EQUAL PAY
– IS IN –
YOUR HANDS

2015 pay equity report card

In September 2014, the Workplace Gender Equality Agency launched a national awareness and education campaign – *In Your Hands* – that set out to lift the lid on pay equity issues in Australian workplaces. Our aim was to encourage and help CEOs to address like-for-like gender pay gaps in their organisation by undertaking a gender pay gap analysis and eliminating gender bias in performance assessment, talent management and pay decisions.

Before launching *In Your Hands*, employers rarely discussed – internally or externally – their approach to measuring and tackling their pay gaps. Despite the ongoing conversation about the national gender pay gap, this silence meant most CEOs didn't realise pay equity was an issue for them. They assumed they paid people fairly and weren't aware of how gender bias can unconsciously impact people management and pay decisions.

A central part of our strategy was to promote discussion among the business community about how pay equity issues emerge and provide support about what to do about them. We enlisted the support of CEOs across the country as Pay Equity Ambassadors to share their experiences and learnings with other leaders. Our goal: to make a regular pay gap analysis and action plan standard business practice, as reported by employers to the Agency as part of their annual compliance reporting.

> "Our gender pay equity review identified clear areas of concern that we were able to focus on addressing. I encourage other organisations to also commit to actioning identified pay gaps"
>
> Phil Duthie, CEO, GHD

One year on from the campaign launch and we're pleased to report an improvement in the way Australian businesses understand and address like-for-like pay gaps. We now have 84 CEOs (and growing) signed up as Ambassadors. And a growing number of business leaders are choosing to disclose their pay gaps publicly – a powerful reflection of their commitment to closing them.

These leaders tell us addressing pay equity is an essential component of their people management strategy. Attracting and retaining the best talent, and driving discretionary effort depends on a fair and equitable remuneration strategy.

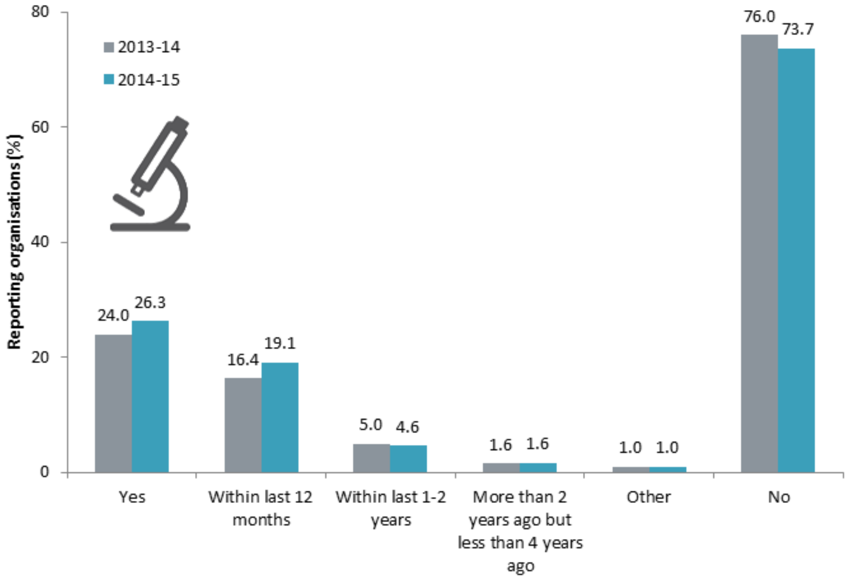
In the future, we hope momentum will continue to build and that each year we will see an increase in the number of employers making pay equity a priority. We also look forward to more leaders measuring and taking responsibility for addressing their organisation-wide pay gap – the ultimate gender equality metric.

A growing number of CEOs get equal pay in hand

We've seen a 17.6% increase in the number of employers conducting a pay gap analysis from 1,045 in 2014 to 1,229 in 2015 In 2015, 26.3% of employers reported a pay gap analysis had been conducted – a measurable increase on 2014 (24.0%) but a result that signals there's still more work to do. Just over 5% have the analysis under development suggesting further growth in the next 12 months.

Organisations in the Financial and Insurance Services industry were the most likely to have undertaken a gender pay gap analysis (55.9%), followed by Professional, Scientific and Technical Services (44.1%) and Mining (40.2%).

Chart 1: Percentage of reporting organisations that have conducted a gender pay gap analysis



Industries get with the program

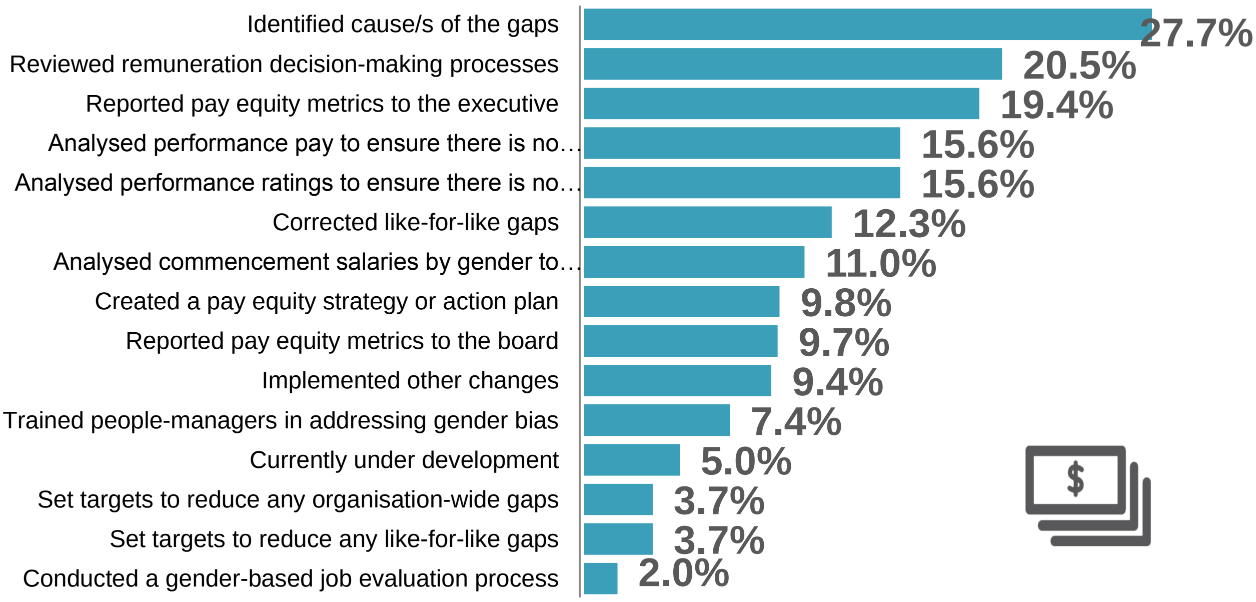
The proportions of organisations undertaking gender pay gap analyses increased markedly in three industries: Rental, Hiring and Real Estate Services (up 9.3 percentage points or pp to 34.7%), Electricity, Gas, Water and Waste Services (up 6.3 pp to 39.6%) and Financial and Insurance Services (up 5.7 pp to 55.9%).

> "The buck stops with me and I'm committed to making the gender pay gap a thing of the past at AECOM."
>
> Lara Poloni, CEO, AECOM

Commitment to action grows

Of the 1,229 organisations that undertook a gender pay gap analysis in 2015, more than half took action (51%) – a solid increase on last year's result when 46.0% of employers took action. Identifying causes of the gaps (27.7%), reviewing remuneration decision-making processes (20.5%), and reporting pay equity metrics to the executive (19.4%) were the most common actions taken. A quarter of organisations that conducted an analysis (25.1%) said no unexplainable or unjustifiable gaps were identified, and therefore did not take action to address gaps.

Chart 2: Actions taken following a pay gap analysis, 2014-15

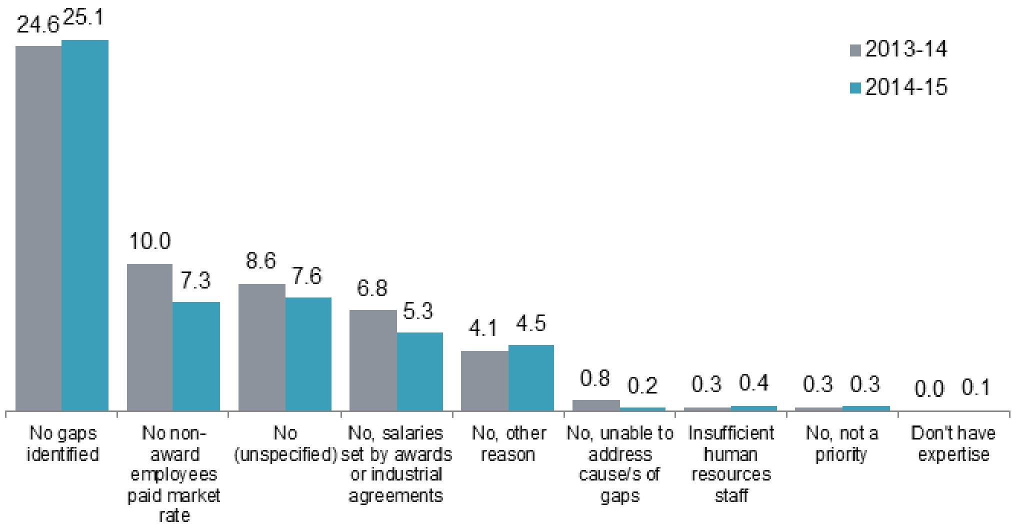


While it's pleasing to see a growing number of employers acting on the findings of their pay gap analysis, it's disappointing to see a quarter (24.2%) sit on their hands after reviewing their payroll data. In addition, reviewing the least popular actions highlights how organisations can lead to tackle the root causes of pay inequity and firmly place it as an important strategic and governance issue. In particular less than 10% report to the board on pay equity, 7.4% train people managers in addressing gender bias, and 15.6% analyse performance pay to ensure there's no gender bias. Conducting a gender-based job evaluation was the most uncommon activity (2.0%), which involves assessing a job's value based on the required skills and experience, as well as value to the organisation. Given the widely recognised under-valuing of female dominated roles and its impact on the national gender pay gap, this area is ripe for action.

"Conduct the analysis, do the audit and be prepared to act on those results"

Michael Greene, Managing Partner, Henry Davis York

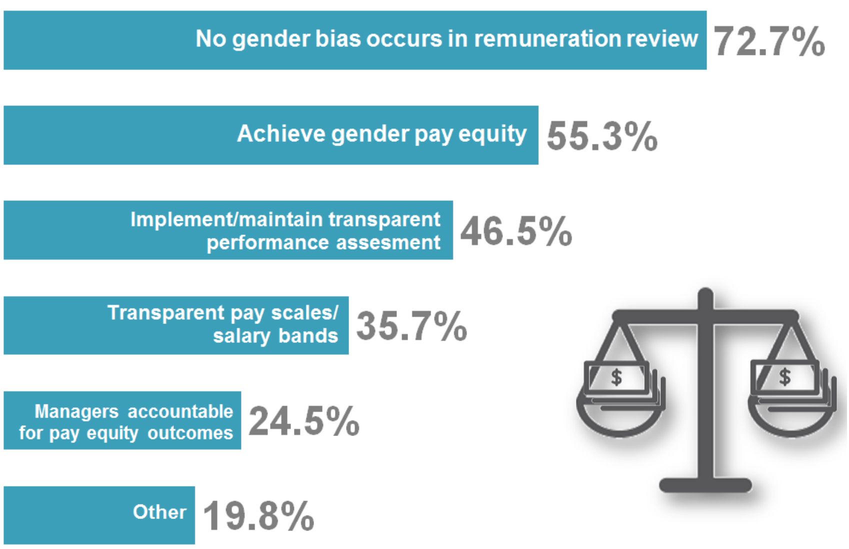
Chart 4: Reasons for not taking action to address gender pay gap/s, 2013-14 and 2014-15



Employers embrace specific pay equity objectives in remuneration polices

Enshrining pay equity in remuneration policies sends a strong message to staff that pay equity will be achieved when it's actively managed and it's a priority for the organisation. When we launched our campaign last we year, we provided guidance on including pay equity objectives in a remuneration policy or strategy and we're delighted to see a 7.5 pp increase in organisations doing that work (growing from 18.1% in 2014 to 25.6% in 2015).

Chart 3: Pay equity objectives included in remuneration policy or strategy, 2014-15



Organisations in the Professional, Scientific and Technical services (34.1%), Rental, Hiring and Real Estate Services (33.3%) and Education and Training (30.4%) industries were most likely to have specific pay equity objectives. The most common pay equity objectives were 'to ensure no gender bias occurs at any point in the remuneration review process' (72.7%), and 'to achieve gender equality' (55.3%).

Organisations in Accommodation and Food Services (18.3%), Arts and Recreation Services (16.3%) and Agriculture, Forestry and Fishing (11.8%) were the least likely to have specific pay equity objectives.

It's also concerning to see so many employers (48.9%) reporting they didn't have a remuneration policy or strategy at all. Industrial structures were cited by 28.4% as the reason policies weren't in place and while this makes sense for the near 6% who have no discretion in pay, the remainder have no framework for how pay is set. A remuneration policy not only reduces the risk of pay equity issues occurring but also ensures consistency in remuneration-related decisions, ensures the pay setting process is open and transparent and provides guidance to managers on determining appropriate remuneration decisions, including how to detect and address unconscious bias. In other words, it's essential for not only ensuring fairness but also for ensuring the perception of fairness, which is a critical driver of productivity and discretionary effort.

Employers increasingly recognise 'paying market rates' is a poor excuse

When we launched *In Your Hands* last year, over 1 in 5 (21.4%) employers said they didn't do a pay gap analysis because they paid markets rates and 10% said they didn't take action after conducting an analysis because non-award employees were paid market rates.

"We all think we make fair decisions, but unconscious bias can be a dangerous thing. It's not until you zoom in on every role in every team that you start to see how easy it is for the scales to get out of balance."

Luke Sayers, CEO, PwC

Market rates generally apply to base salaries only and comprise a salary range. An individual's salary within that range is set at the discretion of the manager and is influenced by the negotiation strength of the individual. Both of these factors can be impacted by unconscious bias. Research shows women who negotiate assertively for pay are more likely to be viewed as aggressive and are less likely to be as successful in negotiating a higher salary as men who use the same tactics. Women are also less likely to ask for more money, creating a pay gap as soon as they start with an organisation that perpetuates over their career.

Moreover, last year's WGEA remuneration data showed the organisational-wide pay gap balloons from 19.9% to 24.0% when calculated on total remuneration, making performance pay a major driver of pay inequities. For these reasons, we emphasised throughout our campaign that 'paying market rates' is a common but poor excuse for inaction on pay equity.

We're delighted to see the tables are turning. Just 12.4% of employers cite market rates as a reason for not doing a pay gap analysis and 7.3% explain their inaction following an analysis was due to non-award employees being paid market rates.

Female dominated industries lag

Female dominated industries were the laggards with organisations in the Health Care and Social Assistance (12.6%), Education and Training (12.9%), and Accommodation and Food Services (13.2%) industries being the least likely to have undertaken a gender pay gap analysis. While the risk of like-for-like gaps is lower due to the high concentration of women in most job categories and the reliance on industrial agreements to set pay, any discretion in the pay setting process opens up the opportunity for unintentional and unjustifiable discrepancies. Given only 5.9% of employers have reported they have no discretion in the pay setting process for all employees, we encourage these employers to interrogate their pay data.

"As CEO of a mostly female workforce, I see it as business critical to ensure equity across pay, performance and decision making. We're achieving this by creating a fair and transparent work environment with strategies in place to eliminate gender bias."

Adj Prof Stephen Cornelissen
Group CEO, Mercy Health

Awards and industrial agreements continue to provide false cover

There remains a widespread belief that awards and enterprise agreements insulate employers from pay equity issues, despite close to 1 in 5 reporting organisations acknowledging discretion in pay remains in their remuneration practices. Access to overtime and other allowances, and movements within and across bands are some of the discretionary remuneration decisions that can exist within industrial agreements to create unequal pay outcomes for women and men.

There are, however, some industrial agreements that are particularly proscriptive with changes in salary being entirely due to job classification, qualification and tenure. This year's data indicates just 5.9% of employers fall into this category. Interestingly, for some of these organisations tenure often relates to full-time equivalent hours meaning it takes longer for part-time workers to move up bands or points within a band. Given 75.1% of part-time workers in the WGEA dataset are women, a remuneration structure that inherently values full-time work more is structurally disadvantaging women.

Our CEO Pay Equity Ambassadors

Addressing pay equity requires leadership from the top, so to help have the conversation within the business community, we enlisted the support of CEO Pay Equity Ambassadors and Official Supporters to encourage other business leaders to recognise pay equity as a business imperative.

By acknowledging the impact gender bias can have on workplaces and pay outcomes for women, these Ambassadors have shed light on a topic that was rarely discussed previously on a company specific basis. Outlining their approach to analysing their data and taking action based on what they find has helped organisations benefit from their experience.

The Agency has co-hosted a number of CEO pay equity roundtables with our Pay Equity Ambassador community over the past 12 months. The key insights from these roundtables include:

- CEOs still assume that they have a fair and equitable workforce, until they look at the data.
- The lack of flexible work at a senior level is acknowledged as a major driver of organisational wide gender pay gaps.
- Good company culture is a prerequisite when it comes to achieving true gender equality in an organisation.
- Gender bias stems from stereotyped ideas of the ideal worker and so it's essential to train people managers in how to address gender bias in their decision making.

The future

While this year's reporting data reveals organisations are increasingly recognising pay equity is a business outcome that must be actively managed, there is much more work to do. Over 70% (73.7%) of employers are yet to analyse their payroll, despite only 5.9% having no discretion in pay setting practices. And while some organisations will have either a gender composition that may reduce the incidence of pay gaps (ie heavily male or female dominated), or a corporate culture that is inherently highly attuned to bias and therefore less likely to have like-for-like gaps, almost all organisations in Australia are likely to have an overall pay gap that favours men.

This organisational-wide pay gap is the ultimate measure of gender equality. It reflects the opportunities women and men have to earn in each organisation and is significantly due to the structural and cultural barriers that inhibit women's progression up the management ranks, as well as the typical under-valuation of women's work. With only 3.7% of reporting organisations setting a target for reducing their organisation-wide pay gap, much more advocacy and education is needed before we can declare equal pay is in hand.

About the Workplace Gender Equality Agency and its data

The Workplace Gender Equality Agency is an Australian Government statutory agency charged with promoting and improving gender equality in Australian workplaces in accordance with the *Workplace Gender Equality Act 2012 (the Act)*. The Agency's vision is for women and men to be equally represented, valued and rewarded in the workplace.

Under the Act), non-public sector employers with 100 or more employees must submit a report annually to the Agency against six gender equality indicators:

GEI 1: gender composition of the workforce

GEI 2: gender composition of governing bodies of relevant employers

GEI 3: equal remuneration between women and men

GEI 4: availability and utility of employment terms, conditions and practices relating to flexible working arrangements for employees and to working arrangements supporting employees with family or caring responsibilities

GEI 5: consultation with employees on issues concerning gender equality in the workplace

GEI 6: sex-based harassment and discrimination.

The Agency's dataset is based on 4,670 reports submitted on behalf of over 11,000 employers in accordance with the Act for reporting period 1 April 2014 to 31 March 2015. Around 4 million employees across Australia are covered – more than one-third of Australia's total labour force. Findings from the full dataset will be released on 26 November 2015.

Note: extensive consultation with employers throughout the development of our pay equity campaign prompted the Agency to review the options provided in the WGEA reporting questionnaire and resulted in a number of additional options being provided under actions taken. As a result, a time series is not provided in chart 2.