

CAPS Chicago Area Partnerships

May 2003

EXECUTIVE SUMMARY

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Allstate Insurance
Company

Bank One

Deloitte & Touche LLP

Exelon

Motorola Inc.

Northern Trust Bank

Chicago Jobs Council

Chicago Women in
Trades

Mexican American
Legal Defense and
Education Fund

Women Employed

U.S. Department of
Labor, Office of
Federal Contract
Compliance
Programs

Emeritus Members

Kathleen Almaney

Larry Holleran

Halcolm Holliman

Nick Judge

Joanne Strong

Pathways and Progress: Best Practices to Ensure Fair Compensation is the product of the Chicago Area Partnerships (CAPS), a unique organizational model comprised of community, government and corporate representatives. CAPS was created in 1992 as a forum to discuss and provide leadership on workplace issues. In 1996 CAPS published a report, *Pathways & Progress: Corporate Best Practices to Shatter the Glass Ceiling*. Both of these reports and the CAPS model represent what can be achieved when common interests are identified and ideas are shared in a collaborative process.

Pathways and Progress: Best Practices to Ensure Fair Compensation begins by defining a set of commonly used terms as they relate to employment and compensation systems: *bias, compensation, compensation philosophy, discrimination, and fairness*. Fair compensation is an objective, balanced assessment of performance, market, competencies and other job-related factors. It is nondiscriminatory, nonbiased and, at a minimum, is in compliance with all laws and regulatory requirements. It has consistent internal systems and a regular audit to ensure implementation.

The report next identifies multiple barriers that often hinder the realization of fair compensation in many organizations. Potential barriers fall into one of the following five categories:

Philosophy: An internally published statement that articulates an organization's approach to compensation

Structure: Systems developed to implement a compensation philosophy

Administration: The implementation of compensation systems

Measurement: Internal processes and external benchmarks to evaluate implementation

Communication/Education: The openness and clarity of an organization's philosophy, process, and administration

Although numerous barriers to fair compensation are delineated in *Pathways and Progress*, it is vital that each organization identify those barriers that specifically affect that organization's unique culture and work environment.

Potential barriers include

- Failure to consistently apply the compensation philosophy to all levels of the organization, including executives and senior management.
- Wage compression issues that may generate fairness issues; for example, the marketplace may drive new-hire wages higher, while current experienced employees' salaries do not rise as quickly.
- Discretionary rewards that rely on a superior's discretion and judgment, rather than on preestablished criteria.
- Fear of what might be found (or fear of the potential cost of fixing what might be found) that may inhibit efforts to review practices or may inhibit communication about the results.
- Lack of communication about rewards systems: employees must fully know what it is, when it is awarded, and how it is awarded for the program to be perceived as fair and consistent.

Pathways and Progress presents a series of best practices that offer practical and effective solutions to address the barriers to fair compensation.

Best practices include

- Promoting an integrated view of rewards—not only traditional, quantifiable elements, but also more intangible, non-cash elements such as career opportunities, learning and development, work challenge, and supportive culture.
- Directly linking an organization's performance appraisal system to the compensation system and ensuring that people within the system know the relationship between the two.
- Transparency—in other words, employees understand the process or system by which they are paid.
- Auditing front end and back end with basic tests for irrelevant factors.
- Creating good dialogue at the top, with the CEO, owner or executive director.

CAPS believes that there is value in highlighting specific models or best practices to prevent or eliminate potential arbitrariness and/or discrimination in compensation practices. The report includes seven case summaries of programs that promote fair compensation. The organizations showcased represent a broad range of employers—small and large businesses from the corporate, government, and nonprofit sectors. Organizations were asked to submit case summaries describing efforts that were comprehensive, instructive and transferable and that demonstrated results. The case summaries capture many of the components outlined in the five best practice categories identified by CAPS. They are meant to be informative rather than exhaustive examples of best practices.

Organizations that contributed case summaries are

The Allstate Corporation

Bank One Corporation

Chicago Panel on School Policy

IRMCO

Northern Trust Corporation

United States Government

YSI Incorporated

Pathways and Progress: Best Practices to Ensure Fair Compensation provides reference points for organizations to assess and measure their compensation philosophies and practices. This report should challenge organizations to ask what more can be done to open pathways and achieve real progress for their employees.

Copies of the complete report are available for \$10 per copy to cover postage and handling from **Women Employed • 111 N. Wabash Avenue • Suite 1300 • Chicago, IL 60602**

The report is also available online at <http://www.womenemployed.org/>