Finance Sector Union

Workplace Gender Equality Amendment (Setting Gender Equity Targets) Bill 2024

Finance Sector Union Submission

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About the FSU

The FSU is a registered employee organisation representing approximately 22,000 members across the banking and finance sector throughout Australia. FSU members work in banking, insurance, superannuation, financial planning and finance. Our membership is predominately female, many of whom are engaged in part-time and casual employment.

The FSU is a democratic organisation with representative governance by elected officials and volunteer members. The FSU is a member-led organisation in which rank and file members are elected to honorary official positions to governing bodies within the Union. This includes the National Congress which is the supreme governing body of the Union.

National Congress has the management and control of the affairs of the Union and is comprised of predominately volunteer members. These members are elected by the wider membership to represent their interests. They are not paid officials.

The FSU is proud of its long history representing members to achieve better wages and fairer conditions.

Our members are committed to higher integrity in the finance sector and see their role as advocates for a better industry.

General feedback

The gender pay gap in the finance industry is one of the highest and has barely moved in a generation. The Workplace Gender Equality Agency (WGEA) provides incredibly useful data to help track the actions taken by employers over the last decade since the agency started collecting data. Employers in the finance industry have always understood the importance of attracting women and were some of the first to introduce paid maternity leave (as it was then known) in the late 1990s. These decisions were taken as they provided an excellent return on investment.

Despite this, gender segmentation within the industry remains problematic. While the gender breakdown is almost at parity (53%/47% in favour of women), women represent only 36% of workers in the top pay quartile and 67% in the bottom pay quartile. Part time workers make up only 12% of the finance industry workforce, but 86% of part time workers are women.

The finance industry is driven by targets and almost every finance worker’s pay and performance is determined by their ability to meet their targets. The FSU welcomes the Workplace Gender Equality

Amendment (Setting Gender Equity Targets) Bill 2024. We have long advocated on the need for employers to be held accountable for setting measurable targets to increase gender equality and drive down the gender pay gap. The finance industry is made of both very large employers, medium sized and small business. We are disappointed to note that this legislation covers only employers with over 500 employees. The finance industry has one of the largest gender pay gaps and some of the highest are in workplaces with 100-500 employees. **The FSU recommends that this legislation be amended to apply to all employers that are currently required to report to WGEA, that is, employers with over 100 employees.**

The FSU notes that the most recent WGEA data (2023-24) provides a breakdown of the type of targets that have been set by employers to address the six different gender equity indicators. Some of these targets are already being set by the majority of employers while others are being set by very few. The FSU contends that there is a risk that employers will not use this requirement as anything more than a "box ticking" exercise and will choose to set targets that they are already meeting. To mitigate this risk, the requirement for target setting should be determined by current data and employers should be directed to set targets in areas where they have not set targets in the past.

Furthermore, there is no incentive for employers to undertake the difficult work of setting targets that will address gender segmentation and the need to undertake job redesign to ensure that there are management positions designed as part time.

In the finance industry, 77%of employers indicated that they have identified the cause of the gender pay gap, yet there is a reluctance to do the heavy lifting of setting targets that are more likely to drive change. Consultation is top down and most often conducted using "employee experience surveys" that are not designed to drive organisational change.

The FSU welcomes this legislation but remains sceptical that it will drive down the gender pay gap unless it provides both sufficient rewards for companies undertaking difficult work and bigger disincentives for choosing instead to approach this as a simple "box ticking" exercise. Disincentives should include automatic exclusion from receiving any Commonwealth Government funding, grants and an automatic exclusion from procurement.

We will provide some insights into each of the gender equality indicator targets below.

Recommendation 1: All employers with over 100 employees be covered by this legislation

Recommendation 2: Employers should be directed to set targets in areas where they have not set targets in the past.

Recommendation 3: Non-compliance disincentives should include automatic exclusion from receiving any Commonwealth Government funding, grants and an automatic exclusion from procurement.

Gender Equality Indicators (GEI)

Indicator 1 – Gender composition of the workforce

The finance industry has a reasonably even gender composition of 53:47 in favour of women. Yet the segmentation of the industry is marked with the gender makeup of manager roles 43:57 in favour of men. Furthermore, women are overrepresented in part time and casual roles.

Finance employers are overwhelmingly already setting targets to increase the number of women in management positions (80%). Very few employers are setting targets that might challenge the cultural norms that lead to the overrepresentation of men in manager and higher paid roles. Less than half of finance employers are setting targets to increase the number of women in male-dominated roles and even less – only 21% – are setting targets to increase the number of men in female-dominated roles.

The cultural norms in Australia reinforce women as carers. Men are often disincentivised from taking parental leave due to penalties such as not being entitled to performance bonuses if they don't work the full year. Part time roles are less likely to attract bonus and incentive payments which means they are lower paid. The caring burden continues to fall on women who consequently continue to earn less than their male counterparts. The WGEA requirement for target setting should be determined by current data and employers should be directed to set targets in areas where they have not set targets in the past. Based on the 2023-24 data recently published for GEI 1, if employers choose to set targets in this area they should be in the following areas only:

- Increase the number of women in male-dominated roles
- Increase the number of men taking parental leave
- Increase the number of men in female-dominated roles
- Increase the number of men utilising flexible work arrangements.

Indicator 2 – Gender composition of governing body/board

The finance industry has a very poor gender balance of their governing bodies/boards with women making up just one third of these positions. These positions are often not advertised broadly and there are numerous members of these bodies who serve on multiple governing bodies or boards. The recruitment processes that are undertaken reward past experience and often include "self assessment" tools. It is well documented that there is a gender divide in how men and women approach these assessments.

If we want a better gender balance on governing bodies, we need to encourage employers to set targets that include a commitment to transparency in the filling of these roles including broad advertising. The only target setting acceptable for GEI 2 should be to increase the representation of women on the governing body or board.

Recommendation 4: That the only acceptable target for GEI 2 is a numeric target to increase the representation of women on the governing body or board.

Indicator 3 – Equal remuneration and gender pay gap

The finance industry falls well behind in addressing the gender pay gap. The median base salary gap in the finance industry is 20.3% which is 14% higher than that for all industries – this is enormous considering that the all industries gap for average total remuneration is just 12.1%. Finance industry employers have a better understanding of the causes of the gap (77%) than employers across all industries, yet most (79%) refuse to set targets to reduce the gaps. The 2023-24 WGEA data demonstrates a reluctance to take action to deal with the causes of the gap – while 88% had conducted a gap analysis, 90% took ***NO*** action as a result of the gap analysis. This demonstrates the lack of genuine commitment to reduce the gender pay gap.

This measure is essential to eliminating the gender pay gap. All employers should be required to set a target to reduce the pay gap in addition to the three "self-selected targets". Should employers choose to add an additional target for GEI 3, it must be a target to reduce the gender pay gap and not to simply find, report or analyse the metrics or drivers of the pay gap.

Recommendation 5: That every employer must be required to set a numeric target to drop their gender pay gap <u>in addition</u> to the three self-selected targets.

Indicator 4 – Flexible work and employee support

GEI 4 includes flexible work, parental leave, support for carers and response to family and domestic violence. It does not include additional support measures that employers can introduce to assist workers who struggle with their reproductive health, specifically leave to assist workers dealing with symptoms relating to menopause and menstruation. The FSU surveyed a small sample of 680 finance workers in 2023-24[1] and discovered that an alarming number (35%) retire early rather than asking their employer for additional support. A larger number (53%) hold themselves back from applying for promotions due to these symptoms. The WGEA should consider including this specific support in GEI 4 as a measure that may help reduce the gender pay gap.

GEI 4 covers an enormous number of actions that employers can take to address the cultural norms that relegate women to "default" carers. The finance industry prides itself on being an early adopter of many of these flexible working arrangements – yet the vast majority of workers being offered these flexibilities continue to be women.

It is well documented that one of the solutions to overcoming these cultural norms is not simply increasing the types of flexibility but rather incentivising the taking of this flexibility by male employees. In each of the subsections, finance employers score very well in their offerings yet they are common in the low levels of take up of flexibilities by their male workers.

Employers that offer a wide variety of flexible work and that want to set targets for GEI 4 should be directed that their targets should be focused on increasing opportunities for part time work in their management roles and increasing the number of men accessing flexibilities.

Flexible working arrangements

WGEA 2023-24 data shows that over 80% of finance employers promote flexible working, have leaders role modelling flexible work and have leadership endorsement of the business case for flexible work. Yet less than 15% of finance employers have set targets for flexible work, designed management positions as part time or incorporated job sharing into job design and advertising of new roles. Only 3% of employers have set targets for men's engagement in flexible work. Employers that set targets for GEI 4 relating to flexible work should not be setting targets for strategies that are already well utilised in the industry.

[1] Menopause-and-Menstrual-Leave-Policy-Framework 2024.pdf

Parental leave

For almost 30 years, finance employers have been offering some form of paid parental leave (PPL) to birth parents. WGEA 2023-24 data shows that 91% of finance employers provide some form of PPL. There is a growing understanding of the importance of recognising that parents are all parents and that labels such as “primary and secondary carers” are increasingly outdated. The number of employers that now offer PPL to all parents without these outdated labels is steadily increasing and is now a significant minority (29%) of all employers. Despite these changes women still make up 75% of workers accessing “primary carers” leave.

The quantum of PPL has been very slowly increasing however it still sits well short of the PPL entitlements offered in other OECD countries. While some argue that the quantum becomes adequate when sitting alongside the government PPL scheme, that fails to recognise the drop to minimum wage of the government scheme and acts as a disincentive for male workers to take this time off work. This is particularly true when we add the 22% gender pay gap and that women are more likely to be in part time work.

It is also becoming more common for employers to waive qualification periods to access PPL, with a significant (but growing) minority of employers waiving this outdated condition. This is another barrier that artificially stops workers (predominately women) of childbearing age being able to take up better opportunities as they arise, “just in case” they fall pregnant.

Employers that decide to set targets in GEI 4 relating to paid parental leave would do well to be encouraged to focus on increasing the number of men taking “primary”/universal parental leave, eliminating qualification periods and increasing the quantum of PPL offered.

Recommendation 6: That targets set in GEI 4 focus on increasing the number of men accessing flexible work or accessing universal (primary) parental leave.

Indicator 5 – Consultation with employees about gender equality in the workplace

Finance industry employers do not understand the importance of genuine consultation nor do they engage in genuine consultation. Instead, they understand consultation to mean “we have made a decision and we are now telling you about the decision we have made and the impact it will have on you and your role”. This “consultation” rarely occurs prior to decisions being made and almost never results in significant changes to these decisions being undertaken.

Consultation is almost always a top down approach and is often one-way without an opportunity for employees to engage directly with decision makers. The most effective consultation occurs prior to decisions being made, is two-way, involves employees at all levels of the organisation and includes their workplace delegations and unions. It takes place before final decisions are made and has measurable impact on the actual decisions taken by employers. This could be described as "genuine consultation".

WGEA 2023-24 data indicates that 85% of finance industry employers undertook consultation with employees yet the nature of the consultation is an employee completing an employee experience survey. These surveys are long and cover a large range of issues at work, are mandatory and often achieve good outcomes and form part of a worker's performance targets – which may have an impact on their pay outcomes. This does not even come close to meeting the requirements of genuine consultation. Only 7% of finance industry employers consult specific groups (management, employee representatives, HR managers, diversity committee, women only) on gender equality. It is clear that the type of consultation undertaken by finance employers is a "tick a box" exercise, is not genuine and unlikely to have any meaningful impact on reducing gender inequality.

The introduction of a targets scheme should require employers to genuinely consult with employees prior to decisions being made about which GEI to select and how an employer plans to implement action to achieve these targets.

Recommendation 7: Employers must be required to genuinely consult with employees prior to decisions being made about target setting to comply with this legislation.

Indicator 6 – Sex based harassment and discrimination

Sex based harassment is a problem in the finance industry. The FSU undertook a survey of finance workers in 2023 and published a report in February 2024 outlining the findings[2]. Despite the introduction of the positive duty in 2022 on employers to eliminate sexual harassment at work, employers fall short in meeting their obligations. The finance industry confidently reported that based on their internal and external risk assessments, the risk of sexual harassment in their workplaces is low. **The experiences of workers do not support this conclusion.** The survey results paint a picture of a workforce who do not understand the behaviours that constitute sexual harassment. Those who do

[2] One too many - Sexual Harassment Survey Report 2024.pdf

experience harassment say they have such little faith in reporting that only half of those surveyed who experienced sexual harassment actually go on to report that harassment to their employers.

While the FSU survey had only a small sample size of approximately 500 workers, the message is clear: **sexual harassment is widespread and pervasive in the finance industry**. Steps taken by employers to ensure their workforce has a clear understanding of the behaviours and conduct that constitute sexual harassment are ineffective. Incidents of sexual harassment go unreported. Workers who experience sexual harassment and go on to report this harassment are dissatisfied with the outcomes. However, workplaces free from sexual harassment ***do*** exist.

It is important to ensure that if an employer selects GEI 6 to set targets that the demonstration of movement to meet these targets includes a demonstration that their workforce actually understand the nature of sexual harassment. Without this clear understanding, setting targets to reduce sexual harassment is meaningless. It would be more meaningful for targets to be set so that reports of sexual harassment actually increase, given we know that under reporting is an enormous problem. We would also recommend that any accompanying explanatory memorandum include an explanation that a consequence of action in this area would likely lead to an increase in reporting, which is a good thing.

Recommendation 8: Targets in GEI 6 be limited to action targets only.

Summary and recommendations

The FSU welcomes the introduction of the *Workplace Gender Equality (Setting Targets) Amendment Bill 2024* and believes that with some minor changes as set out in this submission, and building on the submission of the Australian Council of Trade Unions (ACTU), there will be incentives for employers to take action to drive down the gender pay gap and increase gender equity in Australian workplaces.

The finance industry has been quick to adopt many of the actions set out in the GEIs yet the gender pay gap remains stubbornly high – 10 percentage points higher at the average total remuneration that that across all private sector employers. At the median base salary the finance industry gender pay gap is 14 percentage points higher.

If we want to ensure that we tackle the cultural norms that lead to the segmentation of women in lower paid roles, and the death of part time roles in both management and male dominated areas of the finance industry, we need to change the approach to target setting. The legislation requirements need to include a recommendation for employers to do things they haven't already done and try to tackle the more difficult tasks of job design. We also need to recognise that there are some GEIs that are more suitable to numeric targets (GEI 3) and some to action targets (GEI 6), and specific guidance must be given to ensuring that employers only set suitable targets.

It is important that all employers take action to drive down the gender pay gap and genuinely consult with their employees when they are setting targets. These small but significant changes will ensure that this legislation achieves the goal of improving gender equity and reducing the gender pay gap.

Summary of Recommendations

Recommendation 1: All employers with over 100 employees be covered by this legislation.

Recommendation 2: Employers should be directed to set targets in areas where they have not set targets in the past.

Recommendation 3: Non-compliance disincentives should include automatic exclusion from receiving any Commonwealth Government funding, grants and an automatic exclusion from procurement.

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Recommendation 7: Employers must be required to genuinely consult with employees prior to decisions being made about target setting to comply with this legislation.

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