Here's a look at the annual compensation planning process at Google.

During the annual pay cycle, we use consistent processes for every Google employee to determine salary, bonus, and equity refresh amounts.

1. **Modeled recommendations.** The Compensation team uses algorithms to provide a modeled amount for each pay element (salary, bonus, and equity refresh) based on inputs like a Googler's performance, location, and role.
2. **Manager review and discretion.** Managers are given an extra pool of money, known as discretionary budget. They can use it to adjust modeled amounts to account for factors like pay relative to peers and trajectory. If managers change a Googler's proposed salary, bonus, or equity refresh, they must provide rationale.
3. **Higher-level review.** Any pay adjustments a manager makes are visible to their higher-level managers. Similarly, higher-level managers may also apply discretion and are required to give a rationale wherever they make changes.
4. **HR and Compensation team review.** After changes are made, compensation across the org is reviewed by HR and the Compensation team to run org-wide checks.
5. **Pay equity analyses.** The Compensation and People Analytics teams conduct pay equity analyses to identify any unexplained differences between groups of Googlers who are doing the same job. We do these analyses before pay changes for the following year are finalized, and where differences are observed, action is taken.

How we run our pay equity analysis at Google

To ensure we can produce results that translate to meaningful action, we run our analyses at the job code level, adjusting for job function and level. Here's how it works:

- At the end of our annual compensation planning process (for salary, bonus, and equity) we ran rigorous statistical analyses to check the outcomes before any amounts were final. We conducted separate ordinary least squares (OLS) regressions to check for pay equity in each job group—a job group is made up of job family (like Software Engineer) and level (like Level 4).
- The OLS method allows us to account for factors that should influence pay (e.g., tenure, location, performance ratings) and look for unexplained differences in total compensation (salary, bonus, and equity) across demographic groups. Specifically, we looked for pay differences based on gender (for which we have information worldwide) and, in the U.S., by race/ethnicity.
- Our analyses covered every job group with at least 30 Googlers total and at least five Googlers per demographic group for which we have data (e.g., at least five men and at least five women). These n-count minimums ensure statistical rigor (e.g., higher statistical power, narrower confidence intervals)