THE BUSINESS CASE FOR JOINT EVALUATION AND PAY-FOR-PERFORMANCE

Best practices to reduce pay inequality in Oregon

Employers that evaluate employees jointly can see increased efficiency in the workplace, greater fairness in judging candidates' performance, and higher performing employees.

In many workplaces, initial hiring often involves "joint evaluation," whereby candidates are explicitly compared to one another on the basis of qualifications and credentials; however, subsequent promotional considerations are made by separate evaluation. The Oregon Council on Civil Rights recommends that employers engage in joint evaluation practices throughout hiring and promotion processes to mitigate the consequences of separate evaluation, which is more subject to discriminatory stereotypes and non-performance-based factors.

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The business case

According to the Oregon Council on Civil Rights' 2014 report *Pay Inequality in Oregon*, the gender pay gap exists at all levels of labor force participation, but is most pronounced at senior-level positions, with women starkly underrepresented in managerial, leadership and high-earning positions.[1]

Why is diversity in the workplace good for business?

- Katherine W. Phillips, professor and senior vice dean at Columbia Business School, contends that "people work harder, are more creative, and are more diligent when they work with or around a diverse group of people."
- The Washington Post reported that global companies with at least one woman on the board have higher average returns on equity, lower debt ratios, and better average growth, according to a study of more than 2,000 global companies by the Credit Suisse Research Institute.
- A Gallup Poll of American retail and hospitality businesses found that gender-diverse retail and hospitality companies have better financial outcomes than those dominated by one gender.

Source: Business Insider[2]

Joint evaluation

In many workplaces, initial hiring often involves "joint evaluation," whereby candidates are explicitly compared to one another on the basis of qualifications and credentials; however, subsequent promotional considerations are made by separate evaluation.

Research indicates that employers using joint-evaluation approaches tend to make more decisions based on past performance, rather than an employee's gender and implicit stereotypes, while separate employee evaluations are more often influenced by the candidate's gender.

The council recommends that employers engage in joint evaluation practices throughout hiring and promotion processes to mitigate the consequences of separate evaluation, which is more subject to discriminatory stereotypes and non-performance-based factors.

Benefits of evaluating employees jointly include:

- Increases in both efficiency and equality in making promotional decisions;
- Increases in fairness, in which judgments are based on the candidate's performance rather than demographic characteristics; and
- Significantly higher rates of selecting higher performing employees.[3]

Case study: Bias Interruptions

GapJumpers is a technology platform for employers to conduct blind auditions in hiring. In June 2014, the company began providing software that enables tech companies to offer an open-ended challenge to job candidates before they can progress to a phone or in-person interview. The companies don't have any identifying information about candidates like names, gender, or where they went to school. The idea is to attempt to defer any judgment until a candidate's capabilities have been evaluated.

For its first seven months in business, GapJumpers gathered data from nearly 1,200 "auditions" across 13 companies—attempting to see how the numbers stacked up when the early stages of hiring were done blindly. They found that male applicants raised concerns about having to prove themselves in a blind test more often than women. Once the blind challenge was completed, the gender breakdown of those candidates hired was 58% women, 42% men.[4]

Blind auditions

"Blind auditions" provide a process whereby organizations first rate employment applicants on their skills and qualifications without revealing personal demographic information such as their name, gender, age and race. Blind auditions provide employers with an opportunity to initially evaluate and compare potential employees solely on the basis of their qualifications unhindered by unconscious biases.

Performance-based pay

Another best practice for reducing gender-based pay discrepancies is administering pay raises based on clearly-established and communicated performance goals.

In addition to reducing the expectation and "entitlement mentality" of regular automatic pay increases by employees, tying pay increases to pre-established performance goals has been shown to enhance production and reduce inequities between workers, particularly men and women.

According to Ken Abosch, compensation practice leader at Aon Hewitt, "Studies have shown that below-average performers contribute less than 10 percent of the value of average performers to an organization, and above-average performers contribute almost twice the value of average performers to an organization."[5]

Advantages of "pay-for-performance" programs include:

- Cost-effectiveness in directing money budgeted for salary increases to employees who meet performance goals critical to the growth and profitability of the business instead of simply on the basis of years of service;
- High performers are more attracted to companies that pay for performance; and
- Workers are given a sense of shared responsibility, and employee motivation and commitment to the organization increases.

Tips for implementing successful incentive pay programs

1. Establish individual goals and reward individual achievements

Individual goals and incentives are generally more effective than company-wide incentive programs that are usually based on business profits. While the latter may be easier to administer, employees do not respond uniformly or assume the same level of responsibility for corporate goals.

Best practices in providing pay for performance suggest that developing goals and incentives for each employee is most effective.

2. Create rewards for teams of workers

In addition to providing individual incentives, establishing team goals and rewards promotes teamwork and cooperation between employees. A mix of both monetary and non-monetary rewards (such as gift certificates, employee recognition and other "perks") have shown to be effective in motivating employees. Limiting incentives to cash bonuses only may have the effect of mechanizing employee performance.

3. Regularly communicate expectations and goals

Regular and frequent communications regarding the business's goals and the roles and expectations of employees in achieving established goals are essential. Successful incentive programs consistently communicate progress made toward meeting goals and connect success with incentives to gain employee "buy in."

4. Make sure results are measurable

For employees to be successful and productive, they must have a clear sense of desired outcomes. Establish mutually developed measurable goals with employees and agree on how and when results will be evaluated.

5. Empower employees to be successful

Employees must feel like they have control and the ability to meet challenges and make decisions in accomplishing objectives in order to be motivated and successful. Identify and communicate key areas in which employees may exercise creativity and flexibility in performing their jobs, while providing resources and tools when needed and requested by the employee.

Adapted from "Performance Based Pay" by Michael Alter, CEO, The Tie Bar

Notes

1 http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1013&context=hrpubs The Gender Gap in Top Corporate Jobs

2 http://www.businessinsider.com/companies-are-using-blind-auditions-to-hire-top-talent-2015-5 Why companies are using 'blind auditions' to hire top talent

3 http://www.hbs.edu/faculty/Publication%20Files/12-083.pdf When Performance Trumps Gender Bias: Joint versus Separate Evaluation

4 http://www.fastcompany.com/3042618/strong-female-lead/can-blind-interviews-finally-solve-techs-diversity-hiring-problem Can Blind Interviews Finally Solve Tech's Diversity Hiring Problem?

5 http://www.shrm.org/hrdisciplines/compensation/articles/pages/catchphrase.aspx Pay for Performance: Make it More than a Catchphrase

Need additional assistance? Contact BOLI's Technical Assistance for Employers.

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Bureau of Labor and Industries

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