State Street Corp. To Pay $5 Million To Settle Unequal Pay Allegations

Insights
10.05.17

A conciliation agreement released by the Department of Labor's Office of Federal Contract Compliance Programs (OFCCP) on October 4, 2017 revealed that State Street Corp. has agreed to pay $5 million to settle allegations that the company discriminated against more than 300 female executives by paying them less than their male counterparts. The settlement also resolves allegations by the OFCCP that State Street paid 15 black vice presidents less than white vice presidents.

The OFCCP, which audits government contractors for compliance with workplace affirmative action and non-discrimination requirements, conducted an audit of State Street's corporate headquarters in Boston in 2012. According to the OFCCP, that audit revealed pay disparities between men and women holding similar senior vice president, vice president, and managing director positions, and also between blacks and whites holding vice president positions. According to the audit findings, the inequalities existed even when legitimate factors for pay differences were taken into account, such as performance, experience, and education.

State Street has denied the allegations. According to the Boston Globe, State Street spokesperson Julie Kane said State Street decided to settle in order "to bring this six-year-old matter" to a resolution. *[subscription required]*

In addition to paying $5 million to resolve the matter, State Street agreed to analyze its pay practices for senior vice president, vice president, and managing director positions in Boston within 180 days and share its results with the OFCCP. Specifically, State Street agreed to evaluate whether certain pay practices – including policies for calculating starting salaries and pay increases, promoting workers, evaluating performance, granting leave, and transferring workers – have a disproportionate negative impact women and black workers. State Street also agreed to conduct a similar pay analysis once a year for the next three years as part of the settlement. Federal contractors are required periodically to conduct compensation self-audits, but the requirements imposed on State Street are more extensive.

Pay equity enforcement actions and litigation are on the rise and that trend is likely to continue as more state laws aimed at reducing the "pay gap" go into effect. The best defense for federal contractors, and all employers, may be a good offense. Conducting an internal, privileged pay audit and remedying any unlawful disparities before being the subject of a government audit or a lawsuit and remedying any unlawful disparities before being the subject of a government audit or a lawsuit will help reduce the risk of expensive enforcement actions and litigation. Under Massachusetts' and Oregon's new pay equity laws, conducting an internal audit and taking steps to remedy pay differences may even provide a safe harbor against liability.

Related People

Cheryl L. Behymer
Senior Counsel
803.255.0000
Email

Cheryl Pinarchick
Senior Counsel
617.532.8215
Email

Service Focus

Pay Equity and Transparency