

OFFICE OF THE ATTORNEY GENERAL PAY CALCULATION TOOL INSTRUCTIONS

This sample calculation tool is intended as a starting point for employers who choose to conduct a self-evaluation to determine if they are paying employees equally for comparable work. It is meant only to assist in the evaluation of comparable job groupings that have 30 or fewer employees and a relatively simple pay structure.

The tool will not tell employers definitively whether they are in compliance with the law, but is instead intended to assist employers in gathering and analyzing relevant information. Ultimately, the law requires a case-by-case determination and the scope and detail of the analysis required will vary significantly depending on the size, make-up, and resources of each employer. Use of this tool is not required. Employers may opt to develop an alternative method of analysis depending on the needs of their organization.

Importantly, wages in the form of commissions should not be included in this calculation tool. Rather, employers who pay commissions should ensure that they calculate those commissions in the same manner for all employees performing comparable work (i.e., pursuant to the same formula). Other wages paid to commissioned employees may be included and calculated using this tool.

Before using this tool, employers should first determine which jobs in their organizations are comparable because they require substantially similar skill, effort, and responsibility, and are performed under similar working conditions.

Worksheet 1: Employee Data

Employers should fill in the blank fields (i.e., cells) with applicable information for each of their employees. Fields that are shaded grey will populate/calculate automatically and should not be filled in.

- The **“Job Grouping”** field should be completed with a name and/or number identifying the group of comparable jobs that the employer previously has determined each employee belongs in (e.g., “Group 1” or “Group 2”). Each grouping should include all jobs that require substantially similar skill, effort, and responsibility, and that are performed under similar working conditions.
- Employers should complete either the **“Hourly Employees”** or **“Salaried Employees”** section for each employee, but generally not both. For hourly employees, the **“Hourly Rate”** will be each employee’s base hourly wage rate. The worksheet will default to “0” for those fields that do not apply to a particular employee.
- For hourly employees, enter the annual number of regular hours worked, not including any overtime hours, in the **“Total Annual Hours (Regular)”** field. Enter each employee’s overtime hours in the **“Total Annual Hours (OT)”** field. The worksheet will automatically take into account overtime hours and pay to calculate the **“Total Effective Hours”** (which includes regular hours, plus 1.5 hours for each overtime hour worked) and **“Total Base Compensation.”**
- For salaried employees, the **“Annual Base Salary”** field should be completed with each employee’s actual annual base salary—what he or she actually earns. If the employee works a reduced schedule, his or her reduced salary should be included, not the full-time salary for

the position (e.g., for an employee who works an 80% schedule for a position that pays \$50,000 full-time, that employee's actual annual base salary generally would be \$40,000). If an employee has not been employed for a full year, the employer should calculate what the employee's salary would be over the course of a full year.

- For salaried employees, the **“Total Annual Hours”** field should be completed with each employee's regularly scheduled hours over the course of a full year, or the employer's standard work week multiplied by 52 weeks, whichever is applicable—not necessarily the actual hours worked by each employee.
 - Employers who have “salaried” employees who also receive overtime pay should input information for those employees in the **“Hourly Employees”** section of the worksheet. Importantly, overtime pay should not be included in the **“Other Incentive Pay”** or **“Any Other Pay”** columns.
- If an employer has additional categories of compensation that may differ from employee to employee, it should enter that information in the **“Any Other Pay”** column. This calculation tool assumes that compensation such as health insurance and other benefit plans, for example, are available to all employees within a Job Grouping on an equal basis and in equal value.

The worksheet will calculate each employee's **“Average Hourly Rate (Base)”** and **“Average Hourly Rate (Total Compensation)”** which reflect each employee's effective hourly rate before and after bonus or other incentive pay, respectively.

Worksheet 2: Calculation Tool

Employers need not add any information to this worksheet. It will populate/calculate automatically based on the information added to the Employee Data worksheet.

- In the first section, this worksheet will calculate both the average hourly rate of compensation (base and total) and the median hourly rate of compensation for all employees (male and female) within each Job Grouping.
- In the next two sections, the worksheet will break that information down by gender, providing the average hourly rate of compensation (base and total) for females and for males within each Job Grouping. It will also provide the percentage of females earning below the overall median hourly rate for the Job Grouping and the percentage of males earning below the overall median hourly rate for the Job Grouping.
- The next two sections of the worksheet will calculate the gap, if any, in average hourly compensation between male and female employees within each Job Grouping (both base and total compensation). The **“Female-Male Gap (\$/hour)”** calculates the gap, if any, between the female average hourly rate as compared to the male average hourly rate. A negative number means that female employees earn that amount less, on average, than men in the Job Grouping; a positive number means that female employees earn more. The **“Gap %”** is the percentage difference between the average hourly rates.

- In the last column of the worksheet, the **“Female-Male Gap in % Below Median”** calculates the gap, if any, between the percentage of female employees whose average hourly rates (for total compensation) fall below the overall median hourly rate for the Job Grouping as compared to the percentage of male employees whose average hourly rates fall below the overall median hourly rate for the Job Grouping. The higher the number, the greater the disparity between the number of women earning less than the median compared to the number of men earning less than the median.

This worksheet is intended to help employers identify areas in which they may have potential liability for paying male and female employees unequally for comparable work. If the worksheet identifies a gap in average compensation or a greater percentage of employees of one gender earning below the median rate for a Job Grouping, employers should conduct a further analysis to determine whether any differences in pay are justified by one or more of the six factors permitted by law.

In addition, even if the worksheet does not show any gap in average compensation, employers should review the data to determine whether any individual employee within a Job Grouping is paid significantly more or less than the others, and whether the difference is justified by one of the six factors permitted by law.

Worksheet 3: Further Review

The third worksheet will calculate the gap, if any, between each individual employee’s compensation (base and total) as compared to the average for the Job Grouping. Employers may use this worksheet to help organize their analysis of whether employees who are paid more or less than the average for their Job Grouping are paid differently based on one of the six factors permitted by law.

Employers should fill in the blank fields to the extent applicable and determine whether one or more of the permitted factors reasonably explains the entire differential.