

Pay Equity Commission

Fulfilling the Promise:

Closing the Pay Gap for Women and Minorities in Colorado



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Executive Summary

Commission Purpose

The Colorado Pay Equity Commission presents this report to Donald J. Mares, Executive Director of the Colorado Department of Labor and Employment. The Commission members were asked to research Colorado pay equity issues following the establishment of Colorado Pay Equity Day by the State Legislature in 2007. The Pay Equity Commission focused upon determining the scope of pay inequity based on gender and race in Colorado, identifying policies and practices that help produce it and suggesting areas of reform.

Current Status of the Pay Gap

Across the United States in general and in Colorado in particular, women earn less on average than men, and men and women of color earn even less than white men. Across the nation in 2006, women working full-time earned about 81 cents for each dollar earned by men, comparing weekly earnings.

Colorado women earned annually on average approximately 79 cents of the dollar earned by the average Colorado man. Significant differences exist among Colorado women of different ethnic groups. In Colorado, in 2006, the average African American full-time, year round woman worker earned 61.2 percent of the earnings of the average white man; comparable Asian American women earned 68.4 percent, Hispanic women only 52.4 percent of white men's earnings, and Native American/Alaskan Native women only 54.7 percent of what white men earned.

Minority and ethnic males do not fare much better. An average African American full-time, year round male worker earned 68.7 percent of the earnings of the average white man,

Hispanic men only 52.4 percent of white men's earnings.

Looking **within** racial and ethnic groups, gaps exist between the amount earned by women and men in every case.

Pay Gap for Minorities

In the course of researching the pay gap for women in Colorado, the Commission found substantial evidence that a pay gap for minorities exists and that the pay gap for women who are minorities is exacerbated.

Factors That Influence the Pay Gap

The Commission reviewed scholarly work that attempts to explain the pay differences we observed. It is important to note that a preponderance of the research that has been conducted on the pay gap focuses on gender differences.

Overall, factors that influence the pay gap include: work and occupational differences; previous work experience; marital and family status; union membership; educational attainment; negotiation practices; and discrimination. While the report discusses each factor separately, it is important to note that the factors are interdependent.

Finally, all of the research and discussion about sources of the earnings gaps shows a proportion of the pay gap remains unexplained. Some researchers conclude that the unexplained pay gap may offer evidence of discrimination.

All of these factors, whether intentional or unintentional, have worked separately and collectively to limit opportunity and pay for women and minorities.

The Legal Environment

Existing Colorado law requires wage equality on the basis of sex. The Colorado Department of Labor and Employment (CDLE) historically has not had adequate funding or staff to enforce this law.

Colorado state law also prohibits workplace discrimination based on sex and race, among other factors. Current remedies, however, make it difficult for employees to take action to redress discrimination, result in attorneys being unwilling to take employment discrimination cases, and fail to serve as the strongest incentive for employers to take every possible action to avoid and/or correct discrimination. Without the recovery of attorney fees, aggrieved parties (and their attorneys) cannot afford to bring these cases in state court.

Until 2003, the Colorado Civil Rights Division (CCRD) maintained a central office in Denver, and regional offices in Grand Junction, Greeley, Colorado Springs, and Pueblo. Due to budgetary constraints, the regional offices were closed, and all of the Division's administration was centralized through its Denver Office. In addition to the closure of the regional offices, CCRD experienced a 30% reduction in manpower. CCRD reopened a regional office in Pueblo on August 6, 2007 and may reopen a Western Slope regional office within the next year. Beyond re-establishing previous service levels, there are several changes that could be made to the powers of the CCRD that would significantly increase its efficacy.

The Business and Public Interest Case for Pay Equity

Addressing the pay gap most obviously impacts the income of women and minorities and, therefore,

their well-being and that of their families. Pay inequity also impacts the broader community, business, and the economy. Research indicates that flexible work policies not only reduce the pay gap, but contribute to improved morale and a positive impact on the business's bottom line. Workers offered flex-time, paid leave and access to sick days, freedom from mandatory overtime, teleworking, permission to take time off during the day to attend to family matters – have greater job satisfaction and greater job commitment than workers with little or no flexibility.

Benefits to business include ability to attract and retain highly qualified employees, improvements in productivity, reduced health care costs, and increased return on investment.

Pay equity is also a poverty reduction strategy and an economic development tool. Analysis done by the Commission (see Appendix A) based upon the earnings of single female heads-of-household who work full-time, year-round, closing the pay gap for this group could potentially

move 86 percent of women earning below the Federal Poverty Level (FPL) above it. Similarly it could potentially move 50 percent of women earning below the self-sufficiency level of 250 percent FPL to self-sufficiency. An estimated 14,000 children would be removed from the state's CHP+ health plan at a savings of \$7 million annually. Additionally, 15,000 children would move off of the Medicaid program with a net savings to the state of \$4.4 million annually.

Recommendations For Narrowing The Pay Gap

The charge of the Commission was to offer recommendations that were achievable, non-partisan, credible, measurable and address public and private sectors. The following

recommendations reflect the consensus of the Pay Equity Commission. Each recommendation is accompanied by a timeline for implementation – short-term is within

3-6 months following issuance of the report; intermediate is within 6-12 months; long-term is longer than 12 months and ongoing.

Stress The Ongoing Importance Of Pay Equity By Ensuring Adequate Resources, Funding, Oversight And Accountability

1. Create a Colorado Department of Labor and Employment (CDLE) staff position responsible for implementation of Pay Equity recommendations (Short-Term)
2. Create a permanent Pay Equity Commission to work with Colorado Department of Labor and Employment staff to monitor progress toward implementation of recommendations (Short-Term)
3. Monitor and measure progress in the public and private sectors, including state-sponsored research on the pay gap experienced by racial and ethnic minorities (Intermediate)

Encourage Employers To Implement Best Practices Based On Research To Alleviate The Pay Gap

4. Encourage the Colorado Department of Labor and Employment (CDLE) to work with business groups and educational institutions to create and maintain an inventory of best practices to close the pay gap. A starting point is included in this report. The Department and these groups should offer training for employers about the business case and best practices, and technical support to employers who want to implement best practices. (Intermediate)
5. Create a recognition and certification program to recognize employers who pursue pay equity practices (Intermediate)
6. Create a media campaign and Speaker's Bureau to spotlight the business case and best practices (Intermediate)

Eliminate Barriers To Addressing Pay Inequities

7. Urge the Colorado Department of Labor and Employment (CDLE) to provide staff and funding for enforcement of the existing state law prohibiting wage discrimination based on gender and conduct outreach and education to employees and employers about the provisions of the law (Short-Term)
8. Conform remedies in the Colorado Anti-Discrimination Act consistent with the federal Civil Rights Act (Short-Term)
9. Codify Colorado’s practice of allowing discrimination charges based on continuing violations (See Appendix C) (Short-Term)
10. Ensure that the Colorado Civil Rights Division (CCRD) is more accessible and effective (See Appendix D) (Short-Term)
11. Promote and fund programs that provide women and people of color equal access to employment, education and contracting opportunities (Intermediate)

Establish The State Of Colorado, As An Employer, As A Model Of Pay Equity

12. Direct Department of Personnel and Administration (DPA) to conduct a descriptive analysis of state employee compensation by gender, race and ethnicity, age, tenure and occupational group (See Appendix E) (Short-Term)
13. Direct Department of Personnel and Administration (DPA) to include an analysis of existing pay practices in the next audit of the State’s Total Compensation process and determine whether those practices contribute to a pay gap in the State’s Personnel System (See Appendix E) (Intermediate)
14. Implement an administrative process within the Department of Personnel and Administration (DPA) that provides for an appeal process to seek classification adjustment (See Appendix E) (Intermediate)



Introduction

“Equal pay isn't just a women's issue; when women get equal pay, their family incomes rise and the whole family benefits.”

—Mike Honda, Member of Congress, 15th District, California

Across the United States in general and in Colorado in particular, women earn less on average than men and men and women of color earn even less than white men. This phenomenon is widely known as the pay gap. The pay gap is measured by a comparison of what one group makes on average in comparison to what white males make on average.

The factors contributing to the pay gap are multiple and complex. Among others, they include differences in education and occupation, cultural assumptions about women's roles, and long-held and often unnoticed institutional policies and practices in recruiting and hiring. All of these factors, whether intentional or unintentional, have worked separately and collectively to limit opportunity and pay for women and minorities.

In this report, we describe:

- 1.) the current status of the pay gap;
- 2.) factors that influence the pay gap;
- 3.) the business and public interest cases for pay equity; and
- 4.) 14 specific recommendations for narrowing the pay gap in Colorado.



The Pay Gap: Current Status In The United States

When the Equal Pay Act was passed in 1963, the average woman earned approximately 58 cents to the average dollar earned by men. Since then, the gender gap has narrowed, but has persisted.¹ A portion of women’s “gains” can be linked to men’s losses. While the median earnings of women increased by 17.1 percent between 1979 and 2002, men’s earnings fell by 8.3 percent in constant dollars.²

In 2006, the national weekly earnings ratio between full-time, employed men and women was 80.8 percent.³ Significant differences among women exist as shown in Figure One. African American, Native American, and Latino women earn considerably less than their white counterparts. Although African American women earn 87.8 percent of the earnings of African American men, they earn

85.2 percent of what white women earn and only 68.1 percent of what white men earn. The data for women of Hispanic or Latino ethnicity shows even greater inequities. These women earn 72 percent of what white women earn and only 57.8 percent of the earnings of white men.

The Pay Gap: Current Status In The United States⁴

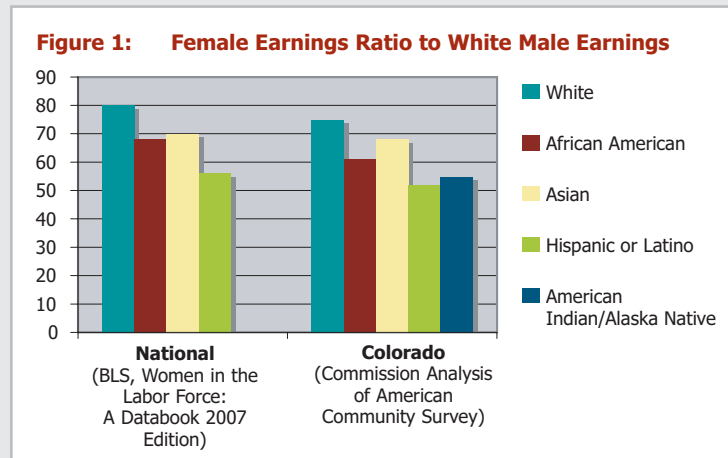
Colorado women earned annually on average approximately 79 cents of the dollar earned by the average Colorado man. The differences between Colorado ratios and those observed nationally may be an artifact of differences in key sources used. To obtain Colorado specific data, the Commission examined median annual earnings for full-time, year-round civilian workers 16 years and older provided in the 2006 American Community Survey. These data represent the earnings of workers who

usually worked 35 hours or more per week for 50 to 52 weeks in the past 12 months. By using data for full-time, year-round workers we can control for the fact that women tend to work fewer hours per week than men or part-time throughout the year.⁵

Significant differences exist among Colorado women of different ethnic groups. In Colorado, in 2006, the average African American full-time, year round woman worker earned 61.2 percent of the earnings of the average

white man; comparable Asian American women earned 68.4 percent, Hispanic women only 52.4 percent of white men’s earnings, and Native American/Alaskan Native women only 54.7 percent of what white men earned (See Figure 1).

Minority and ethnic males do not fare much better, except with respect to the earnings of Asian American men who earned 98.6 percent of what comparable white men earned on average. An average African American

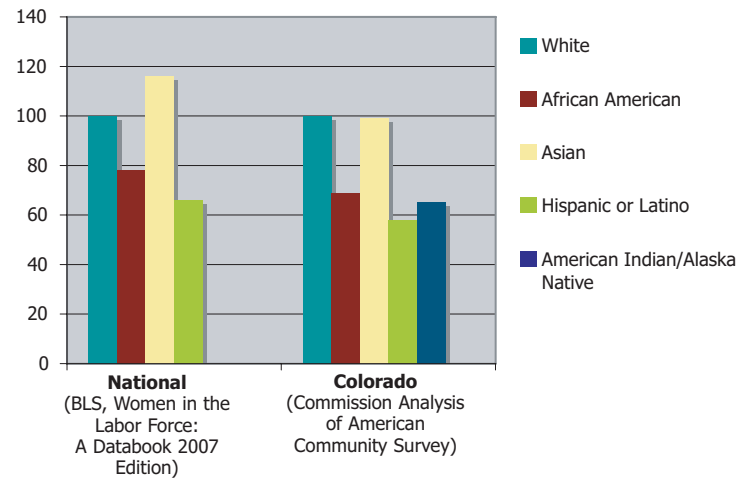


The Pay Gap: Current Status In The United States⁴

full-time, year round male worker earned 68.7 percent of the earnings of the average white man, Hispanic men only 58 percent of white men's earnings, and Native American/Alaskan Native men only 64.8 percent of what white men earned (See Figure 2).

Looking within racial and ethnic groups, gaps exist between the amount earned by women and men in every case. On average, African American and Hispanic women earn about 90 percent as much as men in the same racial or ethnic groups. The largest gap occurs among Asian Americans where women on average earn 69 percent as much as men.

Figure 2: Minority and Ethnic Male Earnings Compared to White Male Earnings



Factors That Influence The Pay Gap

The Commission reviewed scholarly work that attempts to explain the pay differences we observed. Factors that influence the pay gap include: work and occupational differences; previous work experience; marital and family status; union membership; educational attainment; negotiation practices; and discrimination. While we discuss each factor separately, we note that the factors are interdependent.

It is important to note that a preponderance of the research that has been conducted on the pay gap focuses on gender differences. Some research

addresses racial and ethnic differences and we have done our best to address those differences in this report when the data was available. Although much of the research available to the Commission does not specifically address Colorado data, we have no evidence to expect that results of that research will be different for Colorado.

Finally, some of the research and discussion about sources of the pay gap shows a proportion of the pay gap remains unexplained. Some researchers conclude that the unexplained pay gap may offer evidence of discrimination.

Job Segregation

Women tend to work in occupations and establishments that pay less. Often referred to as “job segregation,” this occurs when men and women are channeled into different career paths and when they experience differences in the rates and opportunities for promotion. Consistently, research finds that job segregation is the single most important cause of the pay gap between sexes and races.⁶

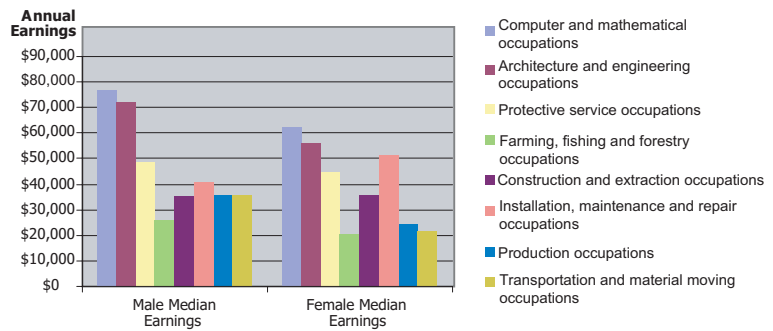
When women are placed in newly formed positions that employers tend to use for maternity related leave, (i.e.

Job Segregation in Colorado

Recognizing that men and women often work in different kinds of jobs with different rates of pay, we used the ACS data to calculate the earnings in occupational categories that are dominated by men or by women within Colorado. We considered an occupational category to be dominated by one sex when 60 percent or more of the workers were either male or female. Figure 3 shows earnings ratios for predominately male and female occupations. In nearly every instance, whether the occupation is female dominated or not, women earn, on average, less than men do. The two exceptions are in construction and extraction and installation, maintenance, and repair occupational categories where women represent less than 5 percent of all workers.

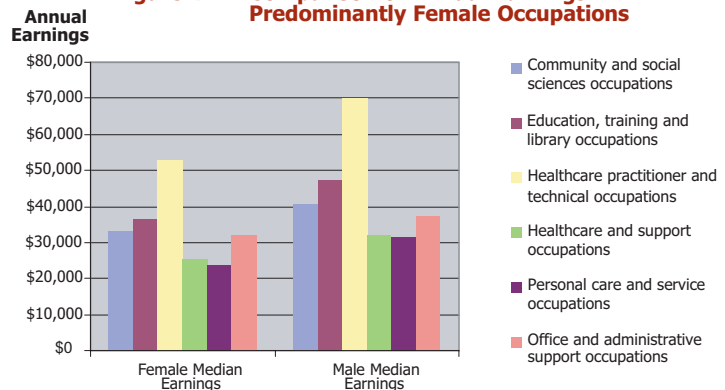
Here, those relatively few women who work in those occupations make more, on average, than their male counterparts, possibly because women in these occupations are more likely to hold managerial positions when compared to the total universe of male workers.

Figure 3: Comparison of Annual Earnings in Predominantly Male Occupations



Median annual earnings for males and females in male dominated occupations (60 percent Males)
Source: 2006 ACS Sex by occupation for the civilian employed population 16 years and over and Sex by occupation and median earnings in the past 12 months for the full-time, year round civilian employed population 16 years and over. Table B24022.

Figure 4: Comparison of Annual Earnings in Predominantly Female Occupations



Median annual earnings for males and females in female dominated occupations (60 percent Females)
Source: 2006 ACS Sex by occupation

"mommy tracks"), a process of "re-segregation" occurs primarily in professional and senior managerial work. Wage gaps also occur as a result of systemic differences in valuation for occupations with similar skill requirements. In this case, the work that women do is paid less because it is work done by women. Research consistently finds that average wages are lower in jobs with higher female representation even when the skill sets associated with that work are the same.⁷

Programs to level the playing field and expand access to opportunity, also known as affirmative action programs, have a proven track record in increasing job opportunity and pay for qualified women and minority workers. Affirmative action programs, including recruitment, outreach, mentoring and training initiatives, have played a critical role in providing women and minorities with access to educational and professional opportunities they would otherwise have been denied despite their strong qualifications. A U.S. Department of Labor study estimated that 5 million minority workers and 6 million women are in higher occupational classifications today than they would have been without the affirmative action policies of the 1960s and 1970s.⁸

Experience

Differences in experience account for a significant part of the earnings gap. Experience is measured in a variety of ways, but most typically covers time in the labor force, length of employment, whether or not the worker is working full- or part-time, and, sometimes, hours worked. Women earn less because they have work patterns resulting in less experience. For example, women enter and exit the labor force because of social expectations of caregiving and the lack of workplace structures or policies

that aid women in meeting those expectations while maintaining employment. Analysis of the panel study of income dynamics found that labor market experience explained 11 percent of the gender gap in wages in 1998.⁹ In a Government Accountability Office (GAO) analysis of women's earnings, about two-thirds of the difference between men's and women's earnings between 1983 and 2000 can be explained by differences in work patterns (experience, time out of the labor force, length of employment, working full-time, tenure and hours worked). The remaining one-third of the difference in earnings reflected differences in "parameters," i.e., women and men received different rewards for the same characteristics.¹⁰

Marriage

Research shows that marriage generates a premium on earnings for men and either lowers or has no effect on earnings for women.¹¹

Motherhood

Motherhood exacts a penalty for women workers that some research suggests could be as high as 7 percent per child.¹² One-third of the cost to wages associated with children was explained by work experience and seniority including whether or not a mother worked part-time. Two-thirds of the "motherhood penalty" remained after the researchers created elaborate controls for work experience. The researchers attempted to assess whether women earned less because they were employed in less demanding, "mother friendly" jobs and found that most job characteristics had no effect on the motherhood penalty with the exception of whether a woman was currently working part-time. Interestingly, married mothers endure

a more severe penalty than either single or divorced mothers. In the GAO study, number of children was associated with about a 2.1 percent increase in earnings for men and about a 2.5 percent decrease for women. Those differences are directly related, again, to the social expectations of women as caregivers and the lack of "family-friendly" workplace structures or policies that aid women in meeting those expectations while maintaining employment.

Educational Attainment

Some studies show that women receive lower returns than do men for each year of education or experience.¹³ Research released in April 2007 by the American Association of University Women Educational Foundation shows that just one year out of college, women working full-time already earn less than their male colleagues, even when they work in the same field. Ten years after graduation, the pay gap widens.¹⁴

Level of schooling appears to be a primary source of the pay gaps among both Black and Hispanic men and women. Almost half of Hispanic men have not completed high school and only 9 percent are college graduates.¹⁵ Generally, the longer Hispanic immigrants stay in the United States, the better they do educationally and financially. Black men's high school dropout rates match those of Hispanic men. In contrast, more than half of Asian men are college graduates or hold higher degrees.

Educational Attainment in Colorado

Table 1 shows the median earnings by gender and race for all Colorado workers aged 25 to 64 who had earnings in the past year by educational attainment level. This population is different from the one

used in the previous figures since it includes workers who did not work full-time, year-round and excludes younger workers who tend to have less work experience resulting in lower earnings.¹⁶

Within each educational attainment level women earn less than their male

counterparts. In fact, women's median earnings for each level of education are less than the median earnings for men at one education level below them. For example, women with some college or an associate's degree have lower median earnings than men with a high school diploma.

Table 1: Median Annual Earnings for Colorado Workers by Educational Attainment and Gender

	Men	Women	Median for All Workers	Pay Ratio Women to Men
Less than high school graduate	\$23,175	\$13,494	\$20,694	58.2%
High school graduate	\$32,646	\$21,470	\$27,648	65.8%
Some college or associate's degree	\$39,863	\$26,823	\$32,694	67.3%
Bachelor's degree	\$53,921	\$35,516	\$42,823	65.9%
Graduate or professional degree	\$71,622	\$44,614	\$56,161	62.3%
All workers	\$40,640	\$28,184	\$34,428	69.4%

Source: 2006 ACS Table B200004

“**T**he company that helps give women control over their own lives and helps them with the things that are not working for them—by providing more flexibility, more networking opportunities, a better work environment and more challenging work—will see more women stay. It’s not a compliance issue; it’s not a diversity issue, and it’s not a social responsibility issue. Yes, it’s the right thing to do, but it’s also the strategic thing to do.”

—David Morgan, Westpac CEO

Negotiation Practices

Another factor contributing to the pay gap may be gender differences in negotiation. Some research has indicated that women accept lower starting salaries and are less likely to negotiate for pay increases.¹⁷ There is also anecdotal evidence that aggressive salary negotiation by women is negatively viewed, while it is considered to be a positive factor for men. Although more work needs to be done, researchers suspect that gender socialization is a key factor.

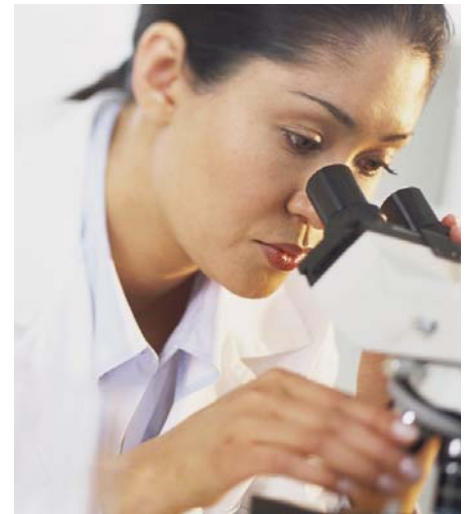
Union Membership

Belonging to a union affects earnings. One analysis found that 4 percent of the overall pay gap could be explained by whether or not workers belonged to unions.¹⁸ The Institute for Women’s Policy Research found that union membership increases women’s weekly wages by 38.2 percent and men’s by 20.1 percent. And the effects for minority women are even greater; minority women who are members of labor unions earned 38.6 percent more than non-unionized minority women workers.¹⁹ U.S. Department of Labor, Bureau of Labor Statistics data from 2006 reveals similar findings.

While this difference reflects a variety of factors, we believe that the core of the difference is related to the fact that most collective bargaining agreements include items that we have identified in the Employer Best Practices section of this report.

Discrimination

Despite best efforts to account for the gap using gender differences in experience, hours, education, and the like, a proportion of the pay gap remains unexplained. Simply put, women and racial and ethnic minorities in the same job earn less than white men even when work related and productivity related characteristics are taken into account; the kind of discrimination the 1963 Equal Pay Act is designed to address. While certainly some of what remains unexplained can be linked to inherent limitations in data and statistical analysis of pay gap research,²⁰ researchers conclude that the unexplained pay gap offers evidence of discrimination: women earn less than similar men.²¹ Importantly, discrimination can also be found when differences in the factors known to account for the pay gap are themselves the result of practices that steer women and minorities into certain occupations and industries or lower-paying parts of a profession.



The Legal Environment

There are two state laws that address some aspects of pay equity, yet the legal environment remains challenging.

The Colorado Anti-Discrimination Act (CADA) prohibits workplace discrimination based on sex and race, among other factors. However, remedies under the Act make it difficult for employees to take action to redress discrimination and result in attorneys being unwilling to take employment discrimination cases. Without the recovery of attorney fees, aggrieved parties (and their attorneys) are not able to afford to bring these cases in state court. Additionally, in its 2007 *Ledbetter v. Goodyear Tire and Rubber Co., Inc.* decision, the U.S. Supreme Court significantly limited the ability of employees to seek redress for ongoing pay discrimination under Title VII of the Civil Rights Act of 1964. (See Appendix C)

CADA is enforceable through the Colorado Civil Rights Division (CCRD). However, in recent years,

more than two-thirds of the CCRD offices across the state have been closed. The Commission offers a number of specific recommendations to increase the powers of the CCRD and significantly increase its efficacy. (See Appendix D)

Finally, the Colorado Department of Labor and Employment has enforcement authority under Article 5, which requires wage equality without regard to sex. In the past, there have been no staff or funds allocated to enforce this law or to educate employees and employers about its requirements or the process for enforcement or remedies. While Article 5 [C.R.S. §8-5-101 - §8-5-105] has limited remedies and applies only to sex-based pay discrimination and not race-based pay discrimination, it can serve as a platform to educate employees and employers and to begin immediate enforcement of a state prohibition on wage discrimination.

“P resident Kennedy understood the importance of equal pay for equal work and signed historic legislation that gave women around the country hope that one day their wages would be on par with that of their male counterparts. Evening the playing field for women workers is a matter of fairness and with women now providing a significant share of their family's income, it is a family issue.”

—*Rosa DeLauro, Member of Congress, 3rd District, Connecticut*

“Our structure takes the issue of gender and ethnicity off the table since we use the same criteria for everyone – we run everyone through the same screens.

—Bob Allen, Senior V.P. &
Chief HR Officer, CH2M Hill

The Business Case For Pay Equity

Addressing the pay gap most obviously impacts the income of women and minorities and, therefore, their well-being and that of their families. Pay inequity also impacts the broader community, business and the economy.

One important contributor to the pay gap that is within the employer's control is workplace policies. To the degree that flexible work policies allow women to maintain more stable employment, they have the potential to reduce the pay gap. Flexible work policies also contribute to improved morale and a positive impact on the business's bottom line. Workers offered flex-time, paid family leave, access to sick days, freedom from mandatory over-time, teleworking, permission to take time off during the day to attend to family matters and other best practices listed in Appendix B – have greater job satisfaction and greater job commitment than workers with little or no flexibility. Those benefits accrue to the employer. Gains to productivity are hard to measure, but both workers and managers who operate within flexible workplaces feel strongly that these practices enhance productivity.²²

We cannot over-emphasize the critical relationship between flexible workplace policies and reducing the pay gap. That relationship is so well-established that the business case for pay equity references flexible workplace policies interchangeably with reducing the pay gap.

Employee Recruitment

Non-financial incentives, including internal pay equity and flexible scheduling, can give small business an advantage over large in attracting and retaining employees. Pay equity provides businesses with competitive

advantages in attracting and retaining a broader range of quality workers in tight labor markets, reduces costs associated with turnover and absenteeism, and enhances performance and motivation and contributes toward organizational innovation. Gender and minority equitable policies would open business's access to a wider pool of labor and help retain existing labor and make better use of their skills. As baby boomers age and elder care, in addition to child care, becomes more prevalent, the impact of flexible workplace policies will become even more critical.

Employee Retention

One in four workers (22 percent) changed jobs in the last 18 months. Businesses offering flexible workplace arrangements can slow this rate as workers with flexible work arrangements are far more likely to stay on the job. Research suggests that 73 percent of workers with high flexibility, as opposed to 54 percent without, will likely be at the same job the next year.²³ Workers rank work/life balance as the second most important reason for joining or staying with a firm.²⁴ A Society for Human Resource Management members' poll put programs that support work/life balance in the top three practices for achieving employee retention.²⁵

The cost of replacing a salaried worker averages 150 percent of the employee's annual salary. The low-end cost to replace an \$8.00 worker is \$5,500.²⁶ Other estimates put the amount to replace hourly workers as high as 50 percent to 75 percent of their annual pay.²⁷ U.S. Department of Labor data show that 92 percent of new mothers offered paid maternity leave return to their jobs; only 8 percent quit. In comparison, 20 percent of new

mothers who do not receive paid maternity do not return to work.²⁸ A cost-benefit analysis of a proposed California paid maternity leave program estimated the program would save employers \$89 million annually in reduced worker turnover.²⁹

Productivity Boosts

In a study of 1,400 workers, 87 percent of those surveyed and 70 percent of their managers reported that workplace flexibility enhanced on-the-job performance.³⁰ A study of New Brunswick's wage gap included interviews with exemplary employers who had taken steps to reduce wage discrimination in their workplaces. Steps taken included implementing work-family balance supports, job classification systems that examined jobs for culturally-based expectations about gender roles and value, transparent pay practices, and a program that adjusted wages over a four year period so that the pay gap was reduced from 25 percent to 6 percent.



Managers reported that enhanced productivity flowed from the perceived benefits of the programs which included reduced turnover, a secured employee base, improved union/management relations, an improved culture of mutual respect, more women applicants for management positions, less stressed workers, and enhanced productivity.³¹

Return on Investment

Fortune Magazine's "100 Best Companies to Work for in America" all have extensive flexible workplace programs and have all seen their stock values grow by an average of 14 percent annually in comparison to a 6 percent average annual growth rate for all *Fortune* 500 companies.³² A Watson Wyatt study identified a 3.5 percent increase in returns to flexible work arrangements primarily attributable to a "surge in productivity" as workers used their time more efficiently and to an increase in worker retention.³³

An added bonus for business resulted in terms of customer development.³⁴ As women increasingly participate in the workforce they also increase their spending power. Women are a large segment of the customer base and their decisions may be affected by a perception of a business organization's treatment of its employees. Suppliers, service providers, and other players in a business network and within the community can make similar decisions.³⁵

“We conduct employee surveys with a number of questions around compensation. We have a number of diversity questions and that section received the highest number of positive responses during our most recent survey.

—Bob Allen, Senior V.P. &
Chief HR Officer, CH2M Hill

“For every \$1 a company spends on flexible work or family benefits, there is a return of \$2 to \$6 through reduced absenteeism, increased motivation and higher rates of retention.”

(Work/Family Directions 1994 Study in US)

The Public Interest Case For Pay Equity

Communities, not just individual families, stand to benefit from pay equity. Pay equity contributes to the overall vibrancy of economies. When pay equity reduces poverty it results in tax savings previously spent on poverty programs, and can reduce health care costs throughout the system.

Pay Equity is a Poverty Reduction Strategy and an Economic Development Tool

There is international consensus that without poverty reduction, sustainable development is not possible. A poor woman's main economic asset is her labor. Global development agencies such as the International Labor Office, the World Bank, and the United Nations Development Fund for Women (UNIFEM) have identified the creation of “equitable” labor markets and labor policies as key to worldwide economic growth and security, business prosperity, and sustainable development.³⁶

Nationally, current policy centers on moving women from welfare to work with little regard for the wages paid in these jobs. However, it is likely that the goal of ending dependence on welfare is a less successful strategy than assuring economic independence for women via good wages. If wages in female dominated occupations were adjusted for comparable worth, female poverty rates would drop by 50 percent.³⁷

For many workers, especially low income employees, the ability to have even some workplace flexibility and family-friendly policies can spell the difference between keeping a job or leaving it – a difference that can translate into economic survival or poverty.

Pay Equity Reduces Stress-Related Health Problems and Health Care Costs

The Centers for Disease Control (CDC) report that health care expenditures are 50 percent greater for U.S. workers who report high levels of stress. Chronic stress sufferers are more likely to develop heart disease and diabetes, two of the major health care cost drivers. The CDC report includes recommendations that employers establish work schedules that harmonize with workers' responsibilities outside of work.³⁸ A Royal Bank of Canada study found that flexible schedules can reduce worker stress substantially; 70 percent on flexible schedules reported lower stress than those without flexible schedules.³⁹

Enhanced workplace flexibility reduces stress and clinical depression, both major causes of productivity loss and increased health care costs. Depression costs U.S. employers \$44 billion a year – \$35.7 billion in lost productivity and \$8.3 billion in increased absenteeism.⁴⁰ Workers with flexible working environments have generally higher levels of good mental health and have 45 percent less stress and burnout than workers in inflexible settings.⁴¹

Pay Equity Saves Tax Dollars

A 2000 U.S. Department of Labor study found that new mothers who received any paid maternity leave were far less likely than mothers receiving no paid leave to require some type of public assistance.⁴² By keeping women in the labor force paid sick days and family leave lower welfare usage and

save tax dollars. A 2002 study in California estimated that a 12-week paid family leave program would result in 29,000 fewer people on public assistance, which would save the state of California \$23 million annually.⁴³

The executive director of the New Brunswick (Canada) Advisory Council on the Status of Women designed a quantitative study to show the effects on the public treasury of removing the wage discrimination against women in the province. These included a \$609 million (11 percent)

increase in personal income tax collection annually; \$60 million per year decrease in health care costs; and \$19 million in government transfers annually. The total savings to the treasury, both provincial and federal, was \$688 million.⁴⁴

The Colorado Case – Potential Savings

Analysis done by the Commission (see Appendix A), the earnings of single female heads of households who worked full-time, full year were adjusted by the amount of the pay gap. Adjustments were made at the 74 percent and 90 percent levels to bring them into parity with male wages. The number of women who would shift to the next income-poverty-ratio category measured at 50 percent increments under this condition was calculated. Finally, savings to the state from reduced public health care and increased revenue was calculated.

Assuming a 74 percent pay gap, 86 percent of women earning below the federal poverty level would move above the federal poverty level. Assuming a 90 percent pay gap, 42 percent of women earning below the

federal poverty level would move out of poverty. Fifty percent of women earning between 200 percent FPL and 250 percent FPL would move above 250 percent FPL, generally considered the “self-sufficiency level,” assuming a 74 percent pay gap; 33 percent would move to self sufficiency assuming a 90 percent gap. Together, if all full-time, year round women workers were paid at parity they would generate between \$3.6 billion dollars and \$11.6 billion dollars annually which could provide economic stimulus via consumer spending, savings, and taxation.

Substantial savings for Colorado will accrue when people move off of public health programs. Of course, such loss of public health care in an environment without affordable private insurance does raise other public policy issues.

Seven thousand children (assuming a 90 percent pay gap) or 14,000 children (assuming a 74 percent pay gap) would be removed from the state’s CHP+ program at a savings to Colorado of either \$3.5million or \$7 million dollars annually. In addition, either 4,000 or 15,000 children would move off the Medicaid program at a net savings to Colorado of either \$1.1million or \$4.4 million dollars annually.⁴⁵



Recommendations For Narrowing The Pay Gap

The charge of the Commission was to offer recommendations that are achievable, credible, non-partisan, measurable, and address public and private sector employers. The following recommendations reflect the consensus of the Pay Equity Commission. Each recommendation is accompanied by a timeline for implementation – short-term is within 3-6 months following adoption of the report; intermediate is within 6-12 months; long-term is longer than 12 months and ongoing.

Stress The Ongoing Importance Of This Issue By Ensuring

Adequate Resources, Funding, Oversight And Accountability

The Commission commends the Colorado Department of Labor and Employment (CDLE) for establishing the Commission with this important charge. We believe that state government should logically take the lead in addressing the pay gap and establish staff accountability to that end. As there is very little data on pay equity with respect to racial and ethnic minorities, it is incumbent on the Department to facilitate additional research and data collection.

The Colorado Department of Labor and Employment currently administers a series of surveys of Colorado employers as part of the data collection processes overseen by the U.S. Bureau of Labor Statistics (BLS). The Department is limited in the number and type of questions it can ask by the rules and regulations promulgated by the BLS.

A significant amount of information that could be used to assess pay gaps in non-state employment, however, is collected by the U.S. Census Bureau as part of its American Community Survey (ACS) series.

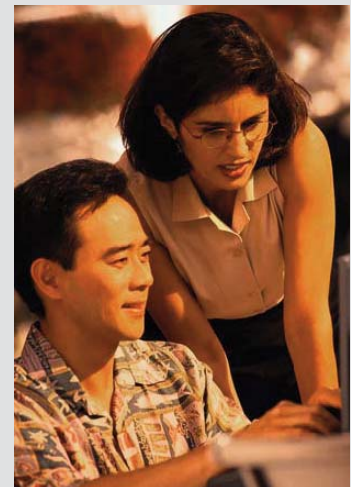
Employer Best Practices

1. **Build gender/race neutral pay system(s) and pay practices** - Pay systems are based on judgments of the value of specific jobs to an organization in reaching its strategic goals. In order to build a gender/race neutral pay system, we suggest that organizations:
 - Use broad employee participation in creating a pay system and in applying pay policies, especially participation from employees familiar with a broad range of jobs, particularly those held by females and racial minorities. Representation will legitimize female and racial minority presence in the organization and neutralize stereotypical judgments.
 - Provide training in the system to those making pay decisions. Supervisors and hiring managers will be more likely to

make gender and race neutral pay decisions if they fully understand the underlying dimensions of value on which the pay system is based.

- Create a transparent pay system so that employees understand why they are receiving the pay levels they are receiving, as well as what factors contribute to receiving more pay. A transparent pay system need not make all pay public, but would clarify minimum and maximum pay rates for job titles or grades, as well as the compensable factors on which the system is based. Other barriers exist that make it difficult for employees to take action to redress discrimination. Access to wage and salary information is critical to an employee's ability to assess and redress wage discrimination.

- Consider both internal equity (the value of a job to a particular organization) as well as external equity (the value of a job in the marketplace) in creating the pay system.
- Adopt a "Total Rewards" approach that includes rewards for employees' value other than pay – such as benefits, development opportunities



The Commission recommends actions to assess pay gaps within state government and, more broadly, throughout Colorado. Undertaking the types of analysis outlined in these recommendations would make Colorado a leader among the states in addressing the pay gap.

1. Create a Colorado Department of Labor and Employment (CDLE) staff position responsible for implementation of Pay Equity recommendations (Short-Term)
2. Create a permanent Pay Equity Commission to work with

Colorado Department of Labor and Employment staff to monitor progress toward implementation of recommendations (Short-Term)

3. Monitor and measure progress in the public and private sectors, including state-sponsored research on the pay gap experienced by racial and ethnic minorities (Intermediate)

Encourage Employers To Implement Best Practices Based On Research To Alleviate The Pay Gap

The Commission determined that, whether pay gaps are intentional or unintentional, many, if not most, employers will implement best practices that help eliminate the gap if those practices are made available. Adoption of such best practices by employers can help close the pay gap in several significant ways. The creation of workplace structures and gender/race neutral pay systems and pay practices helps employers prevent and correct any gender/race pay disparities. The institution of flexible human resource policies that support work/life balance aids women in meeting social expectations of

and a good working environment. Make certain “reward” decisions are consistently applied and not based on race or gender.

- Conduct regular self-audits of pay equity across gender and racial groups. These audits can include both statistical analysis and judgment-based analysis, and can detect such problems as wage compression.

2. **Institute flexible human resource policies that support work-life balance** - Flexible policies help those with significant family responsibilities (women who are single heads of households, for example) maintain the hours of employment and seniority that are associated with higher levels of pay (and help to explain some of the pay gap). Work-life balance will also help those with significant family responsibilities hold jobs

that pay more. Additional detail is provided in Appendix B. Some of the more important areas in which to be flexible include:

- Flexible work hours and job sharing;
- Equitable part-time work which supports a career track and advancement opportunities;
- Caregiver support, such as paid maternity leave, family leave and sick leave that is also available when family members are sick, and dependent care; and
- Teleworking.

3. **Support educational efforts** - There are many levels of educational support organizations can provide to mitigate pay equity issues. Among them include:

- Support the continued education and development of employees to further skills, hence increasing earning opportunities;
- Support employees in the educational system itself, in pursuing preparation for STEM (Science, Technology, Engineering, and Mathematics) careers. This can be either directly, as in a tuition reimbursement benefit, or indirectly, with flexibility in scheduling (see work-life balance best practices); and
- Advance employees’ understanding of the value and skills they bring to the workplace.

“We want to continue to attract employees with abnormally high abilities, including problem-solving skills, goal orientation, global awareness and customer centricism. None of these skills differentiates between job level, gender, ethnicity, sexual preference or the 101 other ways that we pigeon-hole people.”

–Mike Baltzell, Former Alcoa CEO

caregiving, while maintaining employment and achieving career advancement. Employer support of educational efforts provides women and minority workers with the knowledge and tools for employment in higher-paying fields and career advancement. These policies, by addressing multiple factors that influence the pay gap, can contribute significantly to closing the pay gap. Additionally, these systems and policies have proven benefits for employers. The Commission also noted that organizations can learn from many exemplary employers who have already implemented the recommendations of this Commission.

4. Encourage the Colorado Department of Labor and Employment to work with business groups and educational institutions to create and maintain an inventory of best practices to close the pay gap. A starting point is included in this report. The Department and these groups should offer training for employers about the business case and best practices, and technical support to employers who want to implement best practices. (Intermediate)
5. Create a recognition and certification program to recognize employers who pursue pay equity practices (Intermediate)
6. Create a media campaign and Speaker’s Bureau to spotlight the business case and best practices (Intermediate)

Eliminate Barriers To Addressing Pay Inequities

The barriers to pay equity were not anticipated by current statute, and deficiencies in Colorado’s legal

environment make it difficult to identify and remedy pay discrimination. Enforcing and strengthening existing state laws, making the state’s civil rights agency more accessible and effective, and identifying other legal remedies to eliminate barriers to addressing pay inequity can help workers achieve redress and help close the pay gap. Additionally, state promotion of programs that provide access to women and minorities can help level the playing field in employment and other arenas, also helping to close the pay gap.

Making the remedies provided by the Colorado Anti-Discrimination Act (CADA) consistent with federal statutes would provide more opportunity for employees to redress discrimination, make it possible for attorneys to take these cases, and serve as a greater incentive for employers to take every possible action to avoid and/or correct discrimination. Codifying Colorado’s practice of allowing discrimination charges based on continuing violations will strengthen the ability of employees to seek redress for ongoing pay discrimination (See Appendix C).

7. Urge the Colorado Department of Labor and Employment (CDLE) to provide staff and funding for enforcement of the existing state law prohibiting wage discrimination based on gender (Article 5), and conduct outreach and education to employees and employers about the provisions of the law (Short-Term)
8. Conform remedies in the Colorado Anti-Discrimination Act consistent with the federal Civil Rights Act (Short-Term)
9. Codify Colorado’s practice of allowing discrimination charges

based on continuing violations (See Appendix C) (Short-Term)

10. Ensure that the Colorado Civil Rights Division (CCRD) is more accessible and effective (See Appendix D) (Short-Term)
11. Promote and fund programs that provide women and people of color equal access to employment, education and contracting opportunities (Intermediate)

Establish The State Of Colorado As A Model Of Pay Equity

Best practices that help employers ensure that employees with equal status are being paid comparably include conducting periodic self-audits and creating transparency in compensation scales. It was the Commission's view that the state could act as a leader and model employer in conducting such an audit and modeling such a transparent system.

Accurately assessing pay gaps requires specific data that describe the characteristics of workers that research has shown explain differences in earnings. It also requires sophisticated statistical analysis to determine the extent to which these characteristics explain the pay gaps.

12. Direct Department of Personnel and Administration (DPA) to conduct a descriptive analysis of state employee compensation by gender, race and ethnicity, age, tenure and occupational group (See Appendix E) (Short-Term)
13. Direct Department of Personnel and Administration (DPA) to include an analysis of existing pay practices in the next audit of the State's Total Compensation process and determine whether those

practices contribute to a pay gap in the State's Personnel System (See Appendix E) (Intermediate)

14. Implement an administrative process within the Department of Personnel and Administration (DPA) that provides for an appeal process to seek classification adjustment (See Appendix E) (Intermediate)

Conclusion

The Commission's charge to definitively prove that pay inequity based on gender, race, and ethnicity exists became secondary to answering the more important question, 'if pay inequity does exist – how should it be addressed?'

The Commission recognized that the pay gap is pervasive and that any inequity based on arbitrary factors is never defensible.

The Commission recognizes that true pay equity is achievable only through committed and combined efforts of all sectors, including public and private-sector employers.

The Commission's recommendations attempt to offer incremental and achievable solutions to close the pay gap.

The data is irrefutable that a pay gap does exist and, rather than debate the extent of the problem or lay blame – we challenge readers to become leaders in closing the pay gap for women and minorities wherever it exists.

Colorado stands at an important threshold – it will take commitment and resources, but by working to close the pay gap, we can fulfill the promise for ALL Coloradans and serve as a leader to the rest of the nation.



Workplace Flexibility: An Important Benefit

Marlin Steel Wire Products knows the importance of flexibility when it comes to keeping good employees. Melissa Lindsay, a bookkeeper at Marlin Steel, a small manufacturer located in Baltimore, Md., testified before the House Subcommittee on Workforce Protections in June 2007 on the importance of a flexible work environment for families and employers.

"After giving birth to my first child, I decided to work part time," Melissa told the subcommittee. Drew Greenblatt, Marlin's president, runs a company that provides good jobs for its employees—and good products for its clients, she said. Melissa also recounted other benefits that colleagues at Marlin enjoy, including 401(k) contributions, telecommuting, vacation time, tuition benefits and flexible leave. Working with Drew in managing Marlin's daily operations, Melissa knows how challenging it is for a small wire company to succeed against cheaper products from larger competitors. "We are successful because of the hard work of everyone at Marlin to produce a quality product that more than meets the needs of our customers. Plus I believe Drew goes the extra mile to take care of each of us," said Melissa.

Source: NAM National Association of Manufacturers, © 2007 National Association of Manufacturers. Reproduced with permission.

Appendix A

Changes in Poverty Status under Conditions of Equitable Wages in Colorado

What would be the impact of ending the pay gap? Would families be able to significantly improve their economic situations? Would public savings result from increased family income? Could pay equity be a viable poverty reduction strategy for Colorado? For this report we attempted to sketch some answers to these questions. We use data from the U.S. Census, Current Population Survey. Some cautions: We use mean, not individual, earnings to make these estimates, cases are rounded to the nearest thousand, and we look primarily at one type of woman worker. These estimates are not meant to be taken as definitive, but rather as suggestive of the types of changes we could expect to see if we could eliminate, or even reduce the pay gap in Colorado. One further caution:

moving people off of public health care programs without assurances of affordable private health insurance raises other significant public policy issues.

Table 1 shows the pay gap in Colorado between male and female heads-of-households, with no spouse present. Two pay gaps were calculated. The first is the gap between male and female heads-of-household workers at all income levels. The second compares only those workers earning below 250 percent of the Federal Poverty Level (FPL), since this is the population we are examining for movement from one income-poverty-ratio category to another.

The average wage gap for all full-time, year-round workers in Colorado is 79.6 percent. Our numbers, on either side of this average, should be considered two ends of a wage gap range. Our larger gap of 74 percent makes sense when our population is

considered by race; 90 percent of the women and 96 percent of the men are white, and the national average wage gap for full-time, year-round white workers is 74.7 percent. Our smaller gap of 90 percent is partly the statistical result of comparing people within an already narrowly defined income range. It is also the result of comparing a frequently occurring household form (female-headed, no spouse present) with a far less likely to occur household form (male-headed, no spouse present). This is an unusual and small group of men. In one low-income category the men's earnings were less than the women's, skewing the gap and making it smaller. Estimates resulting from calculations using the 90 percent gap should be considered conservative numbers that probably underestimate the amount of change that would occur should women receive equitable wages with men.

Table 1: Colorado Pay Gap for Heads-of-Households, 2006

	Mean Earnings Male	Number Male	Mean Earnings Female	Number Female	Women's Earnings as % of Men
All income levels	\$61,910	48,000	\$45,920	92,000	74%
Income below 250% FPL	\$25,281	12,000	\$22,832	36,000	90%
Source: US Census, CPS Female and Male heads-of-household, no spouse present Full-time, Full-year workers All races					

Female heads-of-households were grouped by family size, personal income ranges of \$2500, and income-to-poverty ratios in 50 percent increments. 2006 personal earnings were adjusted as if the pay gap didn't exist. These new earnings levels were

then examined to see how many families would shift from one income-to-poverty ratio to the next. Of special interest is how many families would move above the official poverty level (100 percent FPL) and how many would move to self-sufficiency (above

250 percent FPL). Calculations were based upon 2006 HHS Poverty Guidelines. **Table 2** shows the results using a 74 percent pay gap and **Table 2a** shows the results using the more conservative 90 percent pay gap.

Appendix A

Table 2: Numbers of Female-Headed Families That Would Shift Poverty Ranges if Women Received Pay Equity – 74%

Family Size	From Below 100% FPL to between 100% - 150% FPL	From Between 100% FPL - 150% FPL to Above 150% FPL	From Between 150% FPL - 200% FPL to Above 200% FPL	From Between 200% FPL - 250% FPL to Above 250% FPL
2	3,000	3,000	5,000	1,000
3	1,000	3,000	4,000	2,000
4	2,000	2,000	0	0
5	0	1,000	1,000	0
6 or more	0	2,000	0	0
Total	6,000	11,000	10,000	3,000
% of all families in income category	86%	85%	100%	50%

Table 2a: Numbers of Female-Headed Families That Would Shift Poverty Ranges if Women Received Pay Equity – 90%

Family Size	From Below 100% FPL to between 100% - 150% FPL	From Between 100% FPL - 150% FPL to Above 150% FPL	From Between 150% FPL - 200% FPL to Above 200% FPL	From Between 200% FPL - 250% FPL to Above 250% FPL
2	1,000	2,000	3,000	1,000
3	1,000	0	0	1,000
4	1,000	0	0	0
5	0	0	1,000	0
6 or more	0	0	0	0
Total	3,000	2,000	4,000	2,000
% of all families in income category	42%	15%	4%	33%

Female and Male heads-of-household, no spouse present
Full-time, Full-year workers, All races

Appendix A

Full-time, full year married female workers are less likely to live in poverty or below the self-sufficiency line, but when they do, Table 3 shows that closing a 74 percent equity gap makes even more of a difference for their families, shifting these families more consistently into the next income-poverty ratio category, than their single sisters

We also wanted to know what public savings might be accrued from this movement into new income-to-poverty ratio categories. The previous calculations in Table 2 and 2a showed how many families would have moved in 2006 across the 200 percent FPL line which is the current income threshold for CHP+ eligibility. To estimate potential savings to the Medicaid program, and using only

female heads-of-households, we calculated how many families in 2005 would move above 60 percent FPL, the Medicaid income threshold for working adults with children, and from above 133 percent FPL, the Medicaid income threshold for children from birth to five years old. Colorado has a “stair step” eligibility standard for children’s Medicaid; the threshold for children from birth to age five is 133 percent FPL, but this threshold is lowered to 100 percent FPL for children age six through nineteen. Although we know the number of children in each family, we do not know their ages. Nor do we know the percentages of children in Medicaid in each age category. Therefore, we use the higher, more conservative standard of 133 percent

as a proxy for all children. It is probably true that younger children are over represented in the Medicaid program, but this proxy will still understate the number of children who would be removed from this program should their mothers earn equitable wages, and thus the savings to the state. Table 4 shows the number of individuals in each category who would shift above the thresholds. Table 5 shows the potential savings from this shift.

There are two caveats to Table 4. First, when children’s family income rises above the Medicaid eligibility threshold they are usually eligible for the CHP+ program. The federal government matches each state dollar spent for Medicaid one to one, but matches each dollar spent on CHP+

Table 3: Numbers of Married-Couple Primary Families That Would Shift Poverty Ranges if Women Received Pay Equity

Family Size	From Below 100% FPL to 100% FPL	From Between 100% FPL -150% FPL to Above 150% FPL	From Between 150% FPL - 200% FPL to Above 200% FPL	From Between 200% FPL- 250% FPL to Above 250% FPL
2	0	1,000	0	2,000
3	0	0	0	0
4	1,000	1,000	1,000	2,000
5	0	0	0	0
6 or more	0	0	0	0
Total	1,000	2,000	1,000	4,000
% of all families in income category	100%	50%	100%	100%

Women Full-time, Full-year workers in Married-Couple Primary Families

Appendix A

at two to one, making CHP+ a more cost effective program to the state. The calculations below assume that children will move from Medicaid to CHP+ and account for the net effect of the different federal matches to these programs.

Second, there would be no savings to the Medicaid program from adult movement because full-time year-round workers all earn more than 60 percent FPL (\$12,000 for a family of four). However, this measure is retained in this report, and shown as

\$0, as a reminder that many working mothers work part time and equitable wages across the board would undoubtedly create savings to this program.

Table 4: Number of Female-Headed Families That Would Shift Public Health Program Eligibility Categories if Women Received Pay Equity, 2005

A. assuming a 74% gap			
Family Size	From Below 60% FPL to above	From below 133% FPL to above	Number of children in families moving above 133% FPL
2	0	1,000	1,000
3	0	1,000	2,000
4	0	4,000	12,000
5	0	0	0
6 or more	0	0	0
Total	0	6,000	15,000
B. assuming a 90% gap			
Family Size	From below 60% FPL to above	From below 133% FPL to above	Number of children in families moving above 133% FPL
2	0	1,000	1,000
3	0	0	0
4	0	1,000	3,000
5	0	0	0
6 or more	0	0	0
Total	0	2,000	14,000

Appendix A

Table 5: Changes in State Spending

A. assuming a 74% gap				
	Reduction in Numbers of Individuals	Spending per Individual FY '06/'07	Total Expenditures	Savings to CO^d
Medicaid Adults^a	0	\$3,543	\$3,543,000	\$0
Medicaid Kids^b	15,000	\$1,595	\$23,925,000	\$11,962,500
Net CHP+ Expenditures^d	15,000	\$1,435	\$21,525,000	\$4,428,750
CHP+^c	14,000	\$1,435	\$20,090,000	\$7,031,500
B. assuming a 90% gap				
	Reduction in Numbers of Individuals	Spending per Individual FY '06/'07	Total Expenditures	Savings to CO^d
Medicaid Adults^a	0	\$3,543	\$3,543,000	\$0
Medicaid Kids^b	4,000	\$1,595	\$6,380,000	\$3,190,000 \$(2,009,000)
Net CHP+ Expenditures^d	4,000	\$1,435	\$5,740,000	\$1,181,000
CHP+^c	7,000	\$1,435	\$10,045,000	\$3,515,750

Notes and sources:

- Medicaid eligibility for working parents in CO is 60% FPL. Calculations are based upon the number of parents whose income moved from 60% FPL or below to above this level. Per capita expenditures from HCPF *History of Per Capita Costs* http://www.chcpf.state.co.us/HCPF/Budget/atch_0207/MSP%20EC.pdf
- CO has a Medicaid “stair-step,” meaning that eligibility for infants through 5 year olds is 133% FPL and steps-down to 100% for children 6 to 19 years old. Ages of children in this model are not known.
- CHP+ eligibility in CO in 2006 was 200% FPL. Calculations are based upon the number of children per families who move above 200% FPL. Rates of \$106.29 (blended) and \$13.30 dental PMPM are based upon HCPF FY 06-07 and 07-08 *Budget Request*. http://www.chcpf.state.co.us/HCPF/Budget/atch_0207/CBHP%20Sup%20and%20BA.pdf
- Medicaid and CHP+ are “matching” programs. The federal government provides a 1:1 match for each Medicaid dollar spent by the state and a 2:1 (35%) match for each CHP+ dollar spent. State portions of the match are assumed in calculations of savings.

Appendix A

Finally, **Table 6** also shows an estimate of the total new income that would be earned by women if there were no pay gap. Estimating tax

revenue from this additional income is beyond the scope of this study, but it would put income directly into the hands of Colorado families and would

be available for consumer spending. At higher income levels such money would be also be available for savings and taxation.

Table 6: New Income Earned (in thousands)

	At 74%	At 90%
All female heads-of-household below 250% FPL	\$291,186	\$92,084
All female heads-of-household	\$1,501,720	\$474,903
All female workers	\$11,595,278	\$3,666,883

Source: US Census, CPS Full-time, Full-year workers, All races



Appendix B

The Need for Family-Friendly Policies

Women now make up more than half of the workforce and are the primary caregivers in the majority of households. Without more comprehensive family friendly policies, these women will continue to be disadvantaged in both pay and promotion. This report examines some of the family-related factors that affect women's earnings differently than men's and offers examples of how employers might help to close that portion of the earnings gap that is the result of family and care-giving factors.

Care-giving Factors that Affect Earnings

Women are more likely than men to be forced to adapt their work schedules to take care of their children. The Family and Medical Leave Act, designed to mediate the costs of care for workers, is limited in its impact as only slightly more than half (56.3 percent) of women workers with young children meet the eligibility requirements for the Family and Medical Leave Act.⁴⁶ Furthermore, among those companies that do offer maternity leave, only 46 percent offer some type of pay during leave.⁴⁷ The unavailability of paid leave has serious implications for women in the workforce, whose pay almost inevitably suffers upon the birth of a child. The penalty may be especially acute for single mothers who do not have a second wage-earner to rely on during an unpaid or reduced-pay leave. The number of families headed by single mothers has gone up 25 percent since 1990, at about 7.5 million households, suggesting that the current leave policies are adversely affecting an increasingly larger sector of the population.⁴⁸

Caring for elders complicates the picture even further as women take more time off than men to care for elders as well as children. In 1997, the Business and Professional Women's Foundation reported that, on average, men are forced to leave the workforce for 1 1/3 years to care for elders, while women leave the workforce for an average of 11 1/2 years of their working lives.⁴⁹

Women are more likely to work part-time⁵⁰ than men. While working part-time has many benefits for the family, it often imposes costs to a woman's salary and/or her career advancement. Cutting work hours obviously exacts a cut in pay, but it also exacts a cut in benefits for many workers. According to a 2005 national study of employment, only 33 percent of companies offer benefits to part-time employees, and many of these are prorated packages.⁵¹ Once again, this is most acute for single mothers, who do not have the security of another wage-earner's benefits package. In a 2000 survey of employees, 77.6 percent of people who needed leave but did not take it chose not to because they could not afford to take time off.⁵²

Part-time work and leaves to care for children and elders can adversely affect career advancement; only 17 percent of part-time workers surveyed received a promotion while working part-time⁵³ and 19 percent of part-time workers perceived reduced opportunities for career advancement due to reduced work hours.⁵⁴ The guarantee of maintaining seniority while on leave has declined since 1992, before the FMLA was enacted, from 97 percent to 85 percent in 1997.⁵⁵ Indeed, in a 2000 survey of employees, 52.6 percent of those who required leave but did not take it, responded that they did not take their leaves because they believed their job

advancement would suffer; 27.8 percent responded that they did not take leaves because they feared losing seniority.⁵⁶

As children become older and spend increasingly more time in childcare centers and in school, many women return to full time work still to face economic penalties for caring for their children. The National Association for Sick Childcare reports that more than 350,000 children are too sick to attend school or daycare every day.⁵⁷ Because many childcare centers do not allow sick children to attend, a parent frequently has to take off work to care for the sick child. However, only 30 percent of employees in the private sector receive paid days off to care for a sick child. Among low-wage workers, where the need for paid days off is even more important, only 11 percent of employees can take time off for sick children.⁵⁸ Since women are the primary caregivers in the majority of US households and are significantly more likely than men to adjust their work schedules to meet their children's needs, the effect is greater for women's earnings overall.

Family-Friendly Policies - Some Options for Reducing the Earnings Impact of Care-giving

Providing paid leave and sick days for employees who must take time to care for children and elders will enable women (and men) to do so without suffering financially. Paid family and medical leave could be funded by contributions by employers and/or employees, and the state could establish a family and medical leave insurance program as some other states have done to provide full or partial wage replacement while a worker is out for health or care-giving reasons. Some employers already have programs that allow employees to

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create personal funds to pay for possible leaves. Accenture, for example, has a program called Future Leave, which allows employees to set aside a percentage of their paycheck to fund leaves.⁵⁹ Employers might consider allowing employees on leave to work on paid projects and assignments from home and continue paid employment.

Workplace flexibility would also help women continue paid employment while caring for family. Flexible work arrangements include all work schedules that are outside the standard 40-hour work week, but also those arrangements in which work is performed outside of the office. The most popular flexible work options are part-time work, which has its costs noted above, as well as job sharing, and telecommuting. Allowing workers to take time off during the day to attend to family matters is another form of workplace flexibility that makes it easier for women to meet both their job and family responsibilities. A 2005 national survey of over 1,000 employers with 50 or more employees found that only 9 percent of company representatives believed that offering flexible work arrangements jeopardized their employees' opportunities for career advancement.⁶⁰ Clearly, the best models for flexible work arrangements are those in which women can adjust

their work without foregoing seniority, advancement opportunities, benefits or pay. Although work flexibility has clear benefits for women workers, a 2004 study revealed that men were more likely than women to have flexible schedules available to them.⁶¹

Childcare assistance can also ease the financial pressures for employees. Although they are relatively rare, some companies offer vouchers or subsidies for employees to use on childcare (3 percent of those surveyed), while others provide childcare centers near the office or on-site (7 percent of organizations surveyed nationally).⁶² On-site childcare can be a great help to employed mothers, especially new mothers adjusting to their return to work, and to mothers who must miss work because their children are ill.⁶³ As noted above, one of the more useful services that companies can provide to their employees is access to emergency or sick childcare. Approximately 13 percent of companies provide this service to their employees⁶⁴ and it has been shown to have a positive impact on productivity and profit. Paid sick days and/or back-up childcare options help to reduce unexpected absences from work and to increase productivity by eliminating stress among parents who are working while their children are sick. Indeed, a 2005 report by Bright Horizons, a nationwide provider of employer-

sponsored childcare, found that 68 percent of parents said they would have missed work if they had not had access to the back-up childcare center provided through Bright Horizons. This equaled a productivity savings of \$400,000 per year.⁶⁵

Women's earnings can be adversely affected by their care-giving responsibilities. Studies such as those cited in the report suggest that policies that aid women in meeting the social expectations of care-giving, while maintaining employment, earnings, and career advancement will level the playing field among all workers. Programs that offer paid leave, flexible work schedules, and childcare assistance can help alleviate the financial strain of care-giving, improve productivity that is lost when women must leave work to care for others, and help reduce that portion of the gender wage gap that is explained by women's care-giving responsibilities.



Appendix C

Ledbetter v. Goodyear Tire and Rubber Co., Inc.

In its 2007 *Ledbetter v. Goodyear Tire and Rubber Co., Inc.* decision, the U.S. Supreme Court significantly limited the ability of employees to seek redress for ongoing pay discrimination under Title VII of the Civil Rights Act of 1964. *Ledbetter* held that each time an employee receives a paycheck that has a discriminatory basis (such as a woman getting less pay than her male counterpart), that is a discrete act of

discrimination and the employee must file her charge of discrimination within 180 days of receiving the pay (even if she doesn't know that the pay is the result of discrimination).

In the *Ledbetter* case, the female employee didn't find out until years later that her pay had been negatively affected by a discriminatory decision several years prior. Over the years, the pay differential between her and similarly situated men got bigger and bigger as the long-term effects of the discriminatory decision were felt. The

Supreme Court said that because she didn't file her charge when the original discrimination occurred, she was out of time – even though the effects of the discrimination continued.

Colorado does not have to follow *Ledbetter*, and should enact administrative policy or rule changes, or statutory changes as needed, to avoid *Ledbetter*. Each paycheck that perpetuates an act of discrimination should be actionable.

Appendix D

Colorado Civil Rights Division (CCRD) Recommendations

Implementing the following changes in CCRD's powers would significantly increase its efficacy:

- a.) Reopen and staff CCRD offices in key parts of the state.
- b.) Grant full investigatory powers to the CCRD to investigate charges of discrimination, including all the powers held by the Equal Employment Opportunity Commission (EEOC) such as the power to issue subpoenas to employers, interview employees, and inspect worksites.
- c.) Prioritize and fund a trained mediation staff to resolve complaints without legal proceedings. The EEOC's mediation program in Colorado could serve as a model. There should be a minimum experience standard for the mediators.
- d.) The CCRD should have its own staff of attorneys, and should have the power to sue for individuals when there is a probable cause finding. It should also have the power to sue in its own name as an agency if it does not have a plaintiff but determines that there is an institution/employer that is violating state laws. The CCRD should also be able to seek injunctive relief. If the CCRD does sue and prevails, it should have the right to conduct long-term monitoring of the workplace including conducting periodic site inspections.
- e.) In addition to having a litigation branch, the CCRD should be provided the necessary resources, including covering the costs of the litigation. At least some of the investigators at the CCRD should also be attorneys, as the investigators make recommendations regarding the merit of claims filed.

Appendix E

Additional Approaches to Analyzing and Addressing Pay Gaps in Colorado

Colorado leaders have a unique opportunity to establish the state as a model of pay equity. To help accomplish this goal the state could undertake an analysis of pay equity within state government. Because it is a major employer, state government could set an important example by reviewing its pay practices and ensuring that it does not contribute to the pay gap.

The state could also conduct a statistical analysis to identify pay gaps and their causes among all workers in Colorado. This could be similar to a study of pay gaps conducted for the Maryland Pay Equity Commission by the Institute for Women's Policy Research.

Below is a more detailed description of what these analysis entail along with suggested approaches for conducting them.

Analysis of Pay Gaps in State Government

Staff within the Department of Personnel and Administration (DPA) are already in the process of gathering and analyzing data describing state employee compensation by gender, race and ethnicity, age, tenure and occupational group. DPA expects to release the results of this analysis in January 2008. This type of analysis could be conducted annually with the results made available to the public.

DPA anticipates completing a statistical analysis to isolate the factors that explain differences in compensation among state employees based on gender, race and ethnicity by June 2008. This analysis could include factors such as educational

attainment, additional training received, specialized skills possessed and job performance. Reviewing the hiring level, hiring rate, turnover data and distribution within the state pay plan by gender, race and ethnicity would also be important to examine. This type of analysis would provide decision-makers with very specific data that could be used to identify actions to close pay gaps that can not be explained by factors related to work experience, skill level, job duties or job performance.

In addition, it would be helpful if the next audit of the state's total compensation process includes an analysis of existing pay practices such as performance pay, pay differentials, in-range salary movements, and part-time pro-rated pay practices to determine whether, or to what extent, these practices contribute to pay gaps in the state personnel system. The DPA director and State Auditor's Office should ensure this analysis is included in the next audit of the total compensation process scheduled for the first half of 2009.

Another factor that could cause pay gaps among state workers in Colorado is the extent to which individuals are working "out of class". This happens when a worker is performing tasks associated with a higher paying job while being paid the salary associated with a lower paying job.

To help identify and correct this situation the DPA could adopt an administrative process that allows state employees to seek a classification adjustment that would repair any inequity in pay because of work that is performed "out of class." The process should include the following elements:

—Employees should be allowed to request a desk audit reclassification if they believe they are working at a higher level of responsibility than their current classification (and thus, deserve higher pay);

—The desk audit should be led by a classification expert from the DPA, but may include an agency expert or panel of other subject matter experts;

—The employee should be held harmless if the desk audit results in a recommendation to demote, rather than promote the existing classification;

—If the desk audit results in a recommendation to sustain the classification, the employee should be allowed to appeal the decision and receive an appropriate, outside review.

Analysis of Pay Gaps among all Colorado Workers

Staff within the Labor Market Information Division of the Colorado Department of Labor and Employment could work with staff in the state Demographers Office to assess the feasibility and cost effectiveness of conducting a study on pay gaps in Colorado similar to the one conducted by the Institute for Women's Policy Research for the Maryland Pay Equity Commission.

The Institute for Women's Policy Research used data from the U.S. Census Bureau's American Community Survey Public Use Microdata Sample (PUMS) file to conduct a statistical analysis of pay gaps and their potential causes among all workers in Maryland. This analysis

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found that 78 percent of the difference in average annual earnings between men and women in Maryland could be explained by characteristics such as age, occupation, hours worked per week, education, work experience and full-year, full-time work status. The remaining 22 percent could not be explained by the factors included in the data set used for this study.

A similar analysis evaluating differences in earnings for whites and other racial and ethnic minorities found that over 90 percent of the differences in average annual earnings

could be explained by the characteristics listed above. Educational attainment and age explains the bulk of the differences in average annual earnings found among workers from different racial backgrounds

This type of analysis would give policy-makers insight into the factors that explain the pay gaps found in Colorado and would help identify the areas where action is needed to close the gaps.

The feasibility and cost effectiveness of conducting this type of study for Colorado could be determined within

three months. If judged to be feasible and cost effective, the analysis could be completed within nine months. The results of the study should be reported to the officials overseeing efforts to close the pay gaps, the executive directors of the Colorado Department of Labor and Employment and the Department of Local Affairs, and to the general public.



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“P resident Kennedy understood the importance of equal pay for equal work and signed historic legislation that gave women around the country hope that one day their wages would be on par with that of their male counterparts. Evening the playing field for women workers is a matter of fairness and with women now providing a significant share of their family's income, it is a family issue.”

—Rosa DeLauro, Member of Congress, 3rd District, Connecticut