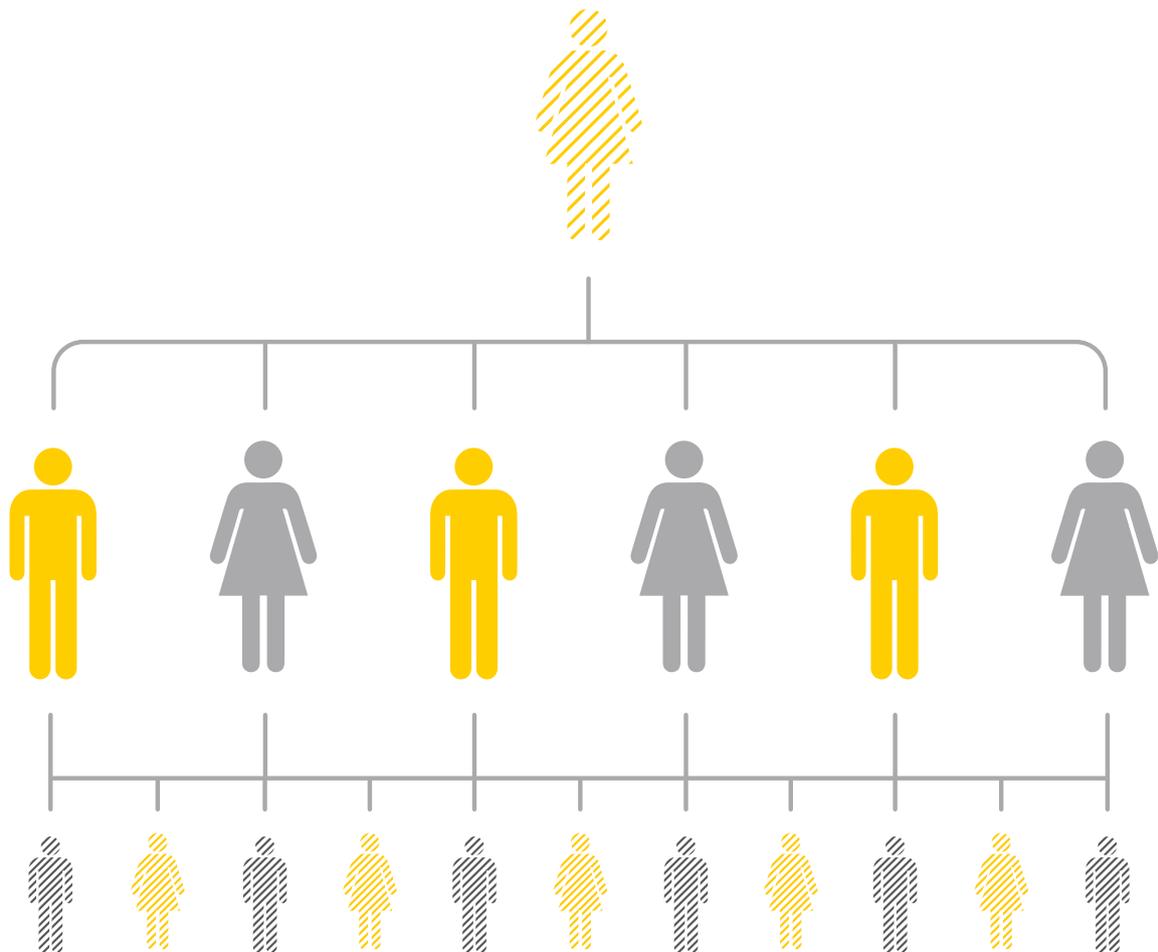


# Manager briefing

Gender pay equity guide for managers



GENDER P  Y EQUITY

# Manager briefing

Gender pay equity guide for managers

Managers play a vital role in addressing pay equity as they are responsible for the majority of pay and performance decisions in organisations.

In collaboration with the Australian Institute of Management, the Workplace Gender Equality Agency has developed this briefing note for managers to assist them in understanding gender pay equity, the issues to be aware of and key actions that can be taken.

Employers generally don't set out to pay women and men differently, so they are often surprised to find gender pay gaps in their organisation. The reality is nearly all organisations have gender pay gaps and pay inequity has the potential to undermine staff attraction, retention, engagement and morale.

Achieving pay equity – providing equal pay for work of equal or comparable value – is key to improving equality between women and men in your organisation. Pay equity is not only a moral and legal imperative; countless studies show that gender equality leads to improved organisational performance and productivity.

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.

Recent analysis of gender pay differentials by the Australian Institute of Management indicates that significant differences continue to exist in the amount of pay provided to full-time female and male employees in Australia.

Australian Institute of Management

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.

These gaps can be uncovered in a payroll analysis, typically conducted by your organisation's human resources team or diversity manager.

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



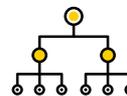
### Like-for-like gaps

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



### By-level gaps

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



### Organisation wide gaps

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

# About gender pay gaps

Gender pay gaps, particularly like-for-like gaps, can often be the result of unconscious biases and practices in recruitment, promotion, performance and remuneration decisions. Decisions that impact remuneration outcomes 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.

Gender stereotypes and bias are a key factor in determining pay outcomes as a result of these decisions. Gender bias often arises from the views, whether conscious or unconscious, about the roles that women and men should play both in the workplace and more broadly in society. Women are generally perceived as communal (caring, communicative and encouraging) and men as agentic (ambitious, assertive, decisive and self-reliant). These stereotypes can lead to women missing out on opportunities for promotion, being excluded from training and development or taking on leadership roles on large projects. Such bias is usually heightened for women who are pregnant, work part-time or have recently returned from maternity leave.

Finding out about pay differences can be a surprise to managers. Our analysis reveals that, on average, women earn less than their male colleagues across all job families, in like-for-like roles.

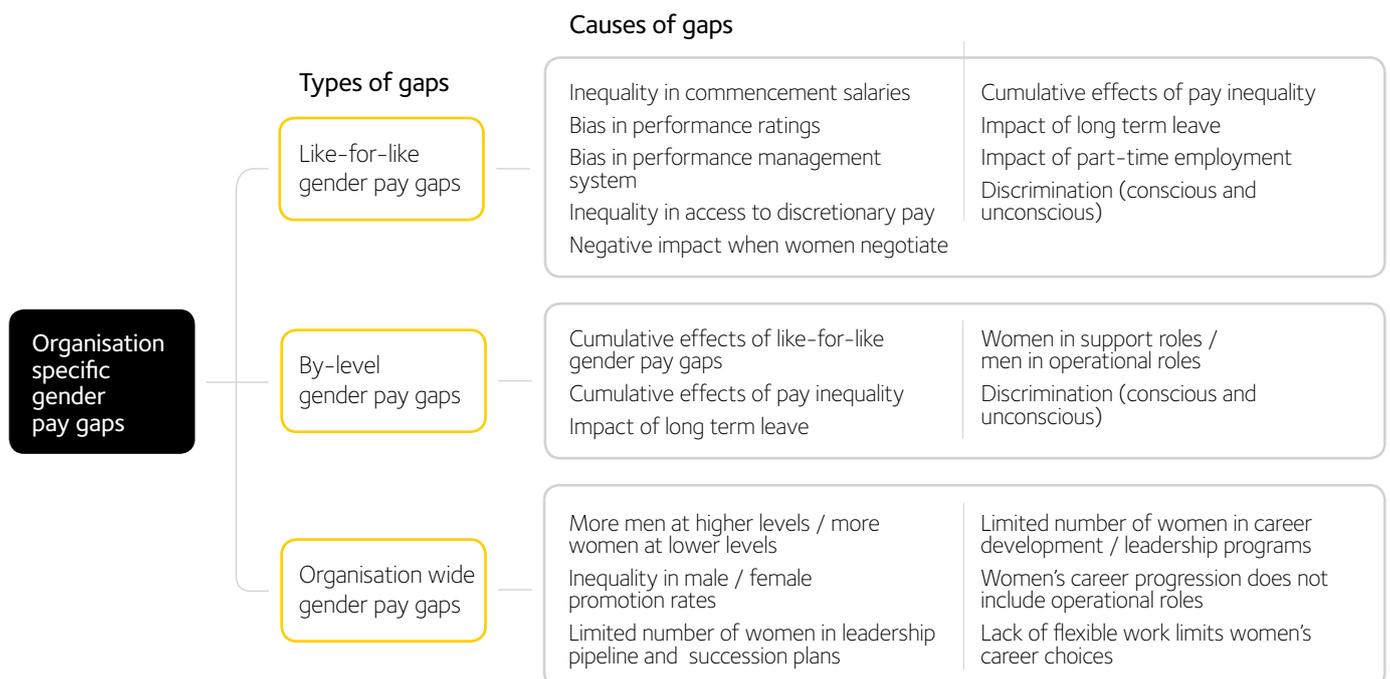
## Australian Institute of Management

Employees on part-time work arrangements often experience the 'part-time penalty'. For example, women working part-time are perceived as less ambitious and as such are given lower levels of responsibility, limited promotion opportunities, and fewer larger client and project roles. Part-time work is less likely to be available to women in senior management, or to women who want to move into senior management.

Research shows there is considerable disparity between women and men when it comes to the approach taken during negotiations and their outcomes, contributing to like-for-like gender pay gaps. Negotiation is usually associated with agentic, and therefore masculine, behaviour. When employers negotiate with women, they tend to offer less and are more likely to resist influence attempts. Studies have shown that women's reluctance to enter negotiations is partly because they are penalised more than men for doing so. The more women anticipate backlash, the less inclined they are to initiate negotiations.

It is critical that organisations conduct a payroll analysis to identify the causes of gender pay gaps. The checklist on the following page provides managers, who are responsible for pay and performance decisions, with a series of questions and considerations to better understand what might be driving like-for-like gender pay gaps in your division, department or team.

## Organisation specific gender pay gaps explained:



# Identifying the causes of gender pay gaps

Analysis	Questions to identify causes
Exit interviews	<ul style="list-style-type: none"> <li>➤ What information did departing employees provide about satisfaction with remuneration?</li> <li>➤ Were responses analysed by gender?</li> </ul>
Job descriptions	<ul style="list-style-type: none"> <li>➤ Do all positions have job descriptions that fully and accurately describe the demands of each role? Are these reviewed and updated regularly?</li> <li>➤ 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?</li> </ul>
Gender-inclusive job evaluation	<ul style="list-style-type: none"> <li>➤ Does your organisation use an analytical job evaluation system which avoids gender bias?</li> </ul>
Starting rates	<ul style="list-style-type: none"> <li>➤ Have managers been provided with guidance on setting fair and equitable starting rates?</li> <li>➤ Is there a documented process for paying higher starting rates?</li> <li>➤ Do higher starting rates have to be explained and justified / based on evidence?</li> <li>➤ Are records kept on the employees who start on higher salaries and the reasons why?</li> <li>➤ Are starting rates monitored by gender?</li> </ul>
Attraction and retention payments	<ul style="list-style-type: none"> <li>➤ Does the organisation have a policy on offering these payments?</li> <li>➤ Does the organisation keep records on who has received these payments and the reasons why?</li> <li>➤ Can the organisation explain and justify these payments especially where they result in gender pay differences?</li> <li>➤ Are these payments monitored annually to determine if they are still relevant?</li> </ul>
Market rates	<ul style="list-style-type: none"> <li>➤ Is the organisation's policy on position in the market consistently applied, for example, to pay at the market median or a particular percentile?</li> <li>➤ If there are variations in market rates applied, do they favour one gender or roles dominated by one gender?</li> <li>➤ Are skills shortages the basis of market rates loading? Are they separately identified, regularly reviewed and currently applicable?</li> <li>➤ Has market data been collected from a sufficient number of occupations for it to be valid?</li> <li>➤ Have you reviewed market rates in relation to the way organisations have undervalued female-dominated roles?</li> </ul>
Superannuation	<ul style="list-style-type: none"> <li>➤ Is the rate of employer-paid superannuation consistent across the organisation? Across levels?</li> <li>➤ Is the rate of payment documented and the information on rates accessible to all employees?</li> <li>➤ Are all employees taking paid leave and unpaid leave, including those on parental leave, treated in the same way for superannuation purposes?</li> <li>➤ Is superannuation paid during parental leave?</li> </ul>
Bonus payments	<ul style="list-style-type: none"> <li>➤ Is one gender more likely to undertake roles that attract bonus payments?</li> <li>➤ Is one gender more likely to receive bonus payments?</li> <li>➤ Are bonus payments linked to clearly defined outcomes?</li> <li>➤ Are managers required to explain and justify bonus payments?</li> <li>➤ Do they contribute to gender pay gaps?</li> </ul>
Discretionary pay	<ul style="list-style-type: none"> <li>➤ Does the organisation have a policy on discretionary pay? Is it consistently applied?</li> <li>➤ 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?</li> </ul>

## Analysis

## Questions to identify causes

### Performance pay

- 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

- 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

- 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

- 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

- 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

- Do high performing employees who have limited flexibility in moving locations to take up promotions (more likely to be women) have other opportunities to progress their careers/ remuneration?

# What can managers do to address pay equity?

The Agency has developed a six step process for organisations to address pay equity. Managers play an important role in a number of these steps. The first step is to become aware of the issues of pay equity and understand why gender pay gaps may arise in your organisation. Managers may also have significant input into the business case and demonstrating leadership on these issues.

## Six steps to addressing pay equity:



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

For managers who have responsibility for pay and performance decisions, it is critical that you work through the relevant payroll analysis data for your division, department or team. Without the relevant data we can only make assumptions about pay equity. Managers may ask their human resources business partner or human resources team to collectively work through the various gender pay gaps and isolate causes.

In addition to looking at the payroll analysis, it may also be useful for managers to take a closer look at commencement salaries, promotion rates of women and men, and performance ratings of women and men.

Once you understand what is contributing to like-for-like gaps, the next step is to develop a tailored set of actions to address these gaps and target the causes. Typically the removal of bias in pay and performance decisions requires a medium to long term strategy and cultural change.

We have also provided a suggested action list to consider when making recruitment, promotion, performance and pay decisions. In undertaking these actions, it is important to align to your organisations broader gender equality strategy and change management processes.

For organisations committed to addressing pay equity, all levels of management play a significant role. While an organisation may develop specific actions in the short, medium and long term, ultimately all actions require project and change management and the support of managers. Managing any change associated with pay equity can be challenging and like any change process many people resist change.

For success in addressing pay equity, managers commitment to understanding the issues, interrogating the data and demonstrating action in the removal of gender bias is critical.

# Addressing gender pay gaps

In this table we have provided the actions that individual managers can take to ensure they are actively involved in the removal of gender bias from pay and performance decisions.

When	Action
Overall	<ul style="list-style-type: none"> <li>➔ talk to your HR business partner / team about pay equity</li> <li>➔ obtain and review your organisation's remuneration policy</li> <li>➔ ask for a data analysis to be conducted for your division, department or team</li> <li>➔ work through the causes of like-for-like gaps</li> <li>➔ identify specific actions to address these causes</li> <li>➔ check in with your own assumptions and views on part-time and flexible work arrangements</li> <li>➔ support pregnant women and mothers returning to work to continue to be valued members of the workforce with access to the same opportunities as their colleagues</li> <li>➔ talk to your team about what your organisation is doing</li> <li>➔ consider whether higher remuneration for greater tenure is justified</li> <li>➔ role model the utilisation of flexible work arrangements</li> <li>➔ train managers in how to manage employees who adopt flexible work practices</li> <li>➔ build an inclusive culture and call out any resistance to employees on part time or flexible work arrangements</li> </ul>
At time of commencement	<ul style="list-style-type: none"> <li>➔ check that graduates are starting at the same rate</li> <li>➔ look at the impact the commencement salary will have on like-for-like gender pay gaps</li> <li>➔ have HR review the commencement salary</li> </ul>
At the time of promotion	<ul style="list-style-type: none"> <li>➔ review promotion rates by gender</li> <li>➔ check if part-time staff have access to the same promotion opportunities</li> </ul>
As part of the performance management process	<ul style="list-style-type: none"> <li>➔ ensure KPIs are clear from the outset</li> <li>➔ provide regular feedback to both women and men in your team and the opportunity to improve performance</li> <li>➔ ensure feedback is objective and that women are not penalised for showing strength and determination</li> <li>➔ review performance ratings by gender to identify any bias</li> <li>➔ conduct performance rating calibration meetings to ensure consistency across the organisation, divisions and teams</li> <li>➔ review the alignment between discretionary pay and performance ratings</li> <li>➔ include employees on parental leave in the performance review cycle</li> </ul>
Remuneration decisions	<ul style="list-style-type: none"> <li>➔ take corrective action on like-for-like gaps</li> <li>➔ build into your annual budget a pool for corrective action</li> <li>➔ ensure employees in the same or similar roles have the same access to levels and types of discretionary pay</li> <li>➔ consider the overall pay equity impact of each remuneration decision</li> </ul>

## For more information and references

The Workplace Gender Equality Agency has developed a series of business-focused toolkits to assist your company address pay equity. These, along with research referred to in this briefing note, can be found at:

[www.wgea.gov.au/addressingpayequity](http://www.wgea.gov.au/addressingpayequity)

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

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

2014 Gender Pay Gap Report Australian Institute of Management [www.aim.com.au/research](http://www.aim.com.au/research)