Compensation—Why?

• Total Compensation is the most appropriate compensation analysis.
  – Compensation analysis needs to evaluate compensation as a whole and not just partial (base-pay).
• The OFCCP is going after Total Compensation in it’s audits

Presenter

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• Experienced in modeling complex data
• Experienced in Title VII discrimination matters
• Over 10 years experience analyzing compensation data
Analysts Beware

• It is easy to mess-up a total comp. analysis and draw incomplete and/or inappropriate conclusions.
• Analyzing total comp. is complex
• Analyzing total comp. is much more involved than analyzing base-pay

Total Compensation—Defined

• Total Comp = Base + Incentive
• Base Pay: Guaranteed and fixed
  – Wage rate per hour
• Incentive Pay: Varies and usually tied to performance
  – Example: Commission, Bonus, Tips

Incentive-based Compensation

• Commission
  – Tied to sales performance
• Bonus
  – Ties to performance goals/objectives (e.g. company performance)
• Tips/Gratuities
  – Ties to hospitality service/performance
Analyzing Base Pay

• Classical
  – t-test
    o Comparing pay with NO explanatory factors
  – Multiple Linear Regression
    o Comparing pay WITH explanatory factors
• Example 1

Analyzing Total Compensation

• Just add Incentive/Non-base compensation to base-pay and analyze, right(?)
• Example 2a
• WRONG!!!

Analyzing Total Compensation

• Incentive Pay is tied to performance
• You must control for performance
• Example 2b
Analyzing Total Compensation

• Opportunity for performance
• Is performance under control of employee?
  – Yes, example: producing widgets
  – Yes/No, example: producing widgets
    • Yes: all factors are the same
    • No: some machines/tools are better
  – No: assignments
• Example 2c

Analyzing Total Compensation

• One more Example (#3)
• Position: Restaurant Server

Take Aways

• Analyzing total compensation is complex
• Incentive Pay must be analyzed with:
  – Performance
  – Opportunity
    • Make sure Incentive Pay analysis is on same metric
    • Locus of control
  – Qualitative investigation of incentive pay factors
THANK YOU

Contact us:
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