

Memorandum

To: The Plaintiff's lawyers

From: Tina Coye, Junior Statistician

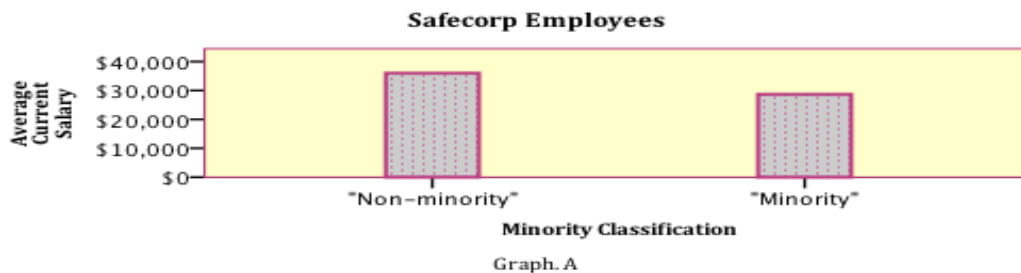
Subject: Analysis of Salary Practices at Safecorp

Safecorp is one of the oldest and most respected banking institutions worldwide. It has thousands of employees, and is a leader in creating innovative financial products that has brought high returns for its shareholders. Recently it has come under litigation for its alleged discriminatory salary practices of its minority employees. This case has drawn public scrutiny, has led to the CEO's abrupt resignation and has sent the companies stock into a deep plunge. Using a random sample of 474 employees, this memo will address the pertinent issues at stake; assess the validity of the claims and viable courses of action.

Are salaries for minority employees lower than those for majority employees?

Of the 474 sampled employees at Safecorp, **78%** were non-minority and **22%** were minority. The average salary was **\$34,420**. Upon further analysis, the non-minority average salary at Safecorp was **\$36,023**, while the minority average salary was **\$28,714**.

There is a salary difference of **\$7,309** overall. The analysis has shown this difference to be significant. See graph A., below for illustration.



Do minority and majority employees differ with respect to characteristics that are associated with salary?

In life as in literature no two people are alike and as such I decided to review the various employment characteristics paired with race of the Safecorp employees. Safecorp employees are employed in 3 categories: Clerical, Custodial and Manager. The table listed below, Table A., outlines the percentages of Safecorp employees by race groups and job categories. Upon review of the categories, it was shown that of those employed as Manager, **95%** were non-minorities. This analysis was shown to be significant factor in salary difference between non-minority and minority employees. When reviewing years of education between non-minority and minority employees, on average non-minorities had 14 years of education and minorities had 13 years of education. The difference was found to be significant and could offer an explanation of salary variance between the non-minority and minority. Upon comparison of years on the job between minority and non-minority employees at Safecorp, the analysis stated that the relationship was not significant, and could not be a contributing factor to the difference in salary. Gender is often linked as a qualifier for salary discrepancy, and upon review of Safecorp employees this too was found to not be significant.

Percentages of Safecorp employees by Race and Job Category

Job Categories	Non-Minority	Minority	Total
Clerical	76%	24%	100%
Custodial	52%	48%	100%
Manager	95%	5%	100%

Table A.

Do differences in characteristics of minority and majority employees “explain” the lower salaries of minority employees?

This question is intriguing and one that has caused fierce debate amongst claimants and litigants, and the public. Each employee of Safecorp is unique and no employment history is the same; however the more prevalent question is: ***Can a direct relationship be made between race and salary once all characteristics are factored in?*** This question will either absolve any wrongdoing on Safecorp’s practices or provide legitimacy to the claim of salary discrepancy. After performing analysis that factored in all of the characteristics, the result was quite informative. Minority employees on average yearly salary at Safecorp were **\$2,194** dollars **less** than their non-minority co-workers. The final analysis showed that there is a significant difference between salaries of the two groups.

Why is this issue important?

From a financial standpoint, Safecorp as a global leader in banking, and has an inherent responsibility to both its consumers and stockholders to minimize financial loss and maximize profit. This litigation has done none of that and even whispers of such allegations, do nothing to improve it’s financial standing. With other major banking institutions seeking to gain ground on a smaller global footprint, Safecorp is in a reactionary stance, which is never good.

What are the limitations of this analysis and what viable recourses can be taken?

Other external factors not included may offer valuable insight into the salary difference of employees of Safecorp; they include Safecorp’s business locations, it’s college-recruiting efforts, it’s internal promotion and retention policy, and overall employee benefits that are offered. These external factors once reviewed and changed can greatly improve Safecorp’s brand, and increase diversity amongst its employees.