



INFORMATION MEMO

Local Government Pay Equity Act: An Overview

Learn about Minnesota law requirements to analyze city employee pay structure for evidence of gender inequity. How to use a job evaluation system to determine the comparable work value of each employee class. State requirements for a pay equity implementation report. Maintaining equitable pay relationships; effects of noncompliance.

RELEVANT LINKS:

[Minn. Stat. §§ 471.998 - .999.](#)
[Minn. Stat. § 471.992 subd. 1.](#)

For information on types of pay systems see [HR Reference Manual, Chapter 4.](#)

[Minn. R. 3920.0100 subp. 8.](#)
[Minn. Stat. § 471.994.](#)

I. History

In 1984 the Minnesota Legislature passed a bill extending pay equity to all local governments in the State. The law requires each local government to analyze its pay structure for evidence of inequities, and to report this information to the Department of Management and Budget (the “Department”) every three years. Most Minnesota cities are also subject to the Equal Pay for Equal Work Law, which is a different law from the Pay Equity Act but also prohibits discrimination in pay based on sex.

II. Concept of pay equity

Compensation programs have three parts:

- Pay level—the level an employer pays in comparison to other employers.
- Pay structure—the relationships among jobs in an organization.
- Pay method—the set of policies and procedures for paying individual employees.

Pay equity is designed to address the problem of a wage structure in which there is one pay pattern for jobs performed mostly by men and another pay pattern for jobs performed mostly by women. Pay equity primarily affects pay structure, not pay level or pay method. An employer can still have a pay level that is different than other employers. The city can still pay more to recognize individuals’ seniority and performance. One way to do this is to establish salary ranges for each job class and reward employees for seniority, performance, or both by moving them through the salary range.

III. Job evaluation system

Every city must use a job evaluation system to determine the comparable work value of the work performed by each class of its employees. System options are:

This material is provided as general information and is not a substitute for legal advice. Consult your attorney for advice concerning specific situations.

RELEVANT LINKS:

[MN Mgmt. & Budget, State Job Match Job Evaluation System.](#)

[Minn. Stat. § 471.994.](#)

[Minn. Stat. § 471.994.](#)

[Minn. Stat. § 471.997.](#)

[Minn. Stat. § 471.994.](#)

[Minn. Stat. § 471.995.](#)

[Minn. Stat. § 471.992 subd. 2.](#)

[Minn. Stat. § 471.9966.](#)

- Use the state job match.
- Use or modify systems developed by other public employers.
- Design your own system.
- Purchase a privately-owned (consultant's) system.

Regardless of what job evaluation system is used, a city should be prepared to explain to the state's Pay Equity Coordinator the criteria considered within their job evaluation system, how the points are awarded and the objective basis for the system, to ensure there is no inherent bias against female job classes.

No matter what job evaluation system is used, it must be updated to account for:

- New employee classes.
- Any changes in factors affecting the comparable work value of existing classes.

In addition, when substantially modifying your job evaluation system or adopting a new system you must notify the Commissioner of the Department of Management and Budget (the "Commissioner"). Cities should note that the results of any job evaluation system and subsequent reports may be used in any proceeding or action alleging discrimination.

IV. Pay equity and bargaining units

Pay equity laws directly address some issues where collective bargaining and pay equity laws intersect:

- Cities must meet and confer with the exclusive representatives of their employees on the development or selection of a job evaluation system.
- A report containing the results of the job evaluation system must be provided to the exclusive representatives of the employees to be used by both parties in contract negotiations.
- In interest arbitration (for any class other than balanced) the arbitrator shall consider pay equity, including results of a job evaluation study and any employee objections to said study, together with other standards appropriate to interest arbitration.
- The provisions of the Pay Equity Act do not diminish a city's duty to bargain in good faith.

V. Pay equity implementation report

Cities with one or more employees must file a pay equity implementation report every three years as required by the Department.

RELEVANT LINKS:

[Minn. R. 3920.0100 subp. 5.](#)
[Minn. Stat. § 179A.03 subd. 14.](#)
[MN Mgmt. & Budget, Local Government Pay Equity.](#)

[Minn. Stat. § 13.03.](#)

[Minn. R. 3920.0300 subp. 5.](#)

[Minn. R. 3920.0400.](#)

[Minn. R. 3920.0800 subp.1, 3.](#)

[Minn. R. 3920.0800 subp. 1. and](#)
[Minn. R. 3920.1000 subp. 3.](#)

[Minn. Stat. § 471.9981 subd. 7.](#)
[Minn. R. 3920.1200.](#)

Generally, an employee is one who works in a position a minimum of 67 days per year (100 days in the case of a student) and works an average of at least 14 hours per week during the weeks they are scheduled to work.”

The information in the report is public. The form that cities must use is provided by the Department and requires that the following information be submitted:

- A list of all job classes in the political subdivision.
- The number of employees in each class.
- The number of female employees in each class.
- An identification of each class as male-dominated, female-dominated, or balanced.
- The comparable work value of each class as determined by the job evaluation system.
- The minimum and maximum monthly salary for each class and the amount of time in employment required to qualify for the maximum.
- Any additional cash compensation.
- Whether or not job classes are eligible for benefits, or if the jurisdiction's contribution limit for benefits is different for any male-dominated and female-dominated classes of comparable work value.
- Any other information requested by the commissioner.

Based on the pay equity implementation report and any other information requested by the Department, a number of tests are used to analyze the information submitted and determine compliance/noncompliance.

VI. Noncompliance

If a city is found not in compliance, a notice will be issued to that city. A city in disagreement with such a finding may notify the Commissioner and will be given a defined period of time during which additional information may be submitted for reconsideration of the finding.

In the event compliance is not achieved within the defined time period set by the commissioner, the commissioner will notify the city and the commissioner of revenue the city is subject to a five percent reduction in the aid that would otherwise be payable to that city, or to a fine of \$100 per day, whichever is greatest.

Cities may appeal the imposition of a penalty by filing a notice of appeal with the commissioner within 30 days of the commissioner’s notification to the city of the penalty. No penalty may be imposed while an appeal is pending.

RELEVANT LINKS:

[Minn. R. § 3920.1300.](#)

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Cyndee Gmach
651-259-3623
800.627.3529

800.925.1122
651.281.1200
HRbenefits@lmc.org

VII. Maintaining pay equity

Cities must maintain equitable pay relationships and submit additional reports as required by the department, generally every third year. The Department monitors compliance on an ongoing basis and reports to the legislature annually. The procedures for imposing or appealing penalties still apply to those cities found in compliance at one time, but found not in compliance at a future date.

VIII. Further assistance

Cities may contact the Minnesota Department of Management and Budget, Human Resource Management division for specific assistance. The League's Human Resources and Benefits Department will also discuss with you any additional questions you may have.