

State of Oregon

# Equal Pay Analysis Summary

## Report of Findings

May 2022

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# Summary

This report contains a brief overview of the 2021 Equal Pay Analysis Project implemented by the Executive Branch of Oregon state government and conducted by Segal, a nationally recognized consulting firm. The passage of House Bill 2005 in 2017, known as the Pay Equity Law, requires Oregon employers to evaluate policies and practices to ensure employees performing similar work are receiving equitable compensation.



# Summary

## Introduction

- In 2021, the State of Oregon engaged Segal to conduct a pay equity analysis based on the bona fide factors outlined in ORS 652.220(2)(a).
- The objective of the study was to ensure compliance with the law and to identify and recommend salary adjustments for employees who appear to be below the trend line.
- An additional objective was to create a tool for agencies to use that would mirror how the analysis was conducted.
- To accomplish these objectives, Segal conducted a comprehensive and independent statistical analysis of the identified bona fide factors and their relationship to individual pay.

## Results

- As a result, **7.4%** of the employee population was found to be below their expected step and was considered for a pay adjustment.
  - 41% of those considered for adjustment are one-step adjustments and 40% are two-step adjustments. The remaining 19% are considered for adjustments of three or more steps.
- Employees considered for pay adjustments represent 7.7% of the female population and 7.0% of the male population and indicated no systemic disparate treatment based on gender or other protected classes.

Note, this assessment is for internal equity only.  
It does not address external market competitiveness.

# Background

- When it comes to prohibiting discriminatory pay practices, the state of Oregon has typically been a leader in the public sector.
- Historically, Oregon employees have been protected by ORS 652.220. Specifically, ORS 652.220 prohibits pay discrimination “between the sexes in the payment of wages for work of comparable character.”
- On June 1, 2017, Governor Kate Brown signed HB 2005, also known as the Pay Equity Law.

## WHAT THE LAW TELLS US

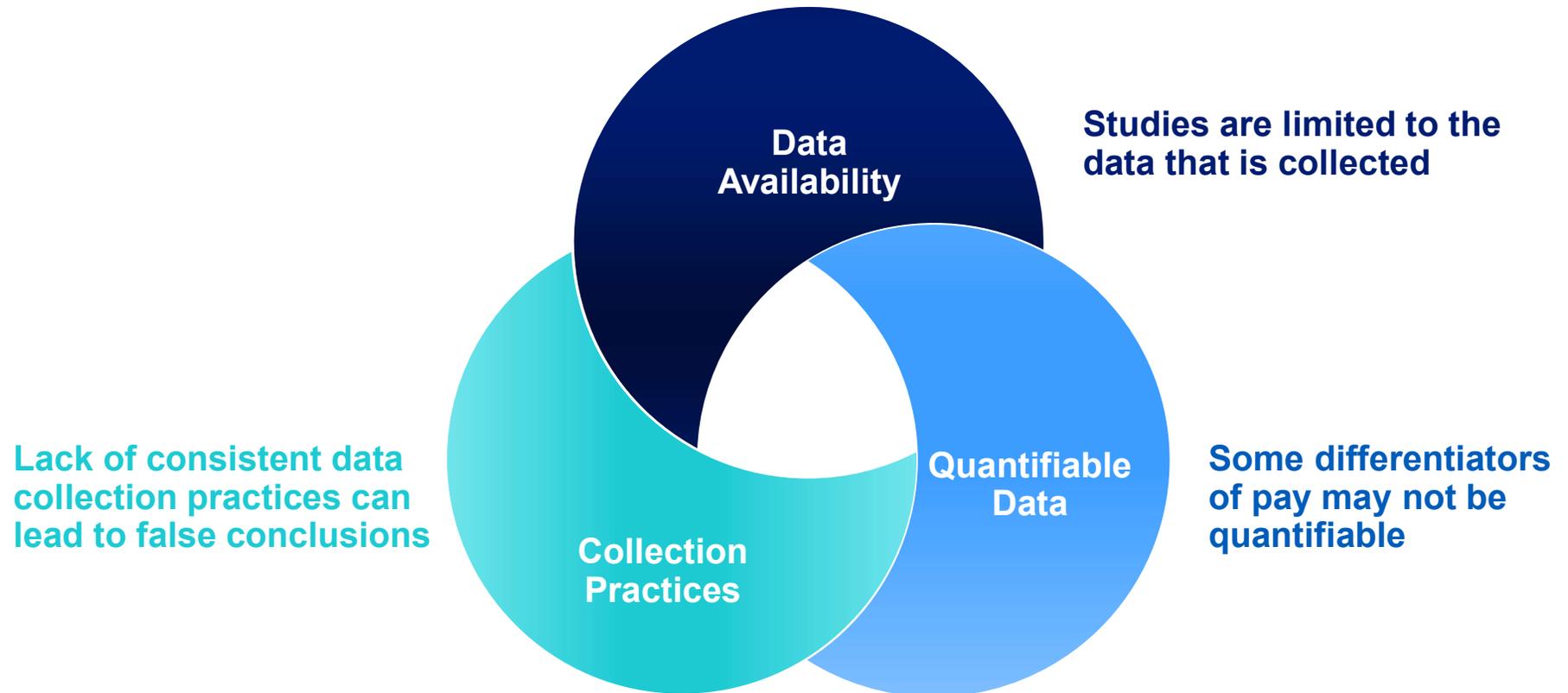
- It expanded existing pay discrimination laws based on sex to make it “unlawful for any employer to discriminate between employees on the basis of a protected class in the payment of wages or other compensation for work of a comparable character.”
  - A “group of persons distinguished by race, color, religion, sex, sexual orientation, national origin, marital status, veteran status, disability or age.”
  - “ Furthermore, if pay discrepancies did exist, the bill mandated that these discrepancies be accounted for by a limited set of factors: seniority, merit, quantity or quality of production, including piece-rate work, workplace location, travel, education, training, experience, or any combination of the aforementioned factors.
  - If pay disparities were not accounted for by these factors, the disparities must have been corrected.
- After HB 2005 passed, Oregon state government began an effort to meet the requirements of the law by engaging in an equal-pay analysis of compensation. On behalf of the Executive Branch of Oregon state government, the Department of Administrative Services’ Chief Human Resources Office conducted their first pay equity assessment in 2018 and contracted with Segal Consulting to conduct the assessment in 2021.

# Timeline



# Methodology and Approach

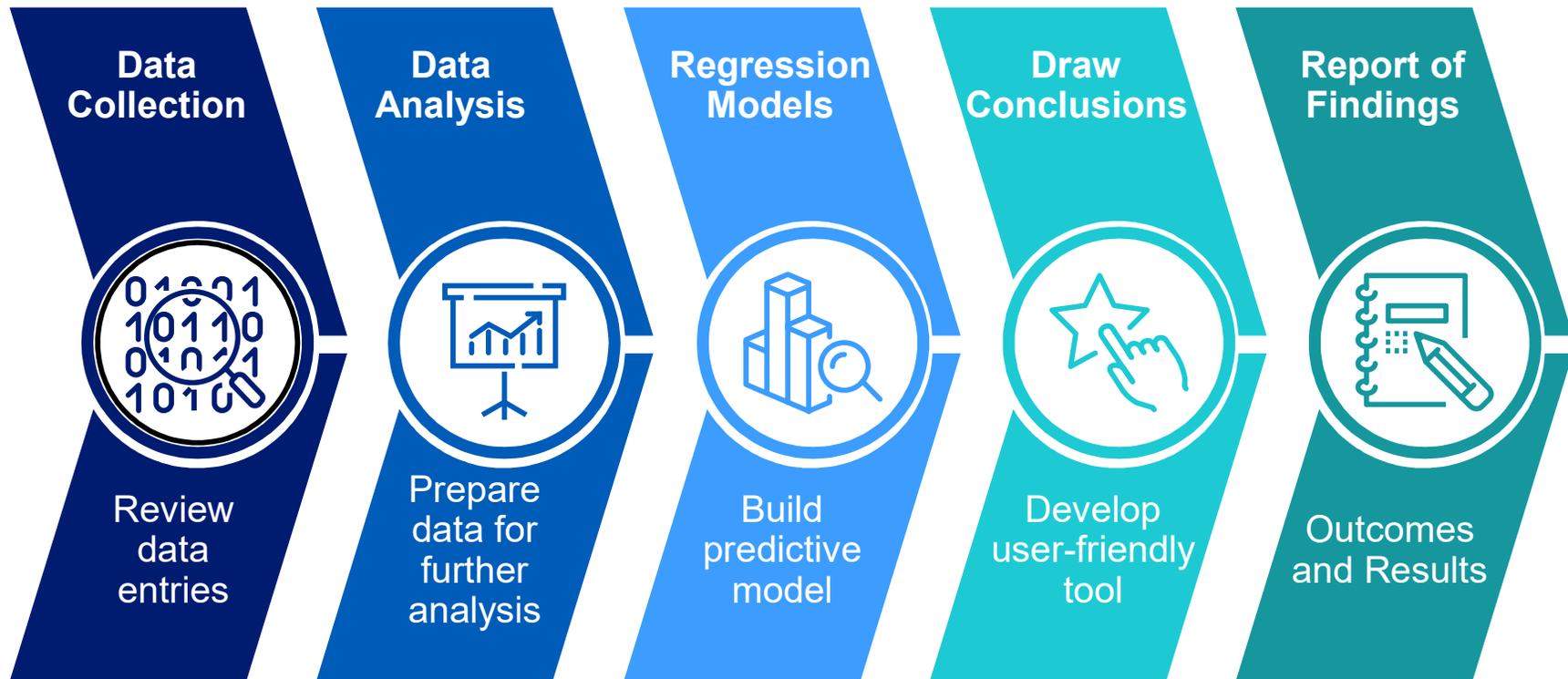
## Limitations of Pay Equity Studies



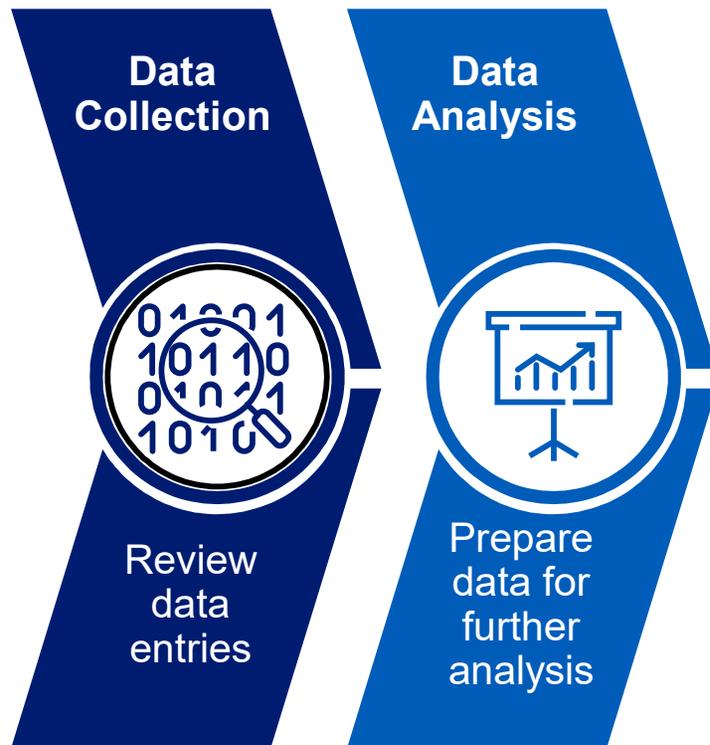
Due to these limitations, and inconsistent practices across agencies, accurate data is very important.

# Methodology and Approach – Overview

## Pay Equity Analysis Framework



# Methodology and Approach – Overview



- **Data Collection:**

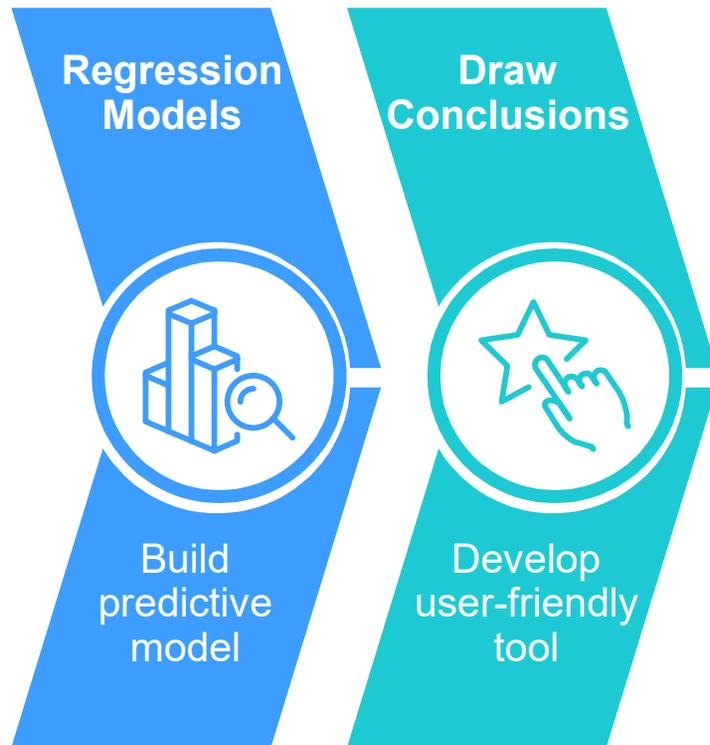
- Employees were asked to provide information about their relevant work experience and education.<sup>1</sup>
- The State provided detail on minimum qualifications for each job (degrees, experience, etc.)

- **Data Analysis:**

- Segal reviewed the data for missing and/or inconsistent entries
- Categorized into groups by job profile and hiring practices
- Reviewed minimum qualifications for each job
- Developed relevance criteria for degrees and work experience for each classification
- Reviewed random samples to validate relevance criteria

<sup>1</sup> Includes employees in the Executive Branch as of 7/1/2021, with the exception of the Secretary of State's Office, and employees in Management and Executive Service with the Oregon State Treasury.

# Methodology and Approach – Overview



- **Regression Models (for each job category):**
  - Excluded employees currently at the top step of their grade profile as of July 1, 2021
  - Determined step at time of hire by comparing current step to time in current job
  - Compared actual experience and education for each employee to minimum qualifications for current job
  - Determined and validated appropriate step at time of hire, by job category, given experience above minimum qualifications
  - Included seniority to determine predicted current step
- **Draw Conclusions:**
  - Compared current actual step to predicted step for each employee based on experience, education, and seniority
  - Designed a user-friendly tool that mirrors this methodology on an individual employee basis

# Methodology and Approach – Analysis

- After data was refined, each employee was placed into an analysis group with other employees who were performing “comparable work.” Historically, Oregon State Government has assigned employees to groups of comparable work, using position classification. Thus, each employee was compared to other employees within their classification.
- After grouping, all employees were analyzed by classification using three bona fide factors; seniority, experience, and education (if relevant). Employees already at the top step were excluded from the analysis.
- After Segal completed the analysis for each classification, employees identified as potential low outliers were reviewed by the State of Oregon HR Project Team and then analyzed again by their respective agency to confirm or disprove low outlier status. A final list of confirmed low received pay equity adjustments from the initial analysis, and employees were notified of these initial adjustments in January 2022.
- After the completion of the Equal Pay Analysis and delivery of the salary recommendations for every employee, employees had an opportunity to appeal the findings related to their personal equal pay analysis and to submit additional information supporting their reasoning for a pay increase. This process was administered in Spring 2022.

# Outcomes by Protected Class

	Survey Respondents	Considered for Pay Adjustments	Percent of Population
<b>Total</b>	<b>40,054</b>	<b>2,946</b>	<b>7.4%</b>
<b>Gender</b>			
Female	21,885	1,681	7.7%
Male	18,169	1,265	7.0%
<b>Race/Ethnicity</b>			
<b>People of Color</b>	8,431	672	8.0%
Black or African American	971	80	8.2%
Asian	1,563	113	7.2%
Hispanic or Latino	3,584	262	7.3%
American Indian or Alaska Native	629	54	8.6%
Native Hawaiian or Other Pacific Islander	228	26	11.4%
Two or More Races	1,456	137	9.4%
<b>White</b>	30,524	2,217	7.3%
<b>Undisclosed</b>	1,099	57	5.2%
<b>Age</b>			
18-25 (Generation Z)	1,079	16	1.5%
26-41 (Millennials)	13,276	1,286	9.7%
42-57 (Generation X)	17,234	1,263	7.3%
58-76 (Baby Boomers)	8,392	380	4.5%
77+ (Traditionalists)	73	1	1.4%

# Administrative Guidelines

- The State of Oregon has established pay administration guidelines. Among these are guidelines for conducting pay administration for promotions, demotions and transfers. These are long standing state polices that are also affected by the negotiations of the collective bargaining units. These practices can have unintended impact on pay equity among employees and are difficult to amend due to binding union agreements.
- Classification changes, including “work out of class” pending reclassification, also create pay equity concerns. There are times the permanent financing of position reclassifications take years to complete, creating circumstances where employees are completing work of comparable character without a pay equity assessment being performed. Inconsistent application of pay guidelines for a “work out of class” assignment creates another layer of potential misalignment with pay equity. Segal encourages management to define the parameters more clearly for pay actions of this type.
- Selective salary increases, salary grade truncations, and pay freezes also create circumstances which can lead to unintended pay equity issues. Adjusting salary grades that either reduce the step range or lessen the number of salary steps can cause compression or inversion when hiring new employees.
- Pay inequities can result from pay administration guidelines (including others not listed here) when employees working in the same group of comparable character are not evaluated for appropriate pay based on the bona fide factors.

Segal encourages the State of Oregon to use these pay actions as an opportunity to review consistency of practice across the Executive Branch.

# Future Direction

## Next Steps



**Every 3 years**

- As outlined in ORS 652.235, the Executive Branch of Oregon state government will engage in an Equal Pay Analysis every three years.



**Spring / Summer 2022**

- Moving forward, with the assistance from Segal Consulting, the State has revised and implemented an updated appeals process based on the new methodology developed during this project.
- Completion of TOMP analysis.



**12–24 Months**

- Segal has developed a Pay Calculator Tool for HR staff to use. This calculator will follow the same parameters as the analysis and will be used to determine the expected rate of pay for a new hire and/or promotional hire.
- The tool will assist with the State's efforts to work towards equitable pay but does not override the need for the tri-annual review.

# | Appendix

## 1. Key Terms and Definitions

# Appendix: Key Terms and Definitions

## Education Equivalencies

The State of Oregon's minimum qualifications are based upon time performing the work necessary to demonstrate the knowledge and skills required for a position. In some classifications, the state allows education to be substituted for years of experience (and vice versa) at the following rates:

<b>Degree</b>	<b>Equivalent Experience</b>
Associate's Degree	18 months
Bachelor's Degree	3 years
Master's Degree	4 years
PHD / Doctorate / JD	5 years

## Relevance

- Tasks and duties at previous jobs that make a person qualified for a new role
- Past work experience that is relevant to a job in terms of skills or knowledge required
- It does not necessarily mean that you must have worked in the exact role or had the same job title before