

MONTANA

EQUAL PAY FOR EQUAL WORK

TASK FORCE

A Self-Audit Pay Primer for Montana Employers

Both the Equal Pay Act and Title VII of the 1964 Civil Rights Act ban discrimination in pay based on gender. To ensure proactive compliance with these acts, you may want to conduct a pay self-audit. A pay self-audit is a great way to monitor your pay program, to ensure it is properly administered.

A pay self-audit is an in-depth review and analysis of the compensation system(s), as well as monitoring an entity's pay practices, to specifically assess whether race or gender-based compensation disparities exist. Pay self-audits should be conducted periodically, and reported to internal management.

The State Human Resources division recommends the following before beginning a pay self-audit:

1. Consult with an attorney or compensation professional. With all of the legal and compliance considerations surrounding pay, you may need professional advice about how to proceed with your pay audit.
2. If you start the pay audit process, make sure you are able to follow through on your findings. If you learn your organization has an issue, you must take steps to correct it.
3. Make sure to set your goals and objectives before beginning your pay audit. Not all organizations are the same, so you may have to audit different kinds of pay practices, make different kinds of job comparisons, and audit different types of pay or classification structures, based on your organizational type.

Organizational Considerations

Not all companies or entities should be audited the same. Differences in the type, size, budget, or locations of an entity will mean you need to ask different questions, or have a different focus. This means you will need to adjust your pay and pay practices audit for your organizational type. For example, the following are just a few differences in pay and pay practices for two opposing entities:

Public Sector Entity	Private Sector Entity
Pay is public information. All pay rates, practices, and audit results are subject to public disclosure	Pay rates and practices may be private information, and subject to confidentiality agreements.
Funding and Pay is not-for-profit	Pay may be affected by a company's profits and losses
Unions are common in many public sector entities, and pay may be a mandatory subject of collective bargaining	Unions are less common in private entities, so pay and pay practices are more likely to be determined by management
Pay rates may follow a rigid structure, set by contract or rule	Employees may be able to negotiate differing pay rates with their employer
Types of public sector pay components are more limited than those of private entities	Pay auditing of components or practices may include reviews of such items as stock options, bonuses, piece-rate pay, claw-back clauses, profit sharing, and other miscellaneous financial perks
Public sector pay is subject to a cyclical budget approval process; such as state pay approved by a biennial budget cycle.	Private pay practices may be more flexible and responsive to labor market conditions

Large Entity	Small Entity
Many employees may perform the same type of work	A single or few employees may perform similar work
Work is usually described in a formal job description	Work may not be described in a formal job description
Jobs may be classified and paid using a formal classification system	Work may be structured and paid using a simple hierarchy
Jobs may be located in diverse geographical locations, requiring location pay adjustments	Jobs are typically located in a single location using a standard measuring stick
Large employers comply with all applicable labor laws related to pay	Some labor laws may not apply to some very small entities

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Many other differences may apply, depending on your organization type. For a successful pay audit, tailor your audit questions to your organization.

Sample Pay Audit Questions

Here are some examples of questions the State Human Resources division considered when conducting its pay audit:

1. **How many women are in each occupation, and what is their percentage of the total available employees in the occupation?**
2. **How does pay for women compare to pay for men in each job code by supervisory versus non-supervisory duties across state government?**
3. **How does pay for women compare to pay for men in each job code by agency?**
4. **How does availability of women compare to availability for men within each occupation (by comparing men to women in the lower and higher band levels of an occupation)?**
Example – Accountants 5, 6, 7; are more women in 5 than 7, and how does pay compare?
5. **How do the following influence the pay comparisons between men and women:**
 - a. Education level
 - b. Years of service (leave accrual – break in service and impact on pay?),
 - c. Longevity (continuous service),
 - d. Age,
 - e. Supervision,
 - f. Pay for performance,
 - g. Starting pay rates (hire rates)
 - h. Competencies earned on the job (special licenses, skills, or other qualifications related to the job)
 - i. Formal career ladders,
 - j. Union status,
 - k. Other situational pay (including location pay, shift differential, and hazard duty pay)
 - l. What data can we obtain on other factors (example: part-time vs. full-time; race; etc.)
6. **What are the percentages of women and their salaries in management jobs in state government (by occupation or family, considering that some positions are classified the same as the people they supervise) compared to men?**
7. **What are the top ten occupations for women in state government, and what are the bottom ten occupations?**
 - a. What are the top ten occupations for men in state government, and what are the bottom ten occupations?
8. **What are the percentages of women for service, sales, and office occupations in state government; compared to percentages for transportation, maintenance, and construction? How does this compare to the availability of men and women in occupations?**
9. **When researching professional fields, what are the percentages of women in healthcare, education, and human service fields (professional fields that traditionally have employed women)?**
 - a. How do these salaries compare to professional fields such as science, engineering, mathematics, or technology (those occupations that have traditionally employed men)?
10. **What are the criteria used to set the starting pay rates for employees in each agency?**
11. **Does each agency periodically review pay for employees in similar jobs by comparing the pay of men and women?**
 - a. If so, how often?
 - b. If differences are found, are they documented? Corrected? What are the procedures?
12. **Are the agency's pay plan rules on file at the Department of Administration?**

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Resources

U.S. Equal Employment Opportunity Commission, Equal Pay/Compensation Discrimination:
www.eeoc.gov/laws/types/equalcompensation

EEOC Compliance Manual, Section 10, 12/05/2000: Compensation Discrimination:
www.eeoc.gov/policy/docs/compensation

U.S. Equal Employment Opportunity Commission, Questions and Answers:
Compliance Manual Section on Compensation Discrimination:
www.eeoc.gov/policy/docs/qanda-compensation

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SHRM Article, Conduct a Pay Equity Study to Mitigate Litigation Risks, by Donald Deere, Welch Consulting, 9/7/2010: www.shrm.org/hrdisciplines/compensation/articles/pages/payequitystudy

SHRM Article, Lebetter Act Adds Lengthy To-Do List for HR, by Allen Smith 2/10/2009:
www.shrm.org/legalissues/federalresources/pages/lebetteractodolistforhr

SHRM Toolkit, Managing Pay Equity, 6/23/2013:
www.shrm.org/templatestools/toolkits/pages/managingpayequity

SHRM Article, Five Reasons to Focus on Pay Equity, by Stephen Miller 3/8/2010:
www.shrm.org/hrdisciplines/compensation/articles/pages/fivereasons

WorldatWork Article, Auditing Payroll Data for OFCCP Compliance – Preparing Your Organization for a Pay Program Review; Volume 12 Number 3 Third Quarter 2003, Douglas M. Stokes, Ph.D., Sullivan, Cotter and Associates Inc., Mark E. Pittel, CCP, Sullivan, Cotter and Associates Inc.:
www.worldatwork.org/adimLink?id=16834

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