

Confidential

DATE: July 15, 2009
 TO: Sally Sample
 FROM: Debra Milstein Gardner *Debra M. Gardner*
 SUBJECT: Annual Affirmative Action Plan Executive Summary – XYZ Company
 June 1, 2009 through May 31, 2010

This report summarizes the results of the Affirmative Action Plan for XYZ Company. There are four employees who work in Chicago who report into and are counted in the XYZ Company corporate plan. As shown in the following chart, as of June 1, 2009, there were 113 employees, including 91 (80.5%) minority and 93 (82.3%) female workers. This represents an overall decrease in staff by 49, including the loss of 35 (- 4.8%) minorities and 31 (+4.2%) females since June 1, 2008.

Job Group	Total Employees	Minority (%)	Minority Goal Set	Females (%)	Female Goal Set
1-1 Executive Staff *	0	0 (0.0%)		0 (0.0%)	
1-2 Sr Management	2	1 (50.0%)		0 (0.0%)	35.8%
1-3 Mid Level Mgt	4	4 (100%)		4 (100%)	
1-4 Entry Level Mgt	8	3 (37.5%)	^	6 (75.0%)	
2-1 Sr Professionals	3	3 (100%)		2 (66.7%)	
2-2 Entry/Mid Level Professionals	13	1 (7.7%)	21.0%	10 (76.9%)	
3-1 Technicians	3	0 (0.0%)	#	1 (33.3%)	
5-1 Administrative Support	80	51 (63.7%)		70 (87.5%)	
Current Year Totals	113	63 (55.7%)		93 (82.3%)	
Prior Year Totals from January 1, 2008	162	98 (60.5%)		124 (76.5%)	

* The one employee in this job group reports into and is counted in the corporate plan.
 ^ Based on the 80% rule. No goal is set if the current representation is within 80% of the target availability.
 # Based on the whole person rule. No goal is set if meeting the goal equates to placing less than one whole person.

During the prior AAP, there were four goals set, two for minority placements and one for female placements. In the Entry Level Management job group, a goal was set to place minorities at a rate of 39.6%. None of the three placements into this job group during the prior goal year were minority. The placement of one minority entry level manager would have achieved this goal.

A minority goal of 22.7% was set in the Entry/Mid Level Professionals job group. Neither of the two placements were minority; however, none of the candidates for consideration were minority. Efforts should be made to seek out and identify qualified minority candidates for future openings in this job group.

The female goal set to place Senior Managers was met with the placement of one female. The same goal remains for this plan year since the one female senior manager resigned from her position during the same goal year.

For this plan year, you will need to make the following *additional* placements in order to attain the goals. However, keep in mind that these numbers are based on full utilization and not actual placements which would bring down the number of required placements.

Job Group	Minority Placements	Minority Placements at acceptable 80% level	Female Placements	Female Placements at acceptable 80% level
1-2 Senior Level Mgt	n/a	n/a	1	1 rounded up
2-2 Entry/Mid Level Professionals	2	1	n/a	n/a

The impact ratio analysis, standard deviation analysis and Chi Square test was conducted on the hiring activity for the period of June 1, 2008 through May 31, 2009. However, for promotions and terminations the workforce representation as of January 1, 2008 was used as the baseline instead of June 1, 2008. For the adverse impact analysis or impact ratio analysis, the hire rate for any race or gender which is less than four-fifths or 80% of the hire rate for the group with the highest rate will generally be regarded as evidence of adverse impact. The difference between the proportion of the protected class selected/promoted/terminated and the proportion of all applicants/employees selected/promoted/terminated has a normal distribution with a mean and standard deviation. If the protected group shows a proportion that is more than two standard deviations, then it is generally considered significant. The Chi Square test measures whether there is a significant difference between the effect of two categorical independent variables (non-minority/minority or male/female) on a categorical dependent variable (hires, promotions, terminations). Where the standard deviation is greater than two, there is usually evidence of bias in the Chi Square test. OFCCP will typically pursue these areas during a compliance review. Please note the red flag below where there is evidence of statistical significance. **Ⓜ**

The following chart summarizes the result of the impact ratio analysis. You will notice that we have also identified adverse impact for non-protected group members as OFCCP claims that they are also going to investigate those areas of adverse impact.

Impact Ratio Analysis Summary Results

Personnel Activity	Job Group	Affected Group	Standard Deviation Rate	Chi Square Test **
Hires	Entry Level Mgt	Minorities & Females	< 2	-
	Entry/Mid Level Prof	Females	< 2	-
	Technicians	Females	< 2	-
Promotions Into a Job Group	Entry/Mid Level Prof	Females	< 2	-
	Admin Support	Females Ⓜ	3.343	< 1%
Promotions out of a Job Group	Entry/Mid Level Prof	Females	< 2	-
	Admin Support	Females Ⓜ	2.805	< 1%
All Terminations	Technicians	Females	< 2	-
	Technicians	Non-Minorities Ⓜ	4.121	< 1%
	Admin Support	Minorities & Females	< 2	-

Involuntary Terminations	Entry/Mid Level Prof Technicians Technicians Admin Support	Minorities Females Non-Minorities μ Minorities & Females	< 2 < 2 4.121 < 2	- - < 1% -
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* Chi Square test – reveals the percent chance that the activity occurred absent any form of bias.

- **Applicant/Hires** – During the prior goal year there were 17 hires from 64 applicants. Three job groups had adverse impact; however, none reveal a standard deviation rate greater than two. Ensure that you can defend the following selection decisions.

Job Group 1-4 Entry Level Management – adverse impact for minorities and females. There were three applicants for the Team Leader vacancy and two of the applicants were hired. Compare A. Sample (minority female applicant) to A. Hire and B. Hire (non-minority and/or male hires).

Job Group 2-2 Entry/Mid Level Professionals – adverse impact for females. For the Quality Management Specialist position, there were nine female applicants, including the one who was hired. Neither the Management Analyst nor the Quality Management Specialist position had any female candidates for consideration.

Job Group 3-1 Technicians - adverse impact for females; however, there are no comparators. The Systems Specialist position had five female applicants, including the one who was hired. There was only one applicant (male) for the Jr. Applications Systems Analyst position.

- **Promotions** – During the prior goal year, there were seven promotions. The impact ratio analysis was conducted two ways: (1) all promotions into a job group and (2) all promotions out of a job group. OFCCP allow contractors to report on promotions either way. Looking at promotions both ways reveals the same adverse impact; however, the standard deviation rate is higher for promotions into a job group. In the Administrative Support job group, the adverse impact for females revealed a standard deviation rate of 2.805. μ The Chi Square test indicated that there is a less than 1% chance that the results occurred absent any form of bias.

Please review the following promotions to determine if there were any female incumbents that were or should have been considered for the promotion. Ensure that you can justify your promotion decision.

PROMOTIONS OUT OF A JOB GROUP

Job Group	Affected Group	Promotions
Entry/Mid Level Professionals	Females	S. Sample
Administrative Support	Females μ	A. Sample B. Sample C. Sample

- **Terminations** – From June 1, 2008 through May 31, 2009, there were 18 terminations. Obviously there was a loss of approximately 184 employees, as identified above, however, most of those terminations occurred between January 1, 2008 and May 31, 2008 and are not counted in this analysis due to the change in the AAP plan dates.

There were also eight involuntary terminations. None of the adverse impact related to terminations resulted in a standard deviation rate greater than two; however, you may want to ensure that you have written documentation to support the involuntary terminations.

ALL TERMINATIONS

Job Group	Protected Group	Involuntary Termination
Senior Management	Females	D. Sample
Entry Level Management	Females	E. Sample *
Technicians	Minorities & Females	F. Sample
Administrative Support	Minorities & Females	G. Sample H. Sample I. Sample *

* Voluntary Terminations

INVOLUNTARY TERMINATIONS

Job Group	Protected Group	Involuntary Termination
Senior Management	Females	D. Sample
Entry/Mid Level Prof	Minorities	E. Sample F. Sample
Technicians	Minorities & Females	G. Sample
Administrative Support	Minorities & Females	H. Sample I. Sample

Desk Audit Compensation Analysis by Job Group

The desk audit compensation analysis was run by salary band since XYZ Company has a formalized salary administration program. This analysis was conducted for all employees and also all non-union employees.

OFCCP generally conducts a further review in cases where the percentage of protected group members (minorities/females) in salary bands favoring non-protected groups members (non-minorities/males) is 30% or greater and the ratio of protected versus non-protected in salary bands favoring the opposing protected class is greater than 3%.

Race

For the “all employee analysis” salary discrepancies are revealed in only one of the five salary bands with comparators as identified in the following chart. Salary bands 1, 2, 12, and 13 have only minority incumbents. The salaries in the salary bands 3, 4, 5, and 7 are within the acceptable difference.

The percentage of protected (minorities) group members in salary bands favoring non-protected (non-minorities) is 6.75% and the ratio is 0.77%. It is unlikely that OFCCP would pursue these salary discrepancies further during a compliance review.

Salary Band	Avg Salary – Non-Minorities	Avg Salary – Minorities	% Difference
14	\$36,585.12	\$34,405.28	6.34

For the “all non-union employee” analysis, there are no salary discrepancies for minorities.

Gender

There are no salary discrepancies with respect to females. Salary bands 1, 2, 4, 7, and 13 have no comparators. The salaries in salary bands 3, 5, and 14 favor females and the salary differences in salary band 12 are within the acceptable range.

The Preliminary Compensation Analysis by salary band was also conducted to determine the type of further analysis that would be required to investigate the one salary discrepancy identified above. The analysis revealed the need to conduct a cohort analysis. Cohort analyses compare incumbents within the job group and are not viewed as statistically significant. We have heard that OFCCP has been going to be this way of determining if they are going to pursue compensation issues. If this is the case, they will pursue groups that require a multiple regression analysis.

Keep in mind that the results of the compensation analysis are highly confidential and should be treated seriously.

All Workplace Dynamics recommendations are purely advisory and intended for the purpose of assisting XYZ Company in improving its human resource practices and documents. This information does not constitute or substitute for legal advice. Observations and recommendations are based on information made available to the consultants during the course of this project. As a result, recommendations cannot guarantee compliance with local, state, or federal regulations, nor do they signify or imply that other exposures do not exist. XYZ Company is fully responsible for its interpretation and use of all information provided by Workplace Dynamics and the implementation of its human resource management practices. Since XYZ Company fully controls its practices, it remains fully responsible for them.

Please do not hesitate to contact me if you have any questions.