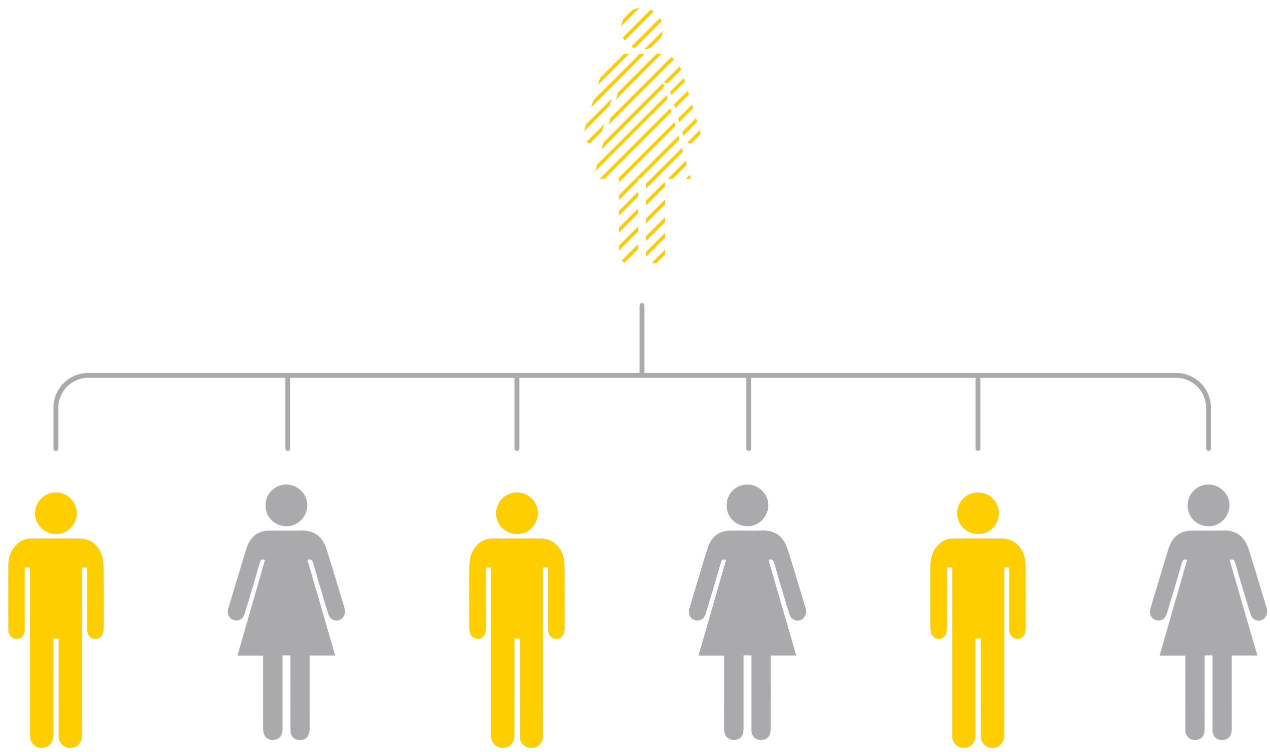
Australian Government

Workplace Gender Equality Agency

Director briefing

The board's role in driving performance through pay equity



GENDER PAY EQUITY

Australian Government

Workplace Gender Equality Agency

Director briefing

The board's role in driving performance through pay equity

Gender pay equity ensures women and men in your company 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. Directors can play an important role in driving a strong culture of pay equity by asking questions and monitoring remuneration outcomes.

In collaboration with the Australian Institute of Company Directors and KPMG, the Workplace Gender Equality Agency has developed this brief for directors to explore common causes of gender pay gaps and identify actions directors can take to drive pay equity and thereby improve business performance.

'It is both a fairness argument and a productivity argument. It is in the best interests of the stakeholders to ensure women occupy leadership positions and be remunerated fairly.'

Charles Macek FAICD, Director, Wesfarmers Ltd

'Receiving the right data is a fundamental issue. The directors need to be given the best available data and be able to understand it in order to ask the right questions of the executive and create awareness around the issue.'

Dr Eileen Doyle FAICD, Company Director

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

Australian Government

Workplace Gender Equality Agency

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.

'The human resources or remuneration committee can be used to bring this issue to the attention of the board and drive visibility throughout the business. They can also be responsible for obtaining the data, monitoring performance and reporting highlights back to the board.'

Naseema Sparks FAICD, Director, Melbourne IT

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 directors to understand where gender pay gaps may be, to seek assurance the causes are being investigated and that management is developing actions to address them.

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

Organisation specific gender pay gaps explained:

Organisation specific gender pay gaps

Types of gaps	Causes of gaps	
Like-for-like gender pay gaps	Inequality in commencement salaries Bias in performance ratings Bias in performance management system Inequality in access to discretionary pay Negative impact when women negotiate	Cumulative effects of pay inequality Impact of long term leave Impact of part-time employment Discrimination (conscious and unconscious)
By-level gender pay gaps	Cumulative effects of like-for-like gender pay gaps Cumulative effects of pay inequality Impact of long term leave	Women in support roles / men in operational roles Discrimination (conscious and unconscious)
Organisation wide gender pay gaps	More men at higher levels / more women at lower levels Inequality in male / female promotion rates Limited number of women in leadership pipeline and succession plans	Limited number of women in career development / leadership programs Women's career progression does not include operational roles Lack of flexible work limits women's career choices

Australian Government

Workplace Gender Equality Agency

Addressing gender pay gaps

Achieving gender pay equity is a process that takes time. We suggest a six step process, with the board performing an oversight role, generally via the human resources or remuneration committee.

Six steps for organisations to address pay equity.

The board plays an important role in steps 1-3 and 6, by raising awareness, building a business case, demonstrating leadership and holding management to account.

Board

1. Awareness:
Gain awareness and traction around the issue.

2. Build a business case:
Understand and support the key benefits for the organisation in addressing pay equity.

3. Leadership:
Ask for the data and commit to addressing the issue.

Management

4. Gender pay analysis:
Conduct a gender pay analysis, identify gender pay gaps and analyse their causes.

5. Strategy and action plan:
Tailor specific actions to the nature and causes of gender pay gaps. Potentially start by addressing like-for-like gender pay gaps in the first instance.

Board / Management

6. Review and refine:
Monitor progress and strive for change and improvement.

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.

Ten questions directors could ask:

1. How often is a pay equity analysis done?
2. What are the key findings and actions arising from the data analysis?
3. What pay equity indicators are you able to report to the board?
4. What are the findings of the annual performance review analysis by gender?
5. How do our diversity and remuneration policies address pay equity?
6. What is our pay equity strategy and action plan to address any pay equity issues?
7. What progress has been made on addressing pay equity issues?
8. What are the key barriers inhibiting progress on pay equity?
9. How is the CEO held accountable for pay equity?
10. What is the process for ongoing monitoring of pay equity in the company?

Five red flags to look out for:

1. Senior management is unaware of the issue of pay equity.
2. No gender pay gap analyses are conducted.
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 taken to address pay inequities.