

Employer Gender Pay Gap Technical Guide

Background

In March 2023, the Australian Government passed the *Workplace Gender Equality Amendment (Closing the Gender Pay Gap) Bill 2023*. As part of these [legislative reforms](#), WGEA will be publishing the first set of private sector employer gender pay gap on 27 February 2024. WGEA will be publishing gender pay gaps for individual employers, showing the average and median gender pay gaps, as well as the gender composition of the workforce and total average remuneration by pay quartiles.

For the first release of employer gender pay gaps in February 2024, WGEA will only publish employer gender pay gaps by median and remuneration quartiles.

The gender pay gap is a good measure of gender inequality. It is driven by both pay and workforce composition and is influenced by a range of social and economic factors. Closing the gender pay gap is important not only for Australia's economic future but will lead to a more equal and fair society overall.

You can find further information on understanding the gender pay gap and the factors that influence it via the [WGEA website](#).

How is a gender pay gap calculated?

Employer gender pay gaps are calculated as the difference between the average pay for women and men, expressed as a percentage of men's average pay. The remuneration data used for calculating gender pay gaps is reported by employers to WGEA as part of their annual Gender Equality Reporting requirement.

$$\text{GPG} = \left(\frac{\text{Average Male Remuneration} - \text{Average Female Remuneration}}{\text{Average Male Remuneration}} \right) \times 100$$

What types of gender pay gap are published?

WGEA will publish employer gender pay gaps using both total remuneration and base salary of employees, using both an average (mean) and median. This differs to countries, such as the UK, who require employers to calculate and submit their own employer gender pay gaps.¹

¹ Further details on the UK employer gender pay gap calculations are available [here](#).

Base salary

The base salary of an employee is their actual pay before tax expressed as the annualised and full-time equivalent amounts. This includes:

- Wages/salary payment
- Annual leave, leave loading and long service leave
- Carer/sick leave
- Employer funded parental leave
- Penalty rates/shift loadings that are paid as part of a casual, permanent or fixed-term employee's ordinary hours (not including overtime payments)
- Salary sacrificed amounts
- Workers compensation.

Total remuneration

Total remuneration is the full earning capacity of an employee. It is the sum of three types of payments to employees: their base salary (converted to full year, full-time equivalent pay), their fixed remuneration payments and other pro-rata payments that have also been annualised and converted to full-time equivalent pay.

When reporting total remuneration of an employee, this includes payments such as:

- Their entire base salary (annualised and full-time equivalent)
- Allowances
- Bonus pay
- Cashed-out annual leave
- Company car payments
- Discretionary pay
- Overtime
- Non-financial benefits (gym memberships, counselling etc.)
- Sales commissions
- Superannuation
- Any other payments made to the employee in cash or any other forms.

Average (Mean) vs. median employer gender pay gaps

There are two types of averages used when reporting employer gender pay gaps, an **average** and a **median**:

- **Average**: is calculated by adding up a list of employees' wages and dividing by the number of employees in the list.
- **Median**: the middle figure in a list of employees' wages when the list is ordered from smallest to largest.

In February 2024, WGEA will only publish median employer gender pay gaps. This is because the reporting of CEO salaries is not required until 2023-2024 reporting.

- CEO remuneration is often much higher than other employees' salaries and the position of CEO is also predominantly held by men.
- Therefore, CEO salary will have a significant effect on an employer's average gender pay gap. In contrast, a median gender pay gap is not as heavily impacted by outliers, such as CEO remuneration.

For consistency and future comparisons, employer average gender pay gaps will be introduced for 2023-2024 reporting.

Annualised and full-time equivalent amounts

All employees' remuneration (including part-time and casual employees) is converted and reported as the **annualised** and full-time equivalent earning amount.

- This means that the employee's pay will be the amount they would have earned if they worked for a full year and/or full-time.
- By doing this conversion it ensures there can be a standard comparison within and between employers of full-time, part-time employees and casual employees, as well as those who may only work for part of a year.
- If an employee is employed full-time² for the whole 12-month reporting period, no conversion is required and the employee's actual earnings are reported.

Detailed examples of how to annualise different employee's remuneration (such as those who work irregular hours) are available in WGEA's [reporting guide](#).

Why not use hourly pay?

Unlike other countries, such as the UK and Canada, WGEA does not present gender pay gaps by hourly wages. Instead, by annualising an employee's remuneration to full-time equivalent pay, the gender pay gaps calculated by WGEA are controlled for employees who work part-time hours or only work for part of a year. This annualisation is important to get a full picture of an employer's gender pay gap as well as address the gender disparities that exist in types of employment, as women are more likely to work in part-time roles within an organisation.

- Using an employee's earnings across a 12-month period and splitting these amounts between base salary and total remuneration provides more insight into where pay inequality is occurring.

Why does WGEA focus on total remuneration?

A gender pay gap calculated with total remuneration is more relevant and accurate as it takes into account employment practices that may be gendered, for example, allocation of bonuses, performance loading or higher duties opportunities.

Data cleansing

Data submitted to WGEA undergoes a validation process. As part of this validation process, WGEA detects outliers in the files which have been submitted (i.e., Workplace Profile) and further guidance is then provided to help employers fix any anomalies which were found.

² Full-time is defined as an employee engaged to work the minimum number of hours a week that an employer classifies as full-time, which can differ organisation to organisation. Often, full-time is defined as 37.5, 38 or 40 hours a week.

Which employees are included in the calculation?

Snapshot date

Employers use a snapshot date when populating their file with employees as part of their annual Gender Equality Reporting.

- Employer must choose one single date in a 12-month period as a census, any employee employed as at that specific date is included on the file submitted to WGEA.
- The earnings reported for each employee are based on what they have been paid for the 12 months preceding the snapshot date (expressed as the employees annualised and full-time equivalent earnings).

Based on the most recent reporting program (2022-23), approximately 75% of employers use a snapshot date of 31 March. This date is most popular as it coincides with the end of the WGEA reporting period, which runs from 1 April to 31 March each year. However, employers do choose other snapshot dates, with about 10% of employers electing to choose the end of financial year (June).

Employees included in gender pay gap calculations

Employers are asked to report on the remuneration of the following types of employees, which contribute to gender pay gap calculations:

- All employees employed at an organisation on the snapshot date, regardless of if they have since left
- All employees who work for an organisation in Australia, including foreign nationals and expatriates
- Employees who are currently on parental leave (paid or unpaid) or extended leave
- Partners who receive part of their earnings as a salary
- Casual or sessional workers
- Trainees
- Apprentices and graduates.

Exclusions in gender pay gap calculations

Some data is excluded from WGEA's gender pay gap calculations. The below table summarises what is **not** currently included when calculating the gender pay gap and why.

| Exclusion | Reasoning |
|--|--|
| Remuneration of CEOs/equivalent and Heads of Business* | This data point is currently voluntary for reporting to WGEA, and so is excluded from gender pay gap calculations. From 2024 onwards, CEO and Heads of Business remuneration will be mandatory to report to WGEA and included in future gender pay gap calculations. |
| Remuneration of casually employed managers* | This data point is currently voluntary for reporting to WGEA, and so is excluded from gender pay gap calculations. From 2024 onwards, casual manager remuneration will be mandatory to report to WGEA and included in future gender pay gap calculations. |
| Remuneration of overseas reporting managers/OSMs | This data point relates to key management personnel with a reporting distance <i>above</i> the CEO/equivalent, and so is excluded from gender pay gap calculations. |
| Non-binary employees | Employers can report employee gender as non-binary to WGEA as a voluntary data category. Given the voluntary reporting and small number of non-binary employees reported to WGEA, non-binary employee remuneration is not included in the calculation. Recommendation 7.2 of the Review of the <i>Workplace Gender Equality Act 2012</i> recommended legislative changes to enable WGEA to mandatorily collect data on non-binary employees. |
| Employees with \$0 income | This data point is excluded as it has the potential to skew the data. |

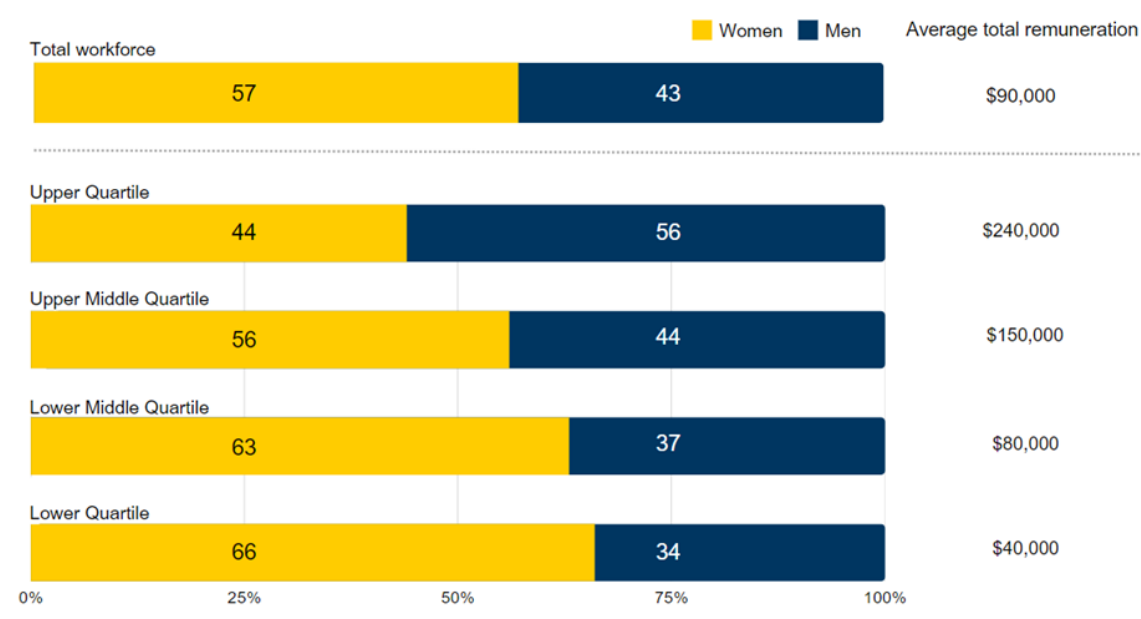
How are gender composition quartiles calculated?

Gender composition by pay quartile

WGEA will publish employer workforce composition and average total remuneration by pay **quartiles**. This means providing data on the gender composition for the employer's highest paid quarter, upper middle quarter, lower middle quarter, and lowest paid quarter, along with the average total remuneration for each quartile.

Quartiles are created by splitting an ordered list of numbers into four equal quarters. The steps for calculating remuneration quartiles involve:

- Sorting employees based on their total remuneration from lowest to highest
- Dividing the employee list into equal quarters (top quartile, upper middle quartile, lower middle quartile and lowest paid quartile), with an even number of employees in each quarter
- Calculating the percentage of women and men and their average remuneration in each quarter.



Scenario: when the number of employees is not divisible by four

When the number of employees is not divisible by four, it is not possible to divide employees into four equal groups. In this scenario, WGEA allocates additional employees to each quartile from lowest to highest.

- For example, if there were 101 employees, there would be one leftover employee after assigning four employees to each quartile. In this case, employees would be assigned to quartiles so there are 26 employees in the bottom quartile, and 25 in the remaining quartiles.

Scenario: employees with the same remuneration are in different quartiles

When employees are separated into four equal-sized groups, it may be the case that employees with the same remuneration will be assigned to two different quartiles. Although this is standard in most quartile analysis, it presents an issue if male or female employees with the same remuneration are assigned to different quartiles.

- For example, in the below table four employees earn the same remuneration, but when separating the employees into four equal-sized quartiles, three would end up in the top quartile and one in the upper-middle quartile. This is an issue when the employee assigned to the upper-middle quartile is a man, as 75% of the employees in the top quartile are women. However, if this male employee was assigned to the top quartile in place of one of the other employees, only 50% of employees in the highest paid quartile are women.

| Quartile | Remuneration | Gender |
|--------------|--------------|--------|
| Top | \$150,000 | Man |
| Top | \$100,000 | Woman |
| Top | \$100,000 | Woman |
| Top | \$100,000 | Woman |
| Upper-middle | \$100,000 | Man |
| Upper-middle | \$80,000 | Woman |
| Upper-middle | \$80,000 | Man |
| Upper-middle | \$75,000 | Woman |

To overcome the impact this may have on an employer's quartile analysis, the following steps are taken:

- **Step 1: Calculate the proportion of women and men with the same remuneration in overlapping quartiles**
 - In this scenario, there are 4 employees earning \$100,000 in overlapping quartiles (top and upper-middle quartile). There are 3 women earning \$100,000 who are placed in the top quartile, and there is one man earning \$100,000 placed in the upper-middle quartile.
 - Proportion of women = $3 \div 4 = 0.75$
 - Proportion of men = $1 \div 4 = 0.25$
- **Step 2: For each quartile, multiply the number of overlapping positions by the proportions calculated in the first step**
 - The purpose of this step is to calculate an adjusted count of women and men in the overlapping positions for each quartile. In this scenario, in the top quartile there are 3 overlapping positions and in the upper-middle quartile there is one overlapping position, and the previous calculated proportion of women and men are 0.75 and 0.25.
 - Adjusted count of women in top quartile = $3 \times 0.75 = 2.25$
 - Adjusted count of men in the top quartile = $3 \times 0.25 = 0.75$
 - Adjusted count of women in upper-middle quartile = $1 \times 0.75 = 0.75$
 - Adjusted count of men in upper-middle quartile = $1 \times 0.25 = 0.25$
- **Step 3: For each quartile, add the number of women and men who are not overlapping the quartile threshold**
 - This step calculates the final adjusted count of women and men in each quartile, by including the adjusted counts calculated in Step 2, as well as the non-overlapping positions in each quartile. In this scenario, the top quartile has one male with non-overlapping remuneration, and the upper-middle quartile has two women and one male with remuneration not overlapping the quartile threshold.
 - Adjusted count of women in top quartile = $2.25 + 0 = 2.25$
 - Adjusted count of men in top quartile = $0.75 + 1 = 1.75$
 - Adjusted count of women in upper-middle quartile = $0.75 + 2 = 2.75$
 - Adjusted count of men in upper-middle quartile = $0.25 + 1 = 1.25$
- **Step 4: For each quartile, divide the adjusted headcounts by the number of employees in each quartile**
 - This step calculates the final proportion of women and men in quartile, which can be displayed as percentages by multiplying by 100. In this scenario, the adjusted count of women and men from each quartile is taken from Step 3 and divided by the total number of employees in each quartile (4).
 - Proportion of women in top quartile = $2.25 \div 4 = 0.56$ (56%)
 - Proportion of men in top quartile = $1.75 \div 4 = 0.44$ (44%)
 - Proportion of women in upper-middle quartile = $2.75 \div 4 = 0.69$ (69%)
 - Proportion of men in upper-middle quartile = $1.25 \div 4 = 0.31$ (31%)