Advisory Report

Oregon Must do More to Close Persistent Wage Gaps for Women and People of Color in State Government

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Highlights

Oregon Must do More to Close Persistent Wage Gaps for Women and People of Color in State Government

Why this report is important

- Discrimination and other systemic issues have contributed to women and people of color earning lower wages for the same or similar work as their male or white colleagues.
- In 2017, the Oregon Legislature passed the Pay Equity Bill based on existing wage gaps in state government. Pay equity can improve morale and job satisfaction and help recruit and retain employees.
- Despite the state's efforts, wage gaps still exist. This report does not determine whether the gaps are due to a failure to comply with the Pay Equity Bill, or to other causes. Nevertheless, the continuing gaps are worthy of further study.

What our review found

1. Our analysis shows more must be done to close persistent wage gaps for women and people of color. Gaps still remain after state agencies implemented two rounds of pay equity adjustments in 2019 and 2022. These adjustments increased salaries to achieve equitable pay between employees performing the same or similar work. Raises were determined based upon the circumstances of each individual employee. Structural issues in society, such as lack of access to opportunities or not accounting for unpaid labor, such as child rearing, may be contributing to these wage gaps.
2. On average, we found white employees received the largest pay adjustments in 2019 and 2022 while people of color received the smallest. The median wage gap for people of color has gotten wider since 2015. Women received more raises than men, but not enough to close the median wage gap. Women of color continue to have the largest wage gaps. Further study of wage gaps is warranted to determine if legislative changes are required.
3. The Pay Equity Bill allows for some circumstances where wage gaps may exist due to allowable factors. For example, the legislation allows for differences in pay due to education, experience, training, and seniority. Experience and seniority appear to be a contributing factor to the wage gaps among state employees. The data shows the state's pay equity adjustments are not sufficiently addressing some of the root causes behind existing inequities.
4. The state's workforce has grown more diverse over the past 15 years. People of color have become increasingly represented, but are still underrepresented compared to the general population of Oregon.

What we suggest

We suggest the Legislature study pay equity further to determine if legislative changes are required. We also suggest the Department of Administrative Services review existing pay equity processes to determine the causes of systemic wage gaps in state government and if adjustments are needed for future pay equity studies. Adjustments could include a focus on education and culture change.

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Introduction

In 2017, Governor Kate Brown signed House Bill 2005, known as the Pay Equity Bill.[1] The bill's purpose was to reduce differences in compensation for employees performing the same or similar work. It applies to both public and private employers, except for the federal government. The legislation made it illegal for employers to ask potential employees about their salary history and clarified employee compensation should be established based on eight allowable factors, including education, training, and experience.

> **Letter to Senate Committee on Workforce in support of pay equity legislation**
>
> "Everyone should have the ability to earn a living wage without fear of discrimination based on gender, race or sexuality. HB 2005A works to decrease the wage gap and create equity in the workforce for all individuals."
>
> - *Senator Elizabeth Steiner, Senator Kathleen Taylor, Representative Karin Power, Representative Alissa Keny-Guyer*

The bill also allowed employees who believe they are not being fairly compensated to file suit against their employers; employers would be protected from those lawsuits if those employers show they have completed an equal-pay analysis within three years and have taken steps to eliminate any wage gaps.

Women and people of color have long faced significant wage gaps

A 2015 study by Portland State University's Center for Public Service identified wage gaps for state employees who identified as female, Black, Indigenous, or people of color (BIPOC).[2] The study found wage gaps varied, but on average non-white men earned 87 cents for every dollar earned by white men and white women earned 86 cents for every dollar earned by white men; non-white women only earned about 75 cents for every dollar earned by white men. The study compared employees performing the same or similar work. Legislators considered this report and related testimony when crafting the Pay Equity Bill.

Figure 1: Women and people of color earned a fraction of what white men earned for the same or similar work in 2015

Source: Auditor created based on Portland State University's 2015 Pay Equity Study.

[1] HB 2005, Enrolled [2017 Session]
[2] Portland State University Report and all HB 2005 [2017 Session] Analysis

State and federal legislation has long sought to address wage gaps

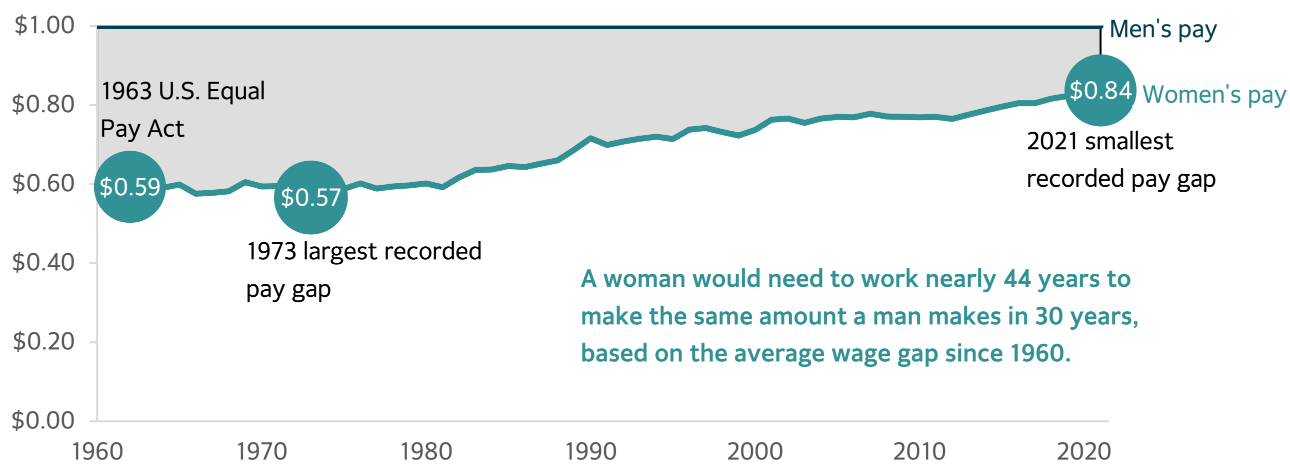
Over the years, both state and federal legislation has sought to address wage gaps. Oregon's Legislature has been a leader in addressing wage gaps and pay equity issues. Oregon enacted an Equal Pay Act in 1955, eight years before its federal counterpart. Oregon also passed the Fair Employment Practices Act of 1953, codified in Oregon Revised Statutes Chapter 659A, relating to Unlawful Discrimination in Employment, Public Accommodations, and Real Property Transactions.[3] The law prohibits discrimination because of race, color, religion, sex, sexual orientation, national origin, marital status, or age in compensation or in terms, conditions, or privileges of employment. Governor Mark Hatfield also established the Governor's Commission for Women in 1964.

One of the first examples of federal legislation to address wage gaps is the Equal Pay Act of 1963, a comprehensive bill requiring men and women receive equal pay for substantially equal work. The bill allowed pay differentials based on seniority, merit, quantity or quality of production, or a factor other than sex. The law also prohibited employers from reducing any employee's pay to correct wage gaps.

Congress passed the Civil Rights Act in 1964 and the Age Discrimination in Employment Act in 1967. These laws prohibited discrimination in employment, established protections from retaliation, and were broader in several ways than the Equal Pay Act. In 2007, the Supreme Court affirmed existing time period limitations for filing complaints of equal pay discrimination.[4] In 2009, the Lily Ledbetter Fair Pay Act responded to that decision by allowing the filing period to begin from each discriminatory paycheck (not only the first), and thus resetting the length of time for filing a claim with each paycheck.

Considerable progress has been made to close the wage gaps in the past 50 years. In 1963, a woman working full-time, year-round typically made just 59 cents for every dollar paid to her male counterpart — by 2021, this gap had narrowed to 84 cents for every dollar paid to her male counterpart on average. Figure 2 shows the gender pay gap since 1960.

Figure 2: In the nearly 60 years since the federal Equal Pay Act was passed, the gender pay gap has narrowed but still remains



Source: Auditor created based on Current Population Survey data provided by the US Census Bureau. Number of real median earnings of total workers and full-time, year-round workers by sex and female-to-male earnings ratio, 1960 to 2021.

[3] ORS Chapter 659A
[4] Lexis Nexis Ledbetter v. Goodyear Tire & Rubber Co. – 550 U.S. 618, 127 S. Ct. 2162 (2007), Cornell Law School Legal Information Institute - Ledbetter v. Goodyear Tire & Rubber & Co. Analysis

Any pay equity legislation must comply with the Fourteenth Amendment of the United States Constitution, known as the Equal Protection Clause, which states: "nor shall any State… deny to any person within its jurisdiction the equal protection of the laws."

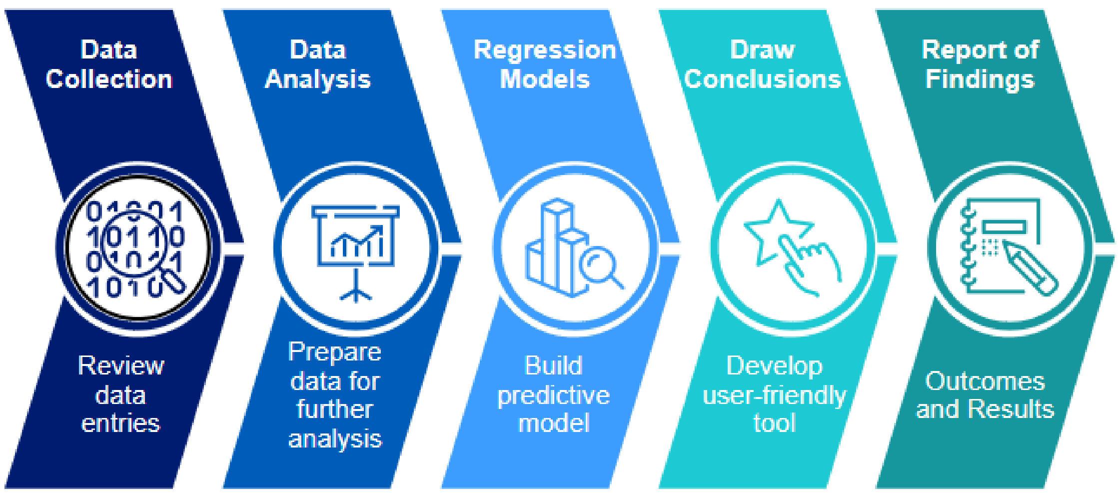
A woman would need to work nearly 44 years to make the same amount a man makes in 30 years, based on the average wage gap since 1960.

State government studies resulted in pay equity adjustments

The State of Oregon completed equal-pay analyses for over 33,000 employees in January 2019 and over 40,000 employees in January 2022.[5] Pay equity salary adjustments were made for employees at state agencies based on these analyses. Pay equity adjustments were given to employees with confirmed wage gaps. Any employees who were not satisfied with the outcome were allowed to file an appeal. In the 2019 analysis, salary adjustments were determined by each agency and resulted in 3,459 employees receiving pay increases; 348 of these were from the appeals process.[6] The 2022 adjustments were based on recommendations by a consultant hired by the Department of Administrative Services (DAS).[7] The 2022 review resulted in 2,917 employees receiving pay increases.

Oregon's pay equity analysis framework consists of several phases, shown in Figure 3. The first phase was data collection where employees supplied information about their education, experience, and other factors allowable under the Pay Equity Bill.

Figure 3: The State of Oregon's framework for conducting its 2022 pay equity analysis had several phases



Source: DAS.

For the 2022 analysis, a third-party contractor analyzed information and compared wages among employees performing the same or similar work.[8] Advanced statistical modeling using regression analysis found employees with potential wage gaps. The state's Chief Human Resources Office and

[5] Some state employees decided to not complete the paperwork necessary to be considered for pay equity adjustments. This area may warrant further study as wage gaps could exist in part due to people opting out of the process.
[6] Department of Administrative Services Equal Pay Analysis Summary (2019)
[7] Analysis was conducted by The Segal Group, Inc. and finding were reported in May 2022.
[8] The scope of our review did not include an analysis of the standards used by DAS for defining work of a same or similar caliber. This area may warrant further study as wage gaps could exist in part due to misalignment of job categories.

individual agencies reviewed the results of the data analysis, and the circumstances of the employees in question, to decide if a wage gap existed.

Positions in state government have specified classifications and pay scales

Jobs in state government exist within a position classification structure. Each classification includes a general overview of the position, minimum qualifications, and a salary scale. For example, the classification for Correctional Officer includes the following:

- Description: The correctional officer controls, directs, and monitors inmates within an adult correctional institution or satellite facility and while escorting inmates off institution or facility grounds.
- Minimum qualifications: a High School Diploma or GED; being 21 years of age or older; possessing reading comprehension, report writing, and retention abilities; being a United States Citizen; and meeting medical and physical requirements mandated by the Department of Public Safety Standards and Training.
- Minimum salary: $4,230 per month or $52,524 per year.[9]
- Maximum salary: $6,860 per month or $82,320 per year.

The salary scale for most positions consists of 10 separate pay steps. Each pay step is roughly 5% higher than the previous step. Employees generally move up the scale one step each year. The State of Oregon has adopted a policy to compensate employees between 95% and 105% of similarly situated employees in comparable markets and conducts biannual studies to ensure the state can attract and retain top talent for the public good.[10]

Before the Pay Equity Bill, employers generally had latitude to negotiate starting salaries for new employees. After the law was passed, DAS offered guidance to state agencies about how to determine the appropriate pay step for new employees to be consistent with existing pay equity efforts.

[9] Most state employees become eligible for the Public Employee Retirement System after six months. At that time, participating members generally have their base salary increased 6.95% and pay the 6% employee contribution.
[10] Oregon Executive Order 17-08

Selected excerpts highlighting the history of pay inequity from Portland State University's 2015 report[11]

Scholars of economics, sociology, social psychology, and public and business administration have researched pay differences by gender and minority, including their causes and implications. This research has broken down the wage gap between men and women into an explained portion, attributable to differences in education, experience, and occupation, and an unexplained portion that is usually attributed to discrimination.

Francine Blau, among others, is acknowledged for her work to raise awareness of gender inequality in the labor market through developing a large body of empirical research. This research has shown there is both (a) wage discrimination, "inequality generated by male-female differences in the direct rates of return to productive resources," and (b) rank segregation, "inequality generated by denying women equal access to the higher-paying ranks to which a particular job ladder leads."

Other research has established theories of "glass ceilings," defined as the unseen, yet unbreachable barrier that keeps minorities and women from rising to the upper rungs of the organizational ladder, regardless of their qualifications or achievements." Likewise, "sticky floors" refer to wage gaps that occur at the bottom of the wage distribution, in which women and minority groups are less likely to receive promotions from entry-level positions.

There have been some criticisms of research suggesting that gender wage gaps are due to discrimination, usually on the grounds that women are paid less overall because they are "more likely than men to take extended leaves, work part-time, and complete fewer years of post-college training in order to accommodate family responsibilities." Scholars generally agree that it is perhaps impossible to determine the precise percent of the wage gap that's due to discrimination. However, there is consensus that inequality and unfairness exist with respect to pay, rank, and other dimensions of the workplace.

Racial and ethnic differences in wages have also been studied in depth, although not to the extent that gender differences have been covered. From the 1960s through the 1980s, the wage gap between African-American and Non-Minority workers of both genders converged steadily;
however, since the 1980s the African-American/Non-Minority wage gap has stayed level.

There is strong evidence that minorities continue to be discriminated against in hiring practices. In a recent field experiment conducted in New York City, applicants with different racial backgrounds were given equivalent résumés and applied for hundreds of entry-level jobs. The study found that African-American applicants were "half as likely as equally qualified whites to receive a callback or job offer." The authors noted that "the magnitude of these racial disparities provides vivid evidence of the continuing significance of race in contemporary low-wage labor markets. There is a racial hierarchy among young men favoring whites" over minority groups beginning in the hiring process.

[11] This section contains selected excerpts from Portland State University's Center for Public Service 2015 Report on Pay Inequity.

Data Analysis Results

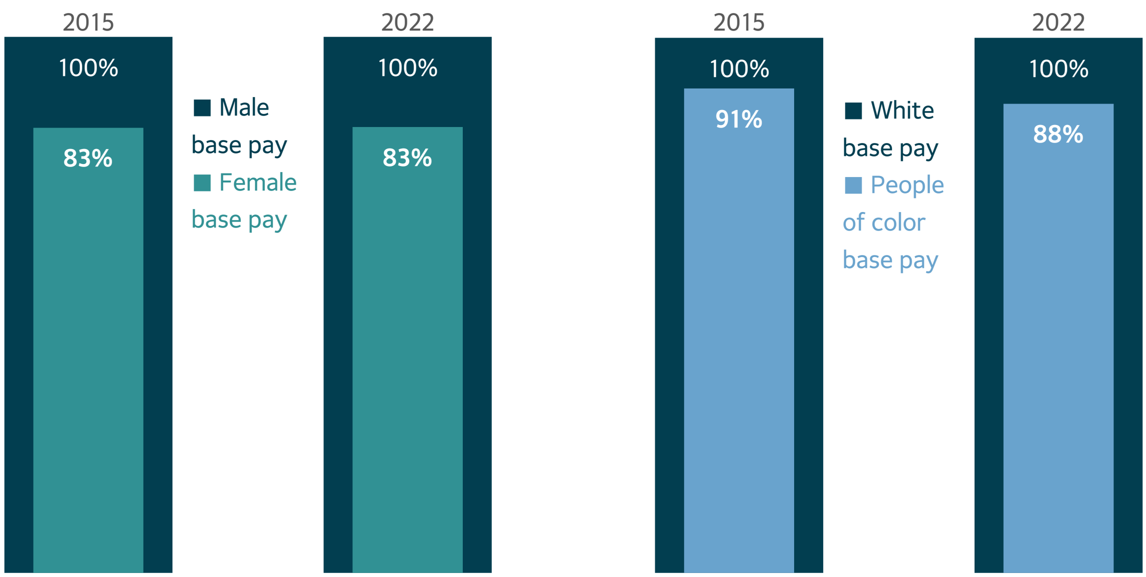
Portland State University's 2015 study outlined wage gaps between male and female employees at most state agencies, as well as wage gaps between other demographic groups. We reviewed pay equity adjustments for State of Oregon employees in 2019 and 2022 to determine if the adjustments addressed the wage gaps identified in the 2015 report. We found the two rounds of pay equity adjustments did not close systemic wage gaps in a state workforce that has grown more diverse since 2007.

Pay equity adjustments did not affect median wage gaps

We found the pay equity adjustments did not close the median wage gap.[12] For example, the 2015 report noted female employees were paid approximately 83 cents-on-the-dollar of male employees and BIPOC employees were paid about 91 cents-on-the-dollar of white employees.[13] Seven years later, after two rounds of pay equity adjustments, we found the median wage gap persisted for both groups of employees, as shown in Figure 4. Women continued to earn about 83 cents-on-the-dollar of what their male colleagues earned and the gap expanded for BIPOC employees as median earnings fell to about 88 cents-on-the-dollar.

Seven years later, after two rounds of pay equity adjustments, **we found the median wage gap persisted for both female and BIPOC employees.**

Figure 4: Women and people of color continue to face median wage gaps



Source: Auditor created based on 2015 Portland State report and 2022 payroll data from DAS.

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[12] The median wage gap is used as our primary metric of pay inequity. A median is a type of average which is the middle value in a series of data. Median wages are not subject to large swings due to a single highly or lowly paid individual or other outliers in the data. The median wage of one group is calculated and compared to the median wage of another group. A gap represents a pay inequity between the two groups.

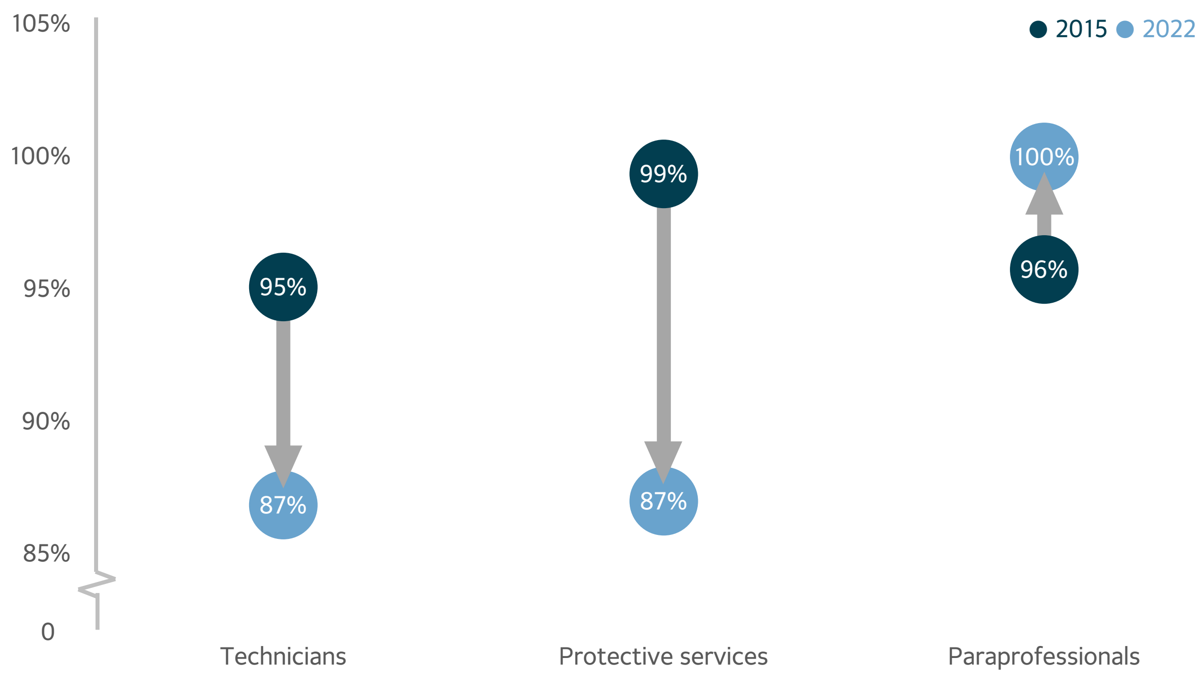
[13] See also Figure 1, a breakdown of average wage gaps in 2015 by race and gender. Men had higher median salaries, which increases the overall median wage gap for all people of color. When you disaggregate further, women of color have the largest wage gaps. As shown in Figure 1, women of color earned the least with an average of 75 cents-on-the-dollar of white men.

We performed additional analysis of the various demographic categories to identify which groups made progress toward pay equity and which groups have fallen further behind. One area where the state has succeeded is recruiting and retaining a more diverse workforce.

We did not review individual pay equity determinations. Rather, our purpose was to look at statewide averages to see how overall trends in pay equity have changed over time. Pay equity legislation has impacted how starting salaries are set, which may result in existing wage gaps dissipating over time. An analysis of starting salaries before and after pay equity implementation may also be informative, but we did not study the impact of the Pay Equity Bill on starting salaries as it was outside the scope of this project.

In some cases, wage gaps have closed; in other cases, these gaps have expanded. Figures 5 and 6 highlight select examples.[14] Pay rates can be influenced by several factors such as experience, education, training, or seniority. The presence of wage gaps does not mean employees are not being paid fairly, or that the state is not in compliance with pay equity laws; however, it raises concerns about whether the Pay Equity Bill is operating as the Legislature intended.

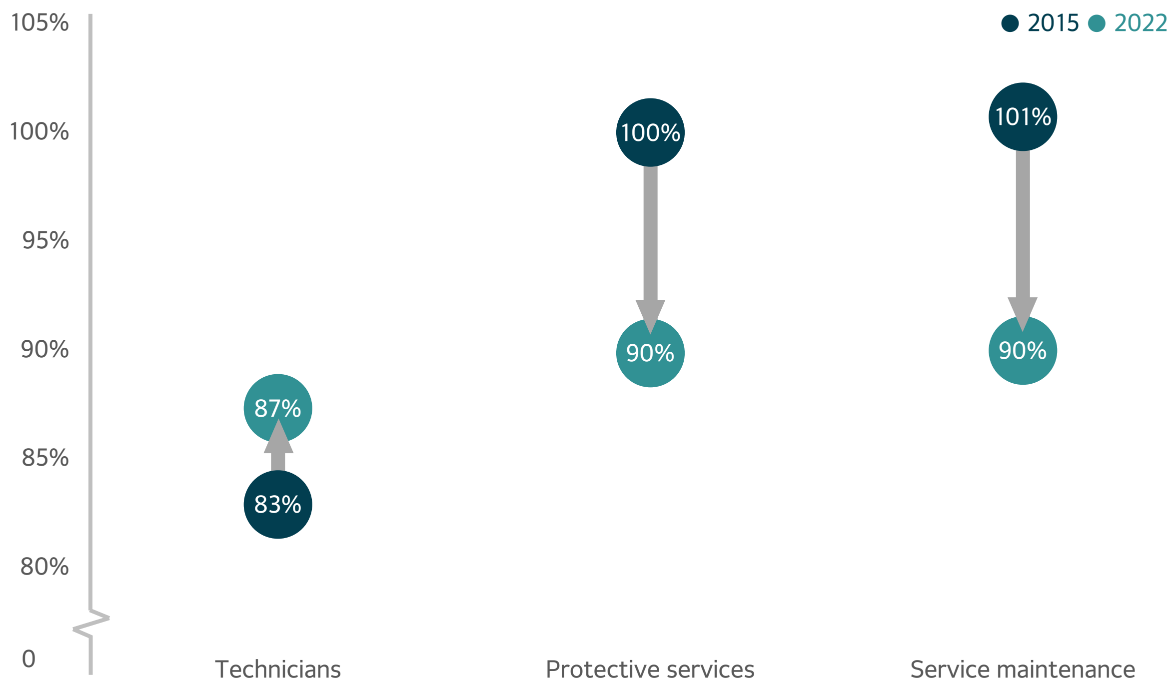
Figure 5: People of color have wider wage gaps in protective services and technician roles



Source: Auditor created based on 2015 Portland State report and 2022 payroll data from DAS.

[14] Although much focus has been on pay gaps between men and women, it is important to note applying binary gender roles is not inclusive or representative. Information on employees who identify as non-binary does not widely exist in some of the datasets we analyzed. Furthermore, when multiple factors such as race and gender are combined, a more complete picture is provided of wage gaps facing different populations.

Figure 6: Women have wider wage gaps in protective services and service maintenance roles



Source: Auditor created based on 2015 Portland State report and 2022 payroll data from DAS.

In 2019, state agencies implemented the first round of pay equity adjustments for state employees. The executive branch analysis was conducted by DAS in consultation with individual agencies. A second round of adjustments was implemented in 2022. This round of executive branch analyses was based upon work completed by an external vendor authorized by DAS.

The two equal pay analyses were largely the same and sought to compare the salaries of employees performing the same or similar work. During the 2022 analysis, job profiles were developed to compare employees performing the same or similar work. The process sought to ensure employees were fairly paid based on their seniority, experience, and relevant education. The state process only evaluated these three factors. If education was considered relevant to the position, the level of education was converted into an equivalent number of years of experience.

For example, a Master's degree was treated as four years of experience while an Associate's degree was equal to 18 months of experience. A regression model using these three factors was developed to find employees potentially affected by wage gaps. Human Resources staff compared the actual step of employees against the steps predicted by the regression model. Human Resources staff then drew conclusions about whether a wage gap existed and if an upward pay equity adjustment was needed.

> To substantially change the overall wage gaps, more women and people of color would need to receive salary adjustments, or their adjustments would need to be significantly larger on average.

To address the wage gaps identified in the 2015 report, we anticipated women would receive proportionately more pay equity adjustments than men, and BIPOC employees would receive proportionately more adjustments than white employees. While we found this to be true for female employees, it was not the case for BIPOC employees.

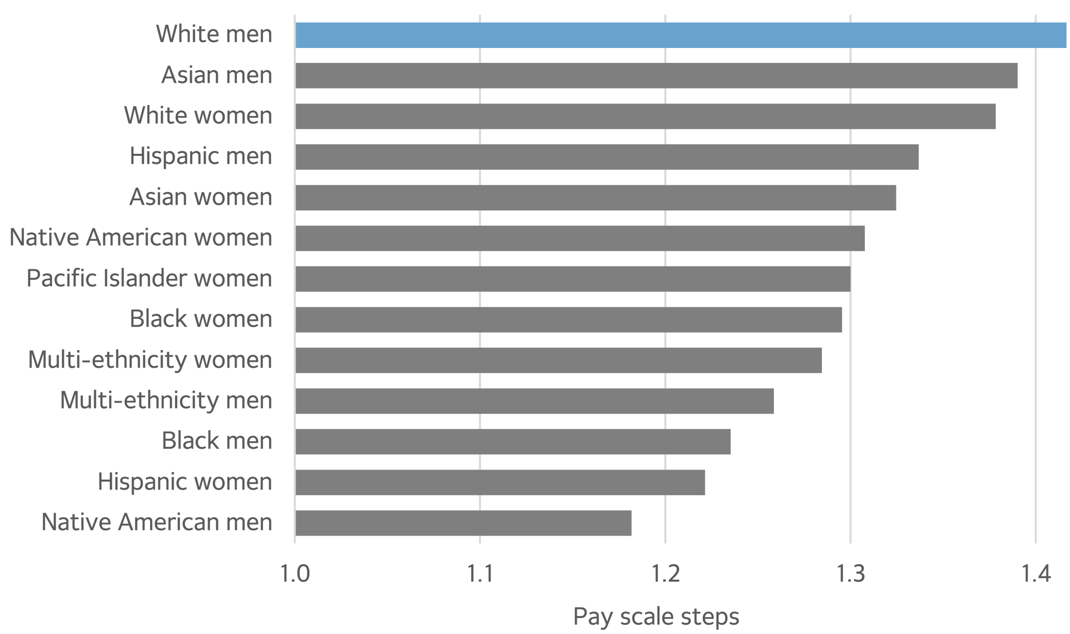
As shown in Figure 8, women represented 55% of state employees and received 57% of the pay equity raises in 2022. Although women received more raises, it was not enough to make a significant difference to the overall wage gaps shown in Figure 4. The pay equity increases for BIPOC employees were substantially the same as their percentage of the population, but we found BIPOC employees received smaller raises than white men on average, as shown in Figure 7. To substantially change the overall wage gaps, more women and people of color would need to receive salary adjustments, or their adjustments would need to be significantly larger on average.

White employees received the largest pay equity adjustments

White men received the largest pay equity adjustments in 2019, on average, and people of color received some of the lowest adjustments, as shown in Figure 7. In 2022, white men who received pay equity adjustments had an average raise of about $418 a month and white women received $419, while raises for BIPOC employees averaged $372. For example, Hispanic employees who received adjustments received an average of about $340 a month.

In 2019, white men received an average pay equity adjustment of 1.42 steps, an approximate 7.1% wage increase. Black men, Hispanic women, and Native American men received the lowest wage increases on average. Black men, for example, saw an average pay equity adjustment of 1.24 steps, or an approximate 6.2% wage increase. Hispanic women saw some of the smallest gains, with an average of 1.22 steps, or an approximate 6.1% wage increase. Native American men saw the smallest increase of an average of 1.18 steps or an approximate 5.9% increase.

Figure 7: White men received larger pay equity adjustments, on average, in 2019



Source: Auditor created based on 2019 payroll data from DAS. Auditors excluded subpopulations with fewer than 10 people receiving adjustments.

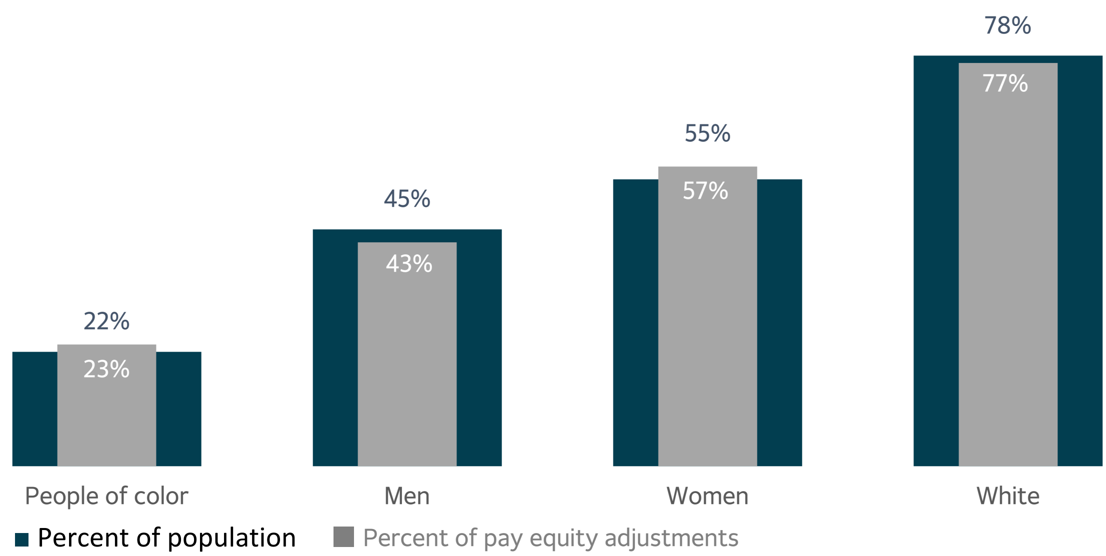
Pay adjustments did not reduce systemic inequities for women or people of color

While the legislative intent behind the Pay Equity Bill was presumed to reduce existing pay gaps affecting women and people of color, the results of our data analytics show the gaps did not close. The data shows the state's pay equity adjustments are not sufficiently addressing some of the root causes behind existing gaps.

To close the wage gap, lower-paid groups would need to receive larger adjustments than their higher-paid colleagues. However, it was white employees — white men in particular — who received the largest adjustments, as noted in Figure 7. Our analysis showed women and people of color often received smaller raises.

If significantly more women or people of color received raises, the median wage gaps could also close. Therefore, we compared the proportion of the state employee demographic groups receiving a pay equity adjustment to their proportion of the state workforce. We found the adjustments awarded to BIPOC and white employees were representative of the state workforce demographics in 2019 and 2022. Figure 8 shows the pay equity adjustments for 2022.

Figure 8: Pay equity adjustments were close to the demographics of the state workforce and did not significantly favor women or people of color, perpetuating existing wage inequities



Source: Auditor created based on 2022 payroll data from the Department of Administrative Services.

Women received slightly more adjustments than men, but not enough to make a significant difference to the overall wage gap. This was in part because women's more frequent adjustments were offset by the larger average adjustments men received. We found the proportion of people of color who received adjustments nearly matched the proportion of the workforce composed of people of color. Similar trends were observed for both women and people of color in 2019.

Other factors like seniority and experience can affect pay equity

To identify other factors which may affect or cause the wage gaps we noticed, we reviewed the factors allowed to differentiate employee pay. The Pay Equity Bill specifically states the following factors can be used:

- a seniority system,
- a merit system,[15]
- a system that measures earnings by quantity or quality of production, including piece-rate work,
- workplace locations,
- travel, if travel is necessary and regular for the employee,
- education,
- training,
- experience, or
- any combination of the factors listed above.

Seniority and experience explain why some wage gaps could be in accordance with the Pay Equity Bill

Under the Pay Equity Bill, employers are allowed to base compensation upon experience and seniority, among other factors. For example, years of experience performing a specific job could be used as a factor to determine different pay rates for two employees performing the same or similar work. Other relevant experience outside of state government is also considered in determining the employee's proper pay step. Experience is evaluated based on its relevance to the position. Work and other life experiences that may provide value to the employer, but are not directly related to the job the worker is performing, are not a recognized allowable factor on which to differentiate pay within the Pay Equity Bill.

In general, female and BIPOC employees have less seniority in state government than male and white employees. One reason is that women generally continue to perform a disproportionate amount of housework and child care. Time away from employment to raise a child or support other family members may result in women having fewer years of experience relevant to their job compared to men. The exact cause of the disparities in seniority between BIPOC and white employees was not determined, though factors such as varying retention of employees from different demographic groups could play a substantial role.

> Women's greater responsibility for housework and caregiving may be associated with decisions that reduce their labor market success compared to men's.
>
> *– Francine Blau et al.*

[15] A merit system promotes and hires government employees based on their ability to perform a job rather than political connections. In Oregon, employees with satisfactory performance receive a merit raise, or step increase, of roughly 5% a year, up to a maximum salary for their job classification. Congress passed the Pendleton Act in 1883 to establish a merit system for government officials in response to abuse by elected officials who promised jobs to political allies. Tammany Hall is a famous historical example of this kind of abuse.

Every employee has a different career path. Some employees may work in one position for over 10 years. Others may move among positions several times in a 10-year span. However, as a general rule, if the employee remains in their state position for a long enough time, they will reach the top of the salary scale. After enough time, two employees from different demographic groups performing similar jobs should both reach the top step of their pay scales and will be paid the same amount.

We found white employees are generally more likely to be at the top pay step than their BIPOC counterparts. Currently, 36% of white employees are at step 10, typically the top of a state employee's pay scale, while only 28% of BIPOC employees are at step 10.

Figure 9 illustrates how the maximum step on the pay scale can eliminate wage gaps in state government given enough time. In the scenario depicted in Figure 9, Employee A and Employee B perform the same or similar work. Employee A entered the position on step one and Employee B entered the position on step three, giving Employee B a 10% higher starting salary.

After 10 years, both employees will be on the maximum step and will earn the same amount from that point forward. However, cumulative lifetime earnings will be lower for Employee A. This scenario also demonstrates the importance of ensuring employees are placed on the appropriate pay step early in their careers; an inappropriate placement could have a large cumulative effect on an employee's lifetime earnings and perpetuate systems that have historically oppressed some groups by denying them power, wealth, and resources.

Figure 9: Wage gaps will be eliminated as employees reach the top of the pay scale, but the 10% wage gap in the intervening years results in lower lifetime earnings for one employee

Source: Auditor created hypothetical example.

A 10% wage gaps adds up to significant figures. In this hypothetical example, Employee A will make $38,000 less than Employee B over a decade — **roughly equal to the total wages earned in the first year of their employment.**

Because this analysis indicated employees from different groups will generally achieve pay equity after a certain number of years in state service, the wage gaps noted previously in this report could be caused, at least partially, by the employees' length of service, also known as seniority. In other words, pay equity laws may need more time to reach their full impact.

Workplace location, travel, and production are factors unlikely to impact our analysis

State employee pay is generally not based on workplace location. DAS determines statewide pay scales for positions at most state agencies, which are published online.[16] Union representation and other factors can result in more than one pay scale for any given position, but location is not a primary factor. Accordingly, employee workplace location should not substantially affect our analysis.

State government positions require different amounts of travel. The extent of travel along with other work conditions for each position is factored into the base pay scale by DAS. Some positions, such as accountants and information systems workers, will likely not require travel very often. Other positions, such as child welfare caseworkers and building inspectors, may require frequent travel. Some agencies like the Oregon State Police provide work vehicles to their employees to meet business needs. Additional travel reimbursements to employees for expenses like lodging and meals are not included in an employee's base pay. Our analysis is based on each employee's base pay rate and does not include any travel reimbursements.

We did not factor production in our analysis as this metric is generally relevant to private sector employers, not government employers. Employee base pay rates in this report should not be affected by production totals and this factor should not significantly impact our analysis.

Education and training are relevant factors which must be evaluated individually

Some factors affecting employee pay are relevant to employee compensation but cannot be evaluated at an enterprise level, as we have done in this report. These factors are often left to the discretion of the agency. For example, education and training are difficult to quantify and must be considered for each employee individually based on their relevance to the position.

Not all education applies to each position, and it is at the employer's discretion to determine if an employee's education is relevant to the specific job duties. For example, a degree in civil engineering may be beneficial to technicians at the Oregon Department of Transportation who design and inspect major construction projects. The same degree would likely not be useful for an accountant. Relevant education is included in the determination of the employee's pay step, but the education data we accessed could not be analyzed given constraints on how it was entered into the human resource system. Additionally, it was outside the scope of our review to analyze individual pay equity decisions, but this issue deserves further study.

[16] Department of Administrative Services website.

Salary differentials have narrowed the wage gap

Agencies are allowed to offer employees wage differentials and other base pay adjustments based on specific factors.[17] These differentials can be awarded for professional certifications or for specific skills beneficial to a position. For example, if an employee in a customer service position speaks multiple languages, the agency may determine the employee can be paid at a higher rate than an employee who speaks only one language. Differentials vary based on the specific nature of the adjustment. For example, differentials may be set at a fixed increase to hourly wages or tied to a one-time payment.[18]

Our earlier wage gap analysis used base pay rates. Base pay adjustments were not factored into our results. To examine the effect of adjustments on wage gaps, we calculated the median pay gap with adjustments. We found the female wage gap narrowed to 86 cents-on-the-dollar and the wage gap for people of color narrowed to 89 cents-on-the-dollar in 2022. Although accounting for these factors lowered the average wage gap, it did not fully close the existing gap.

The State of Oregon's workforce has grown more diverse, but many people of color are still underrepresented

Oregon has established a strategic goal of having government employees reflect the people they serve. Over the past 15 years, the State of Oregon's workforce has become more diverse, as shown in Figure 10. For example, Hispanic or Latino representation within the state workforce has increased. Hispanic or Latino employees now represent 9% of employees up from 5% of the state workforce in 2007.

All non-white demographic groups saw significant increases between 2007 and 2022 ranging from a 23% increase to a 1,206% increase. Overall, an additional 4,000 employees identify as people of color in 2022 relative to 2007. Our analysis also found state employees are more likely to be female than the general population. Women made up approximately 55% of the state workforce, but only represent about 50% of the population.

Figure 10: Oregon's workforce has grown more diverse, but people of color still make up less than a quarter of the state workforce

	2007	2022	% of total in 2022	Percent of population	2007-2022 change
Native Hawaiian or Pacific Islander	18	235	0.6%	0.5%	1,205.6% ↑
Two or more	349	1,472	3.8%	4.0%	321.8% ↑
Hispanic or Latino	1,893	3,576	9.2%	13.5%	88.9% ↑
Black or African American	658	982	2.5%	2.2%	49.2% ↑
Asian	1,057	1,556	4.0%	4.9%	47.2% ↑
American Indian or Alaska Native	526	648	1.7%	1.8%	23.2% ↑
White, not Hispanic or Latino	30,418	30,387	78.2%	75.1%	-0.1% ↓
Total	34,919	38,856			

Source: Auditor created based on 2007 and 2022 payroll data from DAS and 2021 United States Census Bureau Population Estimates. Census figures total more than 100%.

[17] For the purpose of this report, we are categorizing all base rate adjustments as differentials.
[18] See DAS State HR Policy 20.005.11 for details.

Despite increased diversity, the state workforce remains underrepresented for most people of color. A demographic group is underrepresented in the state workforce when the percentage of employees is less than the percentage of the state population. For example, while representation of Hispanic or Latino state employees has improved, Hispanic or Latino employees are still underrepresented, as they compose 13.5% of the state's population. Black or African American employees are slightly overrepresented at 2.5% of the state workforce versus 2.2% of Oregon's population. The total number of white employees dropped slightly over the past 15 years while the number of BIPOC employees in the state's workforce rose. As a result, the proportion of people of color in the workforce rose from 13% to 22%.

Conclusion and Suggested Actions

The intent of this report is to provide a snapshot of state government employees before and after the Pay Equity Bill went into effect. Since the bill was passed, state agencies have gone through two rounds of pay equity adjustments to address inequities in pay. The pay equity adjustments increased the salaries of 3,459 employees in 2019 and 2,917 employees in 2022.

While the adjustments addressed pay inequities at the individual level, they did not substantially alter the systemic wage gaps by gender or race and ethnicity. On average, women generally still make less than their male counterparts and BIPOC employees generally still make less than their white counterparts, with female BIPOC employees earning the least. These gaps are likely caused by systemic and structural factors. Lack of access and opportunity or not accounting for unpaid labor could be contributing to the lingering wage gaps, as could subjective decisions regarding the value of relevant experience and education.

This report should not be construed to assert the pay equity laws are not being administered appropriately. The legislation specifically cites eight factors such as seniority, experience, education, and training which can be used to distinguish employee compensation. Our assertion is the wage gaps still exist, but we did not conclude gaps are inconsistent with the Pay Equity Bill.

Our analysis highlights the need for further study of this issue. An analysis of how other governments and private sector employers implemented the Pay Equity Bill could potentially highlight other statewide pay equity outcomes warranting legislative changes.

Suggested actions

1. We suggest the Oregon Legislature study the implementation of the Pay Equity Bill and consider if legislative action is needed to address persistent wage gaps.
2. We suggest DAS review existing pay equity processes to determine the causes of systemic wage gaps in state government and if adjustments are needed for future rounds of pay equity studies. Adjustment could include a focus on education and culture change.

Objective, Scope, and Methodology

Objective

The objective of our review was to analyze the pay equity adjustments in 2019 and 2022 to determine if the pay adjustments addressed systemic wage gaps in state government.

Scope

Our analysis was based on data from 2007, 2015, 2019, and 2022 for most executive branch agencies for the State of Oregon.

Methodology

To complete our review, we obtained relevant personnel and payroll data from DAS. We performed a review of the data to determine if the wage gaps previously identified closed, remained unchanged, or widened.

DAS completed a review of executive branch employees and implemented the pay equity adjustments in 2019 and 2022. We did not test or review the agency's specific analysis or conclusions on individual employee pay equity adjustments. Properly evaluating each individual pay equity adjustment would require a detailed analysis of the specific employee's experience, training, education, work history, and other factors, as well as the same factors for their peers. Such an analysis is outside the scope of this review. We performed our analysis at the macro level for the state as a whole and purposely did not focus our analysis on individual employees or agencies.

Our reporting objective was to provide a snapshot of various points in time, based on the most readily available information at the time of our review. Our review was not conducted in full accordance with Generally Accepted Government Auditing Standards. Our analysis of wage gaps is not a detailed study of wage gaps in state government. Although we performed some of the same methodology as the 2015 Portland State University study, the scope of our analysis was more limited. As noted in our report, further study of wage gaps in state government is warranted.

Notes on the analysis performed

In order to complete the analysis in this report, we needed to synchronize data between data sources and to make assumptions based upon the data provided. Those assumptions and adjustments are described below.

1. Our analysis was limited to executive branch agencies. Legislative, judicial, and semi-independent agencies were excluded from our analysis.
2. Results for larger demographic subgroups are more reliable than results for relatively small BIPOC subgroups.
3. To complete this analysis, we required information from different personnel and payroll systems. Slight variances may occur due to inconsistencies between systems.

4. The 2015 report completed by Portland State University is used as a baseline and contained information on most state agencies but did not include state agencies outside of the executive branch, such as the Oregon Judicial Department and Office of Public Defense Services. To the extent possible, we have attempted to synchronize the populations to ensure comparability. There may be minor variances between the 2015 data in our report and the report entered into legislative testimony.
5. For the analysis based upon sex and ethnicity, we are relying on the data in state data systems which was ultimately reported by the employees.
    a. For figures and analysis based on gender identity, the 2019 data only allowed entries of male and female, but 2022 data contains a non-binary category. While some data has begun to be collected for non-binary state employees, we have not included non-binary data in our analysis.
    b. For figures and analysis based on ethnicity, some employees left the field blank or declined to answer the question. We excluded employees who did not provide demographic information from our analysis.
6. The analysis on ethnicity in the 2015 report classified employees into two groups: Minority and Non-Minority. While using the same data for our analysis, we have renamed the titles as BIPOC and white.
7. For consistency with the 2015 report, we are using the median base pay rate as the measure of a “typical” employee in each demographic group.
8. The scope of our review did not include an analysis of the standards used by DAS for defining work of a same or similar caliber.

We sincerely appreciate the courtesies and cooperation extended by officials and employees of DAS during the course of this review.

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About the Secretary of State Audits Division

The Oregon Constitution provides that the Secretary of State shall be, by virtue of the office, Auditor of Public Accounts. The Audits Division performs this duty. The division reports to the elected Secretary of State and is independent of other agencies within the Executive, Legislative, and Judicial branches of Oregon government. The division has constitutional authority to audit all state officers, agencies, boards and commissions as well as administer municipal audit law.

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