

SB

65

HFIN

FILE



SENATOR DAVE DONLEY

ALASKA STATE LEGISLATURE

**What The Study Required by SB 65 Will Do
An Explanation of the Difference Between:
Equal Pay for Same Work; Comparable Worth; Equal Pay for Equal Work
(3/2/01)**

SB 65 proposes the state do a pay equity study. The intent of the sponsor is that this study specifically examine the question of "equal pay for equal work" among Alaska State Employees. Following is an explanation of the difference between "equal pay for same work," "comparable worth" and "equal pay for equal work."

Equal Pay for Same Work: Under federal and state law a female worker is entitled to be paid the same as a male worker of the same job classification. We currently follow this practice in Alaska.

Comparable Worth: This term refers to the theory that jobs of equivalent overall value to the employer or to society ought to be compensated equally, even if the jobs are dissimilar in content. The comparable worth issue has tended to focus on the existence of the male/female pay gap and the desire that it be eliminated, rather than on the causes of the gap and the best methods for dealing with those causes.

Equal Pay for Equal Work: This principle requires equal compensation for jobs that require substantially the same skills, effort and responsibility and are performed under similar working conditions. This is the where the study should be focused. We need to be sure our process for classifying positions is not influenced by gender.

For instance, a recent pay equity study conducted for the State of Vermont found that terminology was a factor in determining job classifications. The "dirty" aspects of work were typically recognized in male jobs such as garbage collector or mechanic but missed in female jobs such as nurse or maid. The danger that meter readers face going into people's homes was recognized, but not the danger faced by public health nurses who go into those same homes (and stay longer). They felt terms should be used which are equally valid to female and male jobs (e.g., "tools" is more typically associated with male jobs while "equipment" is more likely to be associated with both men's and women's work). Overall, the Vermont study determined their system was not "broken" but merely needed to be updated and modified.

DD/kk

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FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSSB 65(FIN)
(S) Publish Date: _____

Revision Date/Time (Note if correction) _____ Dept. Affected Administration
Title "An Act requiring a study to determine if gender BRU Centralized Admin Svcs
is a determinant in state employee compensation" Component Personnel
Sponsor Senator Donley
Requester Senate Rules Component Number: _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel						
Contractual	50.0					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	50.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	50.0					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	50.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY99) cost: _____

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The FY 02 costs are estimated for a contracted study to independently review the state's pay formula and its application.

If the study reveals (a) source(s) of bias, the Department of Administration estimates a full-scale study will cost between \$500,000 and \$750,000

Prepared by Senate Rules Committee Phone 465-4993

Approved by: Senator Drue Pearce, Chair Date 3/20/01



SENATOR DAVE DONLEY

ALASKA STATE LEGISLATURE

Senate Bill 65 OVERVIEW OF BACK-UP INFORMATION

- 1) ALASKA ECONOMIC TRENDS published a study in its February 1999 issue entitled *The Gender Gap in Earning*. Utilizing information provided by the Department of Labor, the study found that on average women employed in Alaska earned 35% less than their male counterparts in terms of real wages in spite of the fact that women worked minutely more calendar quarters than men. The last date for which data was available for this particular study was 1997. Unlike the study SB65 proposes, the 1999 study did not seek to ascertain the potential causes for the wage discrepancies and only noted their existence.
- 2) The Washington v. Minnesota comparison is included to illustrate the dangers incurred by a state by not acknowledging that it may have an inequitable pay system. Note the concluding statements of both columns. The failure of Washington's legislature to proactively address the state's gender biased pay inequities led not only to expensive litigation but the substantial fiscal shock of forced wage rectification. Minnesota, on the other hand, voluntarily changed its state employee wage system through legislation and had the opportunity to smoothly implement the necessary corrections at a more reasonable cost.
- 3) This graph is included only to show that the discrepancy between male and female wages in both the public and private sectors is a situation that persists. The gaps in income within state and local government did close between 1997 and 1999 (in state government by 0.7% and in local government 2.2%) but it is unlikely that the sexes have reached wage-parity in the past year.

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The Gender Gap in Earnings

By Jeff Hadland
Economic

Females earned 65 cents for every dollar males earned in 1997



Women in Alaska earn less than men, on average. In 1997 Alaska females had wage and salary earnings only 65 percent as much as Alaska males, earning \$19,070 versus average male earnings of \$29,339. (See Exhibit 1.) Females make up 47 percent of total workers. They earned less than males in every geographic area of the state, in every major industry, in every age group, and most occupations.

Why is there a discrepancy in earnings? Within the same occupation, annual earnings differentials between the sexes may be the result of differences in training and experience, likelihood of seeking full-time versus part-time work, and even discrimination. None of these factors can be quantified or measured at this time and are not examined in this report. What we do know is that the average number of calendar quarters worked for males and females is virtually identical—3.24 quarters for males, 3.25 quarters for females.

Some females may improve their earnings by training for or searching for jobs in higher paying occupations currently dominated by males. Of course, career decisions must be made while considering the overall job outlook, number of positions currently filled and an assessment of the job seeker's ability.

Alaska's gender gap unchanged from 1995

From 1990 to 1995, Alaska's gender gap narrowed from 61.2% to 65.6%, a significant

improvement. This trend did not continue into 1997. The overall income and worker percentages for male and female workers remained relatively stable from 1995 to 1997 despite a strong economy, low unemployment and an increase in employment opportunities. Although the percentage of workers that were female increased slightly and females kept a slightly greater percentage of total earnings, average earnings for females declined in both absolute and relative terms from 1995 to 1997.

(Continued on page 6)

Employment and Earnings By gender, 1990-1997



		1990	1995	1997
Employment Distribution (Percent)	Male	52.7	53.0	52.8
	Female	47.3	47.0	47.2
Total Wage Distribution (Percent)	Male	64.5	63.3	63.2
	Female	35.5	36.7	36.8
Average Annual Earnings	Male	\$27,655	\$29,261	\$29,339
	Female	16,934	19,182	19,070
	All Workers	22,580	24,527	24,490
Ratio Female to Male Avg. Wage		61.2	65.6	65.0

APPENDIX I. COMPARISON OF PAY EQUITY ACTIVITIES IN THE STATE OF WASHINGTON & THE STATE OF MINNESOTA

The following information is excerpted from "Fair Pay - What's the Real Cost?" published by the National Committee on Pay Equity.

WASHINGTON: INACTION/ LITIGATION

Study Shows Pay Gap

In 1974, the State of Washington, with a total workforce of 30,000, performed a job evaluation study. The study showed that jobs held mostly by women were underpaid.

State Does Not Act

No steps were taken to correct the gap.

Inaction Prompts Lawsuit

AFSCME filed charges under Title VII of the Civil Rights Act. Only after the lawsuit was filed did the legislature begin correction. In 1983, nine years after the original study, the state passed legislation committing the state to pay equity by 1993.

Cost Would Have Been 5% of Payroll

The cost of correcting the gap was estimated at 5% of payroll.

Court Rules State Discriminated

In late 1983, a U.S. district court found the state guilty of discrimination.

Back Pay Awarded, Cost Rises

The judge awarded immediate wage corrections to employees in female jobs and back pay going back 5 years. The back pay award resulting from the state's refusal to make corrections voluntarily would have increased the cost for Washington State to over 25% of state payroll.

Litigation Continues

The state appealed the court decision and the U.S. Circuit Court of Appeals overturned the lower court's decision.

Settlement Reached

AFSCME and the State of Washington agreed to a financial settlement of \$106 million over a five-year period, rather than continuing litigation with an AFSCME appeal to the U.S. Supreme Court.

MINNESOTA: VOLUNTARY ACTION

Study Shows Pay Gap

In 1979, the State of Minnesota, with a total workforce of 30,000, performed a job evaluation study. The study showed that jobs held mostly by women were underpaid.

State Acts

The Minnesota Legislature responded by requiring pay equity in the state workforce.

Cooperative Process Established

In 1981, the Council on the Economic Status of Women established a Task Force on Pay Equity.

The Task Force issued a report showing the undervaluation of female jobs.

Cost is 4% of Payroll

The total cost of the correction was identified to be 4% of the state's payroll.

Legislature Phases In Correction

In March 1982, a bill passed which provided for a 4-year phased-in correction of inequities.

Increases Bargained

The first installment of the appropriation for wage increases was made in January 1983: \$21.7 million to cover the first two years of the phase-in. The actual distribution of this amount was negotiated through the usual collective bargaining process.

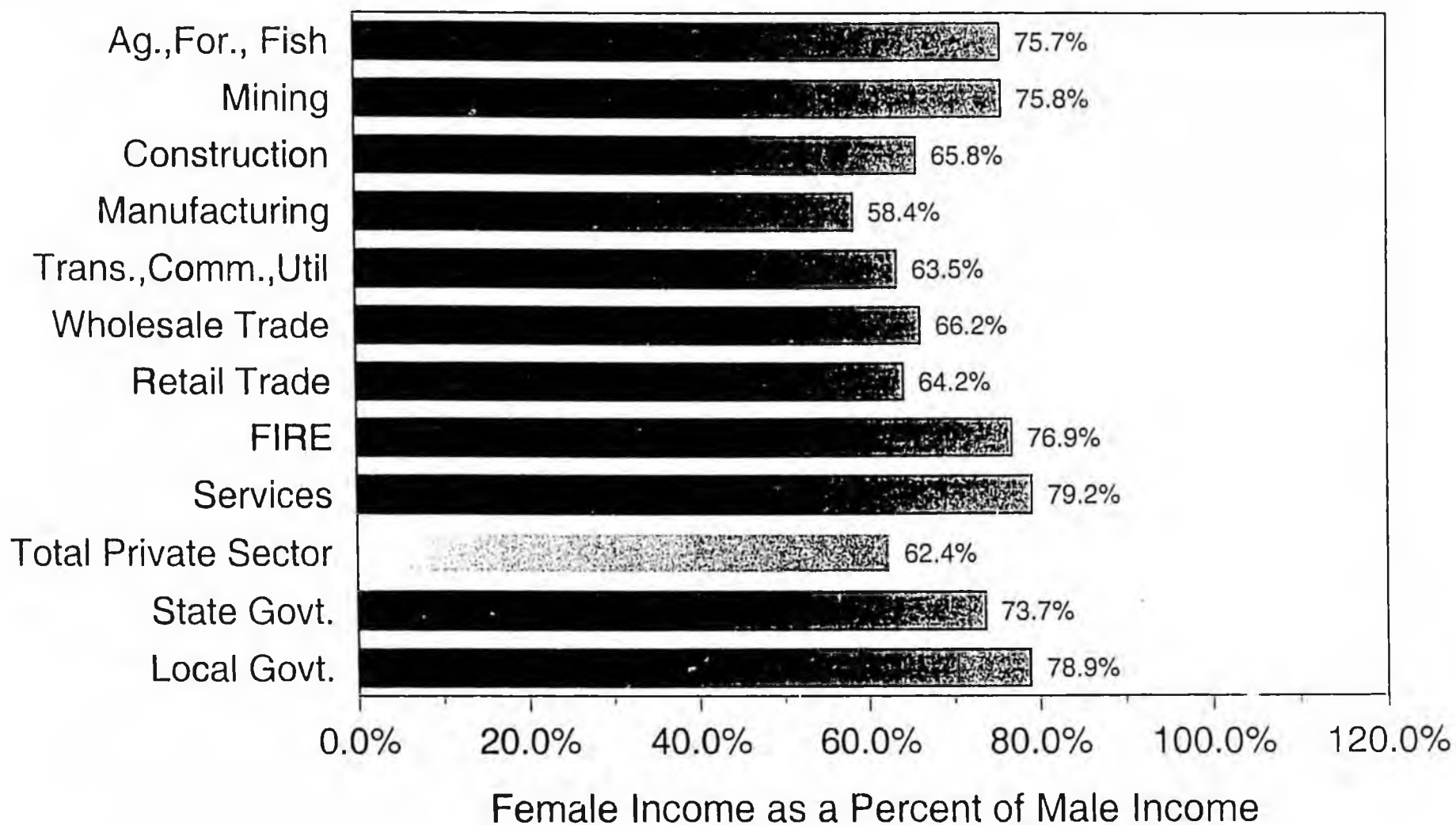
Final Implementation

The final installment of the appropriation for pay equity adjustments was made in the spring of 1985: \$11.7 million to complete pay equity implementation. These were negotiated and adjustments were made to eligible employees in July 1986.

The total cost of pay equity was 3.7 percent of payroll.

A University of Minnesota study of pay equity implementation found that more than 80 percent of the state employees surveyed strongly supported the pay equity program.

Female/Male Average Annual Wage Income Ratios by Industry, Alaska, 1999



Source: Alaska Dept. of Labor and Workforce Development, Research and Analysis



SENATOR DAVE DONLEY

ALASKA STATE LEGISLATURE

SPONSOR STATEMENT COMMITTEE SUBSTITUTE FOR SENATE BILL 65 (FIN) (3/14/01)

"An Act requiring a study regarding equal pay for equal work for certain state employees."

SB 65 requires the State of Alaska to conduct a study to determine if gender plays a role in state employee compensation. The State of Alaska has never performed a pay equity study. SB 65 provides a mechanism to assure the state is in compliance with federal law. If two workers do the same or similar job, it is illegal under federal law to pay each different wages based solely on their gender. Unfortunately, there is research showing that wage disparities between the sexes may exist in Alaska state government today. We know that on average Alaskan women working for the state are being paid less than men are. What we do not know is why. Only a pay equity study can answer that question. Only a pay equity study can determine where pay discrepancies may exist.

State employees should be paid based on the value of the work they perform, not based on whether they are men or women. Equal pay for equal work requires equal compensation for jobs that require substantially the same level of skills, effort and responsibility and are performed under similar working conditions. This is the where the study should be focused. We need to be sure our process for classifying positions is not influenced by gender.

"Equal Pay for Equal Work" should not be confused with "Equal Pay for Same Work", where a female worker is entitled to be paid the same as a male worker of the same job classification, or "Comparable Worth", the theory that jobs of equivalent overall value to the employer or to society should be compensated equally, even if the jobs are dissimilar in content.

Passage of SB 65 is, in itself, the right thing to do. But for those who are concerned about the costs to the state, there is another reason to support SB 65. Failure to address this situation could expose the state to expensive, time-consuming and divisive litigation.

Alaska should learn from mistakes made in other states. In Washington, legislators ignored evidence that women in state government were paid less than men and refused to enact legislation to correct this injustice. After years of litigation, Washington state

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SB 65 - Sponsor Statement

employees achieved pay equity through court action. The ultimate cost to the state was much higher than it would have been if the legislature had dealt with the problem.

Other states have been successful in voluntarily dealing with the problem of women being paid less than men for equal work. The approach used by other states, and set out in SB 65, is to first identify if there are instances in which the state is illegally paying women less than men. If the study finds such instances, then the state can develop phased strategies to eliminate gender discrimination.

The Division of Personnel has attached a \$50,000 Fiscal Note to SB 65 for FY02. This is the estimated cost for a contracted study to independently review the state's pay formula and its application.

SB 65 promotes fairness in the workplace and recognizes the valuable work that is being performed by the men and women in our state government. In the long run, the passage of SB 65 could save the state a great deal of money.

DD/kk



SENATOR DAVE DONLEY

ALASKA STATE LEGISLATURE

SECTIONAL ANALYSIS Senate Bill 65 (Pay Equity) (3/9/01)

"An Act requiring a study regarding equal pay for equal work for certain state employees."

Section 1. Sets out legislative findings and purpose.

Rationale: Explains existing state law and explains the parameters of the proposed study as being equal pay for equal work.

Section 2. Requires the Department of Administration to conduct a study to determine whether gender is a determinant in setting compensation for state employees. It also sets a time limit for the study to be completed by January 15, 2003.

Rationale: It is currently illegal under federal law to pay two workers who do the same or similar job different wages based solely on their gender. There is research showing that women working for state government are, on average, paid less than men. This legislation will require the state to conduct a pay equity study so that we may be sure our process for classifying positions is not influenced by gender. SB 65 also provides a time frame for completing the study.

Failure to enact this legislation could leave the state vulnerable to expensive, time-consuming and divisive litigation.

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