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# City of Austin Pay Equity Study

FEBRUARY 2016



# Study Background

- The City of Austin (the City) has been collecting, comparing, and monitoring pay differences among different genders and races over the last two years in order to identify and correct any pay discrimination against protected employee groups (i.e. gender, race, age);
- We were provided and reviewed prior year reports:
  - In these reports, median and average salaries were compared;
  - We repeated the same analysis to provide a year-on-year reference;
  - This level analysis provided a good general reference.
- We then conducted more detailed statistical analysis. Therefore we have structured this report in two sections:
  - Repeated prior year studies;
  - Detailed statistical analysis.

# Executive Summary

## General Comparison:

- Reviewed and compared current pay equity condition with data from previous year study and national average.
- Confirmed improved pay equity condition in comparison to previous year. In addition, the City is significantly above the national average in pay equity.

## Statistical Analysis:

- Used statistical method to identify possible pay equity issue.
- Overall, the City is doing well in pay equity and no evidence of significant pay discrimination by gender, race, or age was found.
- Possible minor pay equity issues were identified in department level and single job level for further investigation.

Recommendations were provided at the end of the report to keep solid pay equity condition and identify possible issues.

# Prior Study Comparison and Updates (Non-Sworn)

- There are 438 non-sworn jobs identified in the initial pay equity study process;
- We compared the percentage of female salary to male salary by job, and used 2015 result as comparison;
- The percentage of jobs in which female employees are receiving lower average salary than male employees in the City remains the same as August 2015, at 50.2%.

## Jobs in Bands Comparing Female to Male Pay as a Percentage

| Years                          | August, 2015 |              | June, 2016* |              |
|--------------------------------|--------------|--------------|-------------|--------------|
| Salary: Female/Male (by Title) | # of Jobs    | % of Jobs    | # of Jobs   | % of Jobs    |
| Over 120%                      | 12           | 2.7%         | 6           | 1.4%         |
| Over 110% to 120%              | 36           | 8.1%         | 27          | 6.2%         |
| Over 100% to 110%              | 158          | 35.5%        | 165         | 37.7%        |
| 100%                           | 16           | 3.6%         | 20          | 4.6%         |
| 90% to Less than 100%          | <b>185</b>   | <b>41.6%</b> | <b>180</b>  | <b>41.1%</b> |
| 82.5% to Less than 90%         | <b>31</b>    | <b>7.0%</b>  | <b>32</b>   | <b>7.3%</b>  |
| Less than 82.5%                | <b>7</b>     | <b>1.6%</b>  | <b>8</b>    | <b>1.8%</b>  |

- This is a general indication of improvement in pay equity, while there are still considerable amount of reasonable factors that could affect the pay not included in this comparison.

\* Detailed comparison by job title can be found in the appendix.

# Prior Study Comparison and Updates

- General comparisons by gender was also conducted to track the City's pay equity status:

## Average Pay for Female City Employees Compared to Average Pay for Male City Employees as a Percentage

|      | Female Pay vs. Male Pay |        |      |     |
|------|-------------------------|--------|------|-----|
| Year | Non-Sworn               | Police | Fire | EMS |
| 2015 | 96%                     | 101%   | 91%  | 94% |
| 2016 | 96%                     | 102%   | 93%  | 96% |

- The gap between Male and Female in average pay is at the same level as 2015, with a narrower negative gap for Fire (Sworn) positions.
- According to Institute for Women's Policy Research 2016 report\*, nation wide, the average pay for female employees is 79.6% compared to male average pay in 2015. The City is significantly better, with female employees paid 96% of male pay.
- The City average salaries of 433 out of 438 jobs (98.9% of all jobs) with data available for female employees are paid higher than 80% of male employee pay ;
- The City has significant advantage in pay equity by gender in comparison to national average.

\* The Gender Wage Gap: 2015, Institute for Women's Policy Research, published .  
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## Prior Study Comparison and Updates

- General comparison by race was also conducted to track the City's pay equity status.
- The differences between White and other ethnicity groups are generally at the same level as 2015.

### Average Pay for City Employees of Various Ethnicities Compared to Average Pay for White City Employees as a Percentage

|      |                          | Non-White Pay vs. White Pay |                           |                           |                           |
|------|--------------------------|-----------------------------|---------------------------|---------------------------|---------------------------|
| Year | Ethnicity                | Non-Sworn                   | Police                    | Fire                      | EMS                       |
| 2015 | American Indian/Aleutian | 100%                        | <b><u>123%</u></b>        | <b><u>99%</u></b>         | 108%                      |
|      | Asian/Pacific Islander   | 113%                        | 93%                       | 78%                       | 84%                       |
|      | Black                    | 82%                         | 101%                      | 94%                       | <b><u>94%</u></b>         |
|      | Hispanic                 | 79%                         | 96%                       | 94%                       | 92%                       |
| 2016 | American Indian/Aleutian | 97%                         | <b><u>95% (4 EEs)</u></b> | <b><u>93% (6 EEs)</u></b> | 107%                      |
|      | Asian/Pacific Islander   | 113%                        | 90%                       | 81%                       | 87%                       |
|      | Black                    | 81%                         | 103%                      | 92%                       | <b><u>86% (9 EEs)</u></b> |
|      | Hispanic                 | 78%                         | 97%                       | 92%                       | 96%                       |

- Due to the low number of employees under certain specific ethnicity groups as noted, the fluctuation of general race comparison result is more significant than gender comparison.
- More investigation will be needed if this information is to be utilized to identify pay equity issues. Factors such as qualifications, job value, seniority, and prior experience were not included in these general comparisons. Thus, the information of general comparison shouldn't be used to determine whether the City is in compliance with federal and state equal pay laws.

# Prior Study Comparison and Updates (Non-Sworn)

- In comparison to national average pay by ethnic background for non-sworn jobs, the City should still be considered keeping better pay equity condition than the national average.

## Average Pay for City Employees (non-sworn) of Various Ethnicities Compared to Average Pay for White City Employees as a Percentage

|      |                          | Non-White Pay vs. White Pay   |                           |
|------|--------------------------|-------------------------------|---------------------------|
| Year | Ethnicity                | National 2015 (male & female) | Non-Sworn (male & female) |
| 2016 | American Indian/Aleutian | N/A                           | 97%                       |
|      | Asian/Pacific Islander   | 107%-112%                     | 113%                      |
|      | Black                    | 72%-84%                       | 81%                       |
|      | Hispanic                 | 62%-72%                       | 78%                       |

## Summary of General Findings (Overall, Non-Sworn)

- In our overall review of “gender” salary comparison, in preparation for the regression analysis we noticed that a higher percentage of female employees are at lower grade jobs with grade midpoints ranging from \$15 to \$30 than male, while the percentage of male employees at jobs with grade midpoints from \$30 to \$60 is higher than females.

| Grade-Mid Hourly Rate | 2016   |         |      |         |
|-----------------------|--------|---------|------|---------|
|                       | Female | Female  | Male | Male    |
| less than \$15        | 0      | 0.00%   | 0    | 0.00%   |
| \$15 to \$20          | 614    | 18.20%  | 962  | 18.00%  |
| \$20 to \$30          | 1548   | 45.89%  | 2238 | 41.87%  |
| \$30 to \$40          | 717    | 21.26%  | 1172 | 21.93%  |
| \$40 to \$50          | 348    | 10.32%  | 686  | 12.83%  |
| \$50 to \$60          | 123    | 3.65%   | 262  | 4.90%   |
| \$60 to \$70          | 16     | 0.47%   | 9    | 0.17%   |
| \$70 or above         | 7      | 0.21%   | 16   | 0.30%   |
| Total                 | 3373   | 100.00% | 5345 | 100.00% |

- Due to this distribution of employees, the impact of “gender” on salary maybe less significant than assumed through the average salary comparisons. However, we conducted regression overall to verify.
- This information should be taken into consideration when the City reviews the job placement and grade allocation.



## Summary of General Findings (Overall, Non-Sworn)

- In our overall review of “race” salary comparison, in preparation for the regression analysis we noticed that a higher percentage of non-white employees are at lower grade jobs with grade midpoints ranging from \$15 to \$30 than white, while the percentage of white employees at jobs with grade midpoints from \$30 to \$60 is higher than non-white.

| Grade-Mid Hourly Rate | 2016      |           |       |         |
|-----------------------|-----------|-----------|-------|---------|
|                       | Non-White | Non-White | White | White   |
| less than \$15        | 0         | 0.00%     | 0     | 0.00%   |
| \$15 to \$20          | 1167      | 25.32%    | 409   | 9.95%   |
| \$20 to \$30          | 2181      | 47.32%    | 1605  | 39.06%  |
| \$30 to \$40          | 747       | 16.21%    | 1142  | 27.79%  |
| \$40 to \$50          | 374       | 8.11%     | 660   | 16.06%  |
| \$50 to \$60          | 126       | 2.73%     | 259   | 6.30%   |
| \$60 to \$70          | 5         | 0.11%     | 20    | 0.49%   |
| \$70 or above         | 9         | 0.20%     | 14    | 0.34%   |
| Total                 | 4609      | 100.00%   | 4109  | 100.00% |

- Due to this distribution of employees, the impact of “race” on salary maybe less significant than assumed through the average salary comparisons. However, we conducted regression overall to verify.
- This information should be taken into consideration when the City reviews the job placement and grade allocation.

## Summary of General Findings (Overall, Non-Sworn)

- We also reviewed the employee distribution by City of Austin Employee category for reference. (By Gender and Ethnicity)

|                     | 2016   |        |      |       |
|---------------------|--------|--------|------|-------|
|                     | Female | Female | Male | Male  |
| City Council Member | 7      | 0.2%   | 4    | 0.1%  |
| Executives/1        | 17     | 0.5%   | 22   | 0.4%  |
| Executives/2        | 39     | 1.1%   | 51   | 0.9%  |
| Exempt              | 1332   | 38.8%  | 1640 | 30.2% |
| Non-Exempt          | 2041   | 59.4%  | 3705 | 68.3% |
| Total               | 3436   | 100%   | 5422 | 100%  |

|                     | 2016      |           |       |       |
|---------------------|-----------|-----------|-------|-------|
|                     | Non-White | Non-White | White | White |
| City Council Member | 5         | 0.1%      | 6     | 0.1%  |
| Executives/1        | 19        | 0.4%      | 20    | 0.5%  |
| Executives/2        | 35        | 0.7%      | 55    | 1.3%  |
| Exempt              | 1219      | 26.1%     | 1753  | 41.8% |
| Non-Exempt          | 3390      | 72.6%     | 2356  | 56.2% |
| Total               | 4668      | 100%      | 4190  | 100%  |

- The percentage of Female employees allocated to Exempt/Executives position is about the same as Male employees’.
- The percentage of Non-White employees allocated to Exempt/Executives position is much lower than White employees’.

## Summary of General Findings (Overall, Non-Sworn)

- Employee distribution by EEO category as for reference. (By Gender and Ethnicity)

|               | 2016   |        |      |      |
|---------------|--------|--------|------|------|
|               | Female | Female | Male | Male |
| Admin/Supp    | 855    | 25%    | 251  | 5%   |
| Official/Adm  | 65     | 2%     | 76   | 1%   |
| Para-Prof     | 717    | 21%    | 861  | 16%  |
| Professionals | 1293   | 38%    | 1534 | 28%  |
| Protect/Svc   | 28     | 1%     | 68   | 1%   |
| Serv/Maint    | 181    | 5%     | 1066 | 20%  |
| Skill Craft   | 17     | 0.5%   | 1042 | 19%  |
| Technicians   | 280    | 8%     | 524  | 10%  |
| Total         | 3436   | 100%   | 5422 | 100% |

|               | 2016      |           |       |       |
|---------------|-----------|-----------|-------|-------|
|               | Non-White | Non-White | White | White |
| Admin/Supp    | 729       | 16%       | 377   | 9%    |
| Official/Adm  | 60        | 1%        | 81    | 2%    |
| Para-Prof     | 800       | 17%       | 778   | 19%   |
| Professionals | 1092      | 23%       | 1735  | 41%   |
| Protect/Svc   | 61        | 1%        | 35    | 1%    |
| Serv/Maint    | 1031      | 22%       | 216   | 5%    |
| Skill Craft   | 534       | 11%       | 525   | 13%   |
| Technicians   | 361       | 8%        | 443   | 11%   |
| Total         | 4668      | 100%      | 4190  | 100%  |

# Detailed Pay Equity Analysis - Study Objective

- The City is looking for a more comprehensive evaluation than its prior studies to identify if there are any pay equity issues in the organization.
- Arthur J. Gallagher's Human Resources and Compensation Consulting group (AJG) was retained by the City to conduct detailed statistical analysis of the current pay levels and identify possible pay equity issues at both organizational and department levels.
- The objective of this analysis is to determine if there are any indications of systematic pay disparities between employees of differing race or gender, isolate specific areas as possible, and identify key contributing factors.
- The analysis adheres to conditions defined in the Federal Equal Pay Act (EPA) of 1963, which forbids wage discrimination on the basis of gender.
- In addition, this study includes analysis of other protected classes, in accordance with the Title VII of the Civil Rights Act of 1964.

# Statistical Methodology

- Regression analyses were run on all variables at once. This means that we regressed pay against the following variables:
  - Gender
  - Age
  - Seniority (years since job begin day)
  - Race
  - Job Value (represented by pay grade mid-point)
- Regressions were run by: the whole organization (sworn and non-sworn positions) and department as long as the department has 40 or more employees in total.
- Regressions used the hourly pay for comparison in order to account for different annual hours.
- We excluded Executive and cadet positions from the statistical analysis due to no salary ranges.

# Statistical Methodology (Overall, Non-Sworn)

- We used the following variables in the regression analysis:

| <b>Variables</b> | <b>Status</b>              |
|------------------|----------------------------|
| <b>Seniority</b> | Job Start Year to 2016     |
| <b>Job FTE</b>   | Under 40-Hour-Schedule     |
|                  | Others                     |
| <b>Gender</b>    | Male                       |
|                  | Female                     |
| <b>Age</b>       | 40 or Above                |
|                  | Below 40                   |
| <b>Race</b>      | American Indian/Aleutian   |
|                  | Asian/Pacific Islander     |
|                  | Black                      |
|                  | Hispanic                   |
|                  | Other                      |
|                  | White                      |
| <b>Job Value</b> | Mid-point of Current Grade |

# Statistical Methodology

- Our first analysis included all of the variables to determine which have a statistically significant impact on pay.
- Statistical significance for inclusion in the formula was defined as  $p < .05$ .
- Once we identified those that did not have a statistically significant impact on pay, we removed them from the analysis and re-ran the analysis until we had the best set of variables that impacted pay.
- This analysis required two “runs” of data to obtain the best set of variables that impact pay.

# Background of Statistical Findings

- It should be noted that all statistical conclusions are limited to the data available and do not include other possible explanations for any pay differences that may exist;
  - The rate of pay negotiated at the time of hire, including the financial capability and the relative level of City need for the potential employee at the time of hire could have an impact on any pay differences;
  - The City policies for employees moving through salary range could impact the identified pay differences;
  - These factors, and others that are either difficult or unable to be quantified, may have had an impact on hire pay rate and pay movement over time.
- P-value generated by the regression thus should be used as an indicator for possible issues, rather than determination of pay equity problems – more detailed investigations would be necessary to explore the situation.



## Summary of Statistical Findings (Overall, Non-Sworn)

- The Job Value (Grade Mid) variable has the biggest impact on the pay, followed by Seniority (years since job begin), Age (being 40 or above) and Gender.
- The impact of being 40 or older on salary is positive, which means the City is NOT paying lower salaries to employees for being 40 or older.
- No race/age related discrimination was observed by the statistical model at the organizational level.
- Male employees, given all other factors being the same, tend to make \$0.12 or 0.4% more than Female employees per hour (based on the overall average hourly rate of \$29.20). The difference is minor and within the reasonable range for flaw in raw data (especially in Seniority) and not including factors such as performance in the analysis.
- We then ran regressions with the same process by department to identify possible pay equity issues at department level. (The results are shown on the following pages.)

## Summary of Statistical Findings (Departments that need more research)

- Since in most cases, we don't have the ideal amount of at least 40 employees under EACH category, we would recommend more detailed review for each of these department.
  
- Below are departments with possible pay equity issues:
  - Austin Water Utility
  - Aviation
  - Building Services
  - Convention Center
  - Emergency Medical Services, Non-Sworn
  - Fleet Services
  - Health & Human Services
  - Municipal Court
  - Public Works
  - Watershed Protection
  - Fire, Sworn

# Summary of Statistical Findings

- Overall, the City is doing a good job managing ideal pay equity status and there's no significant systemic pay equity issues identified in this study.
- Certain departments may have issue in a few areas and the pay differences need more detailed investigation. (Aviation, EMS-Non-Sworn, Fire-Non-Sworn)
- It should be noted that these statistical conclusions are limited to the data available and do not include other possible explanations for any pay differences that may exist;
  - The rate of pay negotiated at the time of hire, including the financial capability and the relative level of City need for the potential employee at the time of hire could have an impact on any pay differences;
  - The City policies for employees moving through salary range could impact the identified pay differences;
  - These factors, and others that are either difficult or unable to be quantified, may have had an impact on hire pay rate and pay movement over time.

# Recommendations (Non-Sworn)

- Perform more detailed investigation into departments with possible pay equity issues.
  - Departments listed in slide 18.
  - Impact areas: performance, turnover, recruiting.
- Examine policies and guidelines related to promotional opportunities and movement through the salary ranges to ensure equitable movement regardless of gender or race.
  - Based on the distribution of employees to the salary ranges shown on pages 8-9.
  - Impact areas: promotional .
- Enhance the integrity of data related to employment history with the City.
  - Discrepancies identified related to job start dates and salary grade changes may have an impact on the pay equity analysis results.
- Evaluate the application process and promotional opportunities through data collection which enables further analysis into potential adverse impact. Potential inclusion in future pay equity analyses.
- Continue to evaluate pay practices through a pay equity analysis on an annual basis.

# Recommendations (Non-Sworn)

- Utilize a formal job evaluation methodology to determine internal equity. This would be used in place of the pay grade midpoint for the job value. This would provide a more consistent and equitable internal value for the job titles.
  - Federal equal pay regulations state: Market value qualifies as a defense only if the employer can demonstrate that it assessed the marketplace value of the particular individual's job-related qualifications, and that the compensation disparity is not based on gender, which means consistent requirement for market pricing.
  - The implementation of formal job evaluation methodology will provide job value information that waives the needs of market value as defense of pay equity issue.
  - If the City decides that a job evaluation method is not to be utilized soon, we recommend consistent market pay research in order to meet federal equal pay regulations. (Market pricing research for all (or as many as possible) executive positions is recommended to confirm that the current pay is reflective of market rates since there is no established salary range for executive positions to reflect internal value.)

# Recommendations (Sworn)

- Examine policies and guidelines related to promotional opportunities and movement through the salary ranges to ensure equitable movement regardless of gender or race.
- Evaluate the application process and promotional opportunities through data collection which enables further analysis into potential adverse impact. Potential inclusion in future pay equity analyses.
- Continue to evaluate pay practices through a pay equity analysis on an annual basis.

# Appendix

- Appendix – Gender Comparison by Title (Non-Sworn)



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# Thank You

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