

E X H I B I T D

Equal Opportunity And Non-Discrimination Monitoring

(Data Analyses)

Adverse Impact And The 80% Rule

Adverse Impact and *the* 80% Rule

Adverse Impact as defined in the Uniform Guidelines for Employee Selection, "is the substantially different rate of selection in hiring, promotion, or other employment decision which works to the disadvantage of members of a race, sex, or ethnic group."

While this "substantial rate" can be determined in a variety of ways, the guidelines provide a rule of thumb as a practical means of determining adverse impact. This rule is called the 80% or 415th~rule.

If a race, sex, or ethnic group's rate of selection is less than 80% of the most **favored group**, the group is experiencing adverse impact. (Note: At this point in the analysis, adverse impact does not mean discrimination.)

A four-step Process to Determine Adverse impact:

1. Calculate the rate of selection for each race/sex group, by dividing the number of persons selected from a group by the number of applicants, or candidates, from that group.
2. Determine which group is experiencing the most advantageous rate:
 - a. **Positive** personnel transactions -- the **highest** rate is the most advantageous.
 - b. Negative personnel transactions -the most favored group has the **lowest** rate.
3. Calculate the impact ratio by comparing the selection rate for each group with that of the most favored group. Multiply this result by 100 to express the result as a percentage.
 - a. For positive actions, place the most favored group's rate in the denominator position.
 - b. For negative actions, place the most favored group's rate in the numerator position.
4. Observe whether the resulting ratio for any group is less than 0.8, regardless of whether it is a positive or negative transaction. This indicates an adverse impact. Please note the following:
 - a. The ratio will always be 1 or less.
 - b. If you get a result higher than 1, you have done your math incorrectly.

Example of the Four-Step Process Using the 80% Rule

Comparing Men and Women

<u>Gender</u>	<u>Training Applicants</u>	<u># of Selectees</u>
Men	500	150
Women	200	40

1. Calculate the rate of selection for each group. Selectees

$$\text{Men} = \frac{\text{Selectees}}{\text{Applicants}} = \frac{150}{500} = \frac{3}{5}$$

$$\text{Women} = \frac{\text{Selectees}}{\text{Applicants}} = \frac{40}{200} = \frac{1}{5}$$

2. Determine which group is experiencing the most advantageous rate.

$$\text{Men} = \frac{3}{5} \quad \text{Has the highest rate.}$$

3. Calculate the impact ratio by comparing the selection rates for the two groups. (Since it is a positive action, the most favored group is the denominator.)

$$\text{Men (Selection Rate)} = \frac{3/5}{3/5} = 1$$

$$\text{Women (Selection Rate)} = \frac{1/5}{3/5} = \frac{1}{3}$$

4. Observe whether the impact ration is less than 0.8 or 80%. If so, an adverse impact exists against the less favored group (women).