The Revised EEO-1 Report: Seeing the Trees and the Forest

Alex Gonzalez, PeopleFluent

Dr. Murray Simpson, PeopleFluent

August 2, 2017

SALSA

Strategy, Access, & Leadership in San Antonio

Overview

- **Seeing the trees:**
  - **Examine the details of compiling and integrating required data**
  - **How challenging will the task be?**
- **Seeing the forest:**
  - **What statistical picture of your organization's compensation practices does the revised EEO-1 report provide to the EEOC or OFCCP?**
  - **What actions should you take to be well prepared for filing the revised report?**

Let's Start with the Trees!

SALSA

Strategy, Access, & Leadership in San Antonio

Changes in EEO-1 Reporting

EEO-1 Reporting	Past	Future
Private employers (without federal contracts or subcontracts) with 100 or more employees	Sex and race/ethnicity data	Sex, race/ethnicity, W-2 earnings, and hours worked data
Federal contractors and subcontractors with 100 or more employees	Sex and race/ethnicity data	Sex, race/ethnicity, W-2 earnings, and hours worked data
Federal contractors and subcontractors with 50-99 employees	Sex and race/ethnicity data	Sex and race/ethnicity data
Federal contractors and subcontractors with 49 or fewer employees and private employers with 99 or fewer employees	No filing requirements	No filing requirements
Workforce snapshot (taken as of a payroll within the designated 3-month period)	July 1 - September 30	October 1 - December 31
Filing deadline	September 30 (ending in 2016)	March 31 (beginning with 2018)

Revised EEO-1 Report: Data Elements

- **Need to know the following for each employee:**
  - **Employee date**
  - **EEO-1 establishment (location)**
  - **EEO-1 job category**
  - **Sex**
  - **Race or ethnicity**

  Same as in the past

New

- **Earnings during the calendar year from Box 1 of W-2**
- **A measure of hours worked during the calendar year**
  - **Non-exempt: Hours worked (as defined by FLSA)**
  - **Exempt: (1) Actual hours worked or**
    (2) 20 hours/week if PT, 40 hours/week if FT

SALSA

Strategy, Access, & Leadership in San Antonio

First Reporting Matrix: Employee Counts by Pay Band & Race/Gender Combo

SECTION D - EMPLOYMENT DATA

Employment at this establishment - Report all permanent full- and part-time employees including apprentices and on-the-job trainees unless specifically excluded as set forth in the instructions. Enter the appropriate figures on all lines and in all columns. Blank spaces will be considered as zeros.

Job Categories	Annual Salary in Thousands	Number of Employees (Report employees in only one category)														
		Race/Ethnicity														Total Col A-N
		Hispanic or Latino		Non/Hispanic or Latino												
				Male						Female						
		Male	Female	White	Black or African American	Native Hawaiian or Pacific Islander	Asian	Native American or Alaska Native	Two or More races	White	Black or African American	Native Hawaiian or Pacific Islander	Asian	Native American or Alaska Native	Two or More races	
		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
Executive/Senior Level Officials and Managers 1.1	1. $19,239 and under															
	2. $19,240 - $24,439															
	3. $24,440 - $30,679															
	4. $30,680 - $38,999															
	5. $39,000 - $49,919															
	6. $49,920 - $62,919															
	7. $62,920 - $80,079															
	8. $80,080 - $101,919															
	9. $101,920 - $128,959															
	10. $128,960 - $163,799															
	11. $163,800 - $207,999															
	12. $208,000 and over															
	13. $19,239 and under															
	14. $19,240 - $24,439															
	15. $24,440 - $30,679															

SAMPLE

SALSA

Strategy, Access, & Leadership in San Antonio

Second Reporting Matrix: Hours Worked by Pay Band & Race/Gender Combo

SECTION D - EMPLOYMENT DATA

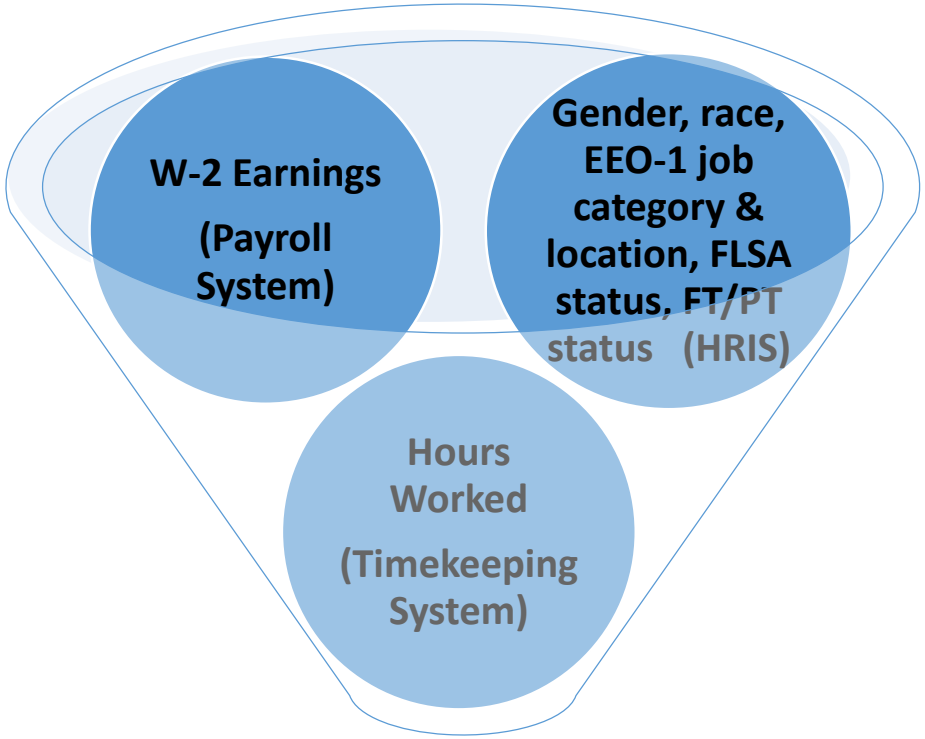
Employment at this establishment - Report all permanent full- and part-time employees including apprentices and on-the-job trainees unless specifically excluded as set forth in the instructions. Enter the appropriate figures on all lines and in all columns. Blank spaces will be considered as zeros.

Job Categories	Annual Salary in Thousands	For each cell provide the TOTAL Number of Hours worked in last year														
		Race/Ethnicity														Total Col A-N
		Hispanic or Latino		Non/Hispanic or Latino												
				Male						Female						
		Male	Female	White	Black or African American	Native Hawaiian or Pacific Islander	Asian	Native American or Alaska Native	Two or More races	White	Black or African American	Native Hawaiian or Pacific Islander	Asian	Native American or Alaska Native	Two or More races	
		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
Executive/Senior Level Officials and Managers 1.1	1. $19,239 and under															
	2. $19,240 - $24,439															
	3. $24,440 - $30,679															
	4. $30,680 - $38,999															
	5. $39,000 - $49,919															
	6. $49,920 - $62,919															
	7. $62,920 - $80,079															
	8. $80,080 - $101,919															
	9. $101,920 - $128,959															
	10. $128,960 - $163,799															
	11. $163,800 - $207,999															
	12. $208,000 and over															
	13. $19,239 and under															
	14. $19,240 - $24,439															

SAMPLE

Data Challenges

Big Challenge: Integrating Data From Different Sources

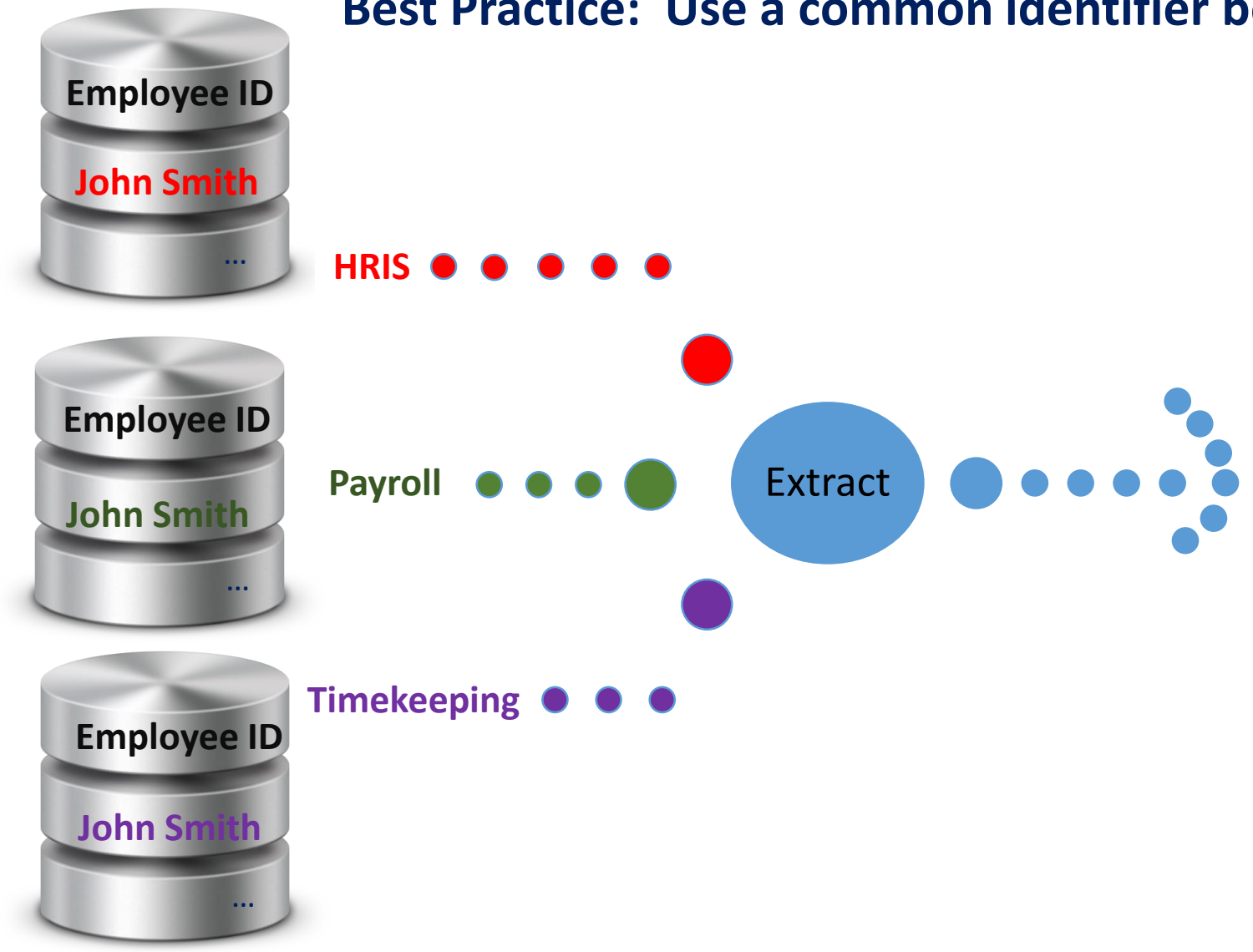


Revised EEO-1 Report

1. Are data extracts easy to obtain?
2. How much data cleansing is needed?
3. Merge data by Name (may be difficult) or unique Emp ID (easier)?

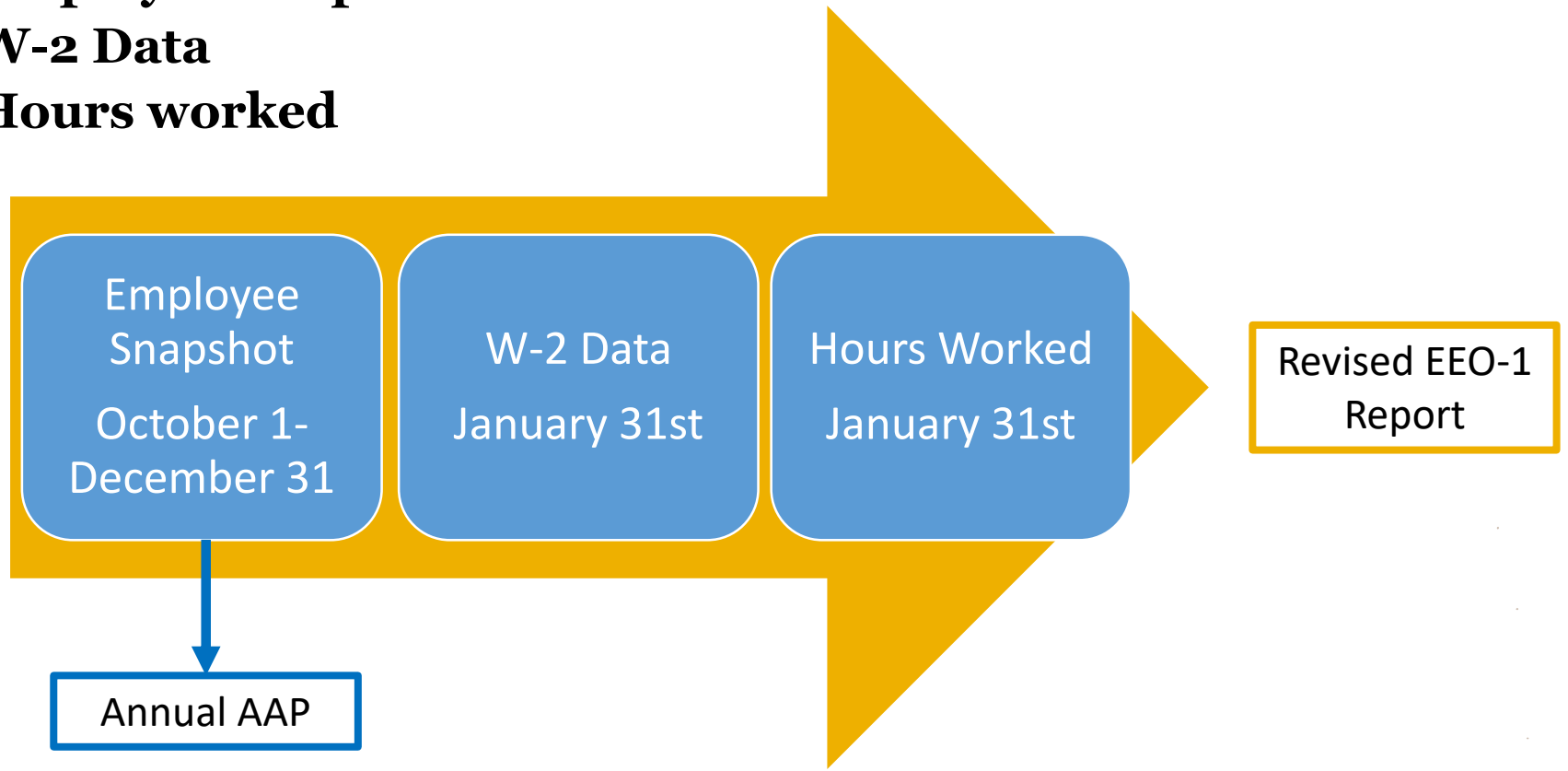
Data Challenges – Common Key

Best Practice: Use a common identifier between systems



Data Challenges – Aligning Data

- **Aligning data**
  - **Employee Snapshot**
  - **W-2 Data**
  - **Hours worked**



Data Challenges –Merging Data

- **Snapshot Date – December 31, 2017**
  - **Can be from a payroll period between October 1 – December 31**

HRIS Employee ID	Payroll Employee ID	Timekeeping Employee ID	EEO – Data File
Not Present	Not Present	Not Present	Record is NOT included
Not present	Not Present	Present	Record is NOT included
Not Present	Present	Not Present	Record is NOT included
Not present	Present	Present	Record is NOT included
Present	Not Present	Not Present	Include Record; Data issue
Present	Not Present	Present	Include Record; Data issue
Present	Present	Not Present	Include Record; Data issue
Present	Present	Present	Include Record

Data Challenges – Reconciling Data

- **Workforce snapshot**
  - **Includes all active employees on payroll snapshot date**
  - **Also serves as AAP annual employee workforce snapshot**

- **Reporting pay data**
  - **Reported for employee records <u>on workforce snapshot</u>**
  - **Pay is based on W-2 Box 1 earnings**
  - **Pay can not be annualized**

Data Challenges – Reconciling Data

- Reporting hours worked
  - Reported for employee records <u>on workforce snapshot</u>
  - **Will <u>NOT</u> report individual earnings and hours worked**
  - Use FLSA – Hours worked under FLSA
    - For **FLSA non-exempt employees**, use the number of hours worked under the FLSA that year
    - For **FLSA exempt employees**, employers have some options:
    - 40 hours/week for full-time and 20 hours/week for part time multiplied by the number of weeks worked that year
    - Actual hours worked could be used if desire. NOTE: **Employers *are not* required to start keeping records for exempt employees**

Data Challenges – Standard Checks

- **Best practices**
  - **Check data for validity, consistency, and missing information**
    - **Race, gender, EEO-1 job category codes, locations (establishments), job titles**
  - **Consistency - verify job titles vs EEO-1 job categories**
  - **Verify current data vs previous year filing**
    - **Number of locations (greater than 50)**
    - **Employee counts**
    - **Job titles by EEO-1 job category**
    - **Location address information, e.g., unitIDs**

Data – Best Practice Tips

Managing Data – Best Practices

- **Determine a common key (identifier) across all systems: HRIS, Timekeeping and Payroll**
- **Processing data**
  - **Best Practice: To facilitate AAP and EEO-1 data production – generate the workforce snapshot data file for both reports, e.g., December 31st**
- **Merging data**
  - **Produce the workforce snapshot**
  - **Produce the separate data files from Payroll and Timekeeping**
  - **Merge the payroll and timekeeping data into EEO-1 Data file**
    - **Translate the pay data to one of the 12 Bands (don't include the actual w-2 amount on the data file)**

And Now for the Forest!

SALSA

Strategy, Access, & Leadership in San Antonio

How Will EEOC/OFCCP Utilize the Revised EEO-1 Reports?

Revised EEO-1 Reports

Publish aggregated data (perhaps by industry and geographic area) against which employers can assess their own pay practices

Also will conduct statistical analyses by gender and race

Mann-Whitney U Test, Kruskal-Wallis Test, Interval Regression

OFCCP

- Statistical results likely will factor into agency's audit selection process
- Unfavorable results could increase the risk of a compliance review

EEOC

- Help early in the charge process to assess claims and focus investigations
- Perhaps foster a Commissioner's Charge or a directed investigation to scrutinize comp practices

Statistical Tests – What Questions Do They Address?

- **Mann-Whitney U Test (a.k.a. Rank Sum Test)**
  - **Compares two groups (Females v. Males or Minorities v. Non-Minorities)**
  - **Key question: Are males clustered disproportionately among the higher pay bands and females among the lower pay bands? Or vice versa?**

Statistical Tests – What Questions Do They Address?

- **Kruskal-Wallis Test**
  - **Compares more than two groups (Whites, Blacks, Hispanics, Asians, etc.)**
  - **Key question: Is one or more racial groups clustered disproportionately among the higher pay bands? Or among the lower pay bands?**

Statistical Tests – What Questions Do They Address?

- **Interval Regression**
  - **Seeks to model W-2 earnings as a function of hours worked, gender and race when the analyst knows only the ordered category (that is, the W-2 pay band) in which each employee falls but not each employee's exact W-2 earnings**

Example

Simpson, Inc.

EEO-1 Pay and Hours Study for Consolidated Report

Simpson, Inc.
Consolidated EEO-1 Report: Operatives

OPERATIVES - EEO CODE 7 (Number of Employees)															
W-2 Earnings	Race/Ethnicity														Total
	Hsp or Latino		Male						Female						
	Hsp M	Hsp F	Wht M	Blk M	Pac M	Asn M	Nat Am M	Two M	Wht F	Blk F	Pac F	Asn F	Nat Am F	Two F	
2. $19,240 - $24,439	9	3	6	1	0	1	0	0	7	1	0	0	0	0	28
3. $24,440 - $30,679	40	7	40	3	0	3	0	0	7	2	0	1	0	0	103
4. $30,680 - $38,999	22	9	47	9	0	15	0	0	4	0	0	6	0	0	112
5. $39,000 - $49,919	43	44	166	32	0	19	0	0	31	3	0	6	0	0	344
6. $49,920 - $62,919	44	24	116	1	0	22	0	0	5	1	0	3	0	0	216
7. $62,920 - $80,079	8	1	25	0	0	11	0	0	0	0	0	0	0	0	45
8. $80,080 - $101,919	0	0	0	0	0	2	0	0	0	0	0	0	0	0	2
Total Operatives	166	88	400	46	0	73	0	0	54	7	0	16	0	0	850

SALSA

Strategy, Access, & Leadership in San Antonio

Simpson, Inc.
Consolidated EEO-1 Report: Operatives

OPERATIVES - EEO CODE 7 (Total Number of Hours Worked)															
W-2 Earnings	Race/Ethnicity														Total
	Hsp or Latino		Male						Female						
	Hsp M	Hsp F	Wht M	Blk M	Pac M	Asn M	Nat Am M	Two M	Wht F	Blk F	Pac F	Asn F	Nat Am F	Two F	
2. $19,240 - $24,439	18933	6401	10494	2806	0	1581	0	0	14366	2020	0	0	0	0	56601
3. $24,440 - $30,679	85694	14562	108745	7319	0	7035	0	0	14288	4758	0	2550	0	0	244951
4. $30,680 - $38,999	44394	20669	98853	20860	0	38116	0	0	7892	0	0	15592	0	0	246376
5. $39,000 - $49,919	99866	102758	352196	70803	0	44569	0	0	65588	6518	0	14112	0	0	756410
6. $49,920 - $62,919	100650	54148	245292	2101	0	52576	0	0	10627	2226	0	7062	0	0	474682
7. $62,920 - $80,079	19478	2467	63615	0	0	29168	0	0	0	0	0	0	0	0	114728
8. $80,080 - $101,919	0	0	0	0	0	5346	0	0	0	0	0	0	0	0	5346
Total Operatives	369015	201005	879195	103889	0	178391	0	0	112761	15522	0	39316	0	0	1899094

Rank Sum Analysis of Females v. Males

Gender Analysis

OPERATIVES (EEO CODE 7)			
W-2 Earnings	Female	Male	Total
2. $19,240 - $24,439	11	17	28
3. $24,440 - $30,679	17	86	103
4. $30,680 - $38,999	19	93	112
5. $39,000 - $49,919	84	260	344
6. $49,920 - $62,919	33	183	216
7. $62,920 - $80,079	1	44	45
8. $80,080 - $101,919	0	2	2
Total Operatives	165	685	850

Gender Analysis - Rank Sum Test

Question Rank Sum Test seeks to answer: Are males clustered disproportionately among the higher pay bands and females among the lower pay bands? Or vice versa?

OPERATIVES (EEO CODE 7)		
W-2 Earnings	Female % Distribution	Male % Distribution
2. $19,240 - $24,439	6.67%	2.48%
3. $24,440 - $30,679	10.30%	12.55%
4. $30,680 - $38,999	11.52%	13.58%
5. $39,000 - $49,919	50.91%	37.96%
6. $49,920 - $62,919	20.00%	26.72%
7. $62,920 - $80,079	0.61%	6.42%
8. $80,080 - $101,919	0.00%	0.29%
Total Operatives	100.00%	100.00%

Gender Analysis - Rank Sum Test

OPERATIVES (EEO CODE 7)					
W-2 Earnings	Female	Male	Total	Average Rank	Female Rank Sum
2. $19,240 - $24,439	11	17	28	14.5	159.5
3. $24,440 - $30,679	17	86	103	80.0	1,360.0
4. $30,680 - $38,999	19	93	112	187.5	3,562.5
5. $39,000 - $49,919	84	260	344	415.5	34,902.0
6. $49,920 - $62,919	33	183	216	695.5	22,951.5
7. $62,920 - $80,079	1	44	45	826.0	826.0
8. $80,080 - $101,919	0	2	2	849.5	0.0
Total Operatives	165	685	850		63,761.5

Female Rank Sum	63,761.5
Expected Rank Sum	70,207.5
Difference	-6,446.0
Stated as # of Std Devs	-2.38

Kruskal-Wallis Analysis of Racial Groups

Question: Is one or more racial groups clustered disproportionately among the higher pay bands? Or among the lower pay bands?

SALSA

Strategy, Access, & Leadership in San Antonio

Race Analysis – Kruskal-Wallis Test

OPERATIVES (EEO CODE 7)										
W-2 Earnings	Wht	Blk	Hsp	Asn	Total	Average Rank	Wht Rank Sum	Blk Rank Sum	Hsp Rank Sum	Asn Rank Sum
2. $19,240 - $24,439	13	2	12	1	28	14.5	188.5	29.0	174.0	14.5
3. $24,440 - $30,679	47	5	47	4	103	80.0	3,760.0	400.0	3,760.0	320.0
4. $30,680 - $38,999	51	9	31	21	112	187.5	9,562.5	1,687.5	5,812.5	3,937.5
5. $39,000 - $49,919	197	35	87	25	344	415.5	81,853.5	14,542.5	36,148.5	10,387.5
6. $49,920 - $62,919	121	2	68	25	216	695.5	84,155.5	1,391.0	47,294.0	17,387.5
7. $62,920 - $80,079	25	0	9	11	45	826.0	20,650.0	0.0	7,434.0	9,086.0
8. $80,080 - $101,919	0	0	0	2	2	849.5	0.0	0.0	0.0	1,699.0
Total Operatives	**454**	**53**	**254**	**89**	**850**		200,170.0	18,050.0	100,623.0	42,832.0

Kruskal-Wallis Stat	16.35
# of Std Devs	3.30

Average Rank	440.9	340.6	396.2	481.3

Don’t Delay,
Start Preparing Now

1. Conduct Report Prep "Stress Test"

- Obtain HRIS, Payroll, and Timekeeping extracts
- Determine hours worked for exempt employees
- Cleanse & merge data
- Produce revised EE0-1 report

2. Perform Statistical Analyses of Test Report

- Rank Sum Analysis of Females v. Males
- Kruskal-Wallis Analysis of Racial Groups
- Interval Regression Analysis
- Are There Areas of Concern?

3. Conduct a Comprehensive Pay Equity Study

Similarly Situated

Pay Variables Analyzed

- Base Pay
- Overtime Pay
- Merit Increase
- Promotion Increase
- Other?

Explanatory Factors

1
Company-wide Analysis

2
OFCCP-Style Analysis

3
What pay disparities merit further investigation?

Are any pay equity adjustments needed?

Adopt a methodology that examines distinct comparison groups as well as patterns across groups.

Adopt a methodology that mirrors what OFCCP does in an audit

Summary

- Report Prep Stress Test
- \+
- Analysis of Test Report
- \+
- Comprehensive Pay Equity Study

- EEOC
- OFCCP

Pay Discrimination Claims

Questions?

Thank You

Find PeopleFluent on…
Twitter: twitter.com/peoplefluent
LinkedIn: linkedin.com/company/peoplefluent
Facebook: facebook.com/peoplefluent
Blog: peoplefluent.com/resources/peoplefluent-blog

murray.simpson@peoplefluent.com
919-645-2974

alex.gonzalez@peoplefluent.com
972-401-7050