

ServPro, Inc,

It all started out peaceably enough. Tom Johnson, one of the new service reps, asked Al Washington and Michael Post about their salaries. It was an innocent enough question and the answers suggested that all three were making about the same money. Nobody seemed concerned. Then, Michael Post said that he had seen a memo on his boss' desk on which salaries for the entire department were listed and noticed something "funny." All three of them were near the bottom of the list. In fact, he said, "Just about every other black in the department was in the bottom half of the list."

Well, this started the three of them wondering out loud about whether their company, ServPro, Inc., was discriminating against minorities. They kicked it around all through lunch and then talked about it again each day for the next week. And each day, somebody would come in with information from one of the other offices from throughout the country that continued to suggest that all minorities, not just black employees, were not being paid on par with their white counterparts. They had "rough" information from four additional offices that, when they calculated averages, suggested that minorities were making about \$250 a month less than white employees.

This incensed Tom Johnson. He told the others, "When Al Miller recruited me here last year, he told me that ServPro's management believed in affirmative action. He promised me that I would go as far in this company as my effort and good work would take me. I'm not saying that this past year has been bad, but this salary stuff makes me wonder about whether I should stay or start looking for a place where minorities are treated the same as whites!" Al and Michael agreed.

The more they talked, the more they felt betrayed by a company that at first looked like a place that would ignore skin color. Indeed, they were all impressed with the company's strong affirmative action stance. They were told that advancement, and salary, would depend on how well they did their jobs - that they could expect to move from an Assistant Service Rep (Grade 1) to Service Rep (Grade 2) in two to three years and then move to Senior Service Rep (Grade 3) somewhere from three to four years later. They were led to expect annual performance reviews, with pay raises determined by their performance during the previous year. They liked the developmental program ServPro had to offer and looked forward to the responsibility that their jobs would offer as they moved up the career progression ladder. It was disappointing to think that ServPro might turn out to be the kind of place where skin color would limit their opportunities.

Tom Johnson didn't say anything for several weeks about the salary incident. On his own, however, he started reading about fair employment law and his options if he believed that his civil liberties were being violated. He even called the local office of the Equal Employment Opportunity Commission (EEOC) and spoke with a field agent about his situation. The agent, Mr. Mark Malone, suggested that he bring the matter up with his supervisor. Malone told him that, in his experience, appearances were not always what they seemed, and that usually matters such as this are easily explained by the company. He did, however, clarify that a \$250 per month salary difference between minorities and non-minorities was not trivial and would, indeed, command the attention of EEOC if Mr. Johnson were still concerned with this issue after going through official company channels.

Tom Johnson, escorted by his two friends, went to see Howard Kirk, his department manager. Kirk seemed somewhat agitated when Johnson confronted him with the "facts." He simply dismissed their protest as complete nonsense. He told the three of them to leave the management work to managers and to get back to work so they could learn their jobs well enough to earn a good evaluation and, thus, a good pay raise next year. When Tom Johnson "wondered out loud" about whether their performance evaluations were chosen to justify lowered pay raises to minorities, Kirk flew off the handle. He abruptly told them to quit trying to cause trouble. He informed them, rather curtly and very loudly, that "... salary is based on performance and loyalty to the company. The single best way you can improve your salaries is to pay as much attention to your jobs as apparently you're paying to information that is none of your business." He then "dismissed" them.

Predictably, Mr. Johnson found the content and tone of Mr. Kirk's remarks offensive. Together with Al Washington and Michael Post, they have now organized a small group of minority peers who have threatened to visit the EEOC claims office in order to pursue their conviction that ServPro practices discriminatory pay practices.

Larry Greer, President of ServPro, got word of the problem almost immediately through the grapevine. Greer called a meeting with Johnson, Washington and Post that afternoon. It was a more relaxed conversation. Greer began by asking them to explain their concerns. Tom Johnson went through the "facts," this time adding information about how they were treated by Howard Kirk.

Greer responded by assuring the three of them that ServPro did not discriminate against anybody. He repeated Mr. Kirk's message about how pay is determined, but without the offensive tone. Indeed, Mr. Greer outlined the voluntary affirmative action program initiated by ServPro over two years ago as being just an example of the philosophy that ServPro values what people do on the job over their race or gender. Mr. Johnson was willing to listen to the pay policy and talk about the affirmative hiring program, but continued to focus on the apparent salary differences that occurred despite such policies. He insisted that salary equity be achieved and, thus, would not relinquish his claim of discrimination. However, because he was impressed by Mr. Greer's statements regarding the company's affirmative stance in hiring, Mr. Johnson expressed a willingness to meet with Greer again, once additional information became available.

Greer promised that he would report back to his three employees personally at the second meeting, based on having looked into this matter and into the data relevant to it. Mr. Johnson, and the others, seemed willing for Mr. Greer to gather and organize that information.

Assignment

You have been appointed to a task force to investigate this discrimination claim. Mr. Greer has a series of issues that your committee must resolve. He has given you access to the employment and pay histories for service reps. These data are contained in the SERVPRO.XLS file and are described in the Data Description section. You will need to examine the employment and pay history data contained in this file and attempt to resolve the issues brought forth by Mr. Johnson. Based on your understanding of the issues and your interpretation of the employment and salary data, write a brief report to Mr. Greer summarizing your beliefs about ServPro's liability. The attached Case Questions will guide your thinking. Use important details from your analysis to support your recommendation.

Data Description

The SERVPRO.XLS file contains the employment and salary data for ServPro's 140 employees. A partial listing of the data is shown below.

ID	Pay Grade	Gender	Race	Married	Age	Tenure	Rating	Salary
1	1	2	2	0	18	0.5	2	890
2	1	2	1	0	25	2.4	3	1360
3	2	2	1	0	23	3.6	7	2070
4	1	1	2	0	26	1.9	3	1190
5	2	2	1	1	22	3.4	6	1290

These data are coded as follows:

ID Number: Sequential ID number assigned to all employees.

Pay Grade: Pay grade (= 1,2, or 3).

Gender: 1, if female, 2, if male.

Race: 1, if white, 2, if minority.

Married: 1, if married, 0, if non-married.

Age: Age in years at last birthday.

Tenure: Number of years employed as a service representative at ServPro.

Rating: Employee performance rating, on a 10-point scale, where 1 = poor performance and 10 = excellent performance.

Salary: Currently monthly salary, expressed in dollars.

Case Questions: ServPro, Inc.

1. What is the difference between the average salary of minorities and non-minorities? Does this evidence support Mr. Johnson's claim of discrimination?
2. What proportion of minority and non-minority employees are found in each pay grade? How do these proportions influence Mr. Johnson's claim of salary discrimination? Do these proportional differences suggest discrimination in promotions across racial groups?
3. What is the average tenure of minority and non-minority employees in each pay grade? Do these results suggest discrimination in promotions across racial groups?
4. When was the company's Affirmative Action program started? Does this information help explain why more minorities are in the lower pay grades? Explain.
5. What data should be examined to see whether ServPro rewards performance and loyalty, as claimed by Mr. Greer?
6. What type of analyses would indicate if pay was dependent upon performance and loyalty? Do these results suggest that ServPro rewards performance and loyalty? Explain.
7. Do your analyses support Mr. Johnson's allegation of discrimination? Briefly explain why the salary data suggest apparent discrimination and what will "remedy" this salary discrepancy?