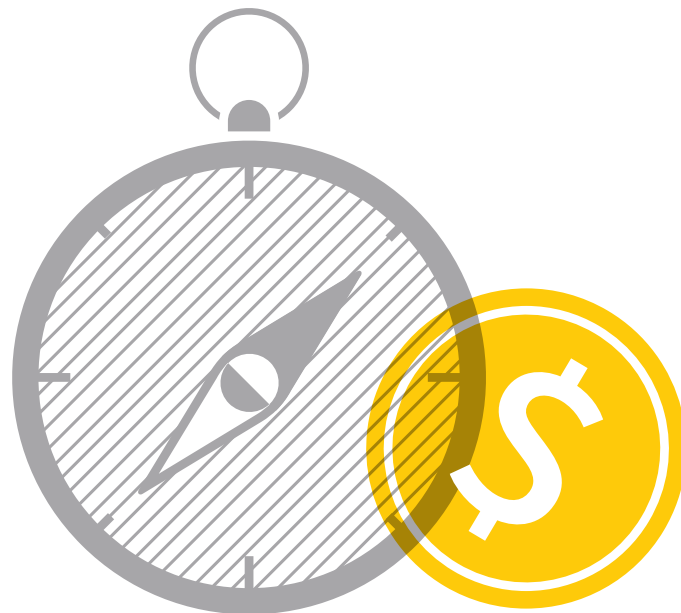


Guide to gender pay equity

Practical steps to improve pay equity between
women and men in your organisation



GENDER P  Y EQUITY

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Overview

Addressing pay equity: a strategic issue

Achieving gender equality, including gender pay equity, is a process that takes time and conscious significant effort.

Gender pay equity is about ensuring women and men performing the same role are paid the same amount, and women and men performing different work of equal or comparable value are paid equitably. This requires a valuing of skills, responsibilities and working conditions in a non-discriminatory way.

Unintended gender biases in hiring, promotion, performance and pay decisions can lead to incidences of pay inequity in almost every organisation.

Any unfairness or perceived unfairness can negatively impact workplace productivity, employee engagement and morale, access to talent, and retention. That's why reviewing the results of a comprehensive pay equity audit and developing a pay equity action plan is a feature of best practice talent management, while also providing a valuable insight into your gender diversity performance.

This guide will help you diagnose the status of pay equity in your organisation, set goals, and take practical steps to improve pay equity as part of your gender equality strategy. This guide will also assist you in improving against reporting matters under gender equality indicator three: equal remuneration between women and men under the *Workplace Gender Equality Act 2012*, and in meeting the WGEA Employer of Choice for Gender Equality criterion three.

Purpose of this guide

This guide provides a step-by-step guidance to:

- ➔ facilitate an understanding of what is meant by gender pay gaps and the causes of gender pay gaps
- ➔ help you identify and analyse any gender related pay gaps within your organisation, with a focus on like-for-like gender pay gaps
- ➔ establish goals, strategies and actions to manage and improve gender pay equity in your organisation.

Who should use this document?

This guide is designed to assist organisations of all sizes and in all industries. People in the following roles may find this document useful:

- ➔ human resources practitioners of all levels of seniority
- ➔ CFOs, COOs, members of the finance department
- ➔ diversity practitioners
- ➔ managers and employees responsible for recruitment, remuneration and promotion processes, and reviews.

In some organisations gender pay equity may also be addressed by those with other operational functions including payroll managers.

The person in your organisation, who is conducting the actual data analysis will need to refer to additional resources identified in this guide.

Six step process to improving pay equity

Different organisations will be at different stages of the journey towards pay equity. We have identified six steps that are part of this journey:



- 1 Awareness and understanding:**
Develop a basic understanding of the key issues surrounding pay equity
- 2 Build a business case:**
Articulate why pay equity is important for your organisation
- 3 Gain leadership commitment:**
Secure buy-in from the leadership team to investigate and address pay equity issues
- 4 Data analysis:**
Identify any gender pay gaps and investigate the causes
- 5 Strategy and action:**
Build a clear set of goals and action plans to improve pay equity
- 6 Review and refine:**
Monitor and review pay equity continuously

Importantly, your pay equity strategy should be developed in accordance with your broader gender equality or diversity strategy. Depending on where your organisation is on the pay equity journey, when using this guide you may skip to the sections that are most relevant to you.

Figure 1: Strategic alignment of pay equity to business performance and growth



When to use this document

The insights that this six step process generates about pay equity in your organisation may be particularly useful to consider at certain points, such as during:

- ➔ the budget setting process
- ➔ remuneration and promotion reviews
- ➔ recruitment processes
- ➔ briefings to recruitment agencies and search firms
- ➔ the performance and talent management process
- ➔ the development of your gender equality strategy.

Related resources

This guide is one of a series that together comprise the Agency's gender pay equity toolkit. Other elements of the toolkit include:

- ➔ a gender pay gap calculator (excel file)
- ➔ a wgender pay gap calculator technical guide
- ➔ case study documents.

Step 1

Awareness and understanding

Understanding some basic pay equity concepts will help you to contextualise some of the factors that may have an impact on any gender pay gaps in your organisation.

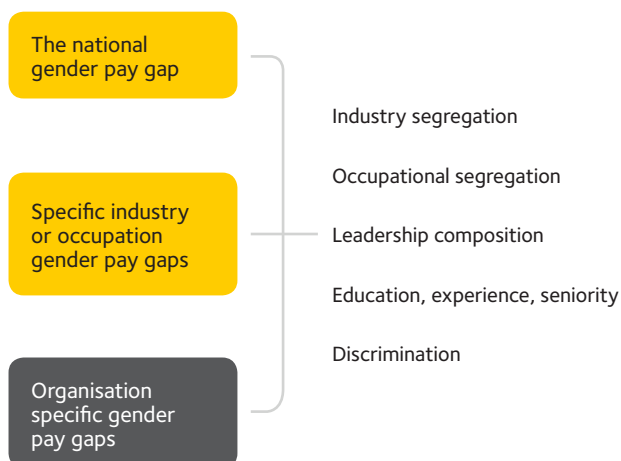
1.1 What is pay equity?

Pay equity is achieved when women and men receive equal pay for work of equal or comparable value. This means that women and men performing the same role at the same performance standard are paid the same amount. It also means that women and men performing different work of equal or comparable value are paid equitably.

1.2 What is the gender pay gap?

The gender pay gap is the difference between women's and men's earnings. While the phrase 'gender pay gap' is commonly used to refer to the difference between women's and men's earnings on a national level (i.e. the national gender pay gap), gender pay gaps can be calculated in other ways: across an industry or occupation type, and within organisations.

Figure 2: Types of gender pay gaps



The national gender pay gap

The national gender pay gap is the difference between women's and men's average weekly ordinary time full-time equivalent earnings, expressed as a percentage. The Agency calculates the national gender pay gap using Australian Bureau of Statistics' Average Weekly Full-Time Earnings data (cat. No. 6302.0). The national gender pay gap has hovered around 15% and 18% for the past two decades.

The national gender pay gap is influenced by a number of interrelated work, family and societal factors, including stereotypes about the work women and men 'should' do and the way women and men 'should' engage in the workforce. Other factors that contribute to the gender pay gap include:

- women and men working in different industries (industrial segregation) and different jobs (occupational segregation). Historically, female-dominated industries and jobs have attracted lower wages than male-dominated industries and jobs
- a lack of women in senior positions, and a lack of part-time or flexible senior roles. Women are more likely than men to work part-time or flexibly because they still undertake most of society's unpaid caring work and may find it difficult to access senior roles
- women's more precarious attachment to the workforce (largely due to their unpaid caring responsibilities)
- differences in education, work experience and seniority
- discrimination, both direct and indirect.

Gender pay gaps within industries and occupations

Pay gaps also occur within industries and occupations. In every single industry there is a pay gap favouring men. Some of the highest gender pay gaps are found in female-dominated industries including health care and social assistance and finance and insurance services. Occupational segregation, a lack of women in leadership and a lack of part-time or flexible senior roles contribute to pay gaps within industries. Gender pay gaps tend to be lower in industries where pay rates are determined by an industry-wide award, as opposed to industries where pay rates are determined at the organisation level through an enterprise bargaining agreement or individual contractual arrangements. Overall, the gender pay gap in the private sector is considerably larger than in the public sector.

In every occupational category, there is a gender pay gap favouring full-time working men over full-time working women. Technicians and trades workers and community and personal service workers have some of the highest gender pay gaps. Clerical and administrative workers and machinery operators and drivers have some of the lowest gender pay gaps. Causes of occupational gender pay gaps include women and men working in different types of organisations, a lack of women in more senior or high-paid roles within occupational categories, and discrimination.

Gender pay gaps within organisations

Many employers don't realise they have a gender pay gap. Three types of organisational gender pay gaps can be distinguished and these can be uncovered through a gender pay gap analysis.



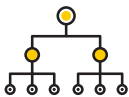
Like-for-like gaps

Pay gaps between women and men undertaking work of equal or comparable value (comparing jobs at the same performance standard), for example, comparing two senior engineers in the same organisation.



By-level gaps

Pay gaps between women and men doing the same or comparable work (comparing responsibilities, typically the same level in the organisational hierarchy), for example, comparing individuals within groupings of levels such as Key Management Personnel, managers, professionals.



Organisation-wide (or department-wide)

Gender pay gap which is the difference between the average remuneration of women and the average remuneration of men across the whole organisation (or department).

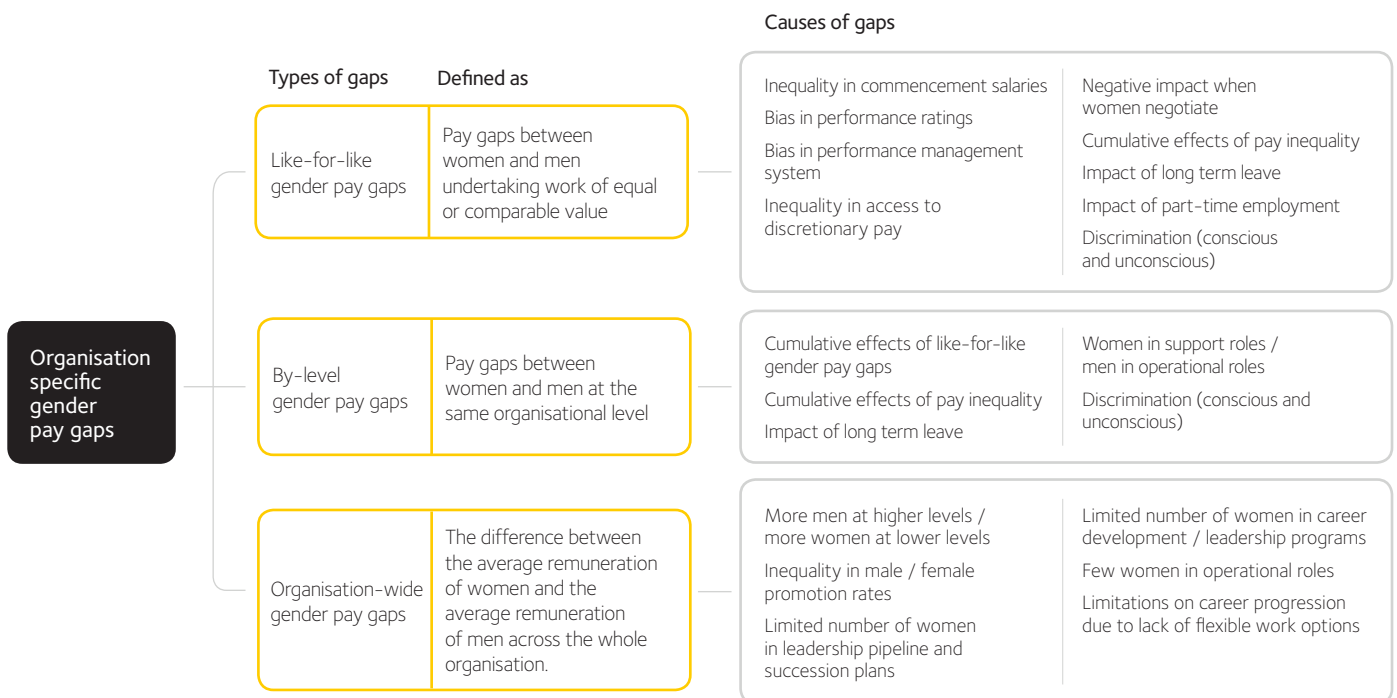
'It's up to every leader to call out gender equality as a key priority for their organisation. It takes more than just words, you need a clear plan with measurable outcomes. It starts with the CEO and everyone needs to work together to drive change.'

Gail Kelly, CEO Westpac and member of Chief Executive Women

The causes of each of these three types of gender pay gaps are explained in figure 3. The focus of this toolkit is on addressing like-for-like gender pay gaps as these exist as a result of conscious and unconscious bias within various remuneration, talent and performance decisions, systems and processes. By-level gaps are caused by the cumulative effect of like-for-like gaps as well as differences in job characteristics, and organisational gaps are largely driven by structural issues within the organisation that cause women and men to be in different types of roles and at different levels of seniority.

By addressing the causes of like-for-like gender pay gaps, an organisation will be able to reduce the cumulative effects driving by-level gaps and organisational gaps.

Figure 3: Organisation gender pay gaps explained



'Preventing inevitable biases creeping into remuneration processes requires focus and effort. Indifference will lead to imbalance'.

Stephen Roberts, CEO, Citibank

1.3 Why might your organisation have a gender pay gap?

Gender pay gaps, particularly like-for-like gaps, can often be the result of unconscious biases and practices in recruitment and remuneration decisions. One study found that between 65% and 90% of the earnings differential among full-time managers could not be explained by a large range of demographic and labour market variables and that a major part of the earnings gap is 'simply due to women managers being female'.¹

The primary causes of like-for-like gaps are outlined below. Consider how each of these might be occurring in your organisation once you have conducted your gender pay gap analysis (see Step 4).

Bias in the performance management process

Employers who analyse performance ratings across their workforce by gender are often surprised to find men receive disproportionately higher performance ratings than women resulting in higher total remuneration being awarded to men. While men may be better performers than women in particular cases, research suggests that various forms of gender bias impact performance management decisions. For example, research shows men are often rewarded based on future potential while women are rewarded based on past performance².

Research also suggests the concept of a natural leader unconsciously colours our perceptions of good leadership as being inherently masculine. This means women often don't fit the expectations of what makes a good manager and are penalised accordingly in performance and pay reviews³.

By analysing performance ratings by gender, employers can interrogate potential unconscious biases and then recalibrate performance ratings accordingly before they are set.

Bias in remuneration decisions

Gender-related pay gaps may result from various remuneration decisions. Remuneration decisions are generally made at the following times:

- on commencement
- during the annual remuneration process
- during promotion discussions
- within organisation-wide remuneration reviews
- when employees go on leave (particularly parental leave)
- when employees return from leave
- during retention discussions
- during secondment.

Because gender bias is often unconscious, a systematic and analytical approach to remuneration decisions is needed to ensure bias doesn't impact pay decisions. This is irrespective of whether remuneration decisions are made centrally (e.g. by human resources), decentralised (e.g. made by business units) or a combination of both. Centralised remuneration decision-makers are often best placed to assess if the remuneration being offered to a new starter is consistent with the remuneration being paid to existing employees in the same job category. Decentralised decision makers, who tend to be hiring managers within business units, are often less likely to assess remuneration decisions from this perspective.

Consider how pay decisions are made in your organisation and how this may be contributing to any gender pay gaps. Some organisations require that remuneration for new hires is approved centrally by human resources, at which point the salaries are checked for gender pay equity.

¹Watson, I. (2010) 'Decomposing the Gender Pay Gap in the Australian Managerial Labour Market' Australian Journal of Labour Economics Vol 13 No 1

²Workplace Gender Equality Agency (2014) Perspective paper: Women and negotiation

³Workplace Gender Equality Agency (2014) Perspective paper: Women and negotiation

'A country's national competitiveness is largely defined by its workforce so it makes no sense, especially for a country with Australia's small population, to limit or constrain the contribution of over 50 percent of its people. Just as in business, we need to attract the best talent and retain the best talent so there is no room for gender bias in remuneration and performance management decisions. I call on all business leaders to commit to eliminating gender bias - it's just good business.'

Pip Marlow, CEO, Microsoft

Motherhood penalty⁴

Becoming a mother can change how a woman is perceived in the workplace. The motherhood penalty can result in significant differences in performance ratings and levels of remuneration between women and men. Taking parental leave also has a negative effect on women's wage growth and this pay penalty increases with the length of leave taken.

Recent Australian statistics reveal nearly half of all women experience discrimination in the workplace at some point during pregnancy, parental leave or returning to work from parental leave⁵.

The most commonly reported types of discrimination were missing out on an opportunity for promotion and being excluded from training and development opportunities. Pregnant women reported being left out of long-term projects or not being included in the hiring and delegation decisions related to their maternity leave arrangements. Observations of how they are treated during pregnancy can shape women's expectations of how their workplaces and motherhood will interact, thereby influencing their decisions about returning to work after parental leave.

In US research⁶, pregnant women were considered less competent and less qualified for a promotion than non-pregnant women. Visibly pregnant women were also judged to be less committed to their roles, less authoritative, less dependable, more emotional and more irrational than other female employees who were not pregnant.

Impact of part-time employment and leave

It is more common for women than men to work part-time or have periods where they are not in the labour force. Australian research has shown that mothers returning from parental leave experience reduced earnings growth over time and this is particularly significant for women who return to part-time work. Part-time workers also experience reduced promotional opportunities and career plateaus, and this has negative effects on their long term economic security. This is largely because flexible or part-time work is often perceived as career limiting and something that women are more likely to do.

Women and negotiation⁷

There is no evidence to suggest that women's abilities to negotiate are any different from men's, but research shows that women tend to have less successful negotiation outcomes than men. Negotiating behaviours, such as being 'assertive', 'dominant' or 'self-oriented', are male-associated behaviours, so when women display these attributes in negotiations they are acting outside gendered stereotypes and are more likely to be perceived as 'difficult' or 'unlikeable'. As a consequence, when women do negotiate for themselves, they ask for less and are more likely to accept an initial offer. In essence, women are damned if they do negotiate and doomed if they don't.

⁴Workplace Gender Equality Agency (2014) Perspective paper: Parenting, work and the gender pay gap

⁵Australian Human Rights Commission (2014) Supporting Working Parents: Pregnancy and return to work national review - report

⁶Correll, S. J., Benard, S., and Paik, I. (2007), Getting a job: Is there a motherhood penalty? American Journal of Sociology, Vol. 112 (5), 41.

⁷Workplace Gender Equality Agency (2014) Perspective paper: Women and negotiation

Table 1: Checklist of factors that might be an issue in your organisation

	Your Organisation
Remuneration levels	
➔ For new hires in similar roles, are female and male starting salaries fairly equal?	<input type="checkbox"/>
➔ Are women on parental leave included in the annual salary review?	<input type="checkbox"/>
➔ Are certain elements of remuneration only available to roles dominated by men?	<input type="checkbox"/>
➔ Is overtime paid to operational roles, but not administrative roles?	<input type="checkbox"/>
➔ Are discretionary pay and allowances more likely to be paid to men?	<input type="checkbox"/>
Training / Education	
➔ Are training and development opportunities offered predominantly to roles held by men?	<input type="checkbox"/>
➔ Are men more likely to be selected for leadership training opportunities?	<input type="checkbox"/>
➔ Do women tend to have administrative / clerical focused training?	<input type="checkbox"/>
➔ Are assumptions made that women (particularly part-timers) are not interested in further training or career development?	<input type="checkbox"/>
Performance appraisal	
➔ Are men more likely to work in areas where performance appraisals are in place?	<input type="checkbox"/>
➔ Are performance ratings and related remuneration higher for men?	<input type="checkbox"/>
➔ Are performance ratings and related remuneration higher for full-time workers than part-time workers?	<input type="checkbox"/>
Career development	
➔ Do stereotypical views about women's roles / abilities prevent access to career development?	<input type="checkbox"/>
➔ Do men receive promotions and pay increases sooner than women?	<input type="checkbox"/>
➔ Are more men in graduate programs leading to earlier career advancement and higher remuneration?	<input type="checkbox"/>
➔ Are more management roles available in operational areas (predominantly male) than in support areas (predominantly female)?	<input type="checkbox"/>
➔ Are more men than women identified as high potential and listed on the succession plan?	<input type="checkbox"/>
➔ Are more men than women given the opportunity to host client events and build networks?	<input type="checkbox"/>
➔ Are secondments, project opportunities, overseas assignments more likely to be provided to men?	<input type="checkbox"/>
➔ Are employees in support areas (mostly women) considered for project assignments in operational areas?	<input type="checkbox"/>
Mobility	
➔ Do part-time employees (mostly women) have greater challenges in attending training?	<input type="checkbox"/>
➔ Are primary carers (predominantly women) more likely to be overlooked for promotion involving relocation?	<input type="checkbox"/>
➔ Are employees with non-working partners (mostly men) more able to take up overseas projects / secondments?	<input type="checkbox"/>
Employment status	
➔ Are targets which attract bonuses pro-rated for part-time employees (mostly women)?	<input type="checkbox"/>
➔ Do long term casual staff (mostly women) have opportunities to become permanent?	<input type="checkbox"/>
➔ Are part-time employees (mostly women) less likely to be promoted, regardless of performance rating?	<input type="checkbox"/>

Step 2

Building the business case for pay equity

Building a business case is a critical step in obtaining high level support to establish a project for addressing pay equity and achieving gender equality more broadly.

Regardless of whether a pay equity analysis is being conducted as part of a broader gender equality strategy or a standalone initiative, it is important to consider the following in developing your business case:

- ➔ key stakeholders who will be involved and impacted
- ➔ impacts on the organisation
- ➔ benefits for each stakeholder group and the organisation
- ➔ resources required to develop and implement the project
- ➔ return on investment
- ➔ alignment to the business strategy and to the gender equality strategy
- ➔ project sponsor, project accountabilities and project manager
- ➔ project scope
- ➔ communication and change management process
- ➔ risks and mitigations.

You should also factor in the specific circumstances in your organisation and industry including:

- ➔ your organisation's corporate and competitive strategy
- ➔ your organisation's gender equality strategy
- ➔ your organisation's employee value proposition, that is, how your organisation differentiates itself in the attraction and retention of talent
- ➔ skills shortages in parts of your organisation and industry
- ➔ what success looks like in your organisation, and how you will demonstrate success to the leadership and management teams.

If your organisation reports to the Agency under the *Workplace Gender Equality Act 2012*, it is also recommended that you review the Competitor Analysis Benchmark Report provided to your organisation by the Agency to assess performance on pay equity (gender equality indicator three) compared to similar organisations.

2.1 Quantify the benefits

It is important to quantify both the financial and non-financial benefits of pay equity, and incorporate these metrics into the formal business case.

Table 2: Benefits of addressing pay equity

Benefit	Description	Measured by
Reduced staff turnover	Where women and men are appropriately remunerated for the value of the work they do, staff are less likely to feel dissatisfied and leave their current employer for better pay. Reduced turnover leads to reduced recruitment costs, retention of knowledge and human capital, and less instability due to turnover.	<ul style="list-style-type: none"> ➔ employee turnover rates (by gender) ➔ cost of employee turnover (by gender). Some research has estimated employee turnover can cost approximately 150% of a person's annual salary
Reduced risk of legal claims	Employers are less likely to be exposed to costly and time-consuming discrimination complaints arising from unequal remuneration.	<ul style="list-style-type: none"> ➔ number of employee queries/complaints over remuneration
Access to a broader talent pool	Employers with a reputation for fair and equitable practices are more attractive to skilled and talented women and men. Improving the fit between pay and the value women have to offer improves the quality of recruitment pools.	<ul style="list-style-type: none"> ➔ gender composition of the workforce and manager levels ➔ average time taken to recruit for key roles ➔ ability to recruit from established networks as opposed to paying for recruiters
Improved morale and productivity	Remuneration is one of the key factors affecting motivation and productivity of employees. Satisfied employees are more productive.	<ul style="list-style-type: none"> ➔ productivity and utilisation rates ➔ employee engagement scores
Reputation and brand	Gender pay equity may enhance an organisation's reputation as being 'a good place to work and an ethical employer'	<ul style="list-style-type: none"> ➔ stakeholder feedback scores ➔ customer feedback scores ➔ employee engagement scores

2.2 Communicate the benefits of addressing pay equity

In building your business case and gaining commitment from other stakeholders, consider tailoring the communication messages to suit the stakeholder group. As each stakeholder has specific interests it is important to communicate the benefits in terms of what they value. Table 3 sets out examples of key messages for each stakeholder group.

Table 3: Key communication messages addressing pay equity for different stakeholders

Stakeholder/audience	Key messages/benefits
Board	<ul style="list-style-type: none"> ➔ outline directors' role in driving and overseeing pay equity ➔ achieve best practice in talent management ➔ minimise legal risks including discrimination cases ➔ enhance innovative thinking through diversity and engagement ➔ ensure management is meeting the legal obligations ➔ enhance dollar value of assets such as goodwill
CEO/executives	<ul style="list-style-type: none"> ➔ demonstrate accountability to board ➔ achieve best practice and competitive edge ➔ align with stakeholder expectations ➔ enhanced innovation and improved business outcomes ➔ higher levels of engagement and productivity ➔ improved talent management and access to talent ➔ supports a high performance organisational culture
Human resources and remuneration practitioners	<ul style="list-style-type: none"> ➔ demonstrate accountability to management ➔ alignment to dedicated gender equality strategy ➔ streamlined talent management systems and processes ➔ streamlined performance management process ➔ enhanced employee value proposition ➔ supports culture of employee engagement ➔ progress to achieving WGEA Employer of Choice for Gender Equality citation
Employees	<ul style="list-style-type: none"> ➔ enhanced culture of equality and fairness ➔ demonstrated commitment to merit-based pay systems ➔ progress to a performance based culture ➔ enhanced employee value proposition



Case Studies

ThoughtWorks case study: an innovative international technology company

ThoughtWorks started on its pay equity journey by realising that a large untapped pool of talent existed in women who had trained and worked as developers and consultants in the IT industry before having children and leaving the workforce. As they began to find ways to bring these women back into the workforce, they were confronted with issues of pay inequity and a lack of gender diversity. Through their

company ethos of fairness and justice, once they had identified these issues, they felt compelled to fix them. This included implementing recruitment targets, flexible work, return-to-work provisions for mothers coming back from maternity leave, educating staff and clients about gender diversity and equality, and engaging the senior leadership team in initiatives to address issues around pay equity.

Telstra case study: a global telecommunications provider

The CEO of Telstra commented: 'We want a team that's fully engaged, highly motivated and properly remunerated. We want to attract and retain the best people, regardless of their gender or creed and we want to make Telstra a great place to work. To make that happen we need to be flexible, fair and inclusive – that's who we are, that's our culture'. The language of equality, fairness and inclusivity

is central to the company culture, and the need to attract more talent crystallised a focus on pay equity. This large corporation set targets for recruitment to improve gender diversity, implemented flexible work practices and undertook a variety of measures to make the organisation an attractive place for women to work.

Step 3

Leadership commitment

Leadership is critical to the elimination of gender bias in pay decisions and across organisational systems and processes.

Leadership commitment on pay equity can emerge in one of two ways:

- ➔ top down: commitment may already exist at the board, CEO or leadership team level and human resources is called on to act
- ➔ bottom up: human resources may raise pay equity as an issue with the leadership team or CEO, sparking a commitment to investigate further.

There are different considerations with each of these scenarios as outlined below.

Key considerations when securing leadership commitment

Top down: Board, CEO or leadership team request human resources to act

If you have been asked to investigate pay equity issues, it is important to understand what is driving this commitment at the leadership level. Determine the goals that the Board, CEO or senior leader would like to achieve and in what time frame. Provide them with information about the different metrics that are available and what the various metrics mean.

Communicate that achieving pay equity is more than just conducting a gender pay gap analysis; it requires determining strategies and action plans. Discuss the connection to the broader gender equality strategy.

Bottom up: human resources gaining buy in from leadership team

If you are planning to raise the issue with the leadership team, you should ensure you can demonstrate an understanding of:

- ➔ what is important to the leadership team
- ➔ the way in which pay equity is aligned with the board and executive priorities and business/people strategy
- ➔ the way pay equity aligns to any existing diversity or gender equality strategy.

You should also be able to provide a presentation of the business case to the leadership team.

'The CEO has to own this issue otherwise you don't achieve change.'

Wayne Spanner, CEO, Norton Rose Fulbright

Demonstrated leadership commitment

The Leadership Shadow, developed by Chief Executive Women and the Male Champions of Change, is a useful model to help your leaders assess their actions and behaviours to ensure they align with the principles that underpin pay equity.

The Leadership Shadow encourages leaders to consider that 'what we say; how we act; what we prioritise; and how we measure; together, determines what gets done' (see figure 4 for a simplified model of the Leadership Shadow).

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.

Pay equity can often take time to address, and therefore project resources can be required to create long term sustainable change. It is important that leadership demonstrates commitment to:

- ➔ measuring pay gaps at least annually and holding management to account to address any pay equity issues
- ➔ role modelling the removal of biases during the performance management process and annual remuneration reviews
- ➔ role modelling the removal of biases around part-time work and flexible work arrangements
- ➔ actively communicating internally and externally the importance of ensuring equal remuneration between women and men.

'The performance of the organisation is the CEO's responsibility, and that is dependent on your company's talent and intellectual capital. Gender diversity and pay equity is not only a moral issue, it's a performance issue.'

Andrew Stevens, former CEO, IBM

'Throughout our history we have celebrated and been recognised for our richly diverse workforce. In 1963, Sister Esther Mercie Whellan was appointed to the Blackmores Board which she went on to Chair – a true trailblazer for women in leadership. 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

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

Figure 4: The Leadership Shadow model



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.

Chief Executive Women and Male Champions of Change (2014) It starts with us – the leadership shadow

www.humanrights.gov.au/publications/it-starts-us-leadership-shadow



Case Studies

ThoughtWorks case study: an innovative international technology company

At ThoughtWorks the strong philosophical position of the founder on issues of diversity and equality has created an ethos among the senior leadership team that diversity and equality should be at the forefront of business decisions. The commitment of the leadership team manifests in open

communication and discussion about these issues and in the initiatives that they have introduced. The conversation between the leadership and employees is frequent and open, meaning that employees are well aware of the company's vision and stance on gender equality.

Telstra case study: a global telecommunications provider

At Telstra the commitment of senior leadership to the gender diversity and pay equity agenda has been crucial to the success of efforts to address pay equity. Gender equality is heavily sponsored by senior executives in the company, number one being the CEO. Once a year the CEO will do a comprehensive review of talent with each of his direct reports and have a conversation with them about not only the strength of their talent pipeline but also the

gender equality aspects of the pipeline. The commitment of senior management to ensuring a gender equal organisation extends to the board with a standing item on the agenda requiring them to consider and review issues around pay equity and gender equality. The board also ensures that operational strategies align with the board's priorities in relation to gender equality.

Step 4

Identifying and analysing the gap

This section outlines how to conduct a gender pay gap analysis and provides guidance to help you explore the causes of any gaps uncovered.

Types of pay gaps: what your data will look like



Like-for-like gaps

If you have pay gaps between women and men undertaking work of equal or comparable value, you will see on your payroll spreadsheet different amounts in one or all of:

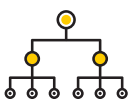
- base salary
- other elements of remuneration
- total remuneration.



By-level gaps

If you have one or more by-level gender pay gaps, you will see on your payroll spreadsheet differences, at one or more levels, in dollar amounts between:

- average annualised full-time equivalent female base salaries / other elements of remuneration / total remuneration and
- average annualised full-time equivalent male base salaries / other elements of remuneration / total remuneration.



Organisation-wide gaps

If you have an overall gender pay gap on your payroll spreadsheet, once you have annualised, totalled and averaged the full-time equivalent remuneration amounts for all women and all men in the organisation, you will see differences in dollar amounts between:

- female base salaries / other elements of remuneration / total remuneration and
- male base salaries / other elements of remuneration / total remuneration.

The critical step in taking action to address and improve pay equity in your organisation is to review the data and understand what is driving any gender pay gaps. The more detailed your analysis, the more you will be able to tailor a strategy and action plan to address your organisation's specific issues.

Your data analysis may uncover different types of pay gaps.

'Addressing pay equity underpins our diversity success, and understanding and addressing unconscious bias is a critical component. You need to audit the relevant data to know where the issues are and take action.'

Wayne Spanner, Managing Partner, Norton Rose Fulbright

4.1 Preparing data

4.1.1 Obtain the right payroll data

To conduct a payroll analysis, you will need to obtain the relevant pay data. As a minimum, you will need data showing:

- gender
- salary (base salary and components of total remuneration)
- items enabling calculation of full-time equivalent employee numbers, for example, actual hours employees work and full-time ordinary contract hours for the positions
- items enabling calculation of total annual full-time equivalent remuneration, for example, base pay, allowances, higher duties, superannuation, bonuses, job title/classification.

If your organisation reports to the Agency under the *Workplace Gender Equality Act 2012*, unit level data used to complete your workplace profile can be used to identify like-for-like gender pay gaps. The unit level data will show the annualised full-time equivalent remuneration for each woman and man.

The aggregate level workplace profile can be used as a starting point in analysing level-by-level gender pay gaps. If your organisation is a smaller organisation (i.e. less than 100 employees), take a snapshot of your payroll at a point in time. Data will need to be converted into full-time equivalent remuneration and annualised.

Other data

You may also collect other relevant data on outcomes, for example, geography, performance rating and tenure. Analysis of how these variables relate to pay can be useful in isolating whether a pay gap is related to gender or other factors. You may also consider analysing performance distributions by gender and employment status to identify any gender bias in the performance management system prior to when remuneration and promotion decisions are being made.

4.1.2 Format the data

To identify gender pay gaps, all data is required to be annualised and in full-time equivalent amounts. Simple explanations are provided below. Further details on how to calculate the annualised full-time equivalent salaries are provided in the Agency's gender pay gap calculator.

Table 4: Definitions of salary conversions

Conversion	Description
Annualised equivalent	Annualised refers to employees who have worked for less than 12 months prior to the point in time selected for analysing your data profile and requires employers to calculate the equivalent 12-month base salary and the equivalent 12-month total remuneration.
Full-time equivalent	For employees who are not full-time, employers need to calculate what would be their full-time equivalent base salary and full-time equivalent total remuneration. When calculating the annualised full-time equivalent of one of the total remuneration components, bonus payments (including performance pay), you should divide the gross total amount paid to the employee for the year by the number of days that s/he works per week, then multiply the number by five (the number of days per week for a full-time work load).

'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

4.2 Data analysis

Depending on the size of your organisation, different levels of sophistication in the analysis are recommended.

Table 5: Recommended approach by organisation size

Organisation size	Number of employees	Recommended approach to payroll analysis
Small organisations	1-99 employees	Line-by-line review of payroll and use of Excel formulae
Medium organisations	100-1000 employees	Use the Agency's gender pay gap calculator and, if you report to the Agency, your workplace profile data.
Large organisations	1000+	Either Use the Agency's gender pay gap calculator Or You may have a human resources information system (HRIS) that has functionality to conduct a gender payroll analysis, or you may wish to contract external consultants to undertake a payroll analysis for you.

Line-by-line review (less than 100 staff)

For organisations that have less than 100 employees, you may be able to take a simplified approach to analysing pay gaps. Start by obtaining a list of all your employees and their annualised full-time equivalent remuneration amounts in an Excel spreadsheet. Next, arrange the employees in the spreadsheet in order of remuneration (e.g. highest to lowest remuneration). For employees that are in a similar or comparable job, compare the salaries. Identify where there are differences between roles and how this is related to an employee's gender. In your review, consider factors that may affect pay levels including job size and performance to assess if remuneration is correct and free of gender bias (intended or unintended). You will need to be able to explain the reasons for the differences, and confirm that these reasons eliminate gender bias (intended or unintended).

Agency's gender pay gap calculator (100-1000 employees)

For organisations with 100 or more employers, use of the Agency's gender pay gap calculator is recommended. By uploading your data into the calculator, you will be able to identify all three types of gender pay gaps and carry out further analysis. The calculator is available on the Agency's website.

More sophisticated methods of calculating gender pay gaps (1000+ employees)

Many organisations, typically larger organisations, may already have human resource information systems (HRIS) that can determine and analyse gender pay gaps. Such systems may also be able to incorporate additional variables into the analysis such as performance ratings, tenure and other variables related to pay outcomes. It is recommended that you check with your software provider to understand what is possible with your current HRIS.

‘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.

4.2.1 Like-for-like gender pay gaps



You can identify like-for-like gender pay gaps by reviewing your pay data and comparing the remuneration based on gender. If you have pay gaps between women and men undertaking work of equal or equivalent value, you will see on your payroll spreadsheet different amounts in one or all of base salary, other elements of remuneration and total remuneration.

Identifying like-for-like gaps

- ➔ For each job category, calculate the average base salary of men and the average base salary of women. Do the same for total remuneration.
- ➔ Where the average salary between genders differs or exceeds your pay gap threshold⁸, investigate the job category to investigate which individuals are causing the gap.
- ➔ Conduct the justifiable and explainable test.

Justifiable and explainable test⁹

Discovering that you have gender pay gaps in your organisation at one or more levels and/or overall does not necessarily mean that your organisation is being discriminatory, but it does mean you need to analyse gaps and investigate the reasons for them to determine whether they are explainable and, if so, justifiable.¹⁰

Can you explain the gap?

There are a number of factors that drive pay outcomes including market rates, performance, experience, education, tenure and geography. If factors such as these don't explain the gap, it might be a due to discrimination. If a gap can be explained by these factors, you still have to ask if it is justifiable. There will be instances where explainable gaps are not justifiable gaps.

Can you justify the gap?

While it is often straightforward to explain why gender pay gaps have occurred, it is harder to justify why gender pay gaps persist. If you have evidence to confirm that gaps are justified based on job demands, test your evidence in the following scenarios:

- ➔ Imagine that you are explaining to a female employee and a male employee undertaking equal or comparable roles why one overall salary is less than the other. To convince the lower paid person to accept that conscious or unconscious discrimination has not taken place will require justification.
- ➔ Apply the 'Wikileaks' test. If the organisation's payroll was on public display, could you provide satisfactory evidence to support your gender equality commitment?

Employers may find it difficult to justify gender pay gaps even though they may be able to explain them. Where an employer cannot justify a gender pay gap, for example, by the history of women's and men's individual performance within a role, attempts should be made to rectify the gap.

⁸Pay gap threshold is the point which your organisation has set to investigate any gaps. The level of pay gap tolerance may differ depending on where your organisation is on the pay equity journey.

⁹**Disclaimer:** The criteria of explainable and justifiable have been developed to assist you in analysing the causes of your gender pay gaps. This does not serve as a legal test.

¹⁰Pay and Employment Equity: four-step review process, Department of Labour New Zealand
www.dol.govt.nz/services/PayAndEmploymentEquity/process.asp

Causes of like-for-like gender pay gaps

If you do identify like-for-like gender pay gaps that cannot be explained or justified, the next step is to identify the underlying causes. Table 6 will help you identify what might be causing gender pay gaps in like-for-like roles.

Table 6: Identifying like-for-like gender pay gaps

Remuneration analysis	Possible causes
Base salaries	<ul style="list-style-type: none"> ➔ Do all employees in like-for-like roles commence on the same starting pay? ➔ Where employees have started in a role at a higher level than others, are reasons documented? ➔ Are reasons for a higher starting salary soundly based and free from gender bias? ➔ Have periods of unpaid leave impacted on salary progression for women? ➔ Do women working part-time have lower annualised base salaries than men in equal or equivalent roles? ➔ Are women being underpaid relative to the outcomes they achieve compared to men?
Total remuneration	<ul style="list-style-type: none"> ➔ Are pay gaps in total remuneration between women and men undertaking equal or comparable roles larger than pay gaps in base salaries? ➔ Compare other remuneration components paid to employees in these roles to ensure that they are based on criteria that are soundly based and equitably applied. ➔ Are there particular elements of remuneration that are paid to one gender only? Can you explain why? Is this justifiable / evidence-based? ➔ Can all (annualised) bonus payments be directly linked to performance ratings / achievement of key performance objectives? ➔ Are there any roles where the (annualised) superannuation contributions are higher or lower than the designated rate for the organisation? Can you explain why? Is this justifiable / evidence based? ➔ Are the types and dollar amounts of discretionary pay in line with the organisation's remuneration and performance guidelines? ➔ Are reasons for providing the type and amount of discretionary pay for specific staff members documented by managers, evidence based, justifiable, and linked to performance/conditions? ➔ Are there roles at a level where overtime is worked and paid, and other roles at the same level where overtime is worked but not paid? Can payment for overtime be justified for some roles and not for others? ➔ Are 'other allowances' based on requirement for the job role? Can all allowances be linked to the specific requirements of a job role or a specific location or specific challenging working conditions? Can they be justified?

For further analysis on the underlying causes of like-for-like gender pay gaps, consider the following drivers and indicators. The table below will provide more insight into the systems and processes in your organisation that may be contributing to gender pay gaps.

Table 7: Analysing the causes of like-for-like gaps

Analysis	Questions to identify causes
Exit interviews	<ul style="list-style-type: none"> ➔ What information did departing employees provide about satisfaction with remuneration? ➔ Were responses analysed by gender?
Job descriptions	<ul style="list-style-type: none"> ➔ Do all positions have job descriptions that fully and accurately describe the demands of each role? Are these reviewed and updated regularly? ➔ Has work in all roles been assessed to ensure that women are not doing similar work to men but with different job titles and pay?
Gender-inclusive job evaluation	<ul style="list-style-type: none"> ➔ Does your organisation use an analytical job evaluation system which avoids gender bias?
Starting rates	<ul style="list-style-type: none"> ➔ Have managers been provided with guidance on setting fair and equitable starting rates? ➔ Is there a documented process for paying higher starting rates? ➔ Do higher starting rates have to be explained and justified / based on evidence? ➔ Are records kept on the employees who start on higher salaries and the reasons why? ➔ Are starting rates monitored by gender?
Attraction and retention payments	<ul style="list-style-type: none"> ➔ Does the organisation have a policy on offering these payments? ➔ Does the organisation keep records on who has received these payments and the reasons why? ➔ Can the organisation explain and justify these payments especially where they result in gender pay differences? ➔ Are these payments monitored annually to determine if they are still relevant?
Market rates	<ul style="list-style-type: none"> ➔ Is the organisation's policy on position in the market consistently applied, for example, to pay at the market median or a particular percentile? ➔ If there are variations in market rates applied, do they favour one gender or roles dominated by one gender? ➔ Are skills shortages the basis of market rates loading? Are they separately identified, regularly reviewed and currently applicable? ➔ Has market data been collected from a sufficient number of occupations for it to be valid? ➔ Have you reviewed market rates in relation to the way organisations have undervalued female-dominated roles?
Superannuation	<ul style="list-style-type: none"> ➔ Is the rate of employer-paid superannuation consistent across the organisation? Across levels? ➔ Is the rate of payment documented and the information on rates accessible to all employees? ➔ Are all employees taking paid leave and unpaid leave, including those on parental leave, treated in the same way for superannuation purposes? ➔ Is superannuation paid during parental leave?

Analysis	Questions to identify causes
Bonus payments	<ul style="list-style-type: none"> ➔ Is one gender more likely to undertake roles that attract bonus payments? ➔ Is one gender more likely to receive bonus payments? ➔ Are bonus payments linked to clearly defined outcomes? ➔ Are managers required to explain and justify bonus payments? ➔ Do they contribute to gender pay gaps?
Discretionary pay	<ul style="list-style-type: none"> ➔ Does the organisation have a policy on discretionary pay? Is it consistently applied? ➔ Is discretionary pay more likely to be received by one gender or more likely to be paid in a traditional 'male' role, for example operations manager, than a traditional 'female' role, for example, human resources manager?
Performance pay	<ul style="list-style-type: none"> ➔ Which roles / levels have access to performance pay? Is one gender more likely to receive performance pay because of the roles they hold? ➔ Does one gender receive higher performance pay than the other at a given level? ➔ Is performance pay linked to specific performance outcomes? Are managers required to explain and justify payments?
Access to career development activities	<ul style="list-style-type: none"> ➔ Do all employees have access to training and development opportunities as part of their yearly development plan? ➔ Do all employees have access to career development opportunities? If not, does one gender have greater access than the other? Can this be justified? ➔ Do employees working part-time (more likely to be women) access career development activities at the same rate as those working full-time (more likely to be men)?
Performance ratings and salary progression	<ul style="list-style-type: none"> ➔ Has one gender moved more rapidly through pay scales than the other? ➔ Do employees who get the same performance rating at a level get the same rate of salary increase? If not, can differing amounts be justified, particularly when they lead to gender pay gaps? ➔ Does the organisation monitor at each level the performance ratings of each gender and the corresponding salary progression?
Taking leave and impact on promotion / salary progression	<ul style="list-style-type: none"> ➔ Has the organisation ensured that employees who have taken time out of the workplace for family or other responsibilities (more likely to be women) are included in the annual salary review? ➔ Do employees on leave or recently returned from leave have the same opportunity to apply for promotions and to apply for career development opportunities such as formal education or project work?
Working part-time and impact on promotion / salary progression	<ul style="list-style-type: none"> ➔ Are employees working part-time or flexibly considered and listed on succession plans, for project work or for development assignments? ➔ Does the organisation encourage and support talented employees who work part-time to apply for promotion, particularly into management positions? ➔ Does the organisation actively support job redesign for roles, particularly management roles, so that they may be undertaken in a part-time capacity? ➔ Are performance ratings / salary increases of part-time employees comparable with those working full-time?
Location flexibility and impact on promotion / salary progression	<ul style="list-style-type: none"> ➔ Do high performing employees who have limited ability to relocate for promotions (more likely to be women) have other opportunities to progress their careers/remuneration?

4.2.2 By-level gaps



If you have by-level gender pay gaps, your pay data will show differences, at one or more levels, in dollar amounts between average annualised full-time equivalent female and male earnings.

Identifying by-level gaps

- ➔ If you report to the Agency under the *Workplace Gender Equality Act 2012*, the aggregated version of your workplace profile will show differences in earnings by gender at each manager category and each non-manager category in your organisation.
- ➔ For a more detailed analysis of specific levels within your organisation, the Agency's gender pay gap calculator can be used.
- ➔ Where gaps are found, apply the conduct the explainable and justifiable test.

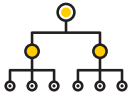
Causes of gender pay gaps by level

The table below will help you identify what might be causing gender pay gaps by level.

Table 8: Identifying causes of by-level gender pay gaps

Remuneration analysis	Possible causes
Base salaries	<ul style="list-style-type: none"> ➔ Are base salaries all within the range for this level? ➔ Are there any base salaries outside the range and, if so, have you investigated the reasons and can explain and justify them on the basis of evidence? ➔ If you cannot explain and justify the reasons for particularly high or low base salaries either within the range or outside it, have you noted this as a matter to address in your pay equity action plan? ➔ Is one gender clustered at the lower or higher ranges of the salary scale for the level? Can you explain this? Can you justify it? ➔ Do all roles have documented position statements fully describing the skills, qualifications and responsibilities? ➔ Have all jobs been evaluated and graded by an evidence-based, gender-neutral evaluation and grading process? ➔ Would your job evaluation process meet the Australian Standard: Gender-inclusive job evaluation and grading? ➔ Is your pay system structured around an evidence-based evaluation of jobs? ➔ Is there a documented process for starting employees above the base salary? Is the process monitored?
Total remuneration	<ul style="list-style-type: none"> ➔ Is there a gender pay gap in total remuneration caused by a gender pay gap in base salaries or a gender pay gap in 'other elements of remuneration' or a gender pay gap in both areas?

4.2.3 Organisation-wide gaps



An overall gender pay gap is where there is a difference between the average male and average female earnings across the organisation, once you have annualised, totalled and averaged the full-time, equivalent remuneration amounts.

Identifying organisation-wide gaps

The organisation-wide gap can be obtained from the aggregated workplace profile spreadsheet submitted to the Agency as part of annual reporting, or by using the Agency's gender pay gap calculator.

Causes of gender pay gaps across the organisation

It is important to consider what may be causing organisation-wide gaps, and how these may relate to by-level gaps. For example, in the financial services sector, organisations often have a gender pay gap of less than 5% by level, but an overall gap of more than 33%. This is because of occupational segregation where there is a much larger number of women than men in the lower paid positions which decreases the annualised average base salary of women overall, and a larger number of men in the very highly paid senior roles which increases the annualised average base salary of men. In other words, the organisation-wide gender pay gap is less a symptom of pay inequity and more about a lack of gender diversity at various levels. Setting gender diversity targets for women in leadership is therefore likely to be an appropriate action.



Case Studies

ThoughtWorks case study: an innovative international technology company

For ThoughtWorks, data analysis is a key part of addressing pay equity. ThoughtWorks undertakes a six-monthly pay review cycle, with half of the workforce included in each six month review (so everyone is reviewed annually). Reviews are conducted by committee, and mentoring is offered to everyone included in a pay review cycle prior to the review date. In addition to frequent and regular reviews of salaries, key elements include: placing a gender lens

over the reviews, analysing salary data regularly to identify anomalies, setting aside money in the budget to correct any salary discrepancies they find, making the conversation about gender diversity and pay equity a normal part of salary and performance discussions, actively encouraging women to engage in negotiations around salary and performance and having the issue as a permanent item on the agenda at senior leadership meetings.

Telstra case study: a global telecommunications provider

Telstra places a strong emphasis on analysing data thoroughly and using the results to review and refine policies and procedures where needed. Data also allows them to track the progress and effectiveness of different programs and activities, and to make changes where needed. Telstra has been analysing its payroll regularly since at least 2007, and uses the outcome of the payroll analysis to inform programs and activities that promote pay equity. Giving

managers as much information as they need to make good decisions about remuneration is a key outcome of data collection and analysis. In the annual pay review cycle, data is analysed at several different levels with the ultimate goal to identify any gendered pay differences. Where any are identified, a budget exists which is primarily for the purpose of redressing gendered pay inequities.

Step 5

Set goals and take action

It is important to prioritise the issues of your organisation, set clear goals around gender pay equity and develop a series of tailored actions to achieve your goals.

5.1 Developing an action plan

Now that you have completed the analysis and investigation of your organisation's gender pay gaps and gathered data to explain and justify them where appropriate, you are ready to commence building an action plan to address issues of concern.

You may decide to build your pay equity strategy as part of your broader gender equality strategy. In addressing like-for-like gaps, there are specific actions that can be taken to reduce and eliminate gender pay gaps. To reduce and eliminate by-level and organisation-wide gender pay gaps, many of the actions should be incorporated into a broader gender equality strategy that may include setting gender diversity targets, mainstreaming flexible work arrangements and building a gender inclusive culture.

The focus of this section is on strategies and actions to address like-for-like gaps and strategic alignment with your gender equality strategy.

5.1.1 Where are you now? Identify and prioritise gaps

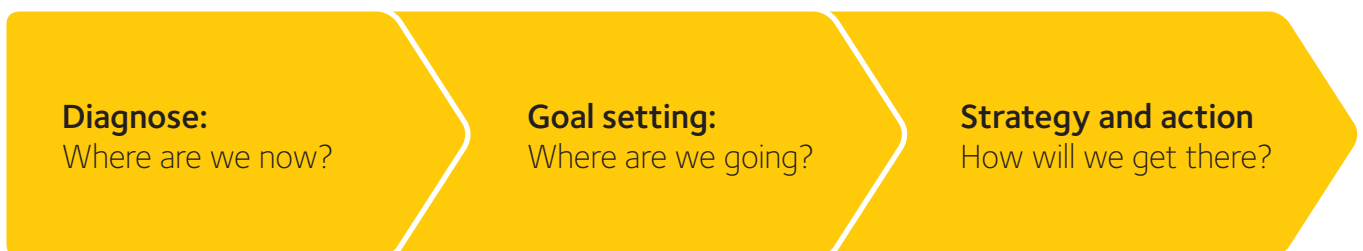
By following steps 1-4 of this guide, you will have developed a sound understanding of your current position on the pay equity journey and your pay equity performance. After conducting the payroll analysis, you will be able to clearly identify if gender pay gaps exist and identify the underlying causes.

It is recommended that you:

- summarise the findings of your payroll analysis and outline the major gender pay gaps and themes that emerged
- make a list of all the gender pay gaps that cannot be explained and cannot be justified
- include gaps at both base salary and total remuneration. Outline the major causes of each of these gaps, and identify the common causes such as imbalance in performance ratings for full-time and part-time staff or workplace discrimination and gender bias.

Once you have done this, prioritise the areas of concern. It is recommended that in the first instance focus be placed on addressing like for like gender pay gaps as these may indicate that the organisation has breached sex discrimination legislation or the *Fair Work Act 2009*.

Figure 5: Three phases of strategy development



'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

5.1.2 Where do you want to go?

With a clear understanding of the nature of your gender pay gaps, you can decide what goals are realistic and achievable for your organisation.

Achieving gender pay equity is a process that takes time. While some organisations may choose to eliminate like-for-like gaps immediately, sustained pay equity will come from addressing the root causes of gender pay gaps, which often require longer timeframes, process and systems changes, composition changes and a change management process.

Set specific goals

Specific goals may relate to both processes and outcomes associated with gender pay gaps. Pay equity outcome goals will typically be related to the percentage reduction of gender pay gaps and process goals relate to the implementation of changes to structures, human resources processes and systems, and culture. Process goals are typically implemented over a longer term for sustainable change. In setting these goals, also consider how your organisation will improve against gender equality indicator three over time, and intentions to become a WGEA Employer of Choice for Gender Equality.

As part of reporting to the WGEA under the *Workplace Gender Equality Act 2012*, the Agency will provide all reporting organisations with a customised Competitor Analysis Benchmark Report. These are a powerful business intelligence tool, enabling you to compare your gender performance to peers. In setting your organisation's specific gender pay equity goals, consider the benchmarks in your industry and other industries that you may want to model.

Once you have set your pay equity goals, ensure these are aligned with your overarching gender equality strategy and that these goals are incorporated into your remuneration policy and strategy. A strategic approach to addressing pay equity will more likely lead to sustainable change.

In the short run, there may be independencies between the like-for-like, by-level and organisation gaps, that is, achieving a reduction in one gap may adversely or positively impact another pay gap metric. For example, employers may be fast-tracking women into senior levels and increasing their like-for-like gap for the affected job categories.

Set clear timeframes

Addressing the underlying causes of gender pay gaps can take time so in some instances your organisation may consider setting a pay gap tolerance level to enable more systematic and sustainable change to be implemented. In setting your goals consider what can be done in one year, two years, and in five years to reduce the gender pay gaps incrementally across your organisation.

Leadership commitment to goals

Essential to the achievement of gender pay equity goals is the buy-in and commitment of senior management and the executive management team. The board may also play a governance role overseeing the gender pay equity strategy. You may wish to involve the management team in the determination of goals in the first instance and seek executive approval once finalised.



Case Studies

ThoughtWorks case study: an innovative international technology company

The commitment of the leadership team to achieving pay equity originated with the ThoughtWorks founder who placed diversity and equality at the forefront of business decisions. Diverse teams are valued in the organisation, and known to produce better outcomes in the long term. The goal for ThoughtWorks is to create a workplace that is comfortable for women, in the context of an industry that is known for high levels of sexist behaviour.

ThoughtWorks also has an agenda to influence the broader industry and to educate its clients to implement work practices that make flexible work accessible for all employees.

Telstra case study: a global telecommunications provider

Pay equity is a standing agenda item at every second meeting of the Telstra Remuneration Committee. Using data effectively to investigate inequity is an important part of the organisation's strategies to address pay gaps. Targets are set around gender equality, and the goal in terms of pay equity is to ensure all employees are treated fairly. Telstra recognises that pay equity is a complex issue and that

'parity' may be elusive and requires more than adjusting salaries to make the pay gap zero at a like-for-like level. Their experience is that like-for-like gaps do not stay at zero for very long. Turnover, promotion, and recruitment can all change the pay gap from day to day, so being constantly vigilant is an essential ingredient for success.

5.1.3 How will you get there?

Once you have set your goals, determine the strategies and action plans that will ensure your organisation meets them.

In the first instance, it is recommended that your organisation prioritise addressing the like-for-like gender pay gaps and that actions for addressing by-level and organisation-wide gender pay gaps be undertaken as part of your gender equality strategy.

In selecting the appropriate strategies, also consider the alignment to other strategies and processes that may exist within your organisation e.g. talent management strategy, retention strategy, performance measurement processes.

Key considerations in setting specific pay equity strategies

- ➔ What is the desired outcome for each area of concern?
- ➔ Have other organisations used these strategies successfully?
- ➔ Is the strategy consistent with your corporate strategy?
- ➔ Will the strategy / actions be seen as fair?
- ➔ What are the challenges for executing the strategy?
- ➔ Learn from the past: why hasn't this been addressed previously, and what is different now?
- ➔ How will momentum be sustained?

Prioritise actions on like-for-like gender pay gaps

In determining the priority of actions, consider both processes and outcomes:

- ➔ areas of greatest risk and greatest benefit to the organisation
- ➔ the size of the gender pay gap and remuneration differences
- ➔ the number of people affected by gender pay gaps
- ➔ the impact of the gender pay gaps on the people directly affected
- ➔ cost, time and resources needed
- ➔ potential for actions to improve workplace morale and employee engagement
- ➔ potential improvement in the perception of the organisation by employees, customers, the business community and other stakeholders.

Change management and communications plan

Once you have developed the strategy and action plan, consider the stakeholders that will be impacted by each action and how you should engage and communicate with each group. Consider whether you need a change management plan and specific communications plans. Also consider developing a pay transparency strategy, which may include describing in your annual report that you conduct regular gender pay audits and have developed an action plan to address identified gaps.

5.2 Specific strategies and actions to consider

This section focuses on best practice actions and processes for reducing and eliminating like-for-like gender pay gaps.

5.2.1 Addressing like-for-like gender pay gaps



If you have significant like-for-like gender pay gaps, you may wish to consider the strategies and actions below with reference to the characteristics of the workforce.

Immediate pay gap reduction

- ➔ In the short term, upon discovering like-for-like gender pay gaps, some organisations may select to reduce the gender pay gap immediately by allocating a discretionary remuneration budget to adjust salaries during the pay review process.

Inclusion of gender pay equity objectives in remuneration policy

- ➔ Include gender pay equity objectives, particularly related to the reduction and elimination of like-for-like gender pay gaps, in the remuneration policy and strategy.
- ➔ Communicate the remuneration policy and strategy to managers, particularly managers with responsibility for performance reviews and remuneration decisions.
- ➔ Make the remuneration policy available to employees.
- ➔ Ensure that the remuneration policy is consistently applied across the organisation.

Reduce and eliminate bias from the performance management system

- ➔ Undertake performance rating calibration meetings to ensure the performance rating system is consistently applied within and across divisions.
- ➔ Review the distribution of performance ratings by gender at all levels and between equal or comparable roles.
- ➔ Ensure higher performance appraisal ratings are justified.
- ➔ Compare performance ratings and salary increases / performance pay for women and men prior to the finalisation of performance ratings in the annual performance cycle and make adjustments as required.
- ➔ Make managers accountable for providing evidence to justify performance ratings.
- ➔ Train managers in conducting evidence-based performance appraisals without gender bias.

Reduce and eliminate bias from remuneration decisions

- ➔ Ensure all employees in like-for-like roles commence on the same starting pay by establishing a process for reviewing pay decisions for gender bias at the time of recruitment.
- ➔ Ensure women and men have equal access to discretionary pay in like-for-like roles.
- ➔ Establish a process to review gender segmentation of remuneration outcomes prior to finalisation of remuneration at the year-end remuneration cycle, and ensure adjustments are made as required.
- ➔ Review the relationship between performance ratings and remuneration
- ➔ Engage in a dialogue with finance regarding budget for pay equity corrections.

Job evaluation

Implement a job evaluation process based on a gender neutral assessment of job demands. This may include:

- ➔ assessing whether there should be higher level classifications in female-dominated jobs
- ➔ assessing whether job roles dominated by men have greater access to 'other elements of remuneration' than job roles dominated by women
- ➔ considering whether more women should be included in enterprise agreement negotiations
- ➔ exploring options to increase hours and opportunities for part-time and casual staff

More information on how to evaluate jobs in a gender neutral way is contained in the Australian Standard for Gender Inclusive Job Evaluation and Grading on the Agency's website.

Address cultural bias issues

- ➔ Develop a cultural change program aligned with your gender equality strategy to reduce gender bias and stereotyping.
- ➔ Conduct unconscious bias training.



Case Studies

ThoughtWorks case study: an innovative international technology company

To address pay equity, ThoughtWorks has focused on improving the gender diversity in its teams. This has included implementing a 50/50 recruitment strategy in which recruiters are prompted to provide gender balanced shortlists and hiring managers are encouraged to be gender neutral in their recruitment decisions. Every business decision around recruitment, performance, pay, and resourcing is interrogated through a gender lens and if an issue is identified, it is discussed by senior management until a solution is found. The company also allocates

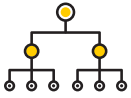
budget specifically to correct pay inequities discovered in the pay review cycle. Having adopted these strategies and actions, the company has improved its gender ratios in the business areas that are traditionally the most male dominated – developers and professional consultants – and this in turn has increased the numbers of women who can move through the pipeline to senior leadership roles. They have also largely eliminated their like-for-like pay gaps, although these have a tendency to return with workforce fluctuations.

Telstra case study: a global telecommunications provider

Telstra has implemented a number of successful strategies to increase gender diversity and reduce the gender pay gap. Specific strategies have included “All Roles Flex” to attract staff who are looking for flexible work; nurturing people – particularly women with high potential to move up to executive level; ensuring that women are equally represented in leadership development programmes; promoting leadership ability in the context of diverse teams; actively addressing imbalances by containing fixed

remuneration increases for those highly paid relative to market and allocating budget for salary corrections. These strategies have seen increases in the number of women in the organisation overall, and consistently higher ‘conversion rates’ of female applicants to employees, particularly at graduate level. They also have largely eliminated their like-for-like pay gaps but find that constant attention is required to maintain this change.

5.2.2 Addressing by-level and organisation-wide gender pay gaps



You may have minimal gender pay gaps in like-for-like roles, which indicates that roles are correctly valued, remunerated and free of gender bias, but a larger gender pay gap in the organisation's overall annualised average full-time equivalent remuneration. This gap is most likely to be a symptom of occupational segregation (roles may be at the same level or assessed as being of equivalent value but, because they are traditionally been 'male' roles or 'female' roles, the market has paid them differently), or a lack of women in leadership (the pathway to senior leadership roles features barriers which have prevented talented women from moving as quickly as men into higher paying leadership roles).

Consequently, the actions you wish to consider may be less about ensuring pay equity and more about promoting and achieving gender diversity across your workforce. These should make up part of your broader gender equality strategy.

Below are some key actions that you may consider to address these gaps:

Recruitment and selection

- ➔ Set targets to increase recruitment of women into traditionally male roles, including management.
- ➔ Change job descriptions / job advertisements to gender neutral language.
- ➔ Actively seek female and male applicants from inside and outside the organisation.
- ➔ Consider partnering with a learning institution providing foundation skills in non-traditional occupations for women, and encourage women to take part.

Training and development

- ➔ Provide training to assist staff, both women and men, to perform well in their current roles.
- ➔ Ensure staff not working full-time have equal access to training.
- ➔ Encourage staff, both women and men, to undertake training for roles in other areas of the organisation (including management).

Career development

- ➔ Provide education to develop staff and managers, both women and men, for future roles.
- ➔ Provide all staff identified as 'high potential' with a mentor/sponsor who will actively guide their development.
- ➔ Arrange (and support) job rotations for women and men, particularly into operational roles.
- ➔ Ensure both women and men are considered for project roles to develop their skills, increase their exposure to more senior managers, customers and other stakeholders and prepare them for higher level roles.

Barriers to women's participation

- ➔ Communicate that job roles at any level can be redesigned so that they can be done on a part-time basis allowing talented staff of both genders to undertake higher-level roles.
- ➔ Don't assume that employees undertaking a primary carer role (predominantly women) are not interested in or able to undertake project work, job rotations and overseas assignments.

Step 6

Review, refine and report

Once you have developed a strategy and action plan to address pay equity issues in your organisation, it is important to review progress against your goals.

When setting up the strategy, ensure that responsibility and accountability for the governance and implementation is clear. For example, accountability for the strategy may reside with the CEO, leadership team, human resources manager, diversity council, etc.

The governance structure should incorporate a process for regular reviews of gender pay gap data, implementation of the strategy and actions, and changes as a result of actions.

It is recommended that you conduct a payroll analysis and review of your strategy at least once a year and consider gender pay equity at the time of making remuneration decisions and during your organisation's performance management process (i.e. when performance ratings are assessed and determined). Leading practice organisations conduct gender pay audits several times a year to highlight and address systemic issues as they arise.

6.1 Regular management reporting

Depending on how your organisation tracks performance, it is recommended that management adopts key performance indicators (KPIs) related to both the drivers and outcomes of pay equity and reports transparently against these KPIs.

It is also important to review the trends of these KPIs over time and compare your performance against industry specific benchmarks. Organisations that report to the Agency will receive comprehensive benchmark data in Competitor Analysis Benchmark Reports which will enable them to do this.

Table 9: Examples of gender pay equity KPIs

Drivers

- ➔ % workforce composition by gender
- ➔ % promotions by gender
- ➔ % promotions by part time and full time
- ➔ % leadership composition by gender
- ➔ number of employees attending gender equality related training
- ➔ turnover rates of women and men
- ➔ % project implementation / completion of specific pay equity programs and initiatives

Outcomes

- ➔ % like-for-like gaps
- ➔ % by-level gender pay gaps
- ➔ % organisation-wide gender pay gap
- ➔ average pay by gender
- ➔ performance ratings by gender
- ➔ correlations between performance ratings and pay by gender and by employment status
- ➔ employee perceptions of equal pay

6.2 Continuous improvement

A commitment to continuous improvement may mean you incorporate additional actions on monitoring. For example:

- ➔ Continue to conduct an annual (or more frequent) payroll analysis and an annual gender pay equity review as the workplace changes – reorganisation and restructure can affect jobs and job value.
- ➔ Continue to ensure that current and new job roles are fully described and are evaluated and remunerated based on an objective evaluation of job demands, free of gender bias.
- ➔ Check the impact on the gender pay gap each time you offer a new salary – for new starters and those promoted.
- ➔ Review labour market changes which affect supply, demand and rates of pay.
- ➔ Review regulatory changes (including changes to awards and minimum wages) and negotiation of new enterprise agreements.
- ➔ Train managers in conducting objective performance appraisals and linking remuneration to specific outcomes.
- ➔ Maintain focus and keep momentum by monitoring progress of actions and results.
- ➔ Keep management informed of progress and successes.
- ➔ Ensure progress is maintained and gender pay gaps do not increase or appear in areas where no gap previously existed.

Ongoing communication and transparency

Consider regularly communicating the progress made towards your pay equity goals to your key stakeholders.

Leading organisations that are active in identifying and addressing gender pay gaps are publishing their results to stakeholders through their websites, in annual reports, and in corporate sustainability reports. This transparency confirms an organisation's commitment to identifying and addressing gender pay gaps and holds the management publicly accountable for results.

Advice and assistance

The Agency is here to assist you. For further advice and assistance relating to your specific organisational circumstances, please contact us:

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