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PAY EQUITY—THE MINNESOTA EXPERIENCE

Nina Rothchild*

We have all heard opponents of pay equity claim that if you adopt comparable worth, you will “destroy the market,” or “the cost is prohibitive,” or “workers will lose jobs and you will hurt the very people you want to help.” I find these arguments curious because the reaction seems so overblown and out of proportion to the policy change involved, particularly as it has evolved in Minnesota.

The concept of comparable worth is simple: jobs should be paid according to their value, whether the jobs are performed by men or by women. It says that pay should be based on the level of skill, effort, responsibility, and working conditions required to do the job. It is hard to believe that such a common sense idea could generate such an emotional reaction.

In this essay I will describe Minnesota’s experience with pay equity at the state and local levels. Our experience leads us to believe that the arguments of the opposition are pure conjecture and that the scare stories about comparable worth are reckless and unfounded. Our experience shows that comparable worth can be achieved in an orderly fashion and at reasonable cost.

I. BACKGROUND

Minnesota is a state of about four million people, with 34,000 full-time state employees working in about 1800 job classifications.¹ The Minnesota Public Employment Labor Relations Recodification Act of 1984² defines sixteen bargaining units based on occupational groups.³ Eleven unions represent these units, with six of the units represented by the American Federation of State, County, and Municipal Employees (AFSCME).

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1. COMMISSION ON THE ECONOMIC STATUS OF WOMEN, PAY EQUITY: THE MINNESOTA EXPERIENCE 7 (June 1985) (copy on file with U. MICH. J.L. REF.) [hereinafter MINNESOTA EXPERIENCE].

2. MINN. STAT. ANN. §§ 179A.01-.25 (West Supp. 1987).

3. *Id.* § 179A.10(2).

About ninety percent of the employees in state government are covered by collective bargaining agreements.⁴

Minnesota's comparable worth activity began in the 1970's. In that decade we had a series of studies and reports that documented the general disparity in wages between men and women and that formed the background against which pay equity initiatives were later considered.

In 1979, the State contracted with the management consulting firm of Hay Associates to begin the establishment of a job evaluation system to measure the content of jobs in state service. Although the contract with Hay Associates was not undertaken for the purpose of conducting a comparable worth study, the installation of the Hay system later made such an analysis possible.

In October 1981, a task force was established by the legislative advisory Council on the Economic Status of Women to study pay practices for male and female state employees. On the task force were members of the State House and Senate, representatives of the Department of Employee Relations, union representatives, and members of the public.

Using the Hay job evaluation system and comparing evaluated job worth with current salary levels for all job classes, the study documented a consistent pattern of disparities in pay between female-dominated and male-dominated jobs rated equally valuable under the State's job evaluation system.⁵ The estimated annual cost for eliminating these disparities was \$26 million, an amount that was equivalent to about four percent of the State's 1982 payroll.⁶

II. LEGISLATION FOR STATE EMPLOYEES

In response to the comparable worth study, the 1982 session of the Minnesota state legislature enacted the State Employees Pay Equity Act.⁷ The law established a comparable worth policy and a process for implementing pay adjustments. The policy statement reads:

4. MINNESOTA EXPERIENCE, *supra* note 1, at 7.

5. MINNESOTA DEP'T OF EMPLOYEE RELATIONS, A GUIDE TO IMPLEMENTING PAY EQUITY IN LOCAL GOVERNMENT 3 (Aug. 1984) (copy on file with U. MICH. J.L. REF.).

6. *Id.* According to our calculations, \$26 million is less than 0.4% of the total annual state budget.

7. Ch. 634, 1982 Minn. Laws 1559 (codified as amended in scattered sections of MINN. STAT. ANN. ch. 43A).

It is the policy of this state to attempt to establish equitable compensation relationships between female-dominated, male-dominated, and balanced classes of employees in the executive branch. Compensation relationships are equitable within the meaning of this subdivision when the *primary consideration* in negotiating, establishing, recommending, and approving total compensation is *comparability of the value of the work* in relationship to other positions in the executive branch.⁸

The procedure for making comparability adjustments was designed to be ongoing. The Commissioner of Employee Relations reports to the legislature each biennium a list of female-dominated job classes that are paid less than the average of male classes with the same number of job evaluation points. The report must also include an estimate of the cost of eliminating those disparities. Funds may then be appropriated through the usual legislative process. Appropriated funds are assigned to the different state bargaining units in proportion to the total cost of implementing pay equity for employees in job classes represented by that unit. Actual distribution of pay equity increases, like other salary increases, is negotiated through the usual collective bargaining process.⁹

III. IMPLEMENTATION FOR STATE EMPLOYEES

In 1983, the legislature appropriated \$21.8 million for the 1983-1985 biennium to begin implementation of pay equity for state employees. This amounted to about 1.25% of the state payroll per year,¹⁰ and was consistent with the original cost estimates of four percent of payroll, or slightly above the planned implementation schedule of one percent per year for four years.

The State then negotiated with each of the sixteen bargaining units representing employees, and contracts including pay equity increases were signed for the 1983-1985 biennium. As a result of this first round of collective bargaining on pay equity, about 8200 employees in approximately 150 job classes received pay equity adjustments in addition to other salary increases.

8. MINN. STAT. ANN. § 43A.01(3) (West Supp. 1987) (emphasis added).

9. *Id.* § 43A.05(5).

10. MINNESOTA EXPERIENCE, *supra* note 1, at 6.

In 1985, the legislature again earmarked funds for pay equity adjustments. The \$11.8 million that was appropriated provided sufficient funds to bring the wages for all female-dominated job titles to the average pay line of male-dominated job titles for July 1986. The total cost of eliminating the wage gap over the four-year time frame turned out to be 3.7% of the State's payroll, slightly below the original estimate of four percent.¹¹

On an individual basis, all clerical workers and about half of health care workers received pay equity increases, and about ten percent of those who benefited were men.¹² Individual pay equity increases averaged about \$2200 annually by the end of the program, while at the same time there were no reductions or freezes in salaries for male-dominated jobs.¹³

IV. LEGISLATION FOR LOCAL GOVERNMENT EMPLOYEES

Partly in response to the smooth implementation of pay equity for state employees, the legislature extended pay equity to local governments in 1984 when it passed the Local Government Pay Equity Act.¹⁴ This law is very similar to the State Employees Pay Equity Act: it includes a similar policy statement that makes pay equity a primary consideration in salary setting, while allowing for other considerations.¹⁵

The law requires local governments to use job evaluation to determine the comparable work value for jobs within each jurisdiction. Each local government, however, may decide which job evaluation system to use, or whether to design a method of its own.¹⁶ By October 1985, local officials were to report to the Department of Employee Relations on information gathered through the job evaluation study, including information about the local government's plan for implementation.¹⁷ In January 1986, the Department reported to the legislature on the informa-

11. Minnesota Dep't of Employee Relations, Pay Equity—The Minnesota Experience 2 (Jan. 1986).

12. MINNESOTA DEP'T OF EMPLOYEE RELATIONS, STATE EMPLOYEES—SALARY EQUALIZATION 3 (Jan. 1985) (copy on file with U. MICH. J.L. REF.).

13. *Id.*

14. Ch. 651, 1984 Minn. Laws 1896 (codified as amended at MINN. STAT. ANN. §§ 471.991-.999 (West Supp. 1987)).

15. MINN. STAT. ANN. § 471.992 (West Supp. 1987) (effective Aug. 1, 1987); see *supra* text accompanying notes 7-8.

16. *Id.* § 471.994.

17. *Id.* § 471.998.

tion submitted by local officials.¹⁸ The law provides for limited legal protection while this process is underway. Until August 1987, the results of the job evaluation studies cannot be used as evidence of discrimination in state courts or before the State Human Rights Department.¹⁹ Job evaluation results and the reports are to be treated as private personnel data until July 31, 1987.²⁰

While it is too soon to make a final assessment of the local government law, preliminary data show results consistent with the State's experience. As of January 1986, about 1100 reports had been received from local units of government.²¹ About half of those reporting, primarily the very small jurisdictions, found no inequities in their pay scales.²² Of those with disparities, the local governments estimated the cost of eliminating disparities on average to be 2.6% of payroll.²³ Reported costs averaged 1.7% of payroll for school districts, 4.1% for cities, and 3.8% for counties.²⁴ On average, local governments plan to implement pay equity adjustments over a 2.3-year period.²⁵

V. ANALYSIS

In Minnesota we attribute the State's success with pay equity to a number of factors. The sheer consistency of salary disparities among state employees was an important factor, as was the broad-based, cooperative nature of the support for both bills. For both the state and local government pay equity laws, it was critical that the collective bargaining process be maintained as a major avenue for implementation.

There was no testimony in opposition to the state government employees pay equity law in 1982, or to the appropriation of funds for this purpose in either 1983 or 1985. The positive experience in implementing pay equity at the state level showed that fears about implementation were unfounded, and this was significant in passage of the local government law in 1984.

18. *See id.* § 471.999.

19. *Id.* § 471.9975.

20. *Id.* § 471.996.

21. MINNESOTA DEP'T OF EMPLOYEE RELATIONS, PAY EQUITY IN MINNESOTA LOCAL GOVERNMENTS 6 (Jan. 1986) (copy on file with U. MICH. J.L. REF.).

22. *Id.* at 8.

23. *Id.* at 10.

24. *Id.*

25. *Id.* at 11.

The local government law had rather token opposition, based primarily on the traditional distaste for state mandates. It was important that the law retain a good deal of control at the local level; local officials could choose what kind of job evaluation system to use and what kind of implementation plan to develop. The legislation was carefully designed to allow ample time for a process that could include gradual implementation.

CONCLUSION

What did *not* happen when we implemented pay equity in Minnesota is probably more significant than what did happen, in view of the dire consequences predicted by opponents. At the state level, we have now had four years of experience, and the facts are clear.

No employees have had wages reduced or frozen, and no employees have been laid off as a result of the pay equity program. There have been no strikes or lawsuits. There has been no creation of a new bureaucracy to manage the process. There has been no change in the State's ability to attract and retain qualified workers or to meet its fiscal responsibilities. The costs have been reasonable.

Opponents of pay equity have suggested that women would lose jobs, or that women would be discouraged from seeking nontraditional jobs. Again, our experience shows that these fears are unfounded. Since we started implementing pay equity, the number of women in nontraditional state jobs has increased by nineteen percent.²⁶

It has also been suggested that pay equity will cause disruption and low morale in the work force. Again, this has not happened. An independent study of Minnesota state employees showed that over eighty percent strongly supported pay equity—men as well as women, and those who received pay equity increases as well as those who did not.²⁷

26. MINNESOTA EXPERIENCE, *supra* note 1, at 15.

27. Barbara Nelson, Associate Professor, Hubert Humphrey Institute of Public Affairs, University of Minnesota, conducted a survey of employees of the State of Minnesota in 1985. The survey contained two questions:

(1) If studies showed the work of delivery van drivers and clerk typists required the same level of skill, training, responsibility, and so forth, should an employer pay these types of positions the same?; and

(2) If studies showed the work of pharmacists and registered nurses required the same level of skill, training, responsibility, and so forth, should an employer pay these types of positions the same?

Eighty percent of the respondents answered "yes" to the first question, and 81% answered "yes" to the second.

The results of Professor Nelson's studies will be included in a forthcoming National Academy of Sciences publication on pay equity.

There are many reasons for our success with pay equity, but I believe the most significant is the simple fact of the State's commitment to fair wages for all employees. If you want pay equity to work, it can work very smoothly. We have a great deal of satisfaction in demonstrating that employers can have a more rational, defensible, and bias-free pay system at a reasonable cost.

