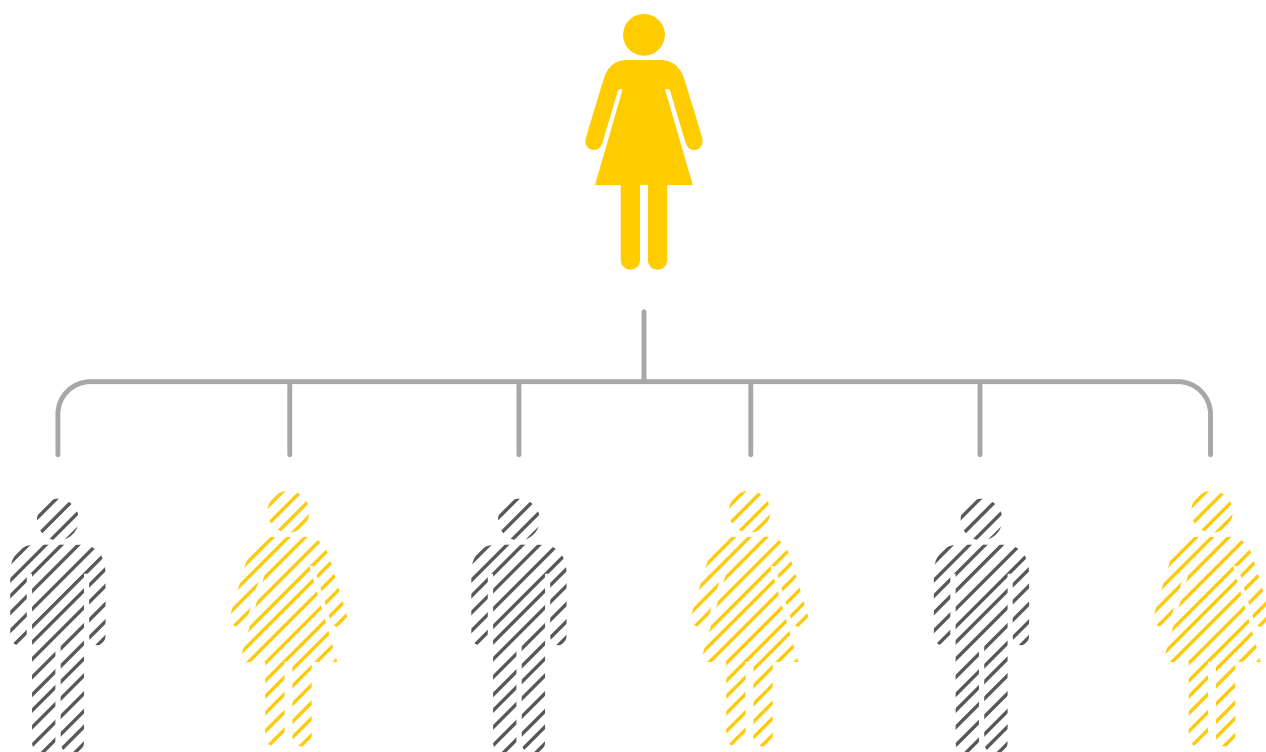


CEO briefing

Driving performance through pay equity



GENDER P  Y EQUITY

CEO Briefing

Driving performance through pay equity



The Workplace Gender Equality Agency calls on CEOs and leadership teams to understand gender pay gaps and take immediate action. Pay equity is in your hands.

Gender pay equity ensures women and men in your organisation who are doing work of equal or comparable value receive the same total remuneration.

Unintended gender biases in hiring, promotion, performance and pay decisions, commonly found in most organisations, can lead to pay inequity. Best practice talent management involves undertaking analyses to identify any instances of pay inequity and putting in place action plans to address identified inequities.

Productivity and business performance are enhanced by attracting and retaining the best talent and by maintaining a motivated workforce. A culture that openly embraces pay equity is very important in this context.

Addressing pay equity requires leadership from the top. Leadership plays an important role in driving a strong culture of pay equity by transparently taking action to ensure pay inequities are addressed.

In collaboration with Chief Executive Women the Workplace Gender Equality Agency has developed this brief for CEOs and leadership teams to explore common causes of gender pay gaps and identify actions to drive pay equity and thereby improve business performance.

We would also like to acknowledge the contribution of the Male Champion of Change and the Australian Human Rights Commission.

'It's up to every leader to call out gender equality as a key priority for their organisation. It takes more than just words, you need a clear plan with measurable outcomes. It starts with the CEO and everyone needs to work together to drive change.'

Gail Kelly, CEO Westpac and member of Chief Executive Women

'Understanding and addressing gender pay equity is a conscious decision that requires planning and commitment. It is critical to have information to make good decisions about pay and performance, that's why we conduct regular analysis on gender, pay and performance ratings.'

Gary Wingrove, CEO, KPMG and Male Champion of Change

'BP Australia is committed to treating all our employees equally: we take gender pay parity seriously. We include a reporting tool in our annual salary review process, which shows managers the 'gender impact' of their decisions. This gives real transparency, reveals any unintended bias and helps us drive the right outcomes.'

Brooke Miller, CFO BP Australia and member of Chief Executive Women

The Workplace Gender Equality Agency has developed a series of business-focused toolkits to assist your company address pay equity. These, along with more information, can be found at

www.wgea.gov.au/addressingpayequity

About gender pay gaps

Three types of gender pay gaps can be found in organisations:



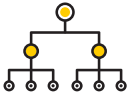
Like-for-like gaps

These are gaps between women and men undertaking work of equal or comparative value (comparing jobs).



By-level gaps

These are gaps between women and men at the same organisational level, for example, at each manager level or level to the CEO.



Organisation wide gaps

This is the difference between the average remuneration of women and the average remuneration of men across the whole organisation.

'CEOs make decisions based on fact. Before you dismiss pay equity as not being a problem in your organisation, you have to look at the data.'

Andrew Stevens, former CEO, IBM and Male Champion of Change

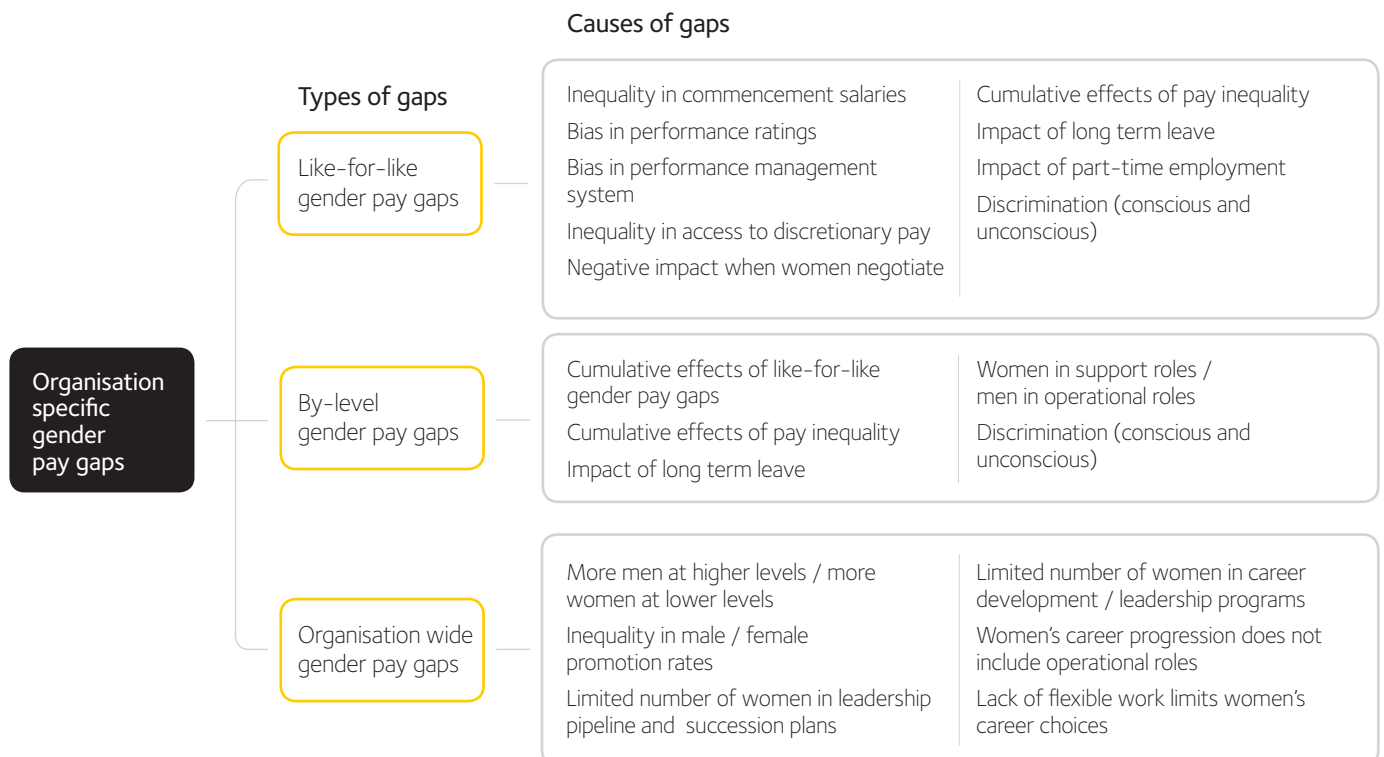
Gender bias will often occur in hiring, promotion, performance and pay decisions and is nearly always unintended. Such unintended gender bias means pay inequities can arise and remain systemic in many organisations.

There are often factors that explain pay gaps such as market rates, performance, experience, education, tenure or geography. However, if after accounting for such factors there is still a gap, it may be hard to argue the gap is justifiable.

It is beneficial for senior leaders to understand where gender pay gaps may be, to know the causes are being investigated and that management is developing actions to address the causes.

Key benefits include improved talent attraction and retention, improved employee engagement and reputational risk management.

Organisation specific gender pay gaps explained:



Addressing gender pay gaps

Achieving gender pay equity is a process that takes time. We suggest a six step process. The first step starts with gaining awareness of pay equity, followed by building a business case and ensuring the leadership is committed to addressing the issue.

Asking for and looking at the data is perhaps the most important step in addressing pay equity in your organisation. It is critical to understand where the gaps are and whether they can be explained and justified.

In building a pay equity strategy and action plan, organisations should tailor actions to address the specific nature and causes of their gender pay gaps. Many organisations start by addressing their like-for-like gender pay gaps.

Six steps to addressing pay equity



‘Throughout our history we have celebrated and been recognised for our richly diverse workforce. Given we have long supported women in key roles in our organisation, it was our assumption that we also had pay equity. A deep dive into the data gave us a better understanding and the opportunity to make the adjustments we needed over time to ensure equality was achieved at all levels.’

Christine Holgate, CEO of Blackmores and member of Chief Executive Women

Six immediate actions to take:

1. Take ownership of pay equity.
2. Place pay equity on the next executive team agenda.
3. Request your HR team conduct a pay equity analysis and report back to you.
4. Direct your HR team to the “Addressing pay equity” WGEA webpage.
5. Commit to developing an action plan to address any gender pay gaps identified.
6. Include metrics on gender pay equity in your report to the Board.

Six ways to demonstrate your leadership:

1. Commit to the end-to-end process of addressing pay equity.
2. Role model the removal of biases during the performance management process and the annual remuneration review.
3. Role model the removal of biases around part-time work and flexible work arrangements.
4. Actively communicate internally and externally on the importance of ensuring equal remuneration between women and men.
5. Hold management to account on addressing any pay equity issues and removing bias in pay and performance decisions.
6. Remove the roadblocks for your HR team to address pay equity issues.

Six red flags to look out for:

1. No gender pay gap analyses are conducted.
2. Your team tells you ‘there are no gender pay gaps’.
3. Negative employee perceptions about fairness are observed in engagement surveys.
4. Remuneration policies and procedures do not specifically address pay equity.
5. Inadequate (or no) action has been taken to address pay inequities.
6. Gender pay gaps are ‘explained’ but not investigated and ‘justified’.

Demonstrating leadership on pay equity

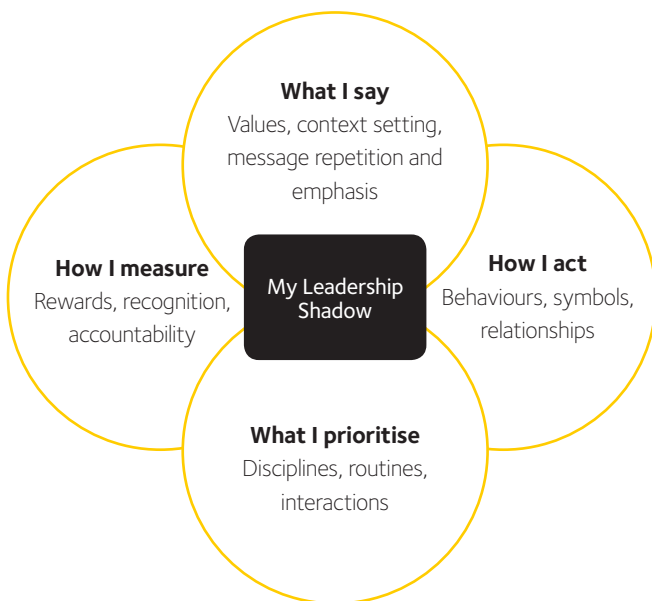
‘Pay equity is not something leaders can set and forget – it requires an understanding of the data and a willingness to investigate and address the gaps every time pay outcomes are determined.’

Christine Christian, President Chief Executive Women

Leadership is critical to the elimination of gender bias in pay decisions and across organisational systems and processes. Leadership commitment to addressing pay equity means that the leadership has focused attention on the importance of the issue and is committed to taking action.

The Leadership Shadow developed by Chief Executive Women and the Male Champions of Change is a model to help leaders assess their actions and behaviours in the context of achieving gender balance. The Leadership Shadow encourages leaders to consider that “what we say; how we act; what we prioritise; and how we measure together determine what gets done”.

WGEA has adapted the original Leadership Shadow model, that can be found at cew.org.au, to specially consider the objective of reducing pay gaps. Here are our suggested communications, actions, prioritisation and metrics that leaders can implement to reduce pay gaps.



What we say:

- Communicate internally and externally to key stakeholders a commitment to pay equity.
- Talk to your senior management team about pay equity and the removal of gender bias.
- During remuneration and performance decisions ask questions about the gender analysis conducted.

How we act:

- Demonstrate fairness in remuneration and performance decisions.
- Role model best practice in reviewing performance and remuneration decisions and calibrate results based on analysis.
- Conduct regular payroll analyses and take action on gender pay gaps.

What we prioritise:

- Ensure pay equity is an agenda item at the executive level.
- Ensure pay equity is a priority for your human resources and diversity team.
- Prioritise the development of a gender pay equity strategy.
- Raise pay equity to the board level.

What we measure:

- Conduct regular analyses of your payroll for gender bias.
- Include pay equity metrics in management and board reporting.
- Set targets for reducing gender pay gaps.