
PERFORMANCE AUDIT OF CITY EMPLOYEE PAY EQUITY

The City Should Conduct Periodic
Employee Pay Equity Studies, and
Should Investigate and Respond to
Apparent Earnings Gaps between
Genders and Racial/Ethnic Groups
Where Necessary

**Office of the
City Auditor**

City of San Diego





Highlights

Why OCA Did This Study

In accordance with the Office of the City Auditor's Fiscal Year 2019 Audit Work Plan, we conducted a performance audit of the City's compensation reporting.

The objective of this audit was to determine how the City's compensation data is or could be utilized by the City and other stakeholders. With the recent passage of the City's Equal Pay Ordinance, and with issues of employee compensation featured prominently in our recent Human Capital Fact Book, we examined City employee pay equity as one such example.

What OCA Recommends

OCA made 6 recommendations to address issues we identified, which will require a collaborative effort between the City Administration, Human Resources Department, Personnel Department, and City Attorney's Office. Key recommendations include:

- The City should conduct periodic pay equity studies at least every three years.
- The City should develop and execute an action plan to increase diversity in high-paying fields. The development of this action plan should contemplate additional measures to improve recruiting efforts for high-paying fields to diverse groups, and increase job flexibility and work-life balance.
- In addition, the plan should consider measures to reduce reliance on overtime, which is a significant driver of the gender pay gap.
- While our results do not prove the City has engaged in unfair or illegal behavior, the City should investigate the root causes of pay gaps that exist even after adjusting for line of work, age, and City experience, and determine if any remediation is necessary.

For more information, contact Kyle Elser, Interim City Auditor at (619) 533-3007 or cityauditor@sandiego.gov.

City Employee Pay Equity

The City Should Conduct Periodic Employee Pay Equity Studies, and Should Investigate and Respond to Apparent Earnings Gaps Between Genders and Racial/Ethnic Groups Where Necessary

What OCA Found

Pay equity between genders and racial/ethnic groups is a prominent topic in today's society, as well as in the field of human capital management. For example, one often-quoted statistic is that across the entire United States economy in 2018, full-time female employees earned only 81 percent of what full-time male employees earned. In response, federal, state, and local laws, including the City of San Diego's Equal Pay Ordinance have been passed to try to improve pay equity in the workplace. Research shows that gaps in pay are not just an important issue legally and socially; they are also an issue that can affect the ability of organizations, such as the City of San Diego, to attract and retain talent.

Finding 1: The City Has Not Historically Conducted Pay Equity Studies

We found the City has not historically conducted pay equity studies to identify City employee pay disparities across genders and racial/ethnic groups; to investigate the root causes of any pay differences found; and to ensure that the City is complying with all applicable laws, policies, and City diversity goals. As a result, the City is unaware of --and unable to investigate and respond to -- any pay gaps that may exist.



Finding 2: The City Should Evaluate Whether Additional Steps Should be Taken to Increase Diversity in Higher Paying Jobs

We found that within the City's workforce in 2017, full-time female employees earned approximately 83 percent of what full-time male employees earned. This is slightly higher than the U.S. national figure of 81 percent, but somewhat lower than those across the State of California, as well as San Diego County (both 89 percent). In addition, we found that full-time non-white employees earned approximately 80 percent of what white employees earned. Our results indicate that in order to close these gaps, the City would need to increase gender diversity in high-paying positions, especially within public safety departments, and increase racial/ethnic diversity in high-paying positions Citywide.

Finding 3: The City Should Investigate and Respond as Necessary to Gender and Racial/Ethnic Earnings gaps, which Appear Among Some Employee Groups Even After Accounting for Line of Work and Experience

While the simple comparison of averages above is relatively easy to understand and may identify potential areas of concern, it has substantial limitations. For example, it does not take into account variables such as different types of jobs performed by these groups. We performed an 'adjusted' pay gap analysis that holds factors that affect pay constant, including line of work, years of City experience, and age. When adjusting for these factors, we found that significant differences in pay exist for some lines of work, but not others. For example, we found that female Firefighters earned approximately \$25,000 less than male Firefighters of similar age and years of service—a gap that was almost entirely explained by differences in overtime use. Along racial/ethnic lines, the largest difference we found was for Deputy City Attorneys, with non-white employees earning about \$6,200 less than whites, even after adjusting for age and years of service, and even when excluding overtime.



THE CITY OF SAN DIEGO

April 8, 2019

Honorable Mayor, City Council, and Audit Committee Members
City of San Diego, California

Transmitted herewith is a performance audit report on City Employee Pay Equity. This report was conducted in accordance with the City Auditor's Fiscal Year 2019 Audit Work Plan, and the report is presented in accordance with City Charter Section 39.2. The Results in Brief are presented on page 1. Audit Objectives, Scope, and Methodology are presented in Appendix B. Management's responses to our audit recommendations are presented on page 79 of this report.

We would like to thank staff from the City Management and Human Resources Department, the Personnel Department, City Attorney's Office, Department of Finance, and the Department of IT for their assistance and cooperation during this audit. All of their valuable time and efforts spent on providing us information is greatly appreciated. In addition, we would like to thank the numerous other operational departments who provided feedback on our analysis. These departments include Fire-Rescue, Police, Development Services, Public Utilities, Public Works, Parks and Recreation, Planning, Transportation and Storm Water, Performance and Analytics, and the Office of the Mayor. As discussed more fully in the report, the nature and extent of the City's gender and racial/ethnic pay gaps were unknown to them prior to our analysis. We met with each department to present their results, and without exception department officials reviewed these results with an open mind and provided thoughtful and constructive feedback. These department officials will be a valuable resource for the City as it develops an action plan to investigate the pay gaps we identified, and address them as needed.

The audit staff members responsible for this audit report are Nathan Otto, Laura Reyes-Cortez, Joe Picek, Andy Hanau, and Danielle Knighten.

Respectfully submitted,

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Results in Brief

According to the U.S. Bureau of Labor Statistics, across the entire United States economy in 2018, full-time female employees earned only 81% of what full-time male employees earned. Although this gender gap has narrowed considerably in the past several decades – in 1979, for instance, women's earnings were only 62% of men's - the large pay disparity continues to generate protest and calls for action.

Further, although debate often focuses on the gap in earnings of male and female workers, similar gaps exist in the earnings of full-time non-white workers when compared with those of full-time white employees.

In response, federal, state, and local laws, such as the U.S. Lilly Ledbetter Act, the California Equal Pay Act, and the City of San Diego Equal Pay Ordinance have been passed to try to improve pay equity in the workplace. In addition, the City's Strategic Plan highlights the importance of promoting diversity.

Research shows that gaps in compensation are not just an important issue legally and socially; they are also an issue that can affect the ability of organizations, such as the City of San Diego, to attract and retain talent.

Why We Conducted This Audit

Our audit objective for this project was to determine how the City's compensation data is or could be utilized by the City and other stakeholders.¹ With the recent passage of the City's Equal Pay Ordinance, as well as topics of employee

¹ This objective was separated from a prior audit which focused on improving transparency within the City's annual employee compensation reports. Available at: https://www.sandiego.gov/sites/default/files/19-010_compensation_reports.pdf.

compensation featuring prominently in our previously-released Human Capital Fact Book, we examined pay equity as one such example.^{2, 3}

***Pay Disparities Have
Many Causes that
Employers May or May
Not Be Able to Control***

The City's Civil Service System defines salaries in the Classified Service, in order to provide uniform compensation for like service.^{4, 5} The Civil Services System includes controls which ensure that employees doing the same job are paid an equal hourly base rate within an established range.⁶ However, this control may not on its own prevent pay disparities arising from other factors.

In addition, research shows that pay inequities that women earn only 81% of what men do – are largely driven by “job sorting,” which is the tendency of different demographic groups to be employed in different lines of work. While job sorting is largely caused by many factors that employers may not be able to control, employers may be able to mitigate its effects by, for example, actively recruiting and developing a more diverse workforce in higher-paying fields that have traditionally been less diverse.

Furthermore, pay inequities may arise if overtime opportunities are not awarded equally across genders and racial groups. Again, these differences may be driven by factors that the City may not be able to fully control. For example, research shows that women tend to bear the

² Available at: <http://docs.sandiego.gov/municode/MuniCodeChapter02/Ch02Art02Division48.pdf>.

³ Available at: https://www.sandiego.gov/sites/default/files/19-001_citywide_human_capital_fact_book.pdf.

⁴ Approximately 91% of City employees are in the Classified Service. The remaining 9% of employees are Unclassified. Unclassified employees are typically management-level employees, or employees of independent departments such as the Office of the City Attorney.

⁵ San Diego City Charter Article VIII, Section 130.

⁶ For example, one job classification within the City's Civil Service System is “Water Systems Technician 2.” The current pay range for this position is \$37,773 to \$45,240. All employees in the Water Systems Technician II classification receive a base salary within this range.

majority of child-raising responsibilities, and may “choose” lower-paying fields that provide greater job flexibility, or be less likely to pursue promotional or overtime opportunities as a result.⁷

***Pay Equity Studies Are
an Essential Tool to
Help Monitor and
Ensure that Employee
Pay is Equitable And
Fair Across Genders And
Racial Groups***

In order to ensure that employee pay is fair, and that organizational goals related to workplace diversity are achieved, employers first need to know what compensation patterns exist across genders and racial/ethnic groups in the workplace. Periodic pay equity studies are an important tool organizations can use to monitor progress towards organizational diversity goals. In addition, they can be used to detect possible indications of unfair workplace practices which could reduce the quality and diversity of the City’s workforce, or potentially place the City at legal risk.

**Finding 1: The City
Should Conduct Pay
Equity Studies**

We found that the City has not historically conducted pay equity studies to analyze and monitor City employee pay disparities across genders and racial/ethnic groups, to investigate the root causes of any pay differences found, and to ensure that the City is complying with all applicable laws, policies, and City goals. As a result, the City is subject to several risks, including:

- The City is unaware of overall compensation patterns across genders and racial/ethnic groups; and
- The City may be unable to investigate and respond to any pay inequities where necessary.

It is not clear why the City has not performed such an analysis on its own workforce. It is possible that the City generally assumed that pay has been fair, relying on the Civil Service classification system and its hiring and promotional processes. In addition, calculating earnings gaps across the

⁷ See for example “The Gender Pay Gap,” *The Economist* (October 2017). Available at: <https://www.economist.com/international/2017/10/07/the-gender-pay-gap> (Subscription Required).

City, and investigating any disparities as necessary, would likely require the collaboration of several different departments – for example, Human Resources, Personnel, and the City Attorney's Office – and there is currently no requirement for them to undertake or collaborate on such an analysis.

By not performing analyses of pay equity, potential earnings gaps could emerge, magnify, and/or perpetuate among the workforce, and the City would be unaware. Such gaps may be inherently unfair, potentially illegal, and a hindrance on the City's ability to retain motivated, engaged employees. Further, with the City now requiring all City contractors to certify that they will provide equal pay to workers regardless of their gender or race/ethnicity, it enhances the City's credibility if it analyzes pay equity with its own workforce as well.

While pay equity is an increasingly important topic in the U.S., it appears that relatively few local government agencies in the U.S. currently conduct and publish pay equity studies, based on internet searches. By doing so, therefore, the City can be a leader in conducting and publishing analysis of internal pay equity, consistent with its Strategic Plan to value diversity, measure results, and seek improvement in everything the City does.

We recommend the City retain a consultant or use appropriately-qualified City staff to conduct a detailed pay equity study at least every three years in order to ensure that the Mayor, City Council, and City management are aware of compensation equity patterns across the City's workforce. This study should include investigation of, and recommended responses to root causes of earnings gaps, as necessary.

**Finding 2: The City
Should Evaluate
Whether Additional
Steps Should be Taken
to Increase Diversity in
Higher Paying Jobs**

Given that the City has not historically conducted pay equity studies, we used calendar year (CY) 2017 data to perform two types of analyses to determine whether earnings gaps exist between full-time City employees by gender and race/ethnicity.⁸ First, we performed an “unadjusted” earnings gap analysis, which compares average employee compensation across various groups, without controlling for factors such as line of work. This type of analysis can identify baseline comparisons across various groups within the workforce.

We found that substantial earnings differences do exist across both gender and race/ethnicity.⁹ Specifically, we found that:

- Median earnings for female City employees are approximately 83% of those of male employees.¹⁰ This is similar to the ratio across the entire US economy of 81%, but somewhat lower than the entire California economy, as well as that of San Diego County.¹¹

⁸ We note that there are different opinions and interpretations regarding how the terms race and ethnicity are used or should be used. Given these complexities, we use the term race/ethnicity throughout the report.

⁹ As discussed more fully in the body of the report, our analysis included full-time employees who worked at the City for all of CY 2017 and took minimal unpaid leave.

¹⁰ To add additional context, we sought to compare the ratio of earnings to other jurisdictions using US Census data, which uses **median** earnings by gender (and did not include data by race/ethnicity). We make a technical note that we mention both average and median earnings in this report - both of which come to a ratio of 83 cents for females to \$1 for males for the City workforce. Overall, median earnings for full-time female City employees were \$67,313 in CY2017 compared to median earnings for male City employees of \$81,284.

¹¹ As discussed later in the report, a significant part of the City’s gender pay gap can be explained by overtime, particularly within public safety. When excluding overtime, female employees earn 92% of what male employees earn. It is also worth noting that the ratio is 96% when comparing “SAP salaries”: the annual salary assigned to employees in the City’s workforce and financial management system, SAP. Even though this salary is not as expansive as other measures, it is the one that departments may be most able to directly assign to its employees. Still, while there are a variety of ways to calculate employee pay, the methodology used to generate the 83% figure above includes all actual earnings. Thus, auditors believe this is a better comparison to the US and other organizations.

- For City employees, this ratio of median earnings has increased since 2011, when women earned 79% of what male employees did.
- Similarly, we found that in 2017 non-white employees earned approximately 80% of what white employees earned.
- On average, full-time, white male employees earned \$98,026 in 2017, which is higher than any other group. In contrast, full-time black female employees earned approximately 60% of this, at \$59,816.
- The top four earning demographic groups were all male. Six of the seven lowest-earning groups were female.

The overall results are displayed below in **Exhibit 1**.

Exhibit 1:

Average City Employee Earnings Vary Greatly by Gender and Race/Ethnicity (2017)

Gender and Race/ethnicity	Average earnings in 2017 (Box 5 Subject to Medicare)	Ratio of earnings relative to white males
Male White	\$98,026	\$1.00
Male American Indian or Alaska Native	\$92,340	\$0.94
Male (All)	\$87,868	\$0.90
Male Asian	\$87,435	\$0.89
Male Filipino	\$86,175	\$0.88
Citywide	\$83,226	\$0.85
Female White	\$81,405	\$0.83
Male Hispanic or Latino	\$78,473	\$0.80
Male Black or African American	\$72,714	\$0.74
Female (All)	\$72,643	\$0.74
Female Filipino	\$72,126	\$0.74
Female Asian	\$71,900	\$0.73
Male Other/Two or more races	\$69,190	\$0.71
Female American Indian or Alaska Native	\$68,375	\$0.70
Female Other/Two or more races	\$65,893	\$0.67
Female Hispanic or Latino	\$65,428	\$0.67
Female Black or African American	\$59,816	\$0.61

Source: OCA generated based on workforce data within SAP and 2017 Employee Compensation Report.¹²

¹² Some racial/ethnic group labels have changed over time. According to the Personnel department for example, any employee who chose the Filipino category from before 2013 is now reported as

As discussed above, industry research, and our own results suggest these gaps are largely explained by the tendency of males and females, as well as different racial/ethnic groups to work in different lines of work within the City.

For example, within the City, the gender earnings gap is largely driven by sworn Police and Firefighter personnel, who are heavily male and are compensated significantly more than the average City employee.¹³ In turn, high average pay in these departments is largely the result of high amounts of overtime – especially in Fire-Rescue, where the average employee earns more than \$45,000 per year in overtime alone.¹⁴

When removing sworn Police and Firefighter personnel from the calculation, the City's gender earnings gap narrows considerably, to 96% for women's pay compared to men's. However, the City's racial/ethnic earnings gap remains virtually the same, with pay for non-white employees averaging 81% of what white employees earn.

Increasing Gender and Racial/Ethnic Diversity in High-paying Fields and Reducing Reliance on Overtime May Help Improve Pay Equity

Combined, these results indicate that there may be opportunities to narrow the City's gender and racial/ethnic earnings gaps by increasing the number of females in higher-paying positions, especially within public safety departments, as well as increasing racial/ethnic diversity in high-paying positions Citywide.

In addition to other benefits, reducing reliance on overtime could also help close the gender earnings gap and may help make careers in public safety more attractive to potential female applicants.¹⁵

Asian in the City's annual EEO reporting. The categories are based on information within SAP as of January 1, 2018, and are self-reported at the time of hire.

¹³ Approximately 85% of sworn Police Officers and 95% of sworn Firefighters are male.

¹⁴ As discussed in the body of the report, according to Fire-Rescue, significant turnover in recent years has necessitated increasing the use of overtime to meet staffing requirements.

¹⁵ A previous report from the Office of the City Auditor highlighted several advantages from relying less on overtime among firefighters. Based on the significant gender disparity in the usage of overtime, it appears that an improvement in terms of pay equity would be another such advantage.

While job sorting is the result of a variety of societal factors which the City may have limited control over, the City may be able to increase diversity in higher-paying fields through targeted outreach efforts and increased workplace flexibility.¹⁶ In fact, Citigroup, one of the world's largest banking and financial services firms, recently published the results of its internal pay equity study, which found that female employees make only 71% of what males do globally, and has established similar goals to help close this gap.¹⁷

The City has recently taken some steps towards these goals, which may help promote flexibility and retain female workers for future leadership positions. For example the City recently began providing new parents with one month of paid leave. In addition, Fire-Rescue recently announced plans to hire more than 200 Firefighters over the next four years, which will help reduce the department's reliance on overtime. We recommend that the City use our results above as a starting point to examine whether, and how to increase these efforts, through such programs such as increased part-time, job-sharing, and telecommuting arrangements; and maintaining efforts such as Fire-Rescue's Girls Empowerment Camp and Cadet Program, as well as SDPD's STAR/PAL program, while also re-evaluating their sufficiency. In addition, we recommend the City evaluate and consider expanding job marketing efforts to additional diverse audiences, to improve diversity in the highest-paying positions.

See "Performance Audit of the San Diego Fire-Rescue Department's Overtime Costs: The Fire-Rescue Department Can Better Control Overtime by Hiring Additional Firefighters," Office of the City Auditor (August 2014). Available at: https://www.sandiego.gov/sites/default/files/15-005_Fire-Rescue_Overtime.pdf.

¹⁶ For example, see "Family Obligations Widen Gender Pay Gap, Research Suggests," Society for Human Resource Management, December 2018. Available at: <https://www.shrm.org/resourcesandtools/hr-topics/compensation/pages/effect-of-choices-on-gender-wage-gap.aspx>.

¹⁷ Available at: <https://blog.citigroup.com/2019/01/global-pay-equity-at-citi>.

Finding 3: The City Should Investigate and Respond as Necessary to Gender and Racial/Ethnic Earnings Gaps, Which Appear Among Some Employee Groups Even After Accounting for Line of Work and Experience

While a simple comparison of averages as in Finding 2 is relatively easy to understand and may identify potential areas of concern, it has substantial limitations. For example, it does not take into account variables such as different types of jobs performed by these groups.

To supplement the unadjusted earnings gap analysis, we performed an additional statistical test, called an “adjusted” analysis, which is used in pay equity studies to hold various factors that affect pay constant.¹⁸

These factors include employees’ line of work, years of service with the City, and age, with the goal being to improve comparisons among similarly situated workers. Because the City’s Civil Service System ensures that employees with the same job classification are paid the same, we grouped employees in similar career paths to capture differences that may arise from other factors, such as differences in promotions, or the use of overtime.

We performed this test for nine different types of positions in the City, such as sworn Police Officers; Recreation Center Directors; and Deputy City Attorneys.¹⁹ When holding a variety of pay-influencing variables constant, we found statistically-significant differences in pay by gender and racial group in some lines of work, but not others.²⁰ Specifically, we found:

- The largest differences were across gender lines, with females making markedly less than similarly-situated males.

¹⁸ As discussed further in the Background and Objectives, Scope and Methodology sections, this analysis is performed using a statistical technique called multi-variate regression.

¹⁹ For a full listing of employee groups analyzed, see Exhibits 13 and 14 in Finding 3. For a full listing of each specific job classification, see Appendix C.

²⁰ “Statistically significant” is a technical term meaning such results are unlikely to occur by chance. We used a 90% confidence level to determine statistical significance. See the Objectives, Scope, and Methodology section for more detail.

- For example, female Firefighters made \$25,173 less than male Firefighters who had the same years of service and age; female Water Systems Technicians (WSTs) made \$12,042 less than male WSTs; and female Police Officers made \$5,261 less than male Police Officers. By far, the largest component of these results is explained by differences in the amount of overtime worked between males and females.
- The largest differences along gender lines tended to occur in lines of work with small percentages of female employees.
- Differences across racial/ethnic lines were less pronounced, but did exist in some cases.
 - The largest racial/ethnic earnings gap we observed was \$6,291 for non-white City Attorneys. Non-white Civil Engineers earned \$4,581 less than whites.
 - Notably, not all racial/ethnic earnings gaps were disadvantages for non-white employees. Non-white Firefighters and Police had a pay advantage of \$4,702 and \$2,676, respectively.

As with the unadjusted earnings gaps above, some of these differences may be the result of factors the City may have limited ability to control – for example, women may be more likely to turn down overtime opportunities, given their additional family responsibilities. In fact, we met with individual departments to discuss our results, and both Fire-Rescue and SDPD reported that they utilized computerized systems to distribute overtime opportunities based on objective criteria. However, even if the process to award overtime is inherently fair, it would likely be necessary to significantly reduce reliance on overtime to substantially close these gaps.²¹

²¹ Based on these interviews, some overtime work is voluntary and some is mandatory.

Unlike SDPD and Fire-Rescue, other departments may not have computerized systems for distributing overtime, possibly increasing the risk that practices are unfair. Without knowing that these earnings gaps existed or investigating their root causes, the City has less assurance that the awarding of overtime is fair and objective.

Other earnings gaps, such as the \$6,291 gap for non-white Deputy City Attorneys, appear to be more related to differences in employee rank and base salary, rather than overtime. Departments were able to speculate, but did not know the true causes of these gender and racial/ethnic earnings gaps. This is because these differences had never been identified or studied before. It is possible that some of these gaps may be explained by differences in education levels, for example, if white Civil Engineers possessed higher levels of education, on average, than non-white Civil Engineers. Ideally, this variable (employee education level) would be included in our analysis, but it is not currently tracked by the City in SAP.

It is critical to note that this data cannot be used to draw reliable conclusions about how and why these groups of employees are paid as they are, or to conclude that any individual employee is underpaid as compared to relevant peers. Limitations as discussed in the report currently prevent us from easily comparing employees' pay based on job performance, education, prior work experience, training, certifications, and performance evaluation results – all legitimate, lawful factors used to make compensation decisions. Thus, we emphasize that these results do not prove that the City is engaging in any illegal or unfair behavior. This is a high-level summary that provides only a snapshot of overall compensation results within the City.

However, given that the City was unaware of the extent of these earnings gaps prior to our analysis, we recommend that the City utilize appropriately-qualified staff, or a consultant to

investigate the root causes of the earnings gaps we identified, and recommend a course of action to mitigate earnings gaps where necessary. Given that many strategies likely require meeting and conferring with employee unions, this should include solicitation of ideas from organized labor groups on how to mitigate these earnings gaps. In addition, we recommend that the City track employee education levels in SAP, in order to provide for more robust earnings gap analysis in the future.

We made a total of 6 recommendations to address the issues we identified, which will require a collaborative effort between the City Administration, Human Resources Department, Personnel Department, and City Attorney's Office. The City Administration agreed to implement all 6. The Administration's response to the audit begins on page 79.

Background

According to the US Bureau of Labor Statistics (BLS), in 2018, full-time female employees in the entire economy's workforce earned only 81% of what full-time male employees earned. Although this gender earnings gap has narrowed considerably in the past several decades – in 1979, for instance, women's earnings were only 62% of men's - the large disparity continues to generate protest and calls for action.

Further, although debate often focuses on the gap in earnings of male and female workers, similar gaps exist in the earnings of full-time non-white workers when compared with those of full-time white employees.

In response, national, state, and local laws such as the federal Lilly Ledbetter Act, the California Equal Pay Act, and the City of San Diego Equal Pay Ordinance have been passed to try to improve gender pay equity in the workplace.

Gaps in compensation are not just an important issue legally and socially; they are also an issue that can affect the ability of the City of San Diego to attract and retain talent. According to a recent survey by the job and recruiting firm Glassdoor, for example, more than two-thirds of U.S. employees say they would not apply for jobs at employers where they believe a gender earnings gap exists.²² And according to another recent survey by the Human Resources (HR) consulting firm Randstad, 80% of women agree they would switch employers if they felt another company had greater gender equality.²³

²² "Global Gender Pay Gap Survey," *Glassdoor*, February 2016. Available at: https://media.glassdoor.com/pr/press/pdf/GD_Survey_GlobalGenderPayGap.pdf.

²³ Available at: <https://www.randstadusa.com/about/news/randstad-us-survey-reiterates-need-for-top-down-commitment-to-gender-equality-and-inclusion-in-todays-workplace/>.

Why We Did This Audit

Our audit objective for this project was to determine how the City's compensation data is or could be utilized by the City and other stakeholders.²⁴ With the recent passage of the City's Equal Pay Ordinance, as well as topics of employee compensation featuring prominently in our previously-released Human Capital Fact Book, we examined pay equity as one such example.^{25, 26}

***Analyzing Pay Equity
Within the City of
Diego's Workforce***

The simplest way to measure a gap in pay between two or more groups is to calculate average pay for the groups and compare – for example average pay for men as a group, compared to average pay for women as a group.²⁷ This is the methodology underlying the commonly cited statistic above – i.e. female employees earning only 81% of what male employees earn.²⁸

²⁴ This objective was separated from a prior audit which focused on improving transparency within the City's annual employee compensation reports. Available at:

https://www.sandiego.gov/sites/default/files/19-010_compensation_reports.pdf.

²⁵ The City's Equal Pay Ordinance for contractors states in its requirements that as of January 1, 2018 a contractor certify that it shall provide equal pay to its workers regardless of their gender or race/ethnicity. If a contractor fails to comply with the ordinance, it may be deemed as a material breach of contract and may lead to terminated contracts. other actions. Available at:

<http://docs.sandiego.gov/municode/MuniCodeChapter02/Ch02Art02Division48.pdf>.

²⁶ Human Capital Fact Book available at: https://www.sandiego.gov/sites/default/files/19-001_citywide_human_capital_fact_book.pdf.

²⁷ The reasoning above illustrates comparing men and women for the purposes of explanation. But it also applies to the analysis behind comparing compensation across different racial/ethnic groups. With "racial/ethnic earnings gap", we mean the difference between average pay for employees identifying as white, and employees identifying as another group. Categories are required to be reported to the federal government as part of the City's annual Equal Employment Opportunity report. Categories included within the City of San Diego's SAP workforce system are: White, American Indian or Alaska Native, Asian, Black or African American, Filipino, Hispanic or Latino, Native Hawaiian or Other Pacific Islander, and Other/Two or More Races.

²⁸ See the bottom row of Table 1 in the US Census Bureau's annual report, "Income and Poverty in the United States: 2017," available at <https://www.census.gov/library/publications/2018/demo/p60-263.html>.

While this method is easy to understand, it also requires context. For example, it does not take into account variables such as different types of jobs performed by these groups, or differences in worker characteristics such as age or years of service. For this reason, such a comparison of average pay is called the “unadjusted” earnings gap.

An alternative way to look at any potential earnings gap is to compare similarly situated employees, by adjusting for variables that are likely to impact pay, such as an employee’s line of work, age, and years of work with their employer. In addition to gender and race/ethnicity, such a comparison will ensure differences in these variables are accounted for. This is sometimes known as “controlling for” those other variables, and is referred to as the “adjusted” earnings gap.²⁹

Strategic human capital management practices maintain that both unadjusted and adjusted pay comparisons are important for an organization to measure and understand as it seeks to promote fair pay among its workforce. The City employs one of the largest workforces in the region, with over 11,000 workers as of January 2018.³⁰ Nearly half of the City’s workforce is non-white; approximately 2/3 of City employees are male.³¹

This report highlights “unadjusted” comparisons for these major demographic groups in Finding 2, but also goes on to include analyses with adjusted earnings gaps, controlling for age, years of service, and job roles in Finding 3. The goal is to

²⁹ Controlling for variables uses a statistical technique known as multi-variate regression. See the Objectives, Scope, and Methodology section in Appendix B for a more detailed discussion of this method.

³⁰ This audit report uses employee counts as of January 1, 2018 and compensation information for calendar year 2017. Brief historical comparisons include employee counts as of January 1, 2011 and compensation information for calendar year 2010.

³¹ See the Office of the City Auditor’s Human Capital Fact Book for more information on the City’s workforce, including workforce demographics, turnover rates, management perceptions, employee satisfaction, and more. Available at: https://www.sandiego.gov/sites/default/files/19-001_citywide_human_capital_fact_book.pdf.

make a fair comparison between similarly situated workers within a similar career path – for example Police officers - to see what earnings gap remains, if any. For a more detailed discussion of the methodology behind our analyses, see the Objectives, Scope, and Methodology section in Appendix B.

***Defining
“Compensation”***

Employee compensation can be measured in different ways. The State of California provides a standardized template for its mandated annual employee compensation reports; the template is broken into categories for regular wages, overtime pay, retirement benefits, and other types of compensation. See **Exhibit 2** for the template.

We use two ways of measuring compensation in this report. The first includes all salary and wages reported in Box 5 of an individual’s W-2 tax form. This measure captures important elements of employee compensation such as regular pay, as well as overtime pay, vacation payouts, add-on pays such as bilingual pay, and flexible benefit credits etc. Additionally, it is calculated for all City employees as part of the standardized employee compensation reports already compiled annually by the City. See **Exhibits 2 and 3**.

We also include analysis on the annual salary assigned to employees in the City’s workforce and financial management system, SAP. Even though this “SAP salary” is not as expansive as the previously described Box 5 measure - for example, by not capturing overtime pay for an individual - it is the one that the department may be most able to directly assign to its employees.

Exhibit 2:**Portion of the City's 2017 Compensation Report for City employees, with Different Components of "Box 5" Compensation Highlighted**

Department	Classification	Annual Salary Minimum	Annual Salary Maximum	Total Wages Subject to Medicare (Box 5 of W-2)				Applicable Defined Benefit	Employer Contribution			
				Total Regular Pay	Over Time	Lump Sum Pay	Other Pay and FBP		Offset/EE Share of Pension	Defined Benefit Plan	Deferred Compensation Plan SPSP-ER	Health, Dental, Vision
Police	Police Officer 2	62,837	75,941	74,771	12,682	5,646	20,170	2.5@50;2.6@55	0	0	0	4,847
Library	Library Clerk	32,094	38,834	15,833	5,985	1,543	-516	1.0% @ 55	0	0	0	10,779
Development Services	Combination Inspctr 2	55,141	66,581	58,124	0	0	6,203	1.0% @ 55	0	0	0	4,971
Park & Recreation	Sr Zoning Investigator	55,182	66,851	65,652	0	0	10,636	1.0% @ 55	0	0	0	4
Development Services	Combination Inspctr 2	55,141	66,581	60,448	264	0	8,648	1.0% @ 55	0	0	0	3,126
Development Services	Development Project Manager	57,866	69,722	67,326	0	0	10,372	1.0% @ 55	0	0	0	239
Library	Library Aide	20,925	25,106	14,371	0	0	4,753	N/A	0	0	1,158	0
Library	Library Clerk	32,094	38,834	16,721	0	0	19	N/A	0	0	1,003	0

Source: Calendar Year 2017 Compensation report, City Department of Finance.

Exhibit 3:**There Are Different Ways to Measure Compensation. The City Uses "Box 5" Wages in Its Annual Employee Compensation Reports - The Term Refers to Box 5 of an Employee's W-2 Form**

Source: Internal Revenue Service (IRS) www.irs.gov.

***Regarding the Labels
Used for Gender and
Race/Ethnicity***

We used demographic information as contained within SAP, the City's main system on workforce information.

Employees' racial/ethnic grouping comes from a field within SAP labelled "ethnic origin". The 8 labels in the data were: American Indian or Alaska Native, Asian, Black or African American, Filipino, Hispanic or Latino, Native Hawaiian or Other Pacific Islander, Other/Two or more races, and White.³²

The categories in this report are based on information within SAP as of January 1, 2018. According to the Personnel department employee race/ethnic information is gathered at the time of hire for City compliance with Federal law. The City's form language states: "I consider myself primarily a member of the following racial/ethnic group."

Note that some racial/ethnic group labels have changed over time. According to the Personnel department for example, any employee who chose the "Filipino" category from before 2013 is now reported as Asian in the City's annual EEO reporting.

In the statistical analyses we performed in Findings 2 and 3, small sample sizes can be problematic; the number of employees in a group need to be sufficiently large to prevent random bias in the data or a statistical error called "false negatives" – the absence of a legitimate result simply because a group tested was not large enough. We thus combined employees that did not identify as racially/ethnically "White" into a "Non-white" group to ensure that there would be sufficient numbers in different employee groups to potentially detect earnings gaps at a statistically significant level. We note too that per Federal categorization guidance, the term "White" includes "all persons having origins in the original peoples of Europe, North Africa or the Middle East – (non Hispanic or Latino)".

³² We note that there are different opinions and interpretations regarding how the terms race and ethnicity are used or should be used. Given these complexities, we use the term race/ethnicity throughout the report.

Regarding gender, all employees in the SAP data we used are labelled as either "Male" or "Female", again per Federal guidance. If a worker declines to self-identify as male or female or by racial/ethnic category, an organization still must report a gender and racial/ethnic category for that person. Personnel staff or supervisors may conduct a "visual observation" of the employee and report in good faith. Additionally, if an employee declines to state their race/ethnicity, Personnel staff attempt to make a determination based on other documentation provided such as a driver's license or passport.

Audit Results

Finding 1: The City Should Conduct Periodic Pay Equity Studies to Identify Earnings Gaps Between Gender and Racial/Ethnic Groups

Numerous statutes and policies at the Federal, State, and City level attempt to mitigate issues of pay inequity by banning discrimination in pay or employment opportunities. The City's Strategic Plan includes promoting diversity as a strength. And best practices in the field of human capital management describe how an organization can analyze potential earnings gaps among its workforce, as well as the importance of conducting such analyses.

However, according to City of San Diego (City) sources we interviewed in executive management, Human Resources Department (HR), and the Personnel Department, the City of San Diego has not and does not regularly assess whether earnings gaps exist by gender, racial/ethnic groups, or other variables.

It is not clear why the City has not performed such an analysis on its own workforce. It is possible that the City generally assumed that pay has been fair, relying on the Civil Service classification system and its hiring and promotional processes. In addition, calculating earnings gaps across the City, and investigating any disparities as necessary, would likely require the collaboration of several different departments – for example, Human Resources, Personnel, and the City Attorney's Office – and there is currently no requirement for them to undertake or collaborate on such an analysis.

By not performing analyses of pay equity, potential earnings gaps could emerge, magnify, and/or perpetuate among the workforce, and the City would be unaware. Such gaps may be inherently unfair, potentially illegal, and a hindrance on the City's ability to retain motivated, engaged employees. Further, with the City now requiring all City contractors to certify that they will provide equal pay to workers regardless of their gender or race/ethnicity, it enhances the City's credibility if it analyzes pay equity with its own workforce as well.

Conducting and publishing periodic pay equity studies will help distinguish the City from many of its peers, and demonstrate its commitment to developing a diverse, high-performing workforce. We recommend the City retain a consultant or use appropriately-qualified City staff to conduct a detailed pay equity study every three years in order to ensure that the Mayor, City Council, and City management are aware of compensation equity patterns across the City's workforce. This study should include identifying and investigation of earnings gaps amongst employee groups, including, but not limited to genders and racial groups, and recommended responses to root causes of earnings gaps as necessary. The results of each pay equity study should be presented to the City Council in a public meeting.

***Laws and Best Practices
Support an
Organization
Monitoring its Internal
Pay Equity***

Numerous statutes and policies at the Federal, State, and City level attempt to mitigate issues of pay inequity by banning discrimination in pay or employment opportunities.

For example, the California Equal Pay Act was recently updated to include public employers, and prohibits an employer from paying its employees less than employees of the opposite sex or of another race/ethnicity for substantially similar work. "Substantially similar work" refers to work that is mostly similar in skill, effort, responsibility, and performed under similar working conditions.

Given these requirements and recent interest in the matter, best practices in the field of human capital management describe how an organization can analyze potential earnings gaps among its workforce, as well as the importance of conducting such analyses. The Society for Human Resource Management (SHRM) states in its guidance “Managing Pay Equity”, for example that employers should take a proactive approach to compensation, and that: “To effectively recruit and retain employees, an organization must have internal equity, where employees feel they are being rewarded fairly based on performance, skills and other job requirements.” Glassdoor, a jobs and recruiting website, describes internal pay equity audits as increasingly popular, and provides numerous guidance resources.³³

Based on internet searches, we found examples from a limited number of other cities that have conducted assessments of pay equity, including Sacramento, Seattle, and New York, although their methodologies varied. In the private sector, Citigroup recently announced the results of its own internal pay equity analysis. And Bloomberg recently expanded its Gender-Equality Index (GEI), recognizing 230 companies “committed to advancing women in the workplace”, including Anheuser Busch InBev, CVS, Illumina, and others. According to GEI data, 60% of participating companies conduct compensation reviews to identify gender-based variations in pay. See the video below in **Exhibit 4** for more information. Findings 2 and 3 contain additional detail on some of these comparisons.

³³ For examples, see Dr. Andrew Chamberlain, “How to Analyze Your Gender Pay Gap: An Employer’s Guide,” *Glassdoor*, April 2017. Available at: <https://www.glassdoor.com/research/app/uploads/sites/2/2017/04/GlassdoorHowtoAnalyzeGenderPayGap.pdf>;

“Global Gender Pay Gap Survey,” *Glassdoor*, February 2016. Available at: https://media.glassdoor.com/pr/press/pdf/GD_Survey_GlobalGenderPayGap.pdf.

Exhibit 4:

US Companies in the Private Sector Are Increasingly Emphasizing Their Initiatives to Promote Pay Transparency and Workforce Equality – For Example, the Bloomberg Gender Equality Index Project (video)



Video link: <https://vimeo.com/311549364>.

Source: Bloomberg.com/gei.

In addition, the City of San Diego itself includes promoting diversity as part of its Strategic Plan, as well as “measuring results and seeking improvement in everything we do”. The City also recently adopted an Equal Pay Ordinance for contractors which specifically states in its requirements that a contractor certify that it shall provide equal pay to its workers regardless of their gender or race/ethnicity. If a contractor fails to comply with the ordinance, it may be deemed as a material breach of contract and may lead to terminated contracts and other actions. The purpose of the ordinance is to promote a policy of equal pay for equal work.

***The City of San Diego
Has Not Assessed
Whether Earnings Gaps
Exist by Gender,
Racial/Ethnic Group or
Other Variables***

According to City sources we interviewed in executive management, HR, the Personnel Department, and individual operational departments, the City of San Diego has not and does not regularly assess whether earnings gaps exist by gender, racial/ethnic groups, or other variables.

It is not clear why the City has not performed such an analysis

on its own workforce. It is possible that the City has generally assumed that pay has been fair, relying on the Civil Service classification system and its hiring and promotional processes.

According to different departments we spoke to such as HR, Personnel, and the City Attorney's Office, all of whom are under relatively new leadership, no one had never been assigned responsibility for such an analysis, and they thus may have prioritized their other services and functions.

It should be noted that depending on the level of detail, pay equity analyses can require a fair amount of data gathering and technical effort. Individual departments may have interest in analyzing their own departments but not have had access to the demographic data necessary, given that it is considered sensitive and protected information. Further, there is currently no requirement for these departments to undertake or collaborate on such an analysis. Calculating earnings gaps across the City and investigating any disparities as necessary would likely require the collaboration of several different departments – most notably, Human Resources, Personnel, and the City Attorney's Office. These departments operate under different guidance and leadership: HR is a Mayoral operational department. The Personnel Department is independent, operating under the governance of the Civil Service Commission. And the City Attorney's Office is also independent of the Mayor, operating under the guidance of the elected City Attorney. See **Exhibit 5**.

Exhibit 5:**Human Resources, Personnel, and the Office of the City Attorney Operate Under Different Guidance**

<i>Entity:</i>	Human Resources Department	Personnel Department	Office of the City Attorney
<i>Governance:</i>	Operational department accountable to the Mayor	Independent chartered department accountable to the Civil Service Commission	Independent office accountable to the elected City Attorney
<i>Responsibilities include:</i>	<ul style="list-style-type: none"> • Recruitment for “unclassified” employees • Development of flexible working arrangements and parental leave policies • Labor Relations • Employee Learning and Development • Reasonable Accommodations • Employee complaints 	<ul style="list-style-type: none"> • Recruitment for “classified” employees • Distinguishing job classifications • Producing annual Citywide Equal Employment Opportunity report • Employee complaints 	<ul style="list-style-type: none"> • Provides legal advice to the City’s elected officials, City departments, and City’s independent boards and commissions • Includes different legal domains such as Land Use, Civil Litigation, Criminal and Community Justice, and Special Projects
<i>Focus:</i>	Particular focus on City positions labeled “unclassified service”	Particular focus on City positions labeled “classified service”	Citywide focus

Source: OCA generated based on interviews and Department websites.

***Existing City Policy
Articulates the
Importance of Pay
Equity, Such as Fairness,
Economic Security, and
Compliance***

In order to ensure that employee pay is fair and that organizational goals related to workplace diversity are achieved, employers need to know what compensation patterns exist across genders and racial groups in the workplace. Periodic pay equity studies are an important tool organizations can use to detect possible indications of unfair workplace practices which could reduce the quality and diversity of the City's workforce, or potentially place the City at legal risk.

By not performing analyses of pay equity, potential earnings gaps could emerge, magnify, and/or perpetuate among the workforce, and the City would be unaware. Such earnings gaps may be inherently unfair, potentially illegal, and a hindrance on the City's ability to retain motivated, engaged employees.

As the City's Equal Pay Ordinance stated when it was proposed:

Despite the Equal Pay Act of 1963, the earnings gap between men and women remains a durable problem. Working women in California continue to make less than men for the same or substantially equal work.

The persistent disparity in earnings has a significant impact on the welfare and economic security of millions of women and their families in our state and contributes to the higher poverty rate among women—especially among women of color and single women living with children...

Not only is this a problem of fairness, it makes it more difficult for women to achieve financial independence, provide for their families or prepare for a secure retirement.

Further, with the City now requiring all City contractors to certify that they will provide equal pay to workers regardless of their gender or race/ethnicity, it enhances the City's credibility if it monitors its own workforce as well.

As previously described, calculating, investigating, and responding as necessary to earnings gaps will require a collaborative effort across Mayoral and non-Mayoral departments. Therefore, in order to ensure that City management has the information it needs to monitor and respond to pay equity trends as needed, we recommend:

Recommendation #1:

The City Administration, working collaboratively with the Human Resources (HR) Department, Personnel, the Civil Service Commission, and the City Attorney's office, should implement a requirement for the City to conduct a detailed City employee pay equity study at least every three years, identifying earnings gaps amongst employee groups, including, but not limited to genders and racial/ethnic groups. The requirement could take the form of an adjustment to the Municipal Code, a Council Policy, an Administrative Regulation, or other form determined in collaboration with the City Attorney's Office. The requirement should include the pay equity study to be conducted by appropriately-qualified City staff or a consultant, and should include:

- a) Calculation of unadjusted earnings gaps amongst employee groups;
- b) Calculation of adjusted earnings gaps amongst employee groups, using appropriate analytical techniques such as multi-variate regression analysis; with potential explanatory variables such as age, years of service, education, and other variables as appropriate;
- c) Historical results from previous City pay equity studies;
- d) A determination of the appropriate frequency of the study, not less often than every 3 years;
- e) Assigning responsibility for review of unadjusted earnings gaps and statistically-significant adjusted earnings gaps to identify root causes; and

- f) Collaborative consultation with the Office of the City Attorney to develop a unified plan of action to mitigate earnings gaps identified if/as appropriate.

The requirement may provide for independent departments, such as the Office of the City Attorney, to conduct their own pay equity analyses, provided that these studies are consistent with the parameters outlined above. The requirement should also include that the results of each pay equity study, along with the status of measures identified to mitigate previously-identified earnings gaps, be presented to the City Council in a public meeting. (Priority 2)

Finding 2: The City Should Evaluate Whether Additional Steps Should be Taken to Increase Diversity in Higher Paying Jobs

Given that the City had not conducted previous analyses of pay equity, we examined compensation across different demographic groups, and discuss the results for unadjusted comparisons here and adjusted comparisons in Finding 3.

We found that for full-time City of San Diego employees, average compensation varies greatly across demographic groups. Before any statistical controls are applied, female City employees earn on average about 83 cents for every \$1 earned by males; this ratio is similar to the figures reported nationally by the US Census.

Differences in pay are largely explained by employees working in different job types, although the root causes of this “occupational sorting” are complex. While many factors affecting pay across demographic groups are well outside the City’s control, there are things the City can do to help mitigate such discrepancies and improve pay equity. For example, research indicates that expanding flexible work policies, and increasing recruiting efforts aimed at diverse groups can help reduce these gaps. In addition, we found that these gaps are driven in large part by significant use of overtime, especially within public safety departments. Reducing the City’s reliance on overtime may help narrow these gaps as well.

We recommend that the City build on past work to increase job flexibility, and explore additional policies such as expanded opportunities for flexible work arrangements, and parental leave, and increased use of part-time positions and position sharing. We also recommend maintaining support for and considering additional strategies for increasing

diversity, particularly in management and other high-paying positions. Finally, the City should continue efforts to reduce the use of overtime, especially within public safety departments, as this would likely improve gender pay equity as well.

***Compensation Fairness
Includes Access to High
Paying Positions and
Opportunities to Earn
Overtime***

Many legal and policy attempts at equal pay protection are limited to employees performing substantially similar work. See Finding 3 for more discussion of the California Equal Pay Act and City of San Diego Equal Pay Ordinance, for example.

The City's Civil Service System, which sets salaries for most City employees, includes controls designed to ensure that employees doing the same job are paid equally.³⁴ However, this system may not on its own prevent pay disparities arising from other factors.

According to the Office of Federal Contract Compliance Programs, compensation fairness includes many elements—from paying women and men equally for doing the same job, to ensuring equitable access to high paying positions or opportunities to earn overtime. Further, best practices in the field of human capital management also encourage and provide guidance for organizations to examine their internal pay equity.

***Average Compensation
Varies Greatly Across
Demographic Groups***

We found that substantial earnings differences do exist across both gender and race/ethnicity. See **Exhibits 6** and **7**.

³⁴ See the example regarding the classification system in Finding 3.

Exhibit 6:**Average City Employee Earnings Vary Greatly by Gender and Race/Ethnicity (2017)**

Employees	Average of Salary and Wages in 2017 (Box 5 Subject to Medicare)	Ratio of Earnings
Male (All)	\$87,868	\$1.00
Female (All)	\$72,643	\$0.83
White (All)	\$93,221	\$1.00
Non-white (All)	\$74,635	\$0.80

These data apply to compensation earned during calendar year 2017 by full-time employees, active with the City as of January 1, 2018, who were also full-time employees with the City as of January 1, 2017. We also excluded employees who took 120 or more hours of unpaid leave during the year, for example for family reasons or military deployment. This resulted in a population of 8,524 employees for this analysis.

Source: OCA generated based on workforce data within SAP and 2017 Employee Compensation Report.

Exhibit 7:**Average City Employee Earnings Vary Greatly by Gender and Race/Ethnicity (2017) – Detailed Breakouts**

Gender and Race/ethnicity	Average earnings in 2017 (Box 5 Subject to Medicare)	Ratio of earnings relative to white males
Male White	\$98,026	\$1.00
Male American Indian or Alaska Native	\$92,340	\$0.94
Male (All)	\$87,868	\$0.90
Male Asian	\$87,435	\$0.89
Male Filipino	\$86,175	\$0.88
Citywide	\$83,226	\$0.85
Female White	\$81,405	\$0.83
Male Hispanic or Latino	\$78,473	\$0.80
Male Black or African American	\$72,714	\$0.74
Female (All)	\$72,643	\$0.74
Female Filipino	\$72,126	\$0.74
Female Asian	\$71,900	\$0.73
Male Other/Two or more races	\$69,190	\$0.71
Female American Indian or Alaska Native	\$68,375	\$0.70
Female Other/Two or more races	\$65,893	\$0.67
Female Hispanic or Latino	\$65,428	\$0.67
Female Black or African American	\$59,816	\$0.61

These data apply to compensation earned during calendar year 2017 by full-time employees, active with the City as of January 1, 2018, who were also full-time employees with the City as of January 1, 2017. We also excluded employees who took 120 or more hours of unpaid leave during the year, for example for family reasons or military deployment. This resulted in a population of 8,524 employees for this analysis.

Source: OCA generated based on workforce data within SAP and 2017 Employee Compensation Report.³⁵

Before any statistical controls are applied, median earnings for female City employees are approximately 83% of those of male employees.³⁶

This is similar to the ratio across the entire US economy of 81%, but somewhat lower than the entire California economy, as well as that of San Diego County.³⁷ See Exhibit 8 for additional earnings comparisons by gender.

For City employees, this ratio of median earnings has increased since 2011, when women earned 79% of what male employees did.

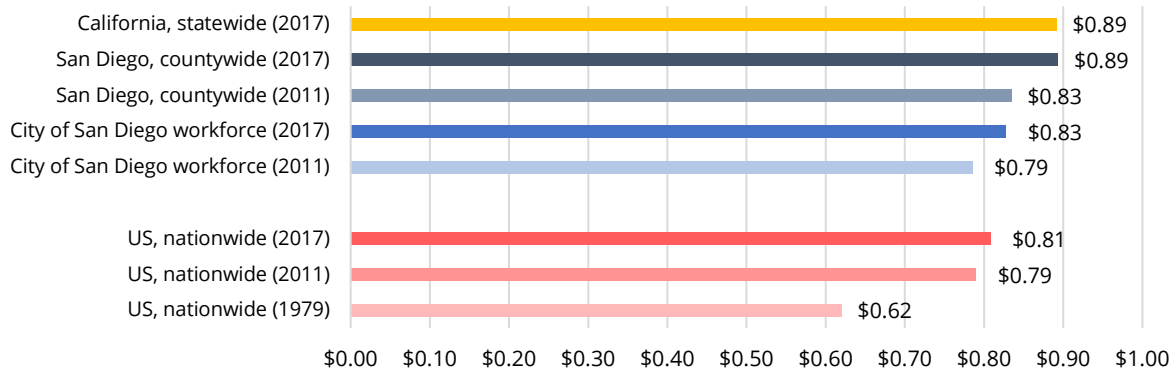
³⁵ Some group labels have changed over time. According to the Personnel department for example, any employee who chose the Filipino category from before 2013 is now reported as Asian in the City's annual EEO reporting. The categories are based on information within SAP as of January 1, 2018, and are self-reported at the time of hire.

³⁶ As shown in Exhibit 7, \$72,643 Female (All) / \$87,868 Male (All). To add additional context, we sought to compare the ratio of earnings to other jurisdictions using US Census data, which uses median earnings by gender (and did not include data by race/ethnicity). We make a technical note that we mention both average and median earnings in this report - both of which come to a ratio of 83 cents for females to \$1 for males for the City workforce. Overall, median earnings for full-time female City employees were \$67,313 in CY2017 compared to median earnings for male City employees of \$81,284.

³⁷ As discussed later in the report, a significant part of the City's gender pay gap can be explained by overtime, particularly within public safety. When excluding overtime, female employees earn 92% of what male employees earn. It is also worth noting that the ratio is 96% when comparing "SAP salaries": the annual salary assigned to employees in the City's workforce and financial management system, SAP. Even though this salary is not as expansive as other measures, it is the one that departments may be most able to directly assign to its employees. Still, while there are a variety of ways to calculate employee pay, the methodology used to generate the 83% figure above includes all actual earnings. Thus, auditors believe this is a better comparison to the US and other organizations.

Exhibit 8:**The City of San Diego's Pay Differences by Gender in Comparative Context**

Ratio of median earnings, full-time female employees relative
to full-time male employees



Notes: San Diego's 2011 comparison used a very minor methodological difference in workforce filtering; auditors estimate the effect to be approximately 1 cent, if any.

Source: Generated by OCA based on internal City workforce analysis and American FactFinder data from the US Census Bureau. Available at: <https://factfinder.census.gov/>

If all non-white employees are analyzed together, the earnings ratio is approximately \$0.80 between non-white and white employees.

**Removing Sworn
Public Safety
Personnel From the
City Workforce
Significantly Closes the
Gender Earnings Gap,
But Not the
Racial/Ethnic Earnings
Gap**

We found that the gender gap results above are heavily influenced by large public safety departments. Specifically, when taking out sworn Police Officers and Firefighters – whose workers account for approximately 30% of the City's full-time workforce – the unadjusted ratio closes to \$0.96 for females to \$1.00 for males. For non-whites to whites, however, the ratio remains approximately \$0.81 to \$1.00.³⁸

³⁸ Also notable is that the gaps narrow when looking at the less-expansive measure of assigned SAP pay. The gap in assigned pay is 96 cents to \$1 for females to males, and 82 cents to \$1 for non-white to whites. Auditors do not recommend using this measure, however, since it does not capture real earnings by employees.

While a simple comparison of averages as in the tables above is relatively easy to understand and may identify potential

areas of concern, it has substantial limitations. For example, it does not take into account variables such as different types of jobs performed by these groups. As stated above, much of the earnings gap between females and males closes when looking at the City's workforce without the departments of Police and Fire-Rescue.

Differences in Pay Are Largely Explained by Different Job Types

Occupational sorting can be a powerful explanatory factor even within a given department. For illustration, within the San Diego Police Department (SDPD), full-time employees averaged approximately \$102,000 in Box 5 total pay in 2017. The department's male employees earned an average of about \$108,000, compared to \$84,000 for female employees - a ratio of about 78 cents to the \$1, somewhat lower than the City average.³⁹

This difference, however, is largely explained by the distribution of male and female employees within different SDPD job roles. Of the City's sworn Police Officers, a significant majority are male, and Box 5 compensation for sworn Police Officers averages more than \$111,000. In contrast, SDPD also has a large civilian labor force, which includes positions such as Police Dispatchers, Parking Enforcement Officers, and Records Clerks. SDPD's civilian workforce is mostly female, with the average civilian employee earning about \$67,000.

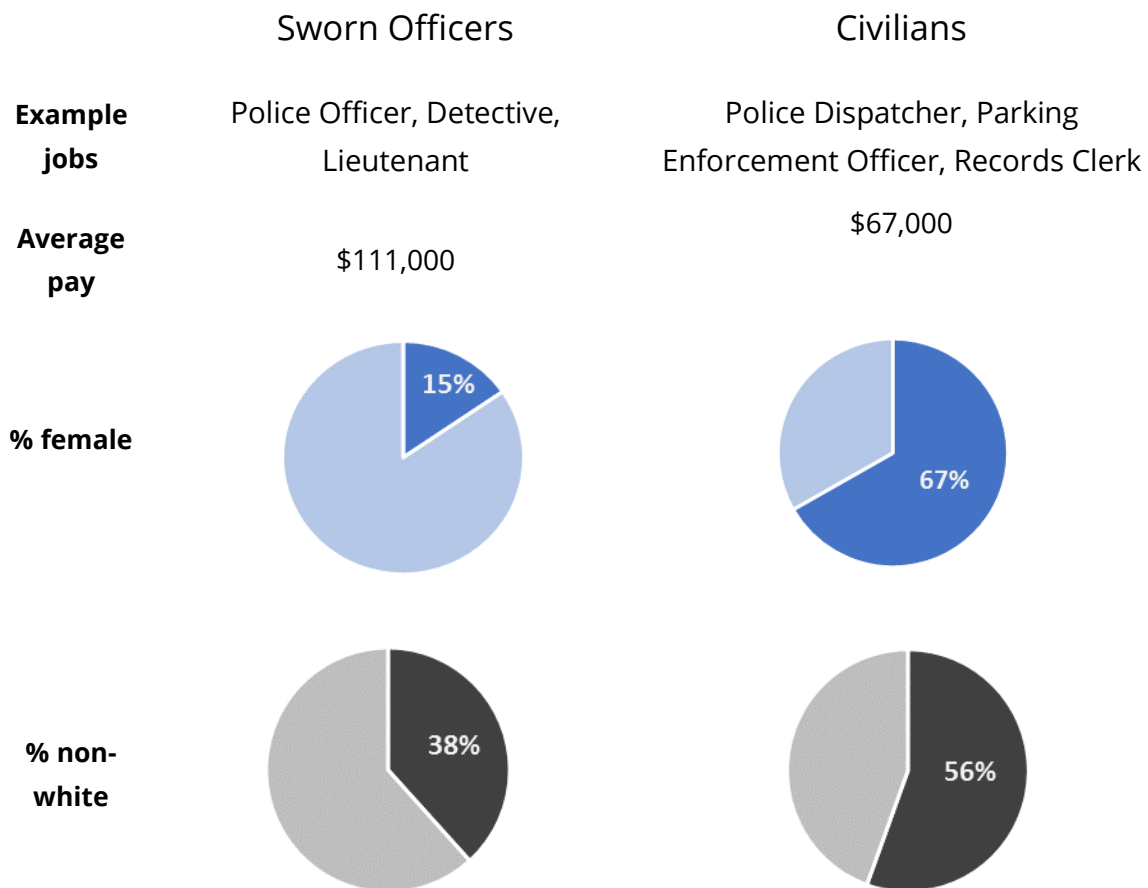
³⁹ We use San Diego Police Department (SDPD) as an example as it has more employees than any other City department – approximately 2,200, nearly one quarter of the City's full-time workforce. In addition, SDPD also has more male employees, and more female employees, than any other department. Since our population for these calculations filters out some workers, the percentages in this illustration may differ slightly from counts by other entities regarding total female and all other ethnicities personnel. I.e. These data apply to compensation earned during calendar year 2017 by full-time employees, active with the City as of January 1, 2018, who were also full-time employees with the City as of January 1, 2017. We also excluded employees who took 120 or more hours of unpaid leave during the year, for example for family reasons or military deployment.

Similarly, only 38% of sworn Police Officer positions are filled by non-white employees, while 56% of the civilian workforce is non-white. These results are shown in **Exhibit 9**.

Exhibit 9:

Differences in Average Earnings Are Largely Explained by Females and Non-Whites Working in Different Jobs

San Diego Police Department



Notes: Since our population for these calculations filters out some workers, the percentages in this illustration may differ slightly from counts by other entities regarding total female and non-white personnel within SDPD. I.e. These data apply to compensation earned during calendar year 2017 by full-time employees, active with the City as of January 1, 2018, who were also full-time employees with the City as of January 1, 2017. We also excluded employees who took 120 or more hours of unpaid leave during the year, for example for family reasons or military deployment.

Source: OCA generated based on SAP and 2017 Compensation Report.

These results align with other research which indicates that only a small proportion of the earnings gap is attributable to paying women less for doing the same work; instead earnings

gaps often occur largely because of “occupational sorting”: women working in lower-paying jobs.⁴⁰ The results in **Exhibit 9** illustrate how powerful this “occupational sorting” phenomenon can be.

It is not as clear what is keeping the earnings gap as large as it is for non-whites to whites when public safety departments are not included; there may be different occupational sorting patterns within each of the City’s dozens of departments. There may also be differences in educational attainment or job experience among different groups of employees, for example.⁴¹ We perform additional analysis attempting to control for variables such as these in Finding 3.

***Why Occupational
Sorting Happens Is A
Subject of Debate, But
the City Can Take
Additional Steps to
Mitigate Its Effects and
Strengthen Pay Equity***

Why occupational sorting itself happens is the subject of robust debate. Some stakeholders maintain that different demographic groups have inherently different preferences in choosing among jobs. Others maintain that unadjusted earnings gaps are still important to measure and understand, as choices in occupation may reflect unequal social pressures and not be entirely “voluntary”. For example, research has shown that the burden of childcare and elderly caregiving is borne unequally by women; thus, women may “choose”

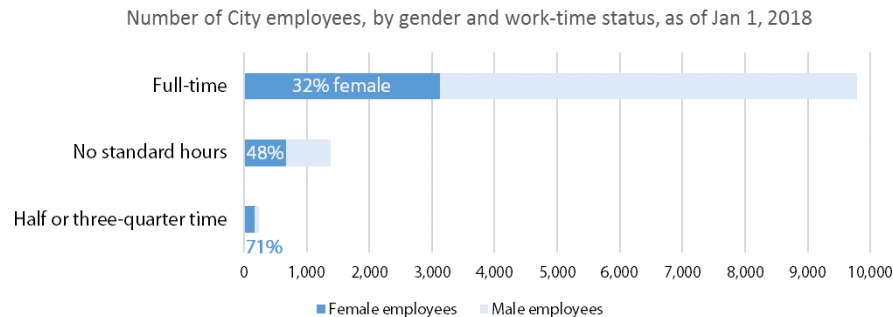
⁴⁰ For examples, see “Managing Pay Equity,” Society for Human Resource Management, May 16, 2018; Dr. Andrew Chamberlain, “Demystifying the Gender Earnings gap,” Glassdoor, March 2016; Claudia Goldin, “How to Achieve Gender Equality,” *Milken Institute Review* Q3 (2015) 24-33.

⁴¹ Data from the US Census for instance suggests that at the national level, post-secondary education may be more equally distributed amongst females and males than among whites and other race/ethnicities.

particular fields of study or lower-paying jobs with higher flexibility to better meet those obligations and expectations.⁴² Indeed, although the City of San Diego workforce is about 2/3 male, the vast majority of its part-time workers are female.

Exhibit 10:

Part-Time Positions Are Rare in the City, and Most Part-Time Employees Are Female



Notes: There was no such pattern by race/ethnicity. Employees identifying as a race/ethnicity other than white made up 54%-58% of each group.

Source: OCA generated based on SAP data.

Increasing Flexible Work Arrangements May Help Retain a Diverse Workforce for Future Leadership Positions

According to research in the field of Human Capital Management, adopting policies and implementing programs to help employees reduce work-family conflict have been linked to increased employee commitment, lower absenteeism, less burnout, and increased performance.

When employees drop out of the workforce, it can be difficult to re-enter. Expanding opportunities for employees to stay in the workforce -- rather than dropping out entirely to shoulder caregiving responsibilities -- can help maintain and build a larger pool of diverse talent for the City to draw from for higher-paying leadership positions later in those workers' careers.

⁴² See for example Goldin, Claudia, "How to Achieve Gender Equality," *Milken Institute Review* Q3 (2015) 24-33; "The Gender Pay Gap," *The Economist* (October 2017). Available at: <https://www.economist.com/international/2017/10/07/the-gender-pay-gap> (Subscription Required).

The City's Highest-Paying Positions are Mostly Within Public Safety

Even if the City is successful in further developing a pool of talented female leaders, however, most of the highest-paying positions within the City currently are not within administrative leadership roles, IT, legal work, etc. but rather within public safety departments. As shown in **Exhibit 11** below, of the 100 highest-paid City employees in CY 2017, nearly 80 were in the Fire-Rescue Department or SDPD. Only one of those employees was female.

Exhibit 11:

The Vast Majority of the Highest Paid Employees in the City Are Male



Notes: In total, 8 of the 100 highest-paying positions were held by females. Forty-one of the positions were held by non-white employees. Earnings include all compensation reportable on Box 5 of a W-2 form for calendar year 2017. This includes overtime, other pay, etc. See the Background section and Finding 3 for further discussion.

Source: OCA generated based on SAP and 2017 compensation report.

***Public Safety
Departments Have
Increased Efforts to
Promote Gender and
Ethnic Diversity***

The Fire-Rescue and Police Departments repeatedly expressed support for diversity, and volunteered information on numerous efforts intended to help recruit, develop, and retain a diverse workforce, in many respects, including by gender and race. A sample of efforts include but are not limited to: Fire-Rescue's Girls Empowerment Camp and Junior Lifeguards program, as well as SDPD's STAR/PAL program.

Their efforts are commendable, and the City should continue to support and encourage efforts to promote diversity, particularly within public safety. However, according to SDPD

and Fire-Rescue, they face significant challenges as they work to increase diversity and compete with other jurisdictions for this talent. It appears that there may be room for improvement in SDPD and Fire-Rescue's efforts to diversify, especially in the recruitment and retention of females. For example, in 2000, approximately 15% of sworn Police Officers were female; this number was 14% in 2016. In the Fire-Rescue department, the percentage of female Firefighters has declined significantly. In 2000, 12% of Firefighters were female, compared to only 4% in 2016. This indicates that additional strategies or new approaches likely would need to be employed to increase gender diversity amongst sworn Police Officer and Firefighter ranks.

SDPD has had more success increasing ethnic/racial diversity. The percentage of non-white officers increased from 32% in 2000 to 39% in 2016. In Fire-Rescue, racial/ethnic diversity amongst Firefighters has remained relatively consistent, with 33% of Firefighters being non-white in 2000, compared to 31% in 2016.

***Overtime Is a
Significant Driver of
Gender Earnings Gaps
Within Public Safety
Departments, Especially
Fire-Rescue***

SDPD, and especially Fire-Rescue have also faced staffing shortages in recent years, and have increasingly relied on overtime to achieve the desired level of coverage. Substantial additional pay in the form of overtime is the primary reason why Fire-Rescue, despite making up only about 10% of the City's full-time workforce, has more than 60 of the City's 100

highest-paid employees. On average, sworn Firefighter personnel averaged more than \$46,000 in overtime in CY 2017. Overtime payments within large public safety departments appear to be a major driver of the City's unadjusted gender earnings gaps. City employees earned approximately \$78 million in overtime in CY 2017, with SDPD and Fire-Rescue alone accounting for approximately \$61 million (78 %). Research suggests that female employees may be less likely to enter into fields that require a substantial amount of overtime work, and may be more likely to turn down overtime opportunities when they are presented due to

family responsibilities. This appears to be the case within the City as well, as men earn significantly more overtime, on average, than women, especially within Fire-Rescue. While overtime opportunities may be equally available to male and female employees in departments such as Fire-Rescue and SDPD, this presents an additional consideration for the City as it seeks to address staffing challenges within public safety departments.⁴³

***As Newer, More Diverse
City Workers Gain Age
and Experience, Their
Pay Is Likely to Increase***

It is also possible that some of the **unadjusted** earnings gap is a result of newer City workers being more ethnically diverse than City workers in the past. In 2000 for example, approximately 44% of the City's workforce was non-white; today that figure is closer to 53%. However, demographic changes in the City's workforce do not appear to explain any of the gender earnings gap, as the percentage of female employees has stayed the same at approximately 34%.

As these new workers acquire age and experience with the City, their pay is likely to increase. However, even when controlling for several factors such as holding steady an

⁴³ We previously studied the issue of overtime in the Fire-Rescue Department in 2014, and recommended several ways Fire-Rescue could reduce overtime use. While Fire-Rescue has implemented many of these recommendations, such as conducting additional recruiting academies, staffing shortages and the resulting need for overtime have continued. According to Fire-Rescue, this is because high turnover rates have affected the ability to fully staff the department. See https://www.sandiego.gov/sites/default/files/15-005_Fire-Rescue_Overtime.pdf.

employee's line of work, age, and years of service with the City, some earnings gaps remain.⁴⁴ Those results are addressed in Finding 3.

There are steps the City of San Diego can take to build on past work and further improve its pay equity.

These include expanding opportunities for practices such as part-time options and position-sharing. Further, support for diversity in leadership and high-paying positions, including in terms of different departments and job roles, can help ensure the City is pursuing compensation and other workforce policies that reflect the interests of all employees.

Additionally, to the extent the City is able to retain its workforce, as newer, more diverse City workers gain age and experience, their pay and seniority is likely to increase over time.

Our results indicate that to close unadjusted earnings gaps, the City should focus on improving gender diversity in high-paying positions, especially in public safety departments, and racial/ethnic diversity in high-paying positions Citywide. Therefore, in order to build on past work, and to expand policies and efforts that can help develop and maintain a pool for diverse workforce talent, we recommend:

Recommendation #2:

Human Resources, working collaboratively with Personnel, and the City Attorney's office, should develop and execute an action plan for things the City may be able to do to mitigate its unadjusted earnings gaps if/as appropriate. Strategies may include:

- a) Considering how to increase part-time arrangements for a larger number of City positions;
- b) Expanding other flexible work policies such as position-sharing or telecommuting as appropriate;

⁴⁴ As discussed further in the Background and Objectives, Scope and Methodology sections, this analysis is performed using a statistical technique called multi-variate regression analysis

- c) Building on past work and exploring additional policies such as expanded parental leave, onsite child care, and flexible work arrangements where appropriate;
- d) Ensuring leadership opportunities such as Citywide Supervisors Academy, OpEx Academy, and other departmental efforts are being offered to a diverse audience;
- e) Reducing reliance on overtime to meet staffing requirements, especially within Fire-Rescue; and
- f) A particular focus on these or other operationally-appropriate efforts within public-safety departments. (Priority 2)

Recommendation #3:

As part of the development of the action plan recommended above, the Personnel Department, in collaboration with Human Resources, should work with departments – particularly within public safety - to evaluate strategies for increasing diversity in higher-paying positions if/as appropriate. Such strategies may include:

- a) Maintaining support for programs such as Fire-Rescue's Girls Empowerment Camp and Cadet Program, and SDPD's STAR/PAL program, while re-evaluating if they are sufficient to meet the City's workforce diversity goals;
- b) Evaluating if additional measures besides above are needed to increase diversity, such as job description requirements, middle-of-the-night on-call requirements etc.;
- c) Job advertisements in media which the City has not previously used, and that targets underrepresented groups; and
- d) Recruiting materials reflective of a diverse workforce. (Priority 2)

Finding 3: City Should Investigate and Respond to Gender and Racial/Ethnic Earnings Gaps, Which Currently Appear Amongst Some City Employee Work Groups and May Require Mitigation

While a simple comparison of averages as in Finding 2 is relatively easy to understand and may identify potential areas of concern, it has substantial limitations. For example, it does not take into account variables such as different types of jobs performed by these groups.

To supplement the unadjusted earnings analysis, we performed an additional statistical test, called an 'adjusted' analysis, which is used in pay equity studies to hold various factors that affect pay constant.⁴⁵ These factors include employees' line of work, years of service with the City, and age, with the goal being to make comparisons among similarly situated workers.

We performed this test for nine different types of positions in the City, such as sworn Police Officers; Recreation Center Directors; and Deputy City Attorneys.⁴⁶ Even when holding a variety of pay-influencing variables constant, we found statistically-significant differences in pay by gender and racial group in several different lines of work. The largest gaps were along gender lines, and were mostly explained by differences in the amount of overtime worked. For example, after adjusting for age and years of service, female Firefighters earned \$25,000 less per year than male Firefighters – which was mostly attributable to differences in the amount of overtime worked between males and females. However,

⁴⁵ As discussed further in the Background and Objectives, Scope and Methodology sections, this analysis is performed using a statistical technique called multi-variate regression.

⁴⁶ All of these groups are displayed in **Exhibits 13** and **14** later in this finding. For a full listing of each specific job classification used, see Appendix C.

other differences were not attributable to overtime, and appear to be related to differences in base pay and rank.

As with the unadjusted earnings gaps in Finding 2, some of these differences may be the result of factors the City may have limited ability to control – for example, women may be more likely to turn down overtime opportunities given their additional family responsibilities. In fact, we met with individual departments to discuss our results, and both Fire-Rescue and SDPD reported that they utilized computerized systems to distribute overtime opportunities based on objective criteria. However, even if the process to award overtime is inherently fair, it would likely be necessary to significantly reduce reliance on overtime to close these gaps substantially.

Unlike SDPD and Fire-Rescue, other departments may not have computerized systems for distributing overtime, possibly increasing the risk that practices are unfair. Without knowing that these earnings gaps existed or investigating their root causes, the City has less assurance that the awarding of overtime is fair and objective.

In addition, departments throughout the City were able to speculate, but did not know the true causes of gender and ethnic earnings gaps that are more related to differences in employee rank and base salary, rather than overtime. This is because these differences had never been identified or studied before. It is possible that some of these gaps may be explained by differences in education levels, for example, if white Civil Engineers possessed higher levels of education, on average, than non-white Civil Engineers. Ideally, this variable would be included in our analysis, but it is not currently tracked by the City in SAP.

We stress that these results do not prove the City has engaged in unfair or illegal workplace practices. However, given that the City was unaware that these earnings gaps

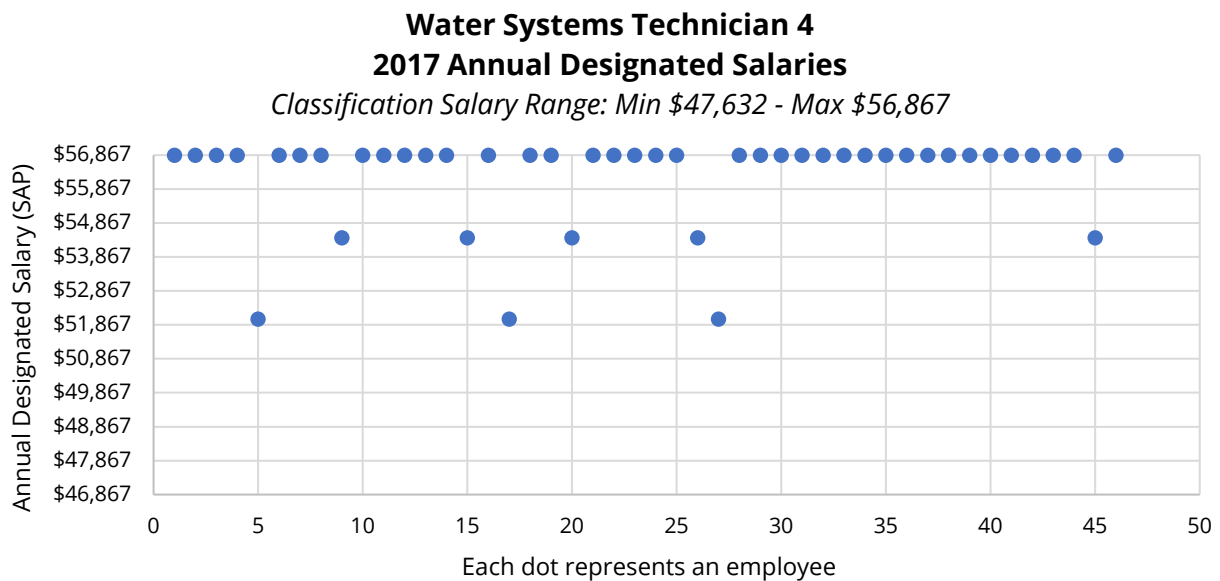
existed prior to our analysis, we recommend that the City utilize appropriately-qualified staff, or a consultant to investigate the root causes of the adjusted gaps we identified, and recommend a course of action to mitigate earnings gaps where necessary. This should include solicitation of ideas on how to mitigate these earnings gaps from organized labor groups. In addition, we recommend that the City determine the feasibility of tracking employee education levels in SAP, in order to provide for more robust earnings gap analysis in the future.

***For Classified Positions,
the City's Classification
System Defines Strict
Allowable Pay Bands
and Job Descriptions***

Most jobs with the City are considered “classified” positions, with strict allowable pay bands and job descriptions.⁴⁷ The City's Civil Service System, which defines these descriptions and salaries, includes controls designed to ensure that employees doing the same job are paid equally, regardless of gender or race.⁴⁸ When looking within a single job classification only, many of these positions have tightly clustered, apparently equitable base pay. See **Exhibit 12** for example.

⁴⁷ Approximately 91% of the City's workforce are classified employees. The remaining 9% are unclassified, which are generally management-level employees.

⁴⁸ San Diego City Charter Article VIII, Section 130.

Exhibit 12:**Assigned Salaries Within a Single Job Classification May Be Tightly Clustered**

Source: OCA generated based on SAP workforce data and 2017 compensation report.

However, this control may not on its own prevent pay disparities arising from other factors. Examining such a pay structure would not detect if opportunities for promotions and higher-paying positions – for example to a Water Systems Technician Supervisor - were being offered or denied unfairly or inequitably. As stated in Finding 2, according to the Office of Federal Contract Compliance Programs, compensation discrimination can take many forms—from paying women less than men for doing the same job, to discriminating in access to high paying positions or overtime opportunities.

The California Equal Pay Act prohibits an employer from paying its employees less than employees of the opposite sex, or of another race/ethnicity for “substantially similar work”, which is defined as work that is mostly similar in skill, effort, responsibility, and performed under similar working conditions. Importantly, what is considered “substantially similar work” may be debatable. According to the Society of Human Resource Management, the new pay equity standard

in California’s Equal Pay Act “substantially similar work” clause means that employees with varying job titles, duties, and even professions may be grouped together for pay analyses, and that employers should not rely on job titles alone when examining their pay equity.

***We Grouped Employees
by Career Path to Hold
Line of Work Constant***

In **Exhibits 13** and **14**, different stakeholders may debate whether the City’s Civil Engineers are doing substantially similar work, for example. Similarly, the Water Systems Technicians (WST) grouping in our analysis includes Water Systems Technician 1s, 2s, 3s, 4s, and Water Systems Technician Supervisors.

We thus used our research, professional judgment and conversations with departments to select, group, and refine certain groups of related work within the City, wherein an employee could reasonably be considered to be on a career trajectory. We emphasize that because of this methodology and other limitations in the analysis, we do not believe that our report proves pay discrimination against any individual employee or should be used on its own to make such a claim. The purposes of the report are to inform and highlight potential risk areas where earnings gaps may exist or perpetuate, not as a legal opinion or assertion, but for the sake of transparency, fairness to employees, and strategic human capital management for the City.

After Controlling for Line of Work, Age, and Years of Service with the City of San Diego, there are Statistically Significant Gender and Ethnic Earnings Gaps for Some Employee Groups

In addition to controlling for line of work, we also controlled for each employee's age and years of service with the City of San Diego.^{49, 50} After controlling for these variables, for many departments and City occupational fields, there is no statistically significant relationship between pay and gender, or between pay and race/ethnicity. However, several exceptions exist. **Exhibits 13** (adjusted earnings gaps by gender) and **14** (earnings gaps by race/ethnicity) below highlight some of those results.

We performed this analysis using two different measures of pay: pay reported on Box 5 of an employee's W-2 form, which includes base salary as well as overtime, add-on pays, etc; and also using base salary alone, which is assigned in SAP and more indicative of an employee's rank. Base salary may be easier for departments to directly control.

The largest discrepancy of any kind that we observed was for females within the Firefighter series. Female Firefighters' assigned SAP pay is not statistically different than their male counterparts, after controlling for age, service length, and of course, department and line of work. This indicates that males and females appear to be moving up the ranks at about the same pace expected, given their levels of experience. However, when expanding pay to Box 5 pay,

⁴⁹ It is worth noting that differences in years of experience and type of role may themselves be influenced by implicit biases or unequal opportunities, further up the career pipeline before employees appear on the City's payroll. While these sources of bias in the labor market are important, in most cases they are beyond the control of any particular department. In this report, we focus on one factor that departments have better control over: the compensation paid today for similarly situated employees working for the City.

⁵⁰ "Years of service" is measured as service length with the City in years. Due to the nature of the data from SAP, auditors used the field "Most Recent Hire Date" as a measuring point. Note that this methodology is inexact in that it undercounts the official pension-eligible "years of service" among those employees with multiple hire dates. Auditors do not believe the information or comparison would materially compromise the results, but it should be noted as a limitation. Also, the City's workforce information system does not include total service length in the workforce in general. Thus, we used years of service with the City as an available measure of relevant workforce experience.

which includes overtime, add-on pays, and other additional pay, the gap opens to more than \$25,000 per year.

We also observed a sizable gap in pay for female Water Systems Technicians. This gap was present even when using the less expansive SAP salary; when expanding it to Box 5 pay, the gap grew to \$12,042.

Exhibit 13:**Earnings Gaps by Gender After Controlling for Line of Work, Age, and Years of Service**

Job type	Number of full-time, active workers	Number of full-time, active workers who are female	Gender earnings gap Assigned Salary (SAP) (Gap as a %age of average salary)	Gender earnings gap Actual Compensation (Box 5) (Gap as a %age of actual average compensation)
City Attorneys (unclassified service)	119	66	-	-
Civil Engineers (classified service)	451	121	-	-\$3,970 (5%)
Deputy Directors (unclassified service)	61	32	-	-
Fire Fighters (classified service)	799	40	-	-\$25,173 (20%)
Planners (classified service)	91	52	-	-
Police Officers (classified service)	1,659	256	-	-\$5,261 (5%)
Program Managers (unclassified service)	131	66	-\$4,290 (4%)	-
Recreation Center Directors (classified service)	78	37	-	-
Water Systems Technicians (classified service)	178	20	-\$2,589 (5%)	-\$12,042 (18%)

Notes: The dollar values in the two right-most columns represent the value that a female employee of similar age and years of service with the City earns relative to a similarly-situated male. A dash indicates that no statistically significant correlation between pay and gender was observed. “Statistically significant” is a technical term meaning such results are unlikely to occur by chance. We used a 90% confidence level to determine statistical significance. We also note that many factors which may affect earnings are not included, such as education level, employee performance, and other variables. See the Objectives, Scope, and Methodology section for more detail. These data apply to compensation earned during calendar year 2017 by full-time employees, active with the City as of January 1, 2018, who were also full-time employees with the City as of January 1, 2017. We also did not include employees who took more than 120 hours of unpaid leave during the year, for example for family reasons or military deployment. Because there are over 11,000 City employees across hundreds of different classifications of jobs, not all employee groups were tested. We

judgmentally sampled which City job groups to analyze, attempting to reflect a wide range of positions and different City functions, with both classified and unclassified positions included. Police and Fire are overwhelmingly classified, although a very small number of positions such as Chiefs are unclassified. See Appendix D for more details.

Source: OCA generated based on workforce data within SAP and 2017 Employee Compensation Report.

***Earnings Gaps by
Race/Ethnicity Were Not
as Pronounced as Those
by Gender***

Next, **Exhibit 14** shows that earnings gaps by race/ethnicity did occur, but were not as pronounced as those by gender. The largest racial/ethnic earnings gap which we observed was within the Deputy City Attorney group, with non-white Deputy City Attorneys making \$6,290 less than similarly-situated white Deputy City Attorneys. Another notable racial/ethnic earnings gap was actually an advantage in pay to non-white employees within the Firefighter series of \$4,702 of Box 5 compensation. A similar, but smaller figure appeared for Police officers of \$2,676.

Notably, when looking only at base salary in SAP, there did appear to be several earnings gaps for non-white employees, including for City Attorneys and Civil Engineers. See **Exhibit 14**.

Exhibit 14:**Earnings Gaps by Race/Ethnicity After Controlling for Line of Work, Age, and Years of Service**

Job type	Number of full-time, active workers	Number of full-time, active workers who are non-white	Racial/Ethnic earnings gap Assigned Salary (SAP) (Gap as a %age of average salary)	Racial/Ethnic earnings gap Actual Compensation (Box 5) (Gap as a %age of actual average compensation)
City Attorneys (unclassified service)	119	31	-\$6,291 (5%)	-\$6,290 (5%)
Civil Engineers (classified service)	451	246	-\$2,765 (4%)	-\$4,581 (6%)
Deputy Directors (unclassified service)	61	17	-	-
Fire Fighters (classified service)	799	266	-	+4,702 (4%)
Planners (classified service)	91	28	-	-
Police Officers (classified service)	1,659	632	-	+\$2,676 (2%)
Program Managers (unclassified service)	131	50	-	-
Recreation Center Directors (classified service)	78	47	-	-
Water Systems Technicians (classified service)	178	144	-	-

Notes: The dollar values in the two right-most columns represent the value that a non-white employee of similar age and years of service with the City earns relative to a similarly-situated white employee. A dash indicates that no statistically significant correlation between pay and race/ethnicity was observed. "Statistically significant" is a technical term meaning such results are unlikely to occur by chance. We used a 90% confidence level to determine statistical significance. We also note that many factors which may affect earnings are not included, such as education level, employee performance, and other variables. See the Objectives, Scope, and Methodology section for more detail. These data apply to compensation earned during calendar year 2017 by full-time employees, active with the City as of January 1, 2018, who were also full-time employees with the City as of January 1, 2017. We also did not include employees who took more than 120 hours of

unpaid leave during the year, for example for family reasons or military deployment. Because there are over

11,000 City employees across hundreds of different classifications of jobs, not all employee groups were tested. We judgmentally sampled which City job groups to analyze, attempting to reflect a wide range of positions and different City functions, with both classified and unclassified positions included. Police and Fire are overwhelmingly classified, although a very small number of positions such as Chiefs are unclassified. See Appendix D for more details.

Source: OCA generated based on workforce data within SAP and 2017 Employee Compensation Report.

***Differences in Earnings
Are Complex, Multi-
Causal, and Not Unique
to the City of San Diego***

As noted previously, differences in earnings by gender and/or race/ethnicity are not unique to the City of San Diego, and may be symptomatic of societal factors, behavioral differences among workers, and other characteristics not included in earnings gap analyses.

***Overtime Use Is a Major
Factor Driving Many of
the Adjusted Earnings
Gaps***

Even when controlling for types of jobs, age, and years of service, significant earnings gaps exist for some groups of City employees. For the largest gap we observed within a similar job series, for example – \$25,173 per year for female Firefighters compared to their male counterparts – the gap appears only when including overtime and other types of pay. We isolated the overtime component, and it appears to account for nearly this entire earnings gap.

Other large gaps appeared for female Water Systems Technicians (-\$12,042) and female Police Officers (-\$5,261). As above, these gaps were mostly attributable to differences in the amount of overtime worked between males and females.

Compensation advantages for non-white Police officers and Firefighters also only show up when analyzing the more expansive “Box 5” measure of compensation, which includes pay such as overtime and other pay beyond the employee’s regular salary. Those groups of employees also appear to exhibit different patterns of overtime use to account for most of the earnings differential.

***City Leadership Should
Ensure That Overtime
Opportunities Are Being
Awarded Fairly***

According to the Fire-Rescue department, when voluntary overtime opportunities become available, the TeleStaff staffing system automatically fills these open positions based upon shift, rank, those who have volunteered to work

overtime for that period, and then selects those with the least number of overtime hours previously worked. This is intended to allow fair and equitable access to overtime opportunities.

Other departments such as Police and Public Utilities utilize different processes for offering and assigning overtime and add-on pays. According to SDPD, they also use a computerized system to distribute overtime, while the process for Water Systems Technicians at PUD does not appear to be automated, possibly increasing the risk of unfair distribution.

While the use of overtime may be driven by factors that the City may not be able to fully control, City leadership and the departments should examine the current systems and ensure that opportunities are being offered in a way that promotes fairness and equity. Further, City leaders should work with labor representatives in upcoming contract negotiations to solicit and generate ideas for how these opportunities can be offered in a way that is fair and equitable going forward.

***Smaller Earnings Gaps
Exist Even When
Omitting Overtime and
Looking at Assigned
Salaries***

It is important to note that there are earnings gaps among some job groups even with the more conservative measure of assigned SAP salary, and even after controlling for age, years of service, and types of jobs held by those workers. For example, non-white Deputy City Attorneys have a pay disadvantage of \$6,291. And female Water Systems Technicians have a pay disadvantage of \$2,589. Managers over those groups should familiarize themselves with those gaps, consider other potential explanatory causes, and evaluate how best to remedy the gaps if and as appropriate.

Notably, every group showing a gender earnings gap in their Box 5 earnings was less than 30% female – see **Exhibit 13**. This correlation was not as pronounced when looking at the results by race/ethnicity.

It is also important to note several limitations in identifying a single or specific cause for why these gaps may exist. For instance, since education is not a systematically recorded field in the part of the City's workforce information system, we were not able to control for employee education levels. Employee education levels are often considered a key element of human capital and human capital management, and we recommend that the City track this information within SAP.⁵¹ There are other unobserved employee characteristics not included, such as performance evaluations or the number of children an employee has — which may explain pay differences. For example, according to the Office of the City Attorney, the office recently completed an internal assessment of performance, and adjusted employee pay accordingly.

And lastly, statistical regressions merely observe and measure a correlation of pay patterns; they do not prove causation.

***Earnings Gaps Are
Important Legally,
Socially, and in Terms of
Effective Human Capital
Management***

While the analysis in this report should not be used on its own to draw any definitive conclusions regarding the presence or absence of discrimination in promotions and opportunities, the City could be at legal risk, under laws such as the California Equal Pay Act. We emphasize that we do not believe that our report proves pay discrimination against any

⁵¹ This could include simply tracking the minimum years of education requirements for each position or could include more robust tracking such as years of education for each employee. Similarly, Personnel and HR should identify a way for employees to update their identified gender and race/ethnicity, if desired - for example, through the employee information update capabilities currently within SAP. For example, as we noted in the Background, some racial/ethnic group labels have changed over time. According to the Personnel department for example, any employee who chose the "Filipino" category from before 2013 is now reported as Asian in the City's annual EEO reporting.

employee groups or individual, nor should it be used on its own to make such a claim.

Further, as referenced in Finding 1, when proposed, the City's own Equal Pay Ordinance policy stated:

“Disparity in earnings has a significant impact on the welfare and economic security of [many] women — especially among women of color and single women living with children...Not only is this a problem of fairness, it makes it more difficult for women to achieve financial independence, provide for their families or prepare for a secure retirement.”

The gender gap for Water Systems Technicians, for example, is more than \$2,500 when looking only at assigned base salaries in SAP, growing to more than \$12,000 when including all Box 5 pay. That is a significant amount of money for many workers, and represents the gap for just a single year. The compounding effects of such a gap over time would be even greater.

***Earnings Gaps as Part of
Strategic Human Capital
Management***

The disparity among Firefighters is even greater at \$25,000 a year; a previous report from the Office of the City Auditor proposed several advantages from relying less on overtime among firefighters.⁵² Based on the significant gender disparity in the usage of overtime, it appears that an improvement in terms of pay equity would be another such advantage.

Indeed, many of the Box 5 earnings gaps were driven largely by different patterns of overtime use across different departments. As City decision makers contemplate challenges with operational staffing, vacancies, and budgeting, the figures in **Exhibits 13** and **14** suggest that a

⁵² See “Performance Audit of the San Diego Fire-Rescue Department’s Overtime Costs: The Fire-Rescue Department Can Better Control Overtime by Hiring Additional Firefighters”. Office of the City Auditor. August 2014. Available at: https://www.sandiego.gov/sites/default/files/15-005_Fire-Rescue_Overtime.pdf.

greater reliance on overtime is likely to exacerbate pay inequities among the City's workforce.

As mentioned in the Background section, according to a recent survey by Glassdoor (an employer services company), more than two-thirds of U.S. employees say they would not apply for jobs at employers where they believe a gender earnings gap exists.⁵³ And according to another recent survey by outsourcing firm Randstad, 80% of women agree they would switch employers if they felt another company had greater gender equality.⁵⁴ We emphasize, however, that we are not recommending all employees are paid the exact same amount; rather that earnings gaps are identified, reviewed, and evaluated to be appropriate based on legitimate factors such as job responsibilities and/or performance.

We recommend that City leadership become familiar with and monitor patterns of pay equity; ensure that current systems fairly award compensation; and look for opportunities to ensure future fairness that still allow for appropriate incentives, discipline, and rewards for employee performance. As many such efforts likely require meeting and conferring with the City's organized labor groups, we also recommend that the City reach out to these groups proactively to collaborate.

Recommendation #4:

The City Administration should utilize qualified City staff or a consultant to investigate and identify the root causes of the existing adjusted earnings gaps among the employee groups identified in the audit, and consult with the Office of the City Attorney, HR, and Personnel to develop a plan of action to mitigate the gaps, if/as appropriate. Specific issues that should be investigated include, but are not limited to:

⁵³ "Global Gender Earnings Gap Survey". February 2016. Glassdoor. Available at <https://www.glassdoor.com/press/equal-pay-equal-work-glassdoorsurvey-finds-perceptions-dont-match-reality-7-countries-majority-employed-adults-men-women-company-paid-equally/>.

⁵⁴ Available at <https://www.randstadusa.com/about/news/randstad-us-survey-reiterates-need-for-top-down-commitment-to-gender-equality-and-inclusion-in-todays-workplace/>.

- a) Whether opportunities for overtime are equally accessible across employee groups, particularly for Water Systems Technicians, Fire Fighters, and Police Officers;
- b) Whether promotional opportunities and pay increases are awarded fairly;
- c) Any other potential causes, as appropriate.

The study should be based in part on a survey of employees in groups that had adjusted pay gaps, in order to solicit employee opinions on whether overtime and promotional opportunities are fairly awarded, and suggestions on how these gaps could be mitigated.

The review above may provide for independent departments, such as the Office of the City Attorney, to conduct their own pay equity analyses, provided that these reviews are consistent with the parameters outlined above.

The results of the review above, including any mitigation measures as necessary, should be presented to the City Council in a public meeting. (Priority 1)

Recommendation #5:

The Personnel department, working collaboratively with HR and the City Administration, should collaborate as appropriate and consider entering employee education levels into SAP in order to facilitate more robust earnings gap analysis and improve the City's overall strategic human capital management. This could include simply tracking the minimum years of education requirements for each position, or could include more robust tracking such as years of education for each employee.

Similarly but separately, Personnel, working collaboratively with HR and the City Administration, should consider identifying a way for employees to update their identified gender and race/ethnicity, if desired - for example, through the employee information update capabilities currently within SAP. (Priority 2)

Recommendation #6:

In preparation for upcoming labor renegotiations, HR should request from each union a set of written ideas and suggestions for how earnings gaps may be addressed.

These suggestions should be incorporated into the City's pay equity action plan if/as appropriate. (Priority 1)

Conclusion

Differences in earnings by gender or race and ethnicity are not unique to the City of San Diego – it is a widespread phenomenon throughout the United States and around the world, and may be symptomatic of deep-seated societal factors, biases, expectations, and limitations in earnings gap analyses.

Before any statistical controls are applied, female City employees earn about 83 cents for every \$1 earned by males – slightly higher than the figures reported nationally by the US Census Bureau. For City employees, this ratio of median earnings has increased since 2011, when women earned 79% of what male employees did.

Much of this gap appears to be due to “occupational sorting”, with females occupying relatively larger shares of lower earning City jobs, and males occupying larger shares of higher earning jobs.

Why occupational sorting itself happens is heavily debated. For example, research has shown that the burden of child-rearing and elderly caregiving is borne unequally by women; thus, women may “choose” particular fields of study or lower-paying jobs with higher flexibility to better meet those obligations and expectations.⁵⁵ Indeed, although we excluded part-time workers from the compensation calculations in this report, it is noteworthy that the vast majority of the City’s part-time workers are female. (Just one-third of the City’s overall workforce is female.)

⁵⁵ See, for example, Society for Human Resources Management. “Family Obligations Widen Gender Pay Gap, Research Suggests”. December 2018. Available at: <https://www.shrm.org/resourcesandtools/hr-topics/compensation/pages/effect-of-choices-on-gender-wage-gap.aspx>.

And Goldin, Claudia (2015). “How to Achieve Gender Equality,” Milken Institute Review, Q3 2015, pp. 24-33. Available at <http://gldr.co/20Vknej>.

Also, most of the City's highest paid positions are concentrated within public safety departments. These departments have made commendable efforts to increase the diversity of their workforces, but face complex, significant challenges in competing for diverse talent. Examining and balancing where highly-paid opportunities are available, in terms of job roles and departmental missions, may also help the City increase its pay equity.

Once we statistically control for important differences between workers—including type of work, age, and years of service—much of the earnings gap declines. Notably, after controlling for these variables, many groups of employees that we examined did not show statistically significant evidence of earnings gaps. But we still find some gaps by gender and race/ethnicity for several groups of City employees. Earnings gaps by race/ethnicity were not as pronounced as those by gender.

Importantly, because of limitations in the analysis, we do not believe that our report proves pay discrimination or should be used on its own to make such a claim. The purposes of the report are to inform and highlight potential risk areas where earnings gaps may exist or perpetuate, not as a legal opinion or assertion, but for the sake of transparency, fairness to employees, and strategic human capital management for the City. City leadership, HR, and managers should familiarize themselves with these gaps, consider potential explanatory causes, and evaluate how best to remedy the gaps if and as appropriate.

For example, many of the earnings gaps were driven largely by different patterns of overtime use. As City decision makers contemplate challenges with operational staffing, vacancies, and budgeting, the figures in **Exhibits 13** and **14** suggest that a greater reliance on overtime is likely to exacerbate pay inequities among the City's workforce by both gender and race/ethnicity.

Targeted initiatives to encourage career growth and advancement among female or disadvantaged groups; a re-evaluation of equitable opportunities for add-on compensation such as overtime; and policies that support increased opportunities for part-time positions, child care, and assistance for the elderly may help address the root causes of occupational sorting and compensation inequalities amongst the City's diverse workforce. Examining and balancing where highly-paid opportunities are available, in terms of job roles and departmental missions may also help the City increase its pay equity.

Further, by regularly examining the "unadjusted" and "adjusted" compensation patterns among its employees, the City can gain a better understanding of the changing magnitude of any earnings gaps, and what factors it may be able to help mitigate.

And with the City now requiring all City contractors to certify that they will provide equal pay to workers regardless of their gender or race/ethnicity, it enhances the City's credibility to take steps toward achieving this for its own workforce as well.

Although equity in pay has improved dramatically in recent decades, our report suggests there is more work to be done. Our objective was to determine how the information in the City's annual employee compensation reports is or could be utilized by the City and other stakeholders. Conducting periodic pay equity studies is one such example, consistent with the City's strategic plan to value diversity, measure results, and seek improvement in everything the City does.

By shedding light on today's patterns in pay differences among employees, our findings and recommendations are intended to help inform and encourage a healthy dialogue among policymakers, City employees, contractors, labor groups, and other stakeholders in coming years.

Recommendations

- Recommendation #1:** The City Administration, working collaboratively with the Human Resources (HR) Department, Personnel, the Civil Service Commission, and the City Attorney's office, should implement a requirement for the City to conduct a detailed City employee pay equity study at least every three years, identifying earnings gaps amongst employee groups, including, but not limited to genders and racial/ethnic groups. The requirement could take the form of an adjustment to the Municipal Code, a Council Policy, an Administrative Regulation, or other form determined in collaboration with the City Attorney's Office. The requirement should include the pay equity study to be conducted by appropriately-qualified City staff or a consultant, and should include:
- a) Calculation of unadjusted earnings gaps amongst employee groups;
 - b) Calculation of adjusted earnings gaps amongst employee groups, using appropriate analytical techniques such as multi-variate regression analysis; with potential explanatory variables such as age, years of service, education, and other variables as appropriate;
 - c) Historical results from previous City pay equity studies;
 - d) A determination of the appropriate frequency of the study, not less often than every 3 years;
 - e) Assigning responsibility for review of unadjusted earnings gaps and statistically-significant adjusted earnings gaps to identify root causes; and
 - f) Collaborative consultation with the Office of the City Attorney to develop a unified plan of action to mitigate earnings gaps identified if/as appropriate.

The requirement may provide for independent departments, such as the Office of the City Attorney, to conduct their own pay equity analyses, provided that these studies are consistent with the parameters outlined above. The requirement should also include that the results of each pay equity study, along with the status of measures identified to mitigate previously-identified earnings gaps, be presented to the City Council in a public meeting. (Priority 2)

Recommendation #2:

Human Resources, working collaboratively with Personnel, and the City Attorney's office, should develop and execute an action plan for things the City may be able to do to mitigate its unadjusted earnings gaps if/as appropriate. Strategies may include:

- a) Considering how to increase part-time arrangements for a larger number of City positions;
- b) Expanding other flexible work policies such as position-sharing or telecommuting as appropriate;
- c) Building on past work and exploring additional policies such as expanded parental leave, onsite child care, and flexible work arrangements where appropriate;
- d) Ensuring leadership opportunities such as Citywide Supervisors Academy, OpEx Academy, and other departmental efforts are being offered to a diverse audience;
- e) Reducing reliance on overtime to meet staffing requirements, especially within Fire-Rescue; and
- f) A particular focus on these or other operationally-appropriate efforts within public-safety departments. (Priority 2)

- Recommendation #3:** As part of the development of the action plan recommended above, the Personnel Department, in collaboration with Human Resources, should work with departments – particularly within public safety - to evaluate strategies for increasing diversity in higher-paying positions if/as appropriate. Such strategies may include:
- a) Maintaining support for programs such as Fire-Rescue's Girls Empowerment Camp and Cadet Program, and SDPD's STAR/PAL program, while re-evaluating if they are sufficient to meet the City's workforce diversity goals;
 - b) Evaluating if additional measures besides above are needed to increase diversity, such as job description requirements, middle-of-the-night on-call requirements etc.;
 - c) Job advertisements in media which the City has not previously used, and that targets underrepresented groups; and
 - d) Recruiting materials reflective of a diverse workforce. (Priority 2)

- Recommendation #4:** The City Administration should utilize qualified City staff or a consultant to investigate and identify the root causes of the existing adjusted earnings gaps among the employee groups identified in the audit, and consult with the Office of the City Attorney, HR, and Personnel to develop a plan of action to mitigate the gaps, if/as appropriate. Specific issues that should be investigated include, but are not limited to:
- a) Whether opportunities for overtime are equally accessible across employee groups, particularly for Water Systems Technicians, Fire Fighters, and Police Officers;
 - b) Whether promotional opportunities and pay increases are awarded fairly;
 - c) Any other potential causes, as appropriate.

The study should be based in part on a survey of employees in groups that had adjusted pay gaps, in order to solicit employee opinions on whether overtime and promotional opportunities are fairly awarded, and suggestions on how these gaps could be mitigated.

The review above may provide for independent departments, such as the Office of the City Attorney, to conduct their own pay equity analyses, provided that these reviews are consistent with the parameters outlined above.

The results of the review above, including any mitigation measures as necessary, should be presented to the City Council in a public meeting. (Priority 1)

Recommendation #5:

The Personnel department, working collaboratively with HR and the City Administration, should collaborate as appropriate and consider entering employee education levels into SAP in order to facilitate more robust earnings gap analysis and improve the City's overall strategic human capital management. This could include simply tracking the minimum years of education requirements for each position, or could include more robust tracking such as years of education for each employee.

Similarly but separately, Personnel, working collaboratively with HR and the City Administration, should consider identifying a way for employees to update their identified gender and race/ethnicity, if desired - for example, through the employee information update capabilities currently within SAP. (Priority 2)

Recommendation #6:

In preparation for upcoming labor renegotiations, HR should request from each union a set of written ideas and suggestions for how earnings gaps may be addressed.

These suggestions should be incorporated into the City's pay equity action plan if/as appropriate. (Priority 1)

Appendix A: Definition of Audit Recommendation Priorities

DEFINITIONS OF PRIORITY 1, 2, AND 3

AUDIT RECOMMENDATIONS

The Office of the City Auditor maintains a priority classification scheme for audit recommendations based on the importance of each recommendation to the City, as described in the table below. While the City Auditor is responsible for providing a priority classification for recommendations, it is the City Administration's responsibility to establish a target date to implement each recommendation taking into consideration its priority. The City Auditor requests that target dates be included in the Administration's official response to the audit findings and recommendations.

Priority Class ⁵⁶	Description
1	Fraud or serious violations are being committed. Significant fiscal and/or equivalent non-fiscal losses are occurring. Costly and/or detrimental operational inefficiencies are taking place. A significant internal control weakness has been identified.
2	The potential for incurring significant fiscal and/or equivalent non-fiscal losses exists. The potential for costly and/or detrimental operational inefficiencies exists. The potential for strengthening or improving internal controls exists.
3	Operation or administrative process will be improved.

⁵⁶ The City Auditor is responsible for assigning audit recommendation priority class numbers. A recommendation which clearly fits the description for more than one priority class shall be assigned the higher priority.

Appendix B: Objectives, Scope, and Methodology

Objectives In accordance with the Office of the City Auditor’s Fiscal Year 2019 (FY19) Audit Work Plan, we conducted a performance audit of the City’s compensation reports. We released a previous report detailing how the City could improve its annual compensation reporting to ensure compliance with state guidance, improve transparency, position the City more attractively to potential hires, and better report its own workforce’s unique retirement compensation information. To better focus findings and themes, this project was broken off as a separate audit objective from that original audit.

The objective for this audit was to determine how the information in the City’s annual employee compensation reports is or could be utilized by the City and other stakeholders. With the recent passage of the City’s Equal Pay Ordinance, as well as topics of employee compensation featuring prominently in our previously-released Human Capital Fact Book, we examined pay equity as one such example.⁵⁷

Scope and Methodology To achieve our audit objective, we utilized employee compensation information within the City’s annual required compensation reports. This audit report uses employee counts and characteristics recorded in SAP as of January 1, 2018, and compensation information for calendar year 2017. Brief historical comparisons include employee counts as of January 1, 2011 and compensation information for calendar year 2010. In our previous report mentioned above we performed data reliability testing on this data, including observing a second analyst who had not compiled the original reports replicate the compensation reports for calendar years 2016–2017. We also compared the replicated reports with the

Data Reliability and Internal Controls

⁵⁷ Available at https://www.sandiego.gov/sites/default/files/19-001_citywide_human_capital_fact_book.pdf.

originals, as well as with information for the City of San Diego from the State's database.

Additionally, utilizing a separate dataset on City separations provided by the Personnel Department, we reviewed the Department of Finance's 2017 compensation report to ensure employees who left City employment in calendar year 2016 were not included in the report. And utilizing a master workforce SAP report of City employees as of January 2018, we also assessed whether the 2017 compensation report included all appropriate City employees who were presently employed at the time.

We did not evaluate the internal controls over payroll or SAP as part of the limited scope of this audit. The City prepares an Annual Report on Internal Financial Control, which includes topics such as control over payroll and transactions in SAP, and describes the control environment over these functions.

We integrated the employee compensation data via employee number with master workforce data as of January 1, 2018, which we exported from SAP, the City's workforce information system. This workforce data included fields such as age, date of hire, gender, ethnic origin, and assigned SAP pay.

We requested copies of employee information forms for a random sample of City employees regarding self-reported gender and racial/ethnic information, and compared the forms to the demographic information listed for the employees in SAP. Out of 63 employee forms provided by Personnel, we found one discrepancy between the information on the forms and the information within SAP. We identified two records where a gender was not selected on the form; as such, the attribute could not be verified. Based on this rate, these records provided a 95% confidence level with a margin of error of 5.3%. We determined this to be an acceptable level of confidence for the purposes of these tests. Future audit projects may wish to investigate

further still the City's SAP system and how information in SAP is entered, maintained, or updated.

***Calculations of
"Unadjusted" Earnings
Gaps***

For the purposes of this project, we took additional measures to ensure the most relevant employees were being included by filtering this integrated dataset to include only full-time, active workers. We did this by including employees who were listed as full-time, active workers on January 1, 2018, and filtering out employees who were not listed as full-time workers on January 1, 2017 – in order to remove employees who had only joined the City for a portion of the year. Also in an abundance of caution, we filtered out employees who had 120 or more hours of unpaid leave in calendar year 2017 – for example for military deployment or attending to family needs – that may have made those employees' actual Box 5 earnings appear artificially low. This generated a dataset of 8,524 employees that we used for both our unadjusted and adjusted pay analyses.

The unadjusted earnings gaps are simple pivot table results of employee Box 5 earnings. We grouped employees by gender and "ethnic origins" as identified in SAP. Where noted in the report, we also removed some of the positions within Police and Fire-Rescue (detailed in Appendix C) to demonstrate the effects those positions and departments have on earnings gap results.

***Grouping Employees by
Type of Work***

In addition to unadjusted pay analyses, we also performed adjusted earnings gap analyses looking at specific groups of employees. Because there are thousands of City employees across hundreds of different classifications of jobs, we judgmentally sampled City job groups to analyze, attempting to include a wide range of positions and different City functions, with both classified and unclassified positions included. As part of the Civil Service Classification system, "classified" positions are subject to strictly defined pay ranges. "Unclassified" positions generally have more flexibility in potential pay ranges.

We used our research, professional judgment and interviews and conversations with departments to explain and refine these employee groups, wherein an employee could reasonably be considered to be on a career trajectory.

Regressions

We used what is known as multi-variate regression analysis to improve comparisons among workers and measure the size of the adjusted earnings gaps.

This method starts with the raw or “unadjusted” gap in pay between two groups, for example—the average male salary minus the average female salary— and then adds statistical controls to account for the impact of differences in age, years of experience, and job type. More on the statistical explanations behind regressions can be found here for example:

“False Positive, False Negative: Beyond the Surface of Gender Pay Equity”. Narine Karakhanyan and Dr. Josh Schaeffer. Workspan. June/July 2018. Available at: <https://www.equitymethods.com/articles/false-positive-false-negative-beyond-surface-gender-pay-equity/>

and

“How to Analyze Your Gender Pay Gap: An Employer’s Guide”. April 2017. Dr. Andrew Chamberlain. Glassdoor. Available at: <https://www.glassdoor.com/research/app/uploads/sites/2/2017/04/GlassdoorHowtoAnalyzeGenderPayGap.pdf>

As Karakhanyan and Schaeffer write: multiple regression analysis can yield an idea of which variables matter, to what extent they account for differences in pay and whether there’s any part of the pay difference that these variables don’t explain.

See also Appendix D: Basic Mechanics of Multi-Variate Regression Analysis for more information.

Limitations

To ensure we're making an apples-to-apples comparison between workers, we control for every observable worker characteristics we have available in our estimates of the earnings gap. This includes controls for age, years of experience, and line of work.⁵⁸ However, we are unable to observe many personal characteristics such as highest level of education, career aspirations, or worker performance—all of which may explain earnings differences.

"Statistically significant" is a technical term meaning such results are unlikely to occur by chance. We performed our regressions with a 90% confidence level, meaning that there is a 10% chance or less that the results would be due to random chance. If a result fell below 90% confidence, we simply reported a " – " in **Exhibits 13 and 14**.

We emphasize that because of these limitations, we do not believe that our report proves pay discrimination or should be used on its own to make such a claim. The purposes of the report are to inform and highlight potential risk areas where earnings gaps may exist or perpetuate, not as a legal opinion or assertion, but for the sake of transparency, fairness to employees, and strategic human capital management for the City.

***Generally Accepted
Government Auditing
Standards***

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁵⁸ "Years of service" is measured as service length with the City in years. Due to the nature of the data from SAP, auditors used the field "Most Recent Hire Date" as a measuring point. Note that this methodology is inexact in that it undercounts the official pension-eligible "years of service" among those employees with multiple hire dates. Auditors do not believe the information or comparison would materially compromise the results, but it should be noted as a limitation.

Appendix C: Full-Listing of Classifications Included Within Job Type Analysis

Because there are over 11,000 City employees across hundreds of different classifications of jobs, we judgmentally sampled which City job groups to analyze, attempting to include a wide range of positions and different City functions, with both classified and unclassified positions included.⁵⁹

The City's classification system sets limits on minimum and maximum pay ranges for a given position.

Looking at a single classified role alone would simply show that nearly all "Water System Technician 4" employees, for example, are paid the same within the City. However, this control may not on its own prevent pay disparities arising from other factors. Examining such a pay structure would not detect if opportunities for promotions and higher-paying positions – for example to a Water Systems Technician Supervisor - were being offered or denied unfairly or inequitably. As stated in Finding 2, according to the Office of Federal Contract Compliance Programs, compensation discrimination can take many forms—from paying women less than men for doing the same job, to discriminating in access to high paying positions or overtime opportunities. We thus grouped positions together in clusters of substantially similar related work (e.g. Water System Technician 1's, 2's, 3's, 4's, and Supervisors), in order to reflect the effects of differential rates of promotions. See **Exhibit 15** for a full listing of these job class groupings:

⁵⁹ As part of the Civil Service Classification system, "classified" positions are subject to strictly defined pay ranges. "Unclassified" positions generally have more flexibility in potential pay ranges.

Exhibit 15:**Full-Listing of Classifications Included Within Job Type Analysis**

Job type	Positions included, as labeled in City's SAP workforce system
City Attorneys (unclassified service)	Dep City Atty, Dep City Atty - Unrep
Civil Engineers (classified service)	Asoc Eng-Civil, Asoc Eng-Civil(Asoc Eng-Geol), Asst Eng-Civil, Jr Engineer-Civil, Sr Civil Engineer
Deputy Directors (unclassified service)	Deputy Directors
Fire Fighters (classified service)	Asst Fire Chief, Deputy Fire Chief, Fire Battalion Chief, Fire Captain, Fire Chief, Fire Engineer, Fire Fighter 1, Firefighter 2, Firefighter 3, Fire Recruit
Planners (classified service)	Asoc Planner, Asst Planner, Jr Planner, Sr Planner
Police Officers (classified service)	Asst Police Chief, Police Captain, Police Chief, Police Detective, Police Lieutenant, Police Officer 1, Police Officer 2, Police Officer 3, Police Recruit, Police Sergeant
Program Managers (unclassified service)	Asbestos Program Mgr, Employee Assistance Program Manager, Haz Mat Prgrm Mgr, Program Manager, Recycling Prgm Mgr, Recycling Prgm Mgr(Asset Mgmt Coordinator, Wstwtr Pretrmt Prgm Mgr)
Recreation Center Directors (classified service)	Asst Rec Ctr Dir, Rec Cntr Dir 1, Rec Cntr Dir 2, Rec Cntr Dir 3
Water Systems Technicians (classified service)	Water Sys Tech 1, Water Sys Tech 2, Water Sys Tech 3, Water Sys Tech 4, Water Sys Tech Supv

Source: OCA generated based on SAP Personnel Change Request Data.

We shared these groupings of workers with departments to hear their perspectives on which job types might be reasonable to include, and used professional judgment to make final selections. Some notable mentions include:

- For Fire-Rescue and Police we included positions all the way up through Chiefs, since Chiefs often come up from the ranks of these organizations.
- For Recreation Center Directors, Water System Techs, and Planners, the respective heads of Park and Recreation, Public Utilities, and Planning, may come to the Chief executive position via other career paths. Thus, we did not include these department heads for these job groupings, and we limited these groupings to only a few levels (e.g. Asst Rec Ctr Dir, Rec Cntr Dir 1, 2, and 3)
- We performed stand-alone analyses for the unclassified positions of Program Managers and Deputy Directors. We judgmentally excluded Department Directors from this analysis because of their unique position atop wide-ranging department sizes and functions.
- We did not include the top City Attorney in our City Attorney's analysis because that is an elected position.

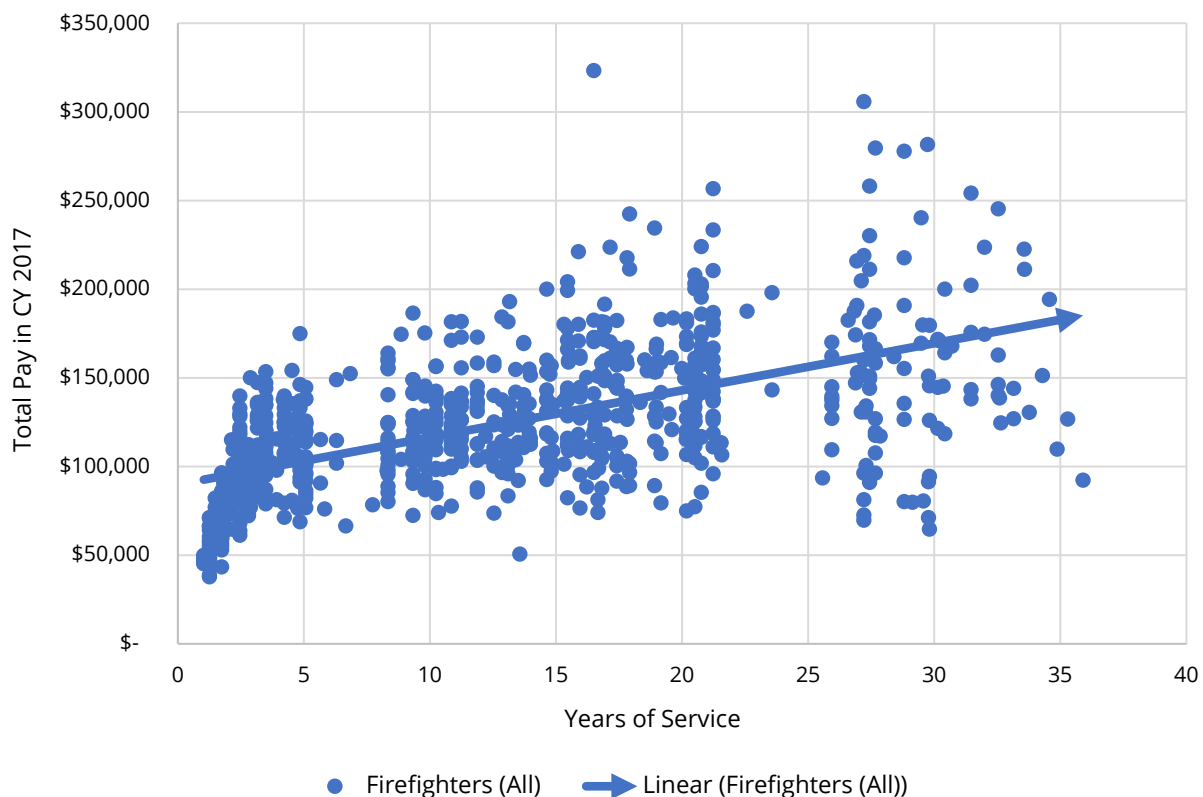
Appendix D: Basic Mechanics of Regression Analysis

As shown in **Exhibit 16** below, a basic XY chart can show trends over time, using one 'dependent variable' (in this case, Firefighters' total 'Box 5' pay, including overtime, in CY 2017) and one 'independent variable' (in this case, Firefighters' years of service with the City). As Firefighters' years of service with the City increases, their pay tends to increase as well, as shown by the blue trend line in the exhibit below.

Exhibit 16:

Total Pay for Firefighters Tends to Increase with Years of Service

Earnings for Firefighters' by Years of Service, CY 2017



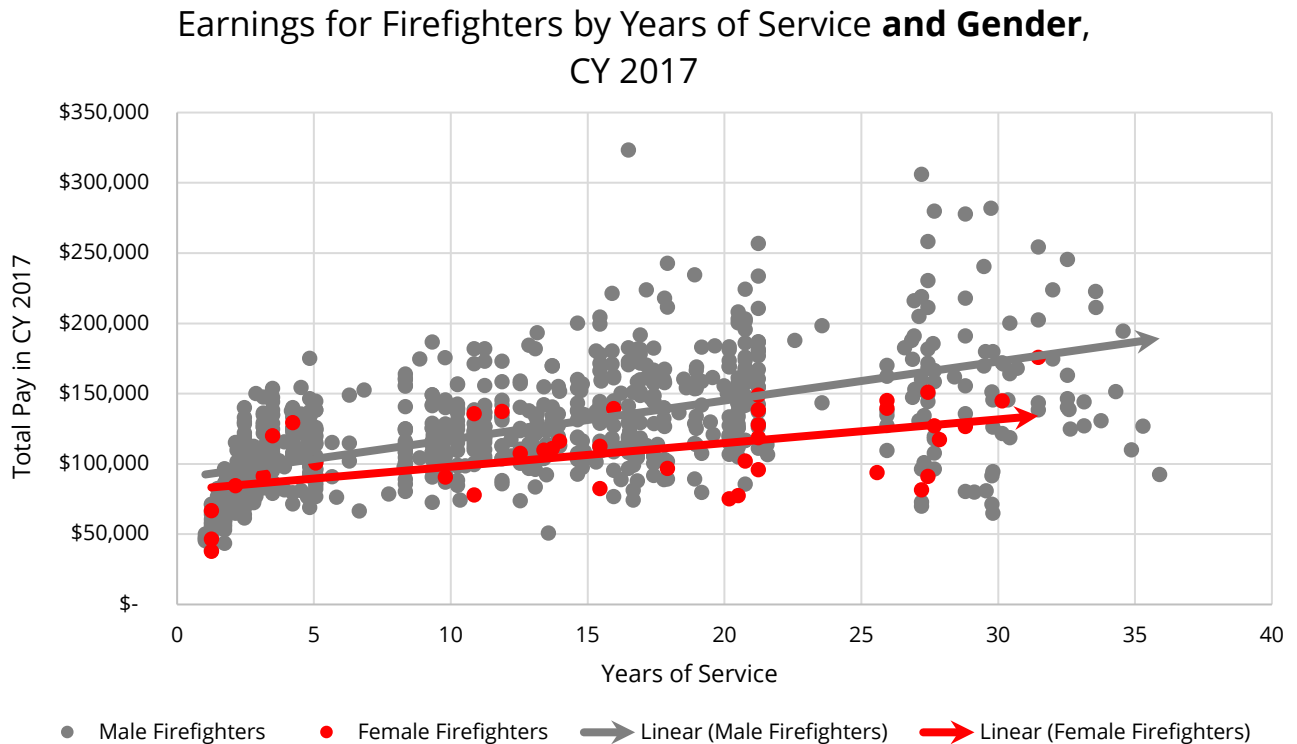
Source: OCA generated based on workforce data within SAP and 2017 Employee Compensation Report.

Multi-variate regression analysis allows for additional independent variables, such as Firefighters' gender, to be added. This analysis can then determine whether these additional variables, such as gender, are correlated with pay, even after adjusting for years of service.

Exhibit 17, below, is the same as **Exhibit 16**, except gender has been added, with female Firefighters now shown in red. Of the 40 female Firefighters (red dots), most fall below the trend line, while the male Firefighters (grey dots) are more evenly distributed above and below the line. Thus, in this case the regression model indicates that female Firefighters tend to make less than male Firefighters who have the same amount of years of service.

Exhibit 17:

Female Firefighters Tend to Make Less than Males, Even When Adjusting for Years of Service



Source: OCA generated based on workforce data within SAP and 2017 Employee Compensation Report.

Regression analysis establishes a correlation between phenomena. As we've noted, however, correlation is not causation. It still takes critical thinking and careful study to locate meaningful cause-and-effect relationships. But at a minimum, regression analysis helps establish the existence of connections that call for closer investigation.




THE CITY OF SAN DIEGO

M E M O R A N D U M

DATE: April 5, 2019

TO: Kyle Elser, Interim City Auditor

FROM: Kris Michell, Chief Operating Officer 

SUBJECT: Response to the Performance Audit of City Employee Pay Equity

Employees are the City of San Diego's most important asset. Ensuring equity and inclusivity in all employment opportunities strengthens the City's ability to operate at its full potential. Measuring employee pay disparities is an essential step in recognizing inequities in the workforce and establishing fair compensation packages, equitable access to positions, and balanced opportunities for promotions.

The Performance Audit of City Employee Pay Equity offers valuable insight into an issue that, unfortunately, is not unique to the City of San Diego. I appreciate the City's audit team for compiling this report, which serves as a first step in addressing pay inequities. **As the seventh largest employer in San Diego, this is an opportunity to encourage meaningful dialogue, create change, and – as outlined in our Strategic Plan – value diversity, measure results, and seek improvement in all City operations.**

As identified in the report, female City employees earn – on average – approximately 83 percent of what male City employees earn. While this is comparable to national statistics (81 percent¹), it is unacceptable. Earnings gaps also exist across racial groups, with non-white City employees earning 80 percent of what white City employees earned in 2017. This distinct disparity is also unacceptable.

While differences in pay equity vary when considering certain compensation factors, the fact remains that measurable disparities still exist within pay among genders and within pay among racial groups. Any imbalance along these lines, regardless of extent, will not be tolerated. It is important to analyze these earnings gap findings, outlined in Table 1, to design targeted measures to address inequities.

¹ Does not include military personnel.

Table 1: Average Salary Ratios

Salary Measure	Ratio of Earnings ²	
	Female to Male	Non-White to White
Box 5³	\$ 0.83	\$ 0.80
Box 5 (excluding OT)⁴	\$ 0.92	\$ 0.81
SAP salaries⁵	\$ 0.96	\$ 0.82

Additional analysis of the 2017 data suggests improved wage parity when grouping employees by hire dates. While female employees hired before 2010 currently earn only 80 percent as much as their male counterparts, women hired between 2010 and 2017 make 91 percent of what men hired in those years earn today. During the same period, the racial wage gap moved from 80 to 82 percent. Although these findings are indicative of a potential improvement in pay equity throughout the past decade, further research is required to determine whether these pursuits include equal access to promotions and other elements that affect employees' salary trajectories.

San Diego is uniquely positioned to be one of the first municipalities in the country to develop an evidence-based policy response and action plan to achieve pay equity. Of the ten largest U.S. cities⁶, none have conducted (or at least made publicly available) an employee pay equity audit. Many cities have adopted policies aimed at closing the pay gap. However, without sufficient data and evidence to determine the root causes of pay disparity, the gap is likely to persist.

In 2017, the San Diego City Council unanimously approved the City of San Diego's Equal Pay Ordinance. Codified in the San Diego Municipal Code, this ordinance requires employers who contract with the City of San Diego to pay their employees equal wage rates for equal or substantially similar work, regardless of an employee's gender, race, or ethnicity. Now, nearly two years later, the City is overdue in providing the same commitment to equity for our internal workforce.

We will work in an open, transparent way to put an end to wage disparities based on gender, race, and ethnicity. We are committed to providing equitable pay and access to opportunities for all our employees. We will conduct regular pay equity analyses to hold ourselves accountable for strengthening protections against wage discrimination within the City of San Diego.

Tackling systemic challenges does not happen overnight, but it must start somewhere. As the Chief Operating Officer for the City of San Diego, I am personally devoted to closing the wage gaps identified in this report and will direct appropriate City resources to support this important initiative.

² T-tests were conducted, and results shown are statistically significant (p-values < 0.05). I.e.: there is statistical evidence that the salaries of comparison groups (female vs male, non-white vs white) are different.

³ The Box 5 salary measure, from employees' W-2 tax forms, includes regular pay, overtime pay, vacation payouts, add-on pays, and flexible benefits credits.

⁴ Salary measure does not include overtime pay.

⁵ SAP salary is the annual base salary assigned to employees in the City's workforce and financial management system (SAP), according to the City Council-approved Annual Salary Ordinance.

⁶ Per the U.S. Census Bureau's 2017 Population Estimates, the 10 most populated U.S. cities are: New York City, Los Angeles, Chicago, Houston, Phoenix, Philadelphia, San Antonio, San Diego, Dallas, and San Jose.

AUDITOR'S RECOMMENDATIONS**Recommendation #1:**

The City Administration, working collaboratively with the Human Resources (HR) Department, Personnel, the Civil Service Commission, and the City Attorney's office, should implement a requirement for the City to conduct a detailed City employee pay equity study at least every three years, identifying earnings gaps amongst employee groups, including, but not limited to genders and racial/ethnic groups. The requirement could take the form of an adjustment to the Municipal Code, a Council Policy, an Administrative Regulation, or other form determined in collaboration with the City Attorney's Office. The requirement should include the pay equity study to be conducted by appropriately-qualified City staff or a consultant, and should include:

- a) Calculation of unadjusted earnings gaps amongst employee groups;
- b) Calculation of adjusted earnings gaps amongst employee groups, using appropriate analytical techniques such as multi-variate regression analysis; with potential explanatory variables such as age, years of service, education, and other variables as appropriate;
- c) Historical results from previous City pay equity studies;
- d) A determination of the appropriate frequency of the study, not less often than every 3 years;
- e) Assigning responsibility for review of unadjusted earnings gaps and statistically-significant adjusted earnings gaps to identify root causes; and
- f) Collaborative consultation with the Office of the City Attorney to develop a unified plan of action to mitigate earnings gaps identified if/as appropriate.

The requirement may provide for independent departments, such as the Office of the City Attorney, to conduct their own pay equity analyses, provided that these studies are consistent with the parameters outlined above. The requirement should also include that the results of each pay equity study, along with the status of measures identified to mitigate previously-identified earnings gaps, be presented to the City Council in a public meeting.

Priority 2

Management Response: City Administration agrees with the recommendation and will work with the Civil Service Commission via the Personnel Department, as well as the City Attorney's Office and the Independent Budget Analyst, to identify the feasibility of creating a Citywide requirement to conduct a regularly scheduled pay equity study.

Target Implementation Date: December 2019 to identify the recommended course of authority (Council Policy, Municipal Code, etc.). Subsequent approval or implementation will depend on respective authorization protocol.

Recommendation #2:

Human Resources, working collaboratively with Personnel, and the City Attorney's office, should develop and execute an action plan for things the City may be able to do to mitigate its unadjusted earnings gaps if/as appropriate. Strategies may include:

- a) Considering how to increase part-time arrangements for a larger number of City positions;
- b) Expanding other flexible work policies such as position-sharing or telecommuting as appropriate;
- c) Building on past work and exploring additional policies such as expanded parental leave, onsite child care, and flexible work arrangements where appropriate;
- d) Ensuring leadership opportunities such as Citywide Supervisors Academy, OpEx Academy, and other departmental efforts are being offered to a diverse audience;
- e) Reducing reliance on overtime to meet staffing requirements, especially within Fire-Rescue; and
- f) A particular focus on these or other operationally-appropriate efforts within public-safety departments.

Priority 2

Management Response: City Administration agrees and will work with the Mayor's Committee to Advance Women and Girls, as well as other stakeholders, to review strategies to encourage increased participation in employment and/or promotional opportunities across all demographics. These strategies may require increased appropriations or be dependent on available staffing. The Mayor has already determined that overtime within the Fire-Rescue Department requires attention, and he plans to present potential overtime reduction strategies in the forthcoming Proposed Fiscal Year 2020 Budget. The City Council may be required to provide authority to proposed strategies through their authority over collective bargaining or their respective budget deliberations. Other strategies may require long-term planning and coordination with the recognized employee organizations through MMBA negotiations.

Target Implementation Date: Strategies will be analyzed, developed, and may be implemented as authorized. However, this is a longer-term initiative and, as such, execution may not occur until well into 2021. Target is December 2021.

Recommendation #3:

As part of the development of the action plan recommended above, the Personnel Department, in collaboration with Human Resources, should work with departments – particularly within public safety – to evaluate strategies for increasing diversity in higher-paying positions if/as appropriate. Such strategies may include:

- a) Maintaining support for programs such as Fire-Rescue's Girls Empowerment Camp and Cadet Program, and SDPD's STAR/PAL program, while re-evaluating if they are sufficient to meet the City's workforce diversity goals;
- b) Evaluating if additional measures besides above are needed to increase diversity, such as job description requirements, middle-of-the-night on-call requirements etc.;
- c) Job advertisements in media which the City has not previously used, and that targets underrepresented groups; and
- d) Recruiting materials reflective of a diverse workforce.

Priority 2

Management Response: City Administration agrees on the importance of programs that support diverse inclusion and will continue to endorse and enhance programs as resources are made available. City Administration will work with the Civil Service Commission via the Personnel Department as the Commission maintains the Charter authority over job descriptions and minimum requirements for classified positions, which make up 94% of the City's workforce.

Mayoral departments will evaluate recruiting and marketing materials for the City's unclassified positions under the authority of the Office of the Mayor, which includes 54% of all unclassified positions. Non-mayoral departments should also be encouraged to evaluate their recruiting materials.

Target Implementation Date for Departments: December 2019.

Recommendation #4:

The City Administration should utilize qualified City staff or a consultant to investigate and identify the root causes of the existing adjusted earnings gaps identified among the employee groups in identified in the audit, and consult with the Office of the City Attorney, HR, and Personnel to develop a plan of action to mitigate the gaps identified, if/as appropriate. Specific issues that should be investigated include, but are not limited to:

- a) Whether opportunities for overtime are equally accessible across employee groups, particularly for Water Systems Technicians, Fire Fighters, and Police Officers;

- b) Whether promotional opportunities and pay increases are awarded fairly;
- c) Any other potential causes, as appropriate.

The study should be based in part on a survey of employees in groups that had adjusted pay gaps, in order to solicit employee opinions on whether overtime and promotional opportunities are fairly awarded, and suggestions on how these gaps could be mitigated.

The review above may provide for independent departments, such as the Office of the City Attorney, to conduct their own pay equity analyses, provided that these reviews are consistent with the parameters outlined above.

The results of the review above, including any mitigation measures as necessary, should be presented to the City Council in a public meeting.

Priority 1

Management Response: City Administration agrees that any pay disparities should be investigated and mitigated throughout all City departments. The Mayor recently created the Committee to Advance Women & Girls to study and address employment challenges and opportunities for women. This committee will work with City staff to address any identified pay or promotional deficiencies and propose solutions to increase participation by underrepresented groups as allowable under current employment laws.

Target Implementation Date: Any identified pay or promotional deficiencies will be addressed immediately. A report will be presented to a City Council committee in the first quarter of 2020.

Recommendation #5:

The Personnel department, working collaboratively with HR and the City Administration, should collaborate as appropriate and consider entering employee education levels into SAP in order to facilitate more robust earnings gap analysis and improve the City's overall strategic human capital management. This could include simply tracking the minimum years of education requirements for each position, or could include more robust tracking such as years of education for each employee.

Similarly, but separately, Personnel, working collaboratively with HR and the City Administration, should consider identifying a way for employees to update their identified gender and race/ethnicity, if desired – for example, through the employee information update capabilities currently within SAP.

Priority 2

Management Response: City Administration agrees to work with the Civil Service Commission via the Personnel Department to review the feasibility of including experience and/or education levels in SAP, subject to MMBA and resource requirements.

Target Implementation Date: October 2019 to identify technical feasibility.

Recommendation #6:

In preparation for upcoming labor renegotiations, HR should request from each union a set of written ideas and suggestions for how earnings gaps may be addressed.

These suggestions should be incorporated into the City's pay equity action plan if/as appropriate.

Priority 2

Management Response: City Administration agrees and will contact the respective Recognized Employee Organizations.

Target Implementation Date: September 2019.

cc: Honorable Mayor Kevin L. Faulconer
Honorable Members of the City Council
Honorable City Attorney Mara Elliott
Aimee Faucett, Chief of Staff, Office of the Mayor
Andrea Tevlin, Independent Budget Analyst
Stacey LoMedico, Assistant Chief Operating Officer
Ronald H. Villa, Assistant Chief Operating Officer
Rolando Charvel, Chief Financial Officer
David Nisleit, Chief, Police Department
Colin Stowell, Chief, Fire-Rescue Department
Erik Caldwell, Deputy Chief Operating Officer, Smart & Sustainable Communities
Johnnie Perkins, Deputy Chief Operating Officer, Infrastructure & Public Works
Jeffrey Sturak, Deputy Chief Operating Officer, Internal Operations
Robert Vacchi, Deputy Chief Operating Officer, Neighborhood Services
Almis Udrys, Deputy Chief of Staff, Policy & Innovation, Office of the Mayor
Lori Thacker, President, City of San Diego Civil Service Commission
Doug Edwards, Director, Personnel Department
Bahija Humphrey, Director, Performance & Analytics Department
Julie Rasco, Director, Human Resources Department

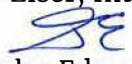


THE CITY OF SAN DIEGO

M E M O R A N D U M

DATE: April 5, 2019

TO: Kyle Elser, Interim City Auditor

FROM:  Douglas Edwards, Personnel Director

SUBJECT: Management Response to the Performance Audit of City Employee Pay Equity

The Personnel Department has reviewed the City Auditor's recommendations in the audit report of City employee pay equity. We commend you and your staff for addressing and analyzing pay equity at the City of San Diego. The Personnel Department is committed to ensuring that the principles of the City's merit system are maintained, Classified employees are equitably compensated, and that the City provide equal employment opportunities.

City Charter Section 130 requires the City to establish a schedule of compensation for officers and employees in the Classified Service, which establishes a minimum and maximum for any grade and provide uniform compensation for like service.

Civil Service Rule I requires the City to maintain a compensation schedule for the Classified Service which shall include a table of standard rates of pay, indicating the pay steps for each classification. Moreover, a classification plan, based upon duties and responsibilities, shall be adopted and maintained by the Commission to provide for standardization and classification of all positions in the Classified Service.

All Classified employees performing the same job are paid within the five pay steps established for each classification. The compensation for job classifications that are part of a classification series progressively increases to recognize the higher-level duties. For example, employees in the Water Systems Technician classification series (i.e., Water Systems Technician I, Water Systems Technician II, Water Systems Technician III, Water Systems Technician IV, and Water Systems Technician Supervisor) get paid more as they promote to the next higher classification. Therefore, combining the classifications for purposes of the pay equity study is problematic since it is not comparing "apples to apples." A Water Systems Technician IV performing super-journey technician duties and leading the work of single crews should make more than a Water Systems Technician III performing journey-level technician duties.

The audit report indicates that limiting the analysis within a single job classification does not detect if opportunities for promotions and higher-paying positions are being offered or denied unfairly or inequitably. The purpose of the classification plan and compensation schedule is to ensure that employees are paid within the five pay steps for each classification. The City has policies and procedures in place to ensure that equal opportunities for employment exist.

To compete for a Water Systems Technician Supervisor promotional opportunity, individuals need to apply and meet the minimum requirements stated on the job bulletin and participate in a job-related interview process approved by the department appointing authority. Per

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City Employee Pay Equity

April 5, 2020

Personnel Manual Index Code F-1, Appointing Authority Interviews and Selections, each Appointing Authority is responsible for conducting job-related interviews and making selections in a non-discriminatory manner. Methods to accomplish this include, but are not limited to the following: ensure that the selection criteria are based on the specific requirements of the position to be filled; create an interview board which is itself diverse; announce and post openings within the department; provide selection criteria and standards to all interviewees when interviews are scheduled; and provide opportunity for constructive feedback to candidates regarding interview performance which includes how the candidate's experience and training compares to the announced criteria. These policies serve as additional controls to prevent pay disparities from arising.

If candidates believe that they were discriminated against during the promotional process, they can file a complaint with the City's Equal Employment Investigations Office or state and federal agencies. In addition, on an annual basis, the Personnel Department presents the Equal Employment Opportunity Report to the Civil Service Commission which provides details on employee representation within each occupational category and department. The focus and emphasis of the review is placed upon establishing fair and equitable representation of all segments of the City population in all occupational groups of the City's workforce. This review is entirely consistent with the merit principle upon which the City's employment system is based. There is no requirement to hire, transfer, or promote a person who is not qualified on the basis of objective job-related criteria. The Personnel Department highlights for department directors in a memorandum, the areas in which there is potential underrepresentation, relative to County labor force availability and City population availability.

Personnel Department staff conducts broad based recruiting efforts including: attending diverse job fairs including those for veterans and the ADA community; administering tests for Police Recruit throughout the country to meet the Police Department's hiring needs; advertising on websites such as GovernmentJobs.com and with various agencies, periodicals and on social media; and encouraging the use of entry-level positions and the Apprenticeship program.

If additional policies and procedures are needed to ensure pay equity is increased, the Personnel Department stands ready to examine and implement changes as necessary.

Our response to each of the audit recommendations is documented below:

Recommendation #1:

The City Administration, working collaboratively with the Human Resources (HR) Department, Personnel, the Civil Service Commission, and the City Attorney's office, should implement a requirement for the City to conduct a detailed City employee pay equity study at least every three years, identifying earnings gaps amongst employee groups, including, but not limited to genders and racial/ethnic groups. The requirement could take the form of an adjustment to the Municipal Code, a Council Policy, an Administrative Regulation, or other form determined in collaboration with the City Attorney's Office. The requirement should include the pay equity study to be conducted by appropriately-qualified City staff or a consultant, and should include:

- a) Calculation of unadjusted earnings gaps amongst employee groups;
- b) Calculation of adjusted earnings gaps amongst employee groups, using appropriate analytical techniques such as multi-variate regression analysis; with potential explanatory variables such as age, years of service, education, and other variables as appropriate;
- c) Historical results from previous City pay equity studies;

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- d) A determination of the appropriate frequency of the study, not less often than every 3 years;
- e) Assigning responsibility for review of unadjusted earnings gaps and statistically-significant adjusted earnings gaps to identify root causes; and
- f) Collaborative consultation with the Office of the City Attorney to develop a unified plan of action to mitigate earnings gaps identified if/as appropriate.

The requirement may provide for independent departments, such as the Office of the City Attorney, to conduct their own pay equity analyses, provided that these studies are consistent with the parameters outlined above. The requirement should also include that the results of each pay equity study, along with the status of measures identified to mitigate previously-identified earnings gaps, be presented to the City Council in a public meeting.

(Priority 2)

Management Response: Agree

The Personnel Department will work collaboratively with City Administration and the Office of the City Attorney to further examine pay equity.

Target Implementation Date:

By the end of Calendar Year 2020.

Recommendation #2:

Human Resources, working collaboratively with Personnel, and the City Attorney's office, should develop and execute an action plan for things the City may be able to do to mitigate its unadjusted earnings gaps if/as appropriate. Strategies may include:

- a) Considering how to increase part-time arrangements for a larger number of City positions;
- b) Expanding other flexible work policies such as position-sharing or telecommuting as appropriate;
- c) Building on past work and exploring additional policies such as expanded parental leave, onsite child care, and flexible work arrangements where appropriate;
- d) Ensuring leadership opportunities such as Citywide Supervisors Academy, OpEx Academy, and other departmental efforts are being offered to a diverse audience;
- e) Reducing reliance on overtime to meet staffing requirements, especially within Fire-Rescue; and
- f) A particular focus on these or other operationally-appropriate efforts within public-safety departments.

(Priority 2)

Management Response: Agree

The Personnel Department will work collaboratively with City Administration and the Office of the City Attorney to further examine pay equity. In accordance with Personnel Manual Index Code B-2, the Personnel Department may allocate additional part-time positions as requested and warranted.

Target Implementation Date:

By the end of Calendar Year 2020.

Recommendation #3:

As part of the development of the action plan recommended above, the Personnel Department, in collaboration with Human Resources, should work with departments – particularly within public safety – to evaluate strategies for increasing diversity in higher-paying positions if/as appropriate. Such strategies may include:

- a) Maintaining support for programs such as Fire-Rescue's Girls Empowerment Camp and Cadet Program, and SDPD's STAR/PAL program, while re-evaluating if they are sufficient to meet the City's workforce diversity goals;
- b) Evaluating if additional measures besides above are needed to increase diversity, such as job description requirements, middle-of-the-night on-call requirements etc.;
- c) Job advertisements in media which the City has not previously used, and that targets underrepresented groups; and
- d) Recruiting materials reflective of a diverse workforce.

(Priority 2)

Management Response: Agree

The Personnel Department works with hiring departments to ensure that job bulletins for Classified positions reflect the minimum requirements of the job as well as the duties and working conditions, while ensuring that job bulletins do not have the unintended consequence of putting up artificial barriers to attracting a broad applicant pool.

The Personnel Department attends a variety of job and career fairs that attract a broad applicant pool.

The Personnel Department agrees to work with City Administration to identify the fiscal considerations/secure the funding necessary related to advertising employment opportunities in media that includes underrepresented groups and increasing recruiting efforts.

The Personnel Department agrees to evaluate recruiting materials to ensure they are reflective of a diverse workforce.

Target Implementation Date:

By the end of Calendar Year 2020.

Recommendation #4:

The City Administration should utilize qualified City staff or a consultant to investigate and identify the root causes of the existing adjusted earnings gaps among the employee groups identified in the audit, and consult with the Office of the City Attorney, HR, and Personnel to develop a plan of action to mitigate the gaps, if/as appropriate.

Specific issues that should be investigated include, but are not limited to:

- a) Whether opportunities for overtime are equally accessible across employee groups, particularly for Water Systems Technicians, Fire Fighters, and Police Officers;
- b) Whether promotional opportunities and pay increases are awarded fairly;
- c) Any other potential causes, as appropriate.

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City Employee Pay Equity

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The study should be based in part on a survey of employees in groups that had adjusted pay gaps, in order to solicit employee opinions on whether overtime and promotional opportunities are fairly awarded, and suggestions on how these gaps could be mitigated.

The review above may provide for independent departments, such as the Office of the City Attorney, to conduct their own pay equity analyses, provided that these reviews are consistent with the parameters outlined above.

The results of the review above, including any mitigation measures as necessary, should be presented to the City Council in a public meeting.

(Priority 1)

Management Response: Agree

The Personnel Department will work collaboratively with City Administration and the Office of the City Attorney to further examine pay equity.

The Personnel Department upholds Civil Service Rule II, Section 3 which prohibits the discrimination of applicants by ensuring that qualified applicants of any sex are admitted to any examination and that no question on applications are related to race, color, national origin, sex or political or religious opinions, and affiliations. It is the policy of the Civil Service Commission to ensure that all interviews and selections are conducted in a fair, practical, and professional manner that allows equal opportunity to all applicants. Personnel Manual Index Code F-1 requires that all Appointing Authorities (managers in departments who are responsible for reviewing and approving the screening criteria to be used at each stage of the selection process and making the final selection) must complete the Personnel Department Interview Training Class, or a refresher class, within the last five years. The Appointing Authority Interview Training teaches the proper techniques of conducting job-related interviews and making selections in a nondiscriminatory manner. This class must also be completed by anyone an Appointing Authority delegates to chair an interview board. The Personnel Department, via the Equal Employment Investigations Office, investigates complaints of non-promotion due to discrimination.

Target Implementation Date:

By the end of Calendar Year 2020.

Recommendation #5:

The Personnel department, working collaboratively with HR and the City Administration, should collaborate as appropriate and consider entering employee education levels into SAP in order to facilitate more robust earnings gap analysis and improve the City's overall strategic human capital management. This could include simply tracking the minimum years of education requirements for each position, or could include more robust tracking such as years of education for each employee.

Similarly but separately, Personnel, working collaboratively with HR and the City Administration, should consider identifying a way for employees to update their identified gender and race/ethnicity, if desired – for example, through the employee information update capabilities currently within SAP.

(Priority 2)

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City Employee Pay Equity

April 5, 2020

Management Response: Partially agree

The Personnel Department respectfully disagrees with entering employee education levels in SAP because most of the City's Classified positions allow for qualifying experience to substitute for education lacked, if a degree is required. The Personnel Department's Appointing Authority Interview Training Class teaches that interviewers should not place undue value on educational level in selecting for jobs where it has no bearing on work performance. Discussion of educational achievement is relevant for those positions in which education is directly related to job performance; for example, positions requiring a specific degree or completion of specific course work. In those cases, educational levels are tracked in NEOGOV. Pay differences among employees in the same classification may be attributable to the possession of add-on/specialty pays such as a Professional Engineering Registration since not all employees possess the same certifications. All add-on/specialty pays are tracked in SAP.

The Personnel Department agrees to evaluate the feasibility for employees to update, if desired, their identified gender and race/ethnicity within SAP.

Target Implementation Date:

By the end of Calendar Year 2020.

Recommendation #6:

In preparation for upcoming labor renegotiations, HR should request from each union a set of written ideas and suggestions for how earnings gaps may be addressed.

These suggestions should be incorporated into the City's pay equity action plan if/as appropriate.

(Priority 1)

Management Response: Not applicable to the Personnel Department

Office of
The City Attorney
City of San Diego

MEMORANDUM
MS 59

(619) 236-6220

DATE: April 5, 2019

TO: Kyle Elser, Interim City Auditor

FROM: City Attorney

SUBJECT: City Attorney's Response to the Performance Audit of City Employee Pay Equity

On April 8, 2019, the City Auditor will release a performance audit report that examines pay disparity among City employees by gender and race. It is the City's first attempt to see how its workforce fares in light of the persistent national problem of pay inequity for women and people of color. As the first woman and Latina to serve as the San Diego City Attorney, ensuring fairness and equity among my staff is especially important to me. I was therefore very interested in reviewing the results of this report.

It's essential to note that the report captures a snapshot in time. It is based on information taken midway through my first year in office, is limited to just one of our employee groups, Deputy City Attorneys (DCA), and addresses just a subset of them (roughly 65 percent of the DCAs now in our office). The report does not reflect the pay raises I gave during my first year preparing our office budget, nor does it address other initiatives we've taken to improve the diversity of our office and ensure fairness.

Since taking office, I have studied the salary of each DCA to determine whether it reflected their experience as a practicing attorney, merit, and their contributions to the office. I identified discrepancies and immediately addressed them. It is now an office practice for my management team and I to regularly review individual DCA salaries to ensure pay inequities do not exist.

We have also stepped up our efforts to address the potential for pay disparities. I review and approve all hiring panels within our office to ensure diverse representation, and I personally interview every new hire. We conduct exit interviews with every employee who terminates employment. Further, we've added training programs attended by our managers that concern equity issues like hiring, unconscious bias, performance evaluations, and the like. And we've empowered our office's Inclusion and Diversity Committee to offer suggestions and other action items that will help us identify areas for growth and improvement.

Finally, we have strengthened communications with diverse organizations within the San Diego legal community, so that we can attract a diverse applicant pool, and we have built an internship program that is diverse and nationally recognized.

Kyle Elser, Interim City Auditor
April 5, 2019
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Although the report found no pay inequity between women and men, it did find pay inequity based on race/ethnicity, an annual earnings gap of more than \$6,000 between white and non-white attorneys.

Because the time period being studied did not reflect pay raises given during my time as City Attorney, I asked that our Human Resources staff conduct an updated analysis of the Deputy City Attorneys being studied. That analysis found that the pay gap has been reduced in a short period of time. There are two key findings:

- Since I took over as City Attorney, pay raises have been steady and based on individual performance. White DCAs have received about a 17 percent increase in compensation and DCAs of color have received a slightly higher rate of increased compensation at 18 percent.
- An audit done today would show that the racial/ethnic pay gap referenced in the 2017 audit has already been reduced by one-third.

While I am proud of the progress we've made during this administration, I understand that we have more work ahead. Any study of our office will be compromised by our low salaries – the lowest in the state – which lead to high turnover and the loss of experienced employees of all colors.

We commend the City for taking this proactive approach, and are looking forward to working together to address the issues identified in this report.

MARA W. ELLIOTT, CITY ATTORNEY

By



Mara W. Elliott
City Attorney

cc: Honorable Mayor and City Council

MWE:vj

4/5/19

CITY ATTORNEY’S OFFICE RESPONSE TO PAY EQUITY AUDIT RECOMMENDATIONS**Recommendation #1:**

The City Administration, working collaboratively with the Human Resources (HR) Department, Personnel, the Civil Service Commission, and the City Attorney’s office, should implement a requirement for the City to conduct a detailed City employee pay equity study at least every three years, identifying earnings gaps amongst employee groups, including, but not limited to genders and racial/ethnic groups. The requirement could take the form of an adjustment to the Municipal Code, a Council Policy, an Administrative Regulation, or other form determined in collaboration with the City Attorney’s Office. The requirement should include the pay equity study to be conducted by appropriately-qualified City staff or a consultant, and should include:

- a) Calculation of unadjusted earnings gaps amongst employee groups;
- b) Calculation of adjusted earnings gaps amongst employee groups, using appropriate analytical techniques such as multi-variate regression analysis; with potential explanatory variables such as age, years of service, education, and other variables as appropriate;
- c) Historical results from previous City pay equity studies;
- d) A determination of the appropriate frequency of the study, not less often than every 3 years;
- e) Assigning responsibility for review of unadjusted earnings gaps and statistically-significant adjusted earnings gaps to identify root causes; and
- f) Collaborative consultation with the Office of the City Attorney to develop a unified plan of action to mitigate earnings gaps identified if/as appropriate.

The requirement may provide for independent departments, such as the Office of the City Attorney, to conduct their own pay

equity analyses, provided that these studies are consistent with the parameters outlined above. The requirement should also include that the results of each pay equity study, along with the status of measures identified to mitigate previously-identified earnings gaps, be presented to the City Council in a public meeting.

(Priority 2)

City Attorney Response: The City Attorney's Office will assist with the development and implementation of the recommended requirement. The City Attorney's Office will also conduct its own pay equity analyses consistent with the outlined parameters.

Recommendation #2:

Human Resources, working collaboratively with Personnel, and the City Attorney's office, should develop and execute an action plan for things the City may be able to do to mitigate its unadjusted earnings gaps if/as appropriate. Strategies may include:

- a) Considering how to increase part-time arrangements for a larger number of City positions;
- b) Expanding other flexible work policies such as position-sharing or telecommuting as appropriate;
- c) Building on past work and exploring additional policies such as expanded parental leave, onsite child care, and flexible work arrangements where appropriate;
- d) Ensuring leadership opportunities such as Citywide Supervisors Academy, OpEx Academy, and other departmental efforts are being offered to a diverse audience;
- e) Reducing reliance on overtime to meet staffing requirements, especially within Fire-Rescue; and
- f) A particular focus on these or other operationally-appropriate efforts within public-safety departments.

(Priority 2)

City Attorney Response: The City Attorney's Office will assist with the development and execution of the recommended action plan.

Recommendation #3:

As part of the development of the action plan recommended above, the Personnel Department, in collaboration with Human Resources, should work with departments – particularly within public safety - to evaluate strategies for increasing diversity in higher-paying positions if/as appropriate. Such strategies may include:

- a) Maintaining support for programs such as Fire-Rescue's Girls Empowerment Camp and Cadet Program, and SDPD's STAR/PAL program, while re-evaluating if they are sufficient to meet the City's workforce diversity goals;
- b) Evaluating if additional measures besides above are needed to increase diversity, such as job description requirements, middle-of-the-night on-call requirements etc.;
- c) Job advertisements in media which the City has not previously used, and that targets underrepresented groups; and
- d) Recruiting materials reflective of a diverse workforce.

(Priority 2)

City Attorney Response: The City Attorney's Office will assist with the development and execution of the recommended action plan, including the evaluation of strategies for increasing workforce diversity.

Recommendation #4:

The City Administration should utilize qualified City staff or a consultant to investigate and identify the root causes of the existing adjusted earnings gaps among the employee groups identified in the audit, and consult with the Office of the City Attorney, HR, and Personnel to develop a plan of action to mitigate the gaps, if/as appropriate. Specific issues that should be investigated include, but are not limited to:

- a) Whether opportunities for overtime are equally accessible across employee groups, particularly for Water Systems Technicians, Fire Fighters, and Police Officers;
- b) Whether promotional opportunities and pay increases are awarded fairly;
- c) Any other potential causes, as appropriate.

The study should be based in part on a survey of employees in groups that had adjusted pay gaps, in order to solicit employee opinions on whether overtime and promotional opportunities are fairly awarded, and suggestions on how these gaps could be mitigated.

The review above may provide for independent departments, such as the Office of the City Attorney, to conduct their own pay equity analyses, provided that these reviews are consistent with the parameters outlined above.

The results of the review above, including any mitigation measures as necessary, should be presented to the City Council in a public meeting.

(Priority 1)

City Attorney Response: The City Attorney's Office will assist with the investigation and identification of root causes for the existing adjusted earnings gaps and the development of an action plan, as appropriate.

Recommendation #5:

The Personnel department, working collaboratively with HR and the City Administration, should collaborate as appropriate and consider entering employee education levels into SAP in order to facilitate more robust earnings gap analysis and improve the City's overall strategic human capital management. This could include simply tracking the minimum years of education requirements for each position, or could include more robust tracking such as years of education for each employee.

Similarly but separately, Personnel, working collaboratively with HR and the City Administration, should consider identifying a

way for employees to update their identified gender and race/ethnicity, if desired - for example, through the employee information update capabilities currently within SAP.

(Priority 2)

City Attorney Response: The City Attorney's Office will provide any needed assistance.

Recommendation #6:

In preparation for upcoming labor renegotiations, HR should request from each union a set of written ideas and suggestions for how earnings gaps may be addressed.

These suggestions should be incorporated into the City's pay equity action plan if/as appropriate.

(Priority 1)

City Attorney Response: The City Attorney's Office will provide any needed assistance.