

What Do The Numbers “2 and 2” Have To Do With OFCCP Compliance?

Recently, some companies have been receiving audit notifications based around two numbers: 2 standard deviation adverse impact in hiring analyses and a 2% difference in compensation between men/women or whites/minorities. The 2 standard deviation adverse impact threshold has been around for ages, but the 2% compensation indicator is only a few months old. These two “threshold” numbers can be “possible indicators” that an employer may have red flags with respect to hiring and/or compensation practices.

When an employer has a specific practice, procedure, or test that has 2 (actually 1.96!) standard deviation adverse impact against women or

minorities, an explanation is required. For this explanation to withstand an OFCCP audit or class action lawsuit brought by plaintiff attorneys, it must include a validation study that addresses the 1978 *Uniform Guidelines on Employee Selection Procedures*.

If your employer has a job grouping variable (e.g., job title, Similarly Situated Employee Group - SSEG, or other job grouping variable that has been made available to the OFCCP) where a >2% compensation difference in average compensation between groups has been observed, your card may be pulled for an audit. This has recently happened to several contractors.

So what happens when this difference is observed? Multiple

regression will be used to assess whether these compensation differences can be justified based on job-related factors such as tenure, performance, or education. Differences that can readily be explained by such factors are disregarded; others are not. Significant disparities in compensation analyses that cannot be explained (statistically and/or qualitatively)—and further are supplemented by anecdotal evidence of discrimination—can potentially lead to conciliation agreements or litigation.

The obvious answer to concerns in both areas is to conduct proactive analyses! Proactively identifying practices, procedures, or tests that have adverse impact will allow an employer to evaluate whether they can be supported by validity evidence. Identifying significant compensation disparities can allow your employer to carefully monitor compensation levels between groups and use strategic “make up” techniques where justified. It’s best to not even be on OFCCP’s radar screen! Keeping your compensation systems under careful and frequent review is one sure way to minimize your exposure.

NILG 2005 Conference Snapshot



From left to right: Nina Le, HR Analyst II with Biddle Consulting Group, Inc.; Cari Dominguez, EEOC Chair; and Dan Biddle, Ph.D., CEO of Biddle Consulting Group, Inc.

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Nuts & Bolts:

The Effectiveness of T-Tests Versus Multiple Regression for Compensation Analyses

Are t-tests just as effective as multiple regression analyses for conducting compensation analyses?

The short answer is both a “yes” and a “no.” Sometimes HR professionals prefer using t-tests for their compensation analyses because they are easier to perform than their more complicated “multiple regression” cousin. Generally, they are easier to conduct. Interestingly, a “single-factor” regression analysis (e.g., just using race or gender) will output the same statistical value (a “t statistic”) as a t-test (with equal variances assumed). This shows how related the two techniques are mechanically speaking.

Why use regression when t-tests are mathematically similar and generally easier to perform? There are two reasons. First, t-tests cannot consider any factors beyond gender or minority status. Statistical t-tests can only inform the user whether a significant compensation difference exists between two groups (e.g., men and women). But then it stops. No more information can be output—it simply shows whether there is a meaningful difference between groups with respect to compensation. Regression, on the other hand, allows the researcher to start adding new variables in the study, like tenure, education, performance review scores, to assess whether these “job qualification factors” can statistically explain the compensation differences between groups. If the gender/minority variable remains

significant after controlling for these job factors, concern arises regarding the employer’s compensation for the jobs involved in the study (requiring further research to be conducted).

The second concern is equally as important: t-tests and multiple regression analyses will output different results—even when the gender/minority variable starts out non-significant based on t-test results, regression can show problems areas based on how gender/minority interact with job qualification variables. Then assume that several SSEGs were *close to significance*, but none

surpassed the magic .05 (1.96 standard deviation) threshold required for statistical significance.

Will multiple regression show the same results after controlling for job factors like education and tenure? Is it possible for the gender/minority factor to shift into significance after controlling for these factors, even after it was not significant by itself? The answer is yes. Although rare, there have been a few cases where the gender/minority factor has actually *turned significant* after

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Dr. Biddle’s Book: Just Published

Adverse Impact and Test Validation: A Practitioner’s Guide to Valid and Defensible Employment Testing

Biddle Consulting Group, Inc. proudly announces the release of the long-awaited industry-standard book, “Adverse Impact and Test Validation: A Practitioners Guide to Valid and Defensible Employment Testing” written by Dan Biddle, Ph.D.

The OFCCP has been using updated techniques to aggregate multiple years of hiring and promotion data into IRAs, or adverse impact analyses. These new techniques—the **Mantel-Haenszel** and the **Breslow-Day** technique—have been recently adopted by OFCCP compliance officers and statisticians for auditing and


compliance matters.

This book covers these new techniques in detail; and also includes an evaluation copy of Excel-based software

for conducting the analyses - The Adverse Impact Toolkit and TVAP (Test Validation & Analysis Program)! The book also includes several chapters covering defensible techniques for validating tests. Over 100 case references are cited! Visit our website at

“Dr. Biddle’s book is an excellent effort to bridge the gap between the technical and the practical. The procedures presented are informed by the most relevant technical information and by present legal requirements. This book is best suited for non-technicians who at least have a general foundation of relevant technical knowledge.”

-- Mary L. Tenopyr, Ph.D.,
AT&T and past president of SIOP

www.biddle.com/books for a table of contents of Dr. Biddle’s book. To order, call (800) 999-0438 ext. 102 or e-mail staff@biddle.com. 

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2005 Events Calendar

Live Presentations by Dan Biddle, Ph.D. and Patrick Nooren, Ph.D.

: September 15 :
Las Vegas ILG
 Las Vegas, NV

: September 27 :
Philadelphia Regional ILG
 Philadelphia, PA

: September 30 :
Hampton Roads ILG
 Virginia Beach, VA

Conferences

Biddle Consulting Group, Inc. will be a corporate sponsor at the following conferences and will maintain a vendor booth throughout each show.

: September 23 :
Association of Legal Administrators (ALA) Regions 1&2 Conference
Washington, D.C.

: October 3-4 :
APCO Canada Conference Exhibit Booth & Workshop by: Jim Kuthy
Vancouver, BC, Canada

Seminars & Training

: September 13 :
Compensation Analyses - Regulations & Methodology
San Francisco, CA
 Cost: \$495

: September 15 :
Compensation Analyses - Regulations & Methodology
Chicago, IL
 Cost: \$495

: November 1-2 :
AAP Methodology & Software Training
Chicago, IL
 Cost: \$990

: October 5 :
Hospital Association of Southern California
 Los Angeles, CA

: October 6 :
CUPA Webinar
 Online

: October 25 :
S. California ILG
 San Diego, CA

: October 25 :
Silicon Valley ILG
 San Francisco, CA

E-mail BCG today if you want BCG to speak at your event.

For more information on any of the conferences or other events listed, or to have BCG speak at your event, please call Biddle Consulting Group, Inc. toll-free at (800) 999-0438 or e-mail us at staff@biddle.com

Nuts & Bolts

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controlling for job factors—even when it was not significant when entered into the model by itself. This anomaly can occur because of the way that gender/minority status can sometimes interact with other variables in the analysis. While this can in fact occur, it is rare. Generally speaking, in most compensation analyses, t-tests will be more sensitive in detecting significant disparities between groups. This is especially true when both types of t-tests are used (for equal and unequal variances).

The straight-forward solution to this dilemma is to use multiple regression from start to finish, and always use a job grouping variable that truly includes employees who are similarly situated with respect to content, skills, qualifications, and responsibilities. ❄

NILG 2005 Conference Snapshot



From left to right: Melissa Spears, OFCCP (Dallas Office); Fred Azua, OFCCP Regional Director (Dallas Office); Dan Biddle, Ph.D., CEO of Biddle Consulting Group, Inc.; and William D. Smitherman, OFCCP Deputy Regional Director (San Francisco Office).

Now Online!

Check out www.biddle.com to get all of the information you need regarding compensation analyses.

www.biddle.com/compensation

Topics covered include:

The Basics
Step-by-Steps
Outsourcing
Software
SSEGs
Methodology
OFCCP Compensation

You will also find documentation written by Jim Higgins', Ed.D., Senior Consultant of Biddle Consulting Group, Inc. on the following informative topics:

Introduction to Correlation

The Correlation Coefficient

Introduction to
Linear Regression

Introduction to
Multiple Regression

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We've Moved Our Offices

Biddle Consulting Group, Inc. has moved from Rancho Cordova, CA to Folsom, CA. Please update your records with our new information.

Our website (www.biddle.com), toll-free number (800) 999-0438, and e-mail addresses will remain the same.

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