

SUMMARY

PAY EQUITY: THE MINNESOTA EXPERIENCE

Sixth Edition February 2016

Legislative Office on the Economic Status of Women

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INTRODUCTION

Significant changes have occurred in the role of women in the past 30 years. Women have entered the workforce in greater numbers, women are increasingly the family “breadwinners,” more women have higher levels of education, more women get elected to public office, and more women are in the professions. However, women’s average wages continue to lag behind those for men. This disparity, known as the “gender wage gap,” has narrowed over the years, but persists despite other changes in women’s lives.

Although “equal pay for equal work” laws have been in effect since the 1960s, the gender wage gap has persisted because men and women tend to do different kinds of work. The major factor behind the gap, therefore, is the concentration of women in traditionally female occupations, which historically have paid less than male occupations. Additionally, common salary-setting practices include comparing jobs externally to other employers, which tends to perpetuate discriminatory patterns of the past.

Pay equity, sometimes known as “comparable worth,” is a method to address these disparities in wages. Pay equity means that dissimilar jobs that are comparable in terms of the **value**, or worth, to an employer should receive essentially comparable wages. In order to measure the value of the job, systems have been developed that assess the relative value of jobs according to amount of skill, effort, responsibility, and working conditions required.

MINNESOTA STATE GOVERNMENT EMPLOYMENT

A 1976 study of Minnesota’s state-employed women found their average salary was only 69% of the average salary of their male counterparts. In 1981, Minnesota’s Council on the Economic Status of Women, a legislative advisory body (and predecessor to the current Office on the Economic Status of Women), established a Task Force on Pay Equity to examine gender differences in pay for the state’s 35,000 public employees. In response to Task Force recommendations, the legislature in 1982 passed the [*State Government Pay Equity Act \(Minnesota Statutes, sections 43A.01-43A.18\)*](#), which was designed to correct the underpayment of female-dominated occupations for jobs that required comparable levels of skill, effort, responsibility, and working conditions as those held by men.

The law, which received bi-partisan support and had little opposition, was passed because the state had recently instituted a job evaluation system—the Hay system—that provided an objective method of determining the relative level of jobs through a point system. It was therefore possible to assess whether jobs held predominantly by women were paid at a comparable level to their male counterparts. The Task Force found that there was an absolutely consistent pattern of underpayment of female-dominated job classes, and the pay equity law established a policy and process to remedy those differences.

Minnesota’s pay equity law does not address individual differences in pay, but relates to the overall **structure** of a pay system. State jobs are placed in various job classes where individual jobs and their duties are similar enough to be grouped together. Classes tend to hold either large numbers of men or large numbers of women, so it is also possible to define a class as either a “male class” or a “female class.” The salary schedule is based on the class system, and the pay equity analysis used the top of the salary range for each class.

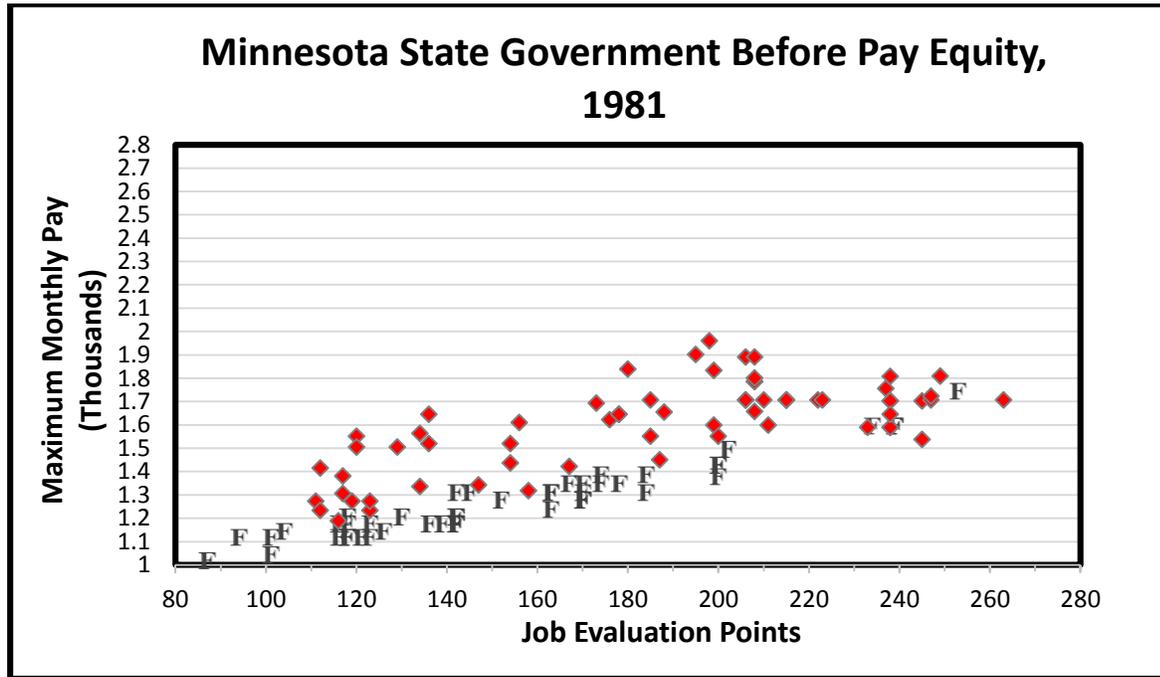
In 1983, the state pay equity law went into effect, and the process went smoothly, with about half of the disparities identified and pay equity increases made. In 1985, the process was completed. The results of the state program include the following:

- Approximately 8,500 employees in 200 female-dominated job classes received pay equity increases;
- 75% of the pay raises went to clerical and health care workers;
- About 850 employees of those receiving pay raises were men in female-dominated job classes;
- Average pay equity raise was \$2,200, an 11.2% increase over the average female wage;
- The total cost of pay equity over the four years of implementation was 3.7% of payroll;
- No state employee had wages cut as a result of pay equity, and there were no employee layoffs.

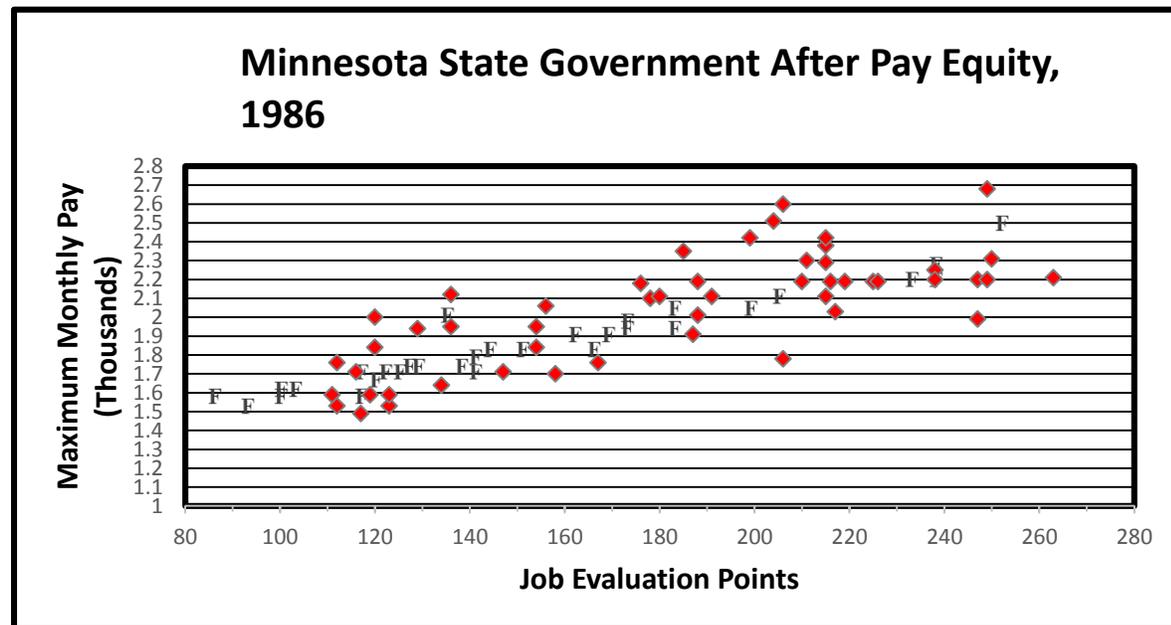
In 2014, the impact of the State Government Pay Equity Act is unmistakable, and evidence shows that it continues to be necessary and to have a positive benefit on women’s lives.

- The State Government Pay Equity Act has eliminated the gender pay gap for job classes of comparable value.
- Women in state government employment today on average earn 89% of male wages, a 20 percentage point improvement since 1976.
- To close the lingering 11 cents gender wage gap, not only will more women have to go into traditional male occupations, but more men will have to go into traditional female occupations. If office/clerical jobs were held equally by men and women, and skilled craft jobs were held equally by both genders, the state government wage gap would decrease to 2 percent, no longer a significant difference.
- In 2014, the cost of correcting pay inequities was \$150,000—0.008% of state payroll.
- There continue to be gender-based pay inequities in the state government workforce that are corrected by the state government pay equity program, though much fewer than 35 years ago. In 2014, 96 employees in six job classes received an average pay equity annual salary increase of \$1,400.
- Years of service no longer show a major disparity between the wages of men and women state employees. In 1976, a woman who had worked for the state for 20 years made the same salary as a newly hired man. There is currently little gender difference in salary by years of service except a small difference after about 13 years with the state.

The following two scattergrams show the effect of the law on the structure of state government employment both before and after the implementation of pay equity. They show female and male job classes by their evaluated Hay points plotted against the pay for those classes. These charts include the lowest third of the Hay ratings, where most state employees and most female classes were found. Note that in 1981 the female classes were almost consistently below male classes, while in 1986, female classes were scattered among the male classes.



◇=Male job classes F=Female job classes



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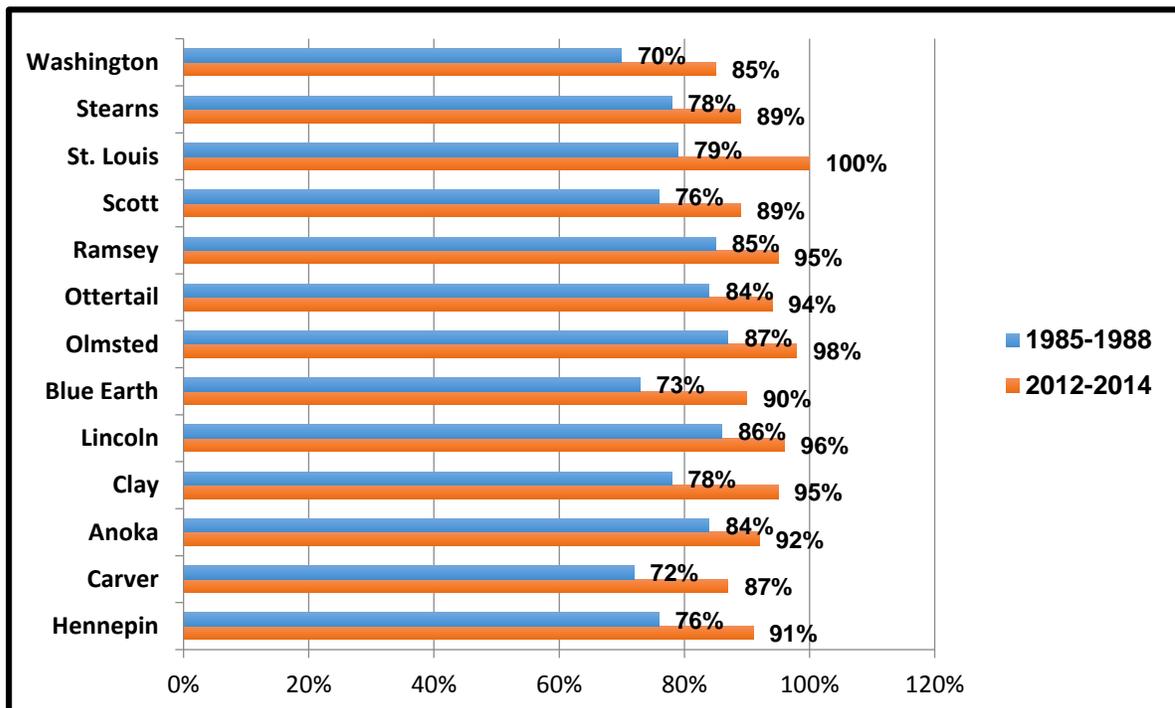
MINNESOTA LOCAL GOVERNMENT EMPLOYMENT

The 1984 Local Government Pay Equity Act ([Minnesota Statutes, sections 471.991-471.999](#)) extended the pay equity concept to all Minnesota local units of government—1,500 jurisdictions (cities, counties, school districts, and others) with an estimated 220,000 employees. The law required local officials to institute a job evaluation system and then study if there were consistent differences between the jobs held predominantly by women and those held by men. The law also required each jurisdiction to submit reports to the state once every three years.

Implementation of this law has not been as smooth as the law for state employees, largely due to the varying complexity of local government personnel systems and a general lack of enthusiasm on the part of local government for “unfunded state mandates.” Attempts have been made over the years to weaken the law; but after 30 years the law has been proven successful in narrowing the wage gap between men’s and women’s jobs. A staff person in the Department of Employee Relations (and, later, the Minnesota Management and Budget department) has provided technical assistance to local governments over the years, training sessions have been held, and the department has developed software that simplifies the reporting process.

Because of the variety of size and type of local governments, it is more complex to assess the total effect of pay equity on local government employees. Data are available, however, from local jurisdictions that were initially “out-of-compliance” and who subsequently corrected for pay inequities. Additionally, a 1992 analysis by the American Library Association showed the effects of the pay equity program on library staff; and a 2014 study of a sample of 13 diverse counties gives an indication of typical results. Shown below is a chart showing the “before and after” salaries for the 13 counties:

Gender Wage Ratios for 13 Minnesota Counties, Before & After Pay Equity
(Women’s Average Monthly Salary as a Percent of Men’s)



Since the counties shown above include both large and small counties, and some urban and rural ones, the pay equity results are likely to be generalizable to all counties in Minnesota.

Other known results of the local government pay equity program include the following:

- The Local Government Pay Equity Act initially led directly to significant pay increases for more than 30,000 women, with an estimated average annual increase of \$2,400.
- Approximately \$1.3 million has been paid in back wages to over 1,300 women to settle penalty cases where pay inequities were found.
- Data from local governments that were out-of-compliance show the gender wage gap was substantially narrowed after pay equity adjustments were made. In 1994, women in this sample of local governments on average made 77 cents on the dollar compared to their male counterparts. In 2015, the figure had become 88 cents on the dollar. ***If wages are compared for job classes of comparable value, the gender wage gap disappears.***
- Data from the 1992 library study show that, pre-pay equity, library staff, a female-dominated class, earned 66-68 percent of the salaries for male-dominated classes of comparable value. After pay equity, library staff earned between 91-102 percent of the male classes, depending on the class being compared.
- The initial costs to correct inequities ranged from 1.7 percent to 4.1 percent of total annual payroll for the various local jurisdictions. Current costs to correct newly emerging inequities average 0.1 percent to 2 percent of annual payroll.
- Gender inequities continue to be detected and corrected by the Local Government Pay Equity program. A sample of year 2011 pay disparities in 12 job positions found pay inequities ranging from \$8.42/hr. to \$0.34/hr., with an average inequity of \$2.49/hr., or \$5,179/yr.
- In 2011, correcting the pay inequities in those jurisdictions with disparities narrowed the gender pay gap in the affected job classes from 18 percent to 7 percent.
- Typically, 20 to 25 percent of local jurisdictions are out of compliance at the beginning of a reporting year, but with technical assistance, 95 to 99 percent are in compliance by the end of the year.
- A two-year moratorium in 2003-2005 in local government reporting resulted in a significant decrease in pay equity compliance and larger pay disparities between women and men.

SUMMARY AND CONCLUSIONS

Although there are differences between the state and local government pay equity programs, there are characteristics that are common to both, particularly in factors contributing to their success. Given the positive results of both programs, it is useful to ask, "What factors contributed to the success of Minnesota's state and local government pay equity programs?" Below are some general conclusions:

- Both programs required studies of disparities before there was any increase in pay, and there was allowance for gradual implementation;
- The program for the state was based on a job evaluation system ***already*** in place;
- Earmarked funds for pay adjustments contributed to the initial success of the state program;
- The local government program was initiated because of the success of the state program;
- Both laws allow for the final distribution of funds through the usual collective bargaining process between management and labor;
- Over the years, pay equity considerations have been a regular part of salary negotiations;

- The process for administering pay equity relies on internal comparisons using comparable male salaries as the benchmark;
- Regular and frequent mandatory reports have proven to be a key to continued success;
- Report-based programs are less costly and more effective than complaint-based programs;
- Advocates have maintained ongoing efforts to support pay equity and defeat proposals to weaken the laws;
- “Equal pay for equal work” will not close the wage gap because women and men seldom do the same or equal work;
- The overall wage gap will not disappear until men and women are more equally represented in all occupational groups.

And finally, from the beginning, there was a deep commitment to keep the process simple and with as little bureaucracy as possible. To that end, the state has had only one staff person to manage the local government program, with support from time to time from existing positions in the agency administering the program. For example, technology staff have developed and periodically update software used by local governments to submit reports online and to evaluate compliance. The extensive use of computers has now made administering and monitoring the pay equity programs simpler for all levels of government.

RECOMMENDATIONS

Minnesota’s long experience with establishing and maintaining pay equity programs provides a wealth of information for other employers, both public and private, to establish systems for closing the gender wage gap in their workplace. This information also provides much material for academic researchers to study the results of a variety of personnel practices. For example, how much of the wage gap in state government was closed because of the pay equity program? And how much was due to more women in higher-level jobs? Or to changes in classification patterns? What are the overall results of the pay equity program on local units of government? Are there differences by type of jurisdiction? Or by the size of the governmental unit? Or by geographical variations? What effect has pay equity had on racial/ethnic minorities? Are there differences in the results between persons of color and their white counterparts? The list could go on and on because there are now data from over 30 years of experience providing biannual reports from the state as well as from the annual reports submitted by local jurisdictions of many types.

In addition to the above suggestions for further research, there are recommendations that could both maintain the commitment of the state to pay equity, as well as provide direction for extending the concept to other employers, both public and private:

- Minnesota’s state and local government pay equity laws should remain intact and not be weakened in any form. As this report shows, both laws have resulted in substantially narrowing the wage gap in public employment. Further, both laws have been manageable and efficiently administered for over 30 years.
- Compensation for males must remain the benchmark for determining the standard for compliance. Any other trend line or comparisons such as an “all-employee line” or “balanced class line” must not be used. The male line is used because it is the pay for jobs that have not been affected by

discriminatory practices of the past. In addition, current employment practices of surveying the “market” tend to perpetuate former wage structures.

- The report-based method (as opposed to complaint-based) of assuring compliance with pay equity should not be weakened. The complaint-based method is costly and time-consuming, is difficult for individual workers to institute and manage, and does not get at the overall structure of a wage system. Filing suits can be disruptive and expensive for both employers and workers.
- Salary adjustments should not be made by reducing the wages of jobs typically held by men. As mentioned above, traditional male jobs are the template for non-discriminatory wages.
- The statistical software developed by the state to analyze gender differences in pay practices should be more widely used by jurisdictions in other states and by private employers in Minnesota. A way to make this more widely known and accessible should be researched and implemented. This tool could encourage all types of employers to “self-test” and voluntarily adopt some measure of pay equity.
- Pay equity programs should be kept as simple as possible. Personnel systems can be complex, and other jurisdictions have often had trouble with establishing a pay equity system by trying to re-do an entire personnel system and make it “perfect.” Emphasis should be on the overall structure of compensation in an organization, and implementation should be as little disruptive as possible.
- Other states should adopt a law, as Minnesota did recently, to prohibit retaliation against an employee who discloses her or his wage or who asks for salary information from another employee. Pay equity has been successful in the public sector because wages are public information and readily available to anyone who wants to investigate pay practices.
- Efforts to eliminate sex-based wage discrimination in the private sector through various means, including education and legislation, should be explored and encouraged. A natural place to start would be with private companies who provide goods and services to governmental units.
- Research should be undertaken to determine whether pay equity initiatives could improve the economic status of women employed by the University of Minnesota and of all women employed by the Minnesota State Colleges and Universities (MnSCU) system.
- Minnesota’s expertise and experience with pay equity should be widely shared with jurisdictions in other states as well as with academics and public policy organizations.