KPMG

She's Price(d)less

The economics of the gender pay gap

Executive Companion

For Diversity Council Australia (DCA) and Workplace Gender Equality Agency (WGEA)

October 2016

kpmg.com/au/paygap

Foreword

KPMG

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Much attention has focused on increasing awareness of gender pay inequity. However, relatively little evidence has been developed on the factors driving the gap, how these have changed over time and how they can be addressed to close the pay gap.

KPMG have developed this document as a companion to our report, *She's Price(d)less: The economics of the gender pay gap,* for Diversity Council Australia and the Workplace Gender Equality Agency. The report uses structured econometric modelling to determine the factors that underpin the gap, and to what extent they contribute to the issue. This companion provides an overview of the findings, as well as practical steps which your business could take to move towards pay equity by leveraging the insights and initiatives of leading Australian companies.

Critically, our research has found that despite the endeavours of government and business, the size of the gap, and in particular the role of gender discrimination, has remained stagnant in the past seven years. This is a disappointing finding, and requires us all to refocus on understanding the true factors that influence the gap and design practical, impactful actions. Hopefully in another seven years to ensure that in another seven years, we can see a shift.

Organisations that commit to addressing pay equity see tangible benefits through employee engagement and loyalty. And most importantly these organisations attract the best talent because they have access to and take advantage of the whole talent pool.

We look forward to the conversations and actions this report will spark.

Recent public debate reveals widespread lack of community understanding about pay equity – what it is, why it exists, and what can be done to address it – as well as a tendency to minimise or explain away the gender pay gap in Australia through reference to 'women's choices.'

This report makes a critical contribution to the conversation that we have to have in Australia to 'bust these myths'. Because, as the report demonstrates, pay inequity isn't just a social justice issue – it's an economic imperative.

This report also highlights the excellent work that Australian organisations are already doing to tackle pay inequality in their own teams, organisations and industry sectors.

DCA is proud to be part of this conversation and hopes that this report will be the impetus to bridging the divide, as soon as possible.

Lisa Aneese
CEO
Diversity Council Australia

The gender pay gap is an imperfect measure. It is difficult to land on a single figure that captures the scope and complexity of workplace gender inequality.

By the conventional measure based on difference in weekly earnings between full-time working men and full-time working women, men take home an average $260 a week more than women.

We also know that women are much less likely to work full-time than men. In fact three-quarters of part-time employees are women. Women are much more likely to take extended time out of the workforce due to unpaid caring and domestic responsibilities impacting their lifetime earnings, retiring on average with just half of men's superannuation.

Nevertheless, the gender pay gap is an important measure. It's a powerful symbol of lost potential – for individuals, for businesses and for the economy.

Australian women graduate from university in equal numbers to men, but they don't progress through the workforce at the same rate. Data collected by the Workplace Gender Equality Agency shows that just one in four key management personnel and one in eight CEOs are women.

As a society, we accept that talent doesn't reside only in employees of one gender or those without caring commitments. As an economy, we need to remove the barriers to women's full participation.

I welcome this research analysing the gender pay gap and its contributing factors – which include gender segregation across the workforce, time out for caring, as well as discrimination. This research adds to our depth of understanding and, most importantly, provides insights into the multifaceted response needed to close the potential gap.

Libby Lyons
Director
Workplace Gender Equality Agency

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This document is a companion to the full report "*She's Price(d)less: The Economics of the Gender Pay Gap*". The full report, along with the original 2009 report, is available at kpmg.com/au/paygap

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Pay Gap Overview

"It's indisputable that there's a real pay gap. People can argue about how big, but that's almost beside the point. The point is that every woman, every girl, deserves to get paid for what they're worth"

Sheryl Sandberg[1]

What is the gender pay gap?

In Australia, the gender pay gap measures the difference between women's salaries and men's salaries in percentage terms. The gender pay gap is a measure of pay equity and workforce participation.

Despite significant advances in lifting women's participation in the labour force and women's pay across industries, and an increased recognition of the value of diversity in the workplace, the gender pay gap continues to exist. In Australia, the gender pay gap, based on full-time average weekly earnings, has fluctuated between 14 percent and 19 percent over the past 20 years, based on information published by the Australian Bureau of Statistics (ABS). [2]

Not all gender pay gaps signal overt discrimination, but rather may reflect systemic issues. Differences in the way men and women work, the industries they work in and the level of skills and experience all play a contributing factor, as outlined in this report. However it is critical that organisations self-evaluate these differences to ensure they are not representative of unconscious biases – that is, certain types of workers are given preferential treatment for career advancement and pay.

Pay equality vs pay equity

Pay equality, or 'equal pay for work of equal value' is the principle that is designed to achieve 'pay equity'. Pay equity is about fairness in pay. The gender pay gap is a key measure of pay equity.

In the 'Best Practice Guide to Gender Pay Equity', [3] the Fair Work Ombudsman defines gender pay equity as where:

- Men and women performing the same work are paid the same amount;
- Men and women performing different work of equal value are paid the same amount;
- The wages and conditions of jobs are assessed in a non-discriminatory way through valuing skills, responsibilities and working conditions in each job or job type and then remunerating employees accordingly; and
- The workplace's organisational structures and processes do not impede female employees' access to work-based training, promotions or flexible work arrangements.

1. Interview with Huffington Post 2014 www.huffingtonpost.com.au/entry/sheryl-sandberg-pay-gap_n_5120248
2. Workplace Gender Equality Agency www.wgea.gov.au/addressing-pay-equity/what-gender-pay-gap
3. Fair Work Ombudsman www.fairwork.gov.au/ArticleDocuments/711/Gender-pay-equity-best-practice-guide.pdf.aspx

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Why are there different calculations of the gender pay gap?

The phrase 'gender pay gap' is generally used to refer to the difference between women's and men's earnings on a national level, however gender pay gaps can be calculated in other ways such as across an industry or occupation and within organisations (see *below*).

Regardless of which data sources are used to calculate it, there is consensus the gender pay gap exists.

The Workplace Gender Equality Agency uses a range of data sources to calculate the national gender pay gap, including[4]:

- Average Weekly Ordinary Time Earnings (ABS 6302.0)
- Employee Earnings and Hours (ABS 6306.0)
- Average weekly ordinary time earnings for full-time employees (WGEA)

For the purposes of this report, KPMG have calculated the gap based on average hourly earnings calculated from the latest available data from the Household, Income and Labour Dynamics (HILDA) Survey data within Waves 7 (2007) and 14 (2015)[5].

It is important to note that different calculations will return slightly different results, depending on the exclusions of the method. For example, the average weekly earnings calculated by WGEA excludes part time, casual and overtime payments.

4 The Australian gender pay gap, as calculated by the WGEA is based on the difference between women's and men's average weekly full time equivalent earnings, expressed as a percentage of men's earning.

5 In this study KPMG has used the Household Income and Labour Dynamics in Australia (HILDA) Survey data, a dataset that is collected and published by the Melbourne Institute in conjunction with the Department of Social Services. The HILDA Survey is a household-based longitudinal survey which began in 2001, with data collected annually. It pays particular attention to family and household formation, income and work.

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Types of gaps within an organisation

It has been a long time since it was acceptable to have differing wage scales or conditions for men and women, and most Australians understand it is illegal to pay women differently for the same job. However, while those explicit gaps may have been addressed for the most part, more systemic issues remain. In their Pay Equity Toolkit, WGEA recognises three types of gaps an organisation may experience[6]:

Organisation specifc gender pay gaps

Types of gaps	Defined as	Causes of gaps
Like-for-like gender pay gaps	Pay gaps between women and men undertaking work of equal or comparable value	• Inequality in commencement salaries • Bias in performance ratings • Bias in performance management system • Inequality in access to discretionary pay • Negative impact when women negotiate • Cumulative effects of pay inequality • Impact of long term leave • Impact of part-time employment • Discrimination (conscious and unconscious)
By-level gender pay gaps	Pay gaps between women and men at the same organisational level	• Cumulative effects of like-for-like gender pay gaps • Cumulative effects of pay inequality • Impact of long term leave • Women in support roles/men in operational roles • Discrimination (conscious and unconscious)
Organisation-wide gender pay gaps	The difference between the average remuneration of women and the average remuneration of men across the whole organisation.	• More men at higher levels/more women at lower levels • Inequality in male/female promotion rates • Limited number of women in leadership pipeline and succession plans • Limited number of women in career development / leadership programs • Few women in operational roles • Limitations on career progression due to lack of flexible work options

Source: WGEA Pay Equity Toolkit.

6 WGEA – *Pay Equity Toolkit* www.wgea.gov.au/sites/default/files/Pay_Equity_Toolkit_Main.pdf

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Myth Busting

There are many myths and misconceptions about gender pay gaps and the reasons why it is still so prevalent

"Of course there is a gap when **so many women work part time**"

The pay gap is evident even when comparing men and women's average weekly full time equivalent earnings. [4]

However, KPMG's analysis indicates that the proportion of the pay gap related to part-time work has fallen from 14 percent in 2009 to only 4 percent in 2016.

"The pay gap **doesn't exist for younger women**"

The gap is there from our first roles:

- 11.8 percent for those 17 years and under
- 5.5 percent for graduate degree holders

The gender pay gap increases steadily to 21.0 percent for the 45-55 age group category.[7]

"But **it's illegal** to pay men and women differently for the same job"

Correct! Any like-for-like roles should be remunerated equally – but the gap creeps in through a number of factors – e.g. different rates of promotion, performance review outcomes and access to additional income including overtime may be a consequence of gender bias.

"It's because **women tend to work in industries where everyone is paid less**…"

There is a pay gap in favour of men in every industry – even those with higher representation of women, such as Health Care and Social Assistance (9.3 percent) and education and training (18.1 percent).[8]

"Women are just **not as good at negotiating**"

Women are not poorer negotiators, but are often in positions of poorer negotiating power. When the playing field is evened by more information, the negotiated outcomes from men and women are similar.[9] The greater the level of ambiguity, the greater the opportunity for unconscious bias to be part of the outcome.

That said, companies should not be shifting the burden of equity onto their employees. Organisations should have the culture and processes in place to value and reward performance in an equitable, transparent and defensible manner.

"It's really about women's **life choices**"

Until it is culturally accepted and economically feasible for men to take equal time out of the workforce to care for children, this is not a 'choice' made freely.

7 WGEA - *GradStats – Starting Salaries* January 2015
www.wgea.gov.au/sites/default/files/GradStats-factsheet-2014.pdf
8 WGEA - *Australia's Gender Equality Scorecard* November 2015
www.wgea.gov.au/sites/default/files/2014-15-WGEA_SCORECARD.pdf
9 Bowles, H and McGinn K (2009). Gender in Job Negotiations: A Two-Level Game. Harvard Business School
www.hbs.edu/faculty/Publication%20Files/08-095.pdf

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Research Findings

The great divide

The importance of reducing the gender pay gap transcends productivity gains and economic prosperity. Reducing the gap will improve equality in the workplace. This is – and continues to be – a shared responsibility of government, business, its leaders, and its workforce.

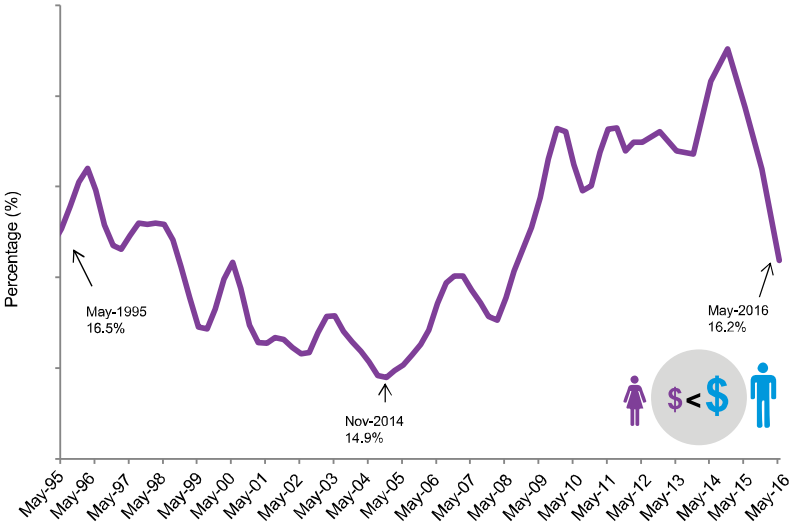

Diagram source: WGEA gender Pay Gap Factsheet August 2016.

In 2016, the World Economic Forum estimated that at current rates, it would take more than a century - another 170 years - to close the global pay gap between men and women. [10]

In Australia we have seen a pleasing movement in the last two years. Our challenge is to ensure this downward trajectory becomes sustainable, long term change and not simply another fluctuation. To do this, it is essential to understand the key drivers of the gender pay gap.

10 World Economic Forum 2016, *Global Gender Gap Index 2016.*

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Understanding the drivers of the gender pay gap is complex. They include a broad range of factors, including human capital and skills endowment, such as educational qualifications and the level of educational attainment, on-the-job training and accreditation, work experience, and tenure. Critically, however, they also include labour market discrimination – where equally skilled individuals may face different earning potential and employment opportunities due to discrimination by gender, values, and culture.

A stronger focus on driving the value of human capital, while simultaneously addressing labour market rigidities will boost productivity, participation, and ultimately drive greater economic activity and prosperity for all Australians. As a result, it is imperative that there is coordinated and sustained effort to reduce the size of the gender pay gap overall, and especially the proportion of the gap that is attributable to sex discrimination factors. This is a shared responsibility of business, business leaders, and the workforce more broadly – it is an issue that calls for social, cultural, and generational change.

Research overview

Much attention has been dedicated to increasing awareness of gender pay inequity. However, relatively little evidence has been developed on the factors driving the gap and how these have changed over time. Whilst the issues are complex, this evidence is critical in measuring progress and holding ourselves accountable for driving change.

In 2009, KPMG undertook a major study – *Understanding the Economic Implications of the Gender Pay Gap in Australia* for the Diversity Council Australia (DCA). [11] The objective of this research was to develop a more rigorous evidence base around the structural factors underlying the gender pay gap, the contribution of these factors to the gap, and the potential economic implications in terms of women's participation in the labour force along with broader economic productivity and growth.

Within these headline results, the study also demonstrated the potential for flexible work arrangements as well as industry and occupational initiatives in supporting our efforts in closing the gap. For example, the analysis suggested that work interruptions associated with maternity, childcare and other family reasons contributed around 9 percent of the gap.

Within the context of the significant public debate since 2009 around gender equality, diversity, and pay-equity, KPMG has updated its 2009 analysis for the DCA and WGEA. This 2016 updated analysis utilises the most recent HILDA data[12], from the 2014 wave of the survey. This update is intended to further contribute to the current public discussion, and drive a deeper and more holistic understanding of the social and economic factors that may contribute to the gender pay gap in Australia.

KPMG's analysis builds on the knowledge and the econometric model developed through the 2009 Report, and reflects the most recent data and information available, as well as the key developments in the research and literature since 2009. It is complemented by this Executive Companion, which draws on the experience of leading Australian organisations to provide practical initiatives to support businesses of any size develop a roadmap to greater pay equity.

A copy of the full report of She's Price(d)less: The Economics of the Gender Pay Gap is available at kpmg.com/au/paygap. The full report outlines the methodology, approach and full findings - including trends in the skill differential of men and women, trends in labour market rigidities, and an overview of recent literature and approaches to modelling the gap in Australia. The following pages of this companion include an extract of key findings from the report.

11 KPMG *Understanding the Economic Implications of the Gender Pay Gap in Australia.* For the Diversity Council Australia 2009.

12 In this study KPMG has used the Household Income and Labour Dynamics in Australia (HILDA) Survey data, a dataset that is collected and published by the Melbourne Institute in conjunction with the Department of Social Services. The HILDA Survey is a household-based longitudinal survey which began in 2001, with data collected annually. It pays particular attention to family and household formation, income and work.

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Gender Pay Gap: By the Numbers

In the last 20 years, the pay gap has reduced by 0.8%

The gender pay gap is currently 16.2%

170 years

In 2016, the World Economic Forum estimated that at current rates, it would take more than a century to close the global pay gap.

Gender discrimination is still the single largest factor impacting the pay gap

Contributing factors

(as a proportion of the total gender pay gap)

Sex Discrimination
35% (2007) ↑ 38% (2014)

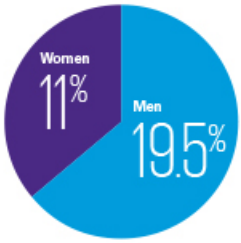
Occupational Segregation
18% (2007) ↓ 11% (2014)

Industry segregation
10% (2007) ↑ 19% (2014)

Career interruptions
9% (2007) ↑ 21% (2014)

Part-time employment
14% (2007) ↓ 4% (2014)

Proportion of gender in management positions



While both genders now have a higher number of individuals in management, the proportional split between genders has not changed since 2007.

71.6% **Part-time employees**

Women continue to be almost ¾ of the part-time workforce – the last seven years has seen a trend towards more part-time participation by women in higher-income brackets.

How Australian Businesses are Responding

Sponsorship
Men accessing paid parental leave
Return to work Programs
Understand your workforce metrics
Flexibility
One-off salary uplift
Superannuation top ups
Blind recruitment
workforce analytics
remove barriers to flexibility
Set Gender Targets
Unconcious bias training
Women in leadership development program
Superannuation top-ups

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Estimating the pay gap

While the size of the gender pay gap has fluctuated significantly between 2009 and 2016, the most recent estimate of the gender pay gap between women and men for *average weekly earnings* based on ABS data is 16.2 percent.

KPMG considered a number of data sources in estimating the gender pay gap for our analysis. The most recent data available from the HILDA survey (Wave 14: 2014) shows the following *average hourly* earnings:

$29.07 **$31.48**

Gap = 7.7 percent
(up from 5.6 percent in 2007)

Extrapolating the downward trend seen in the ABS's *average weekly earnings* over the past two years, would suggest that the gap in *average hourly earnings* in 2016 is approximately 6.2 percent.

Within the context of these statistics, there are also a number of key trends in labour force participation and representation that have been observed:

- **Women continue to be over-represented in part-time employment compared to men**

  Half of all employed women work part time, compared with 19 percent of men, representing a slight increase from 2007.

- **Women continue to have fewer years of work experience on average – but the gap is narrowing**

  Women in the labour force have, on average, 2.9 fewer years of work experience than men, though this is a narrower gap than in 2007, where it was 3.5 years.

- **Gender segregation within particular industries continues to grow**

  The mining, construction, transport, electricity, and manufacturing industries continue to have higher representation of male employees (which continues to increase), while the health and education industries continue to have higher representation of female employees.

- **Women continue to be well-represented in government and non-government organisations (NGOs)**

  37 percent of employed women worked in government or NGOs, compared with 20 percent of men.

- **The distribution of women and men across positions remains similar**

  In 2014, 22.4 percent of women worked in administrative positions, compared with 7.3 percent of men. By contrast, 19.5 percent of men worked in managerial positions in 2014, compared with 11 percent of women. This has increased marginally from 15.8 percent of men and 9.1 percent of women in 2007, though the proportions remain largely consistent.

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Factors contributing to an individual's pay

The factors contributing to an individual's pay, and differences in pay between individuals, are complex and multi-faceted. From the factors that may contribute to differences in pay for both men and women examined by KPMG, the main findings in 2014 are that, holding the effects of all other factors constant:

Interruptions to a person's work history reduces their income by varying degrees

Each year of full removal from the labour force – including for family and care-related reasons – reduces hourly pay by around 0.7 percent, while each year of unemployment reduces income by approximately 2.3 percent.

Each year of education has a positive impact on hourly income of around 3 percent

This represents a decrease from the 3.5 per cent estimated in 2007.

Part-time workers earn on average 5.4 percent per hour less than full-time workers

This represents a decrease from the 9.7 percent estimated in 2007, but represents a disproportionate effect on women who make up almost three quarters of the part time workforce.

Individuals working at large firms earn more than those working at smaller firms

Individuals working at large firms earn 6.5 percent more than people working at medium sized firms (20 to 100 employees) and 11.2 percent more than people working at small firms (fewer than 20 employees), representing a small increase from 2007.

Industries and occupations with a high representation of male employees have higher levels of pay

Controlling for specific industries and occupations, each 10 percent increase in the ratio of men to women in an industry increases the average wage by 1.9 percent, while each 10 percent increase in this ratio in an occupation increases the average wage by 0.8 percent.

Individuals satisfied with the flexibility their job provides to balance work and non-work commitments do not earn materially more per hour than those unsatisfied

Previously it was found that pay is positively related to job flexibility satisfaction.

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Factors contributing to the gender pay gap

In considering the gender pay gap, it is also critical to estimate the relative contribution of factors in driving the gap.

The factors that were found to be most significant in contributing to the gender pay gap in 2007 continued to contribute to the gap to a substantial extent in 2014.

The key contributing factors of the gender gap in 2014 are summarised below and on the following page:

	2009 (% of effect - 2007 data)	2016 (% of effect - 2014 data)
Sex Discrimination	35%	38%
Years not working (interruptions)	9%	21%
Industry segregation	10%	19%
Occupational segregation	18%	11%
Age (experience, proxied by age, years)	8%	6%
Share in part time employment	14%	4%
Tenure with current employer	3%	1%
Share working in Government or NGO	3%	0.4%

Source: KPMG Analysis

Note: The percentage figures above may be subject to minor rounding errors, and therefore may not add to 100 per cent.

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Gender discrimination continues to be the single largest factor contributing to the gender pay gap

The analysis suggests that the proportion of the gender pay gap that is attributable to gender discrimination has worsened from 35 percent in 2007 to 38 percent in 2014. Labour discrimination occurs when equally skilled workers employed in the same job earn different incomes and have different employment opportunities. The research shows that systemic discrimination remains a persistent feature of the workforce, with variable levels of human capital endowment between men and women explaining only a small proportion of the gender pay gap. Further, the proportion of the pay gap that can be attributed to differences in skills and education between men and women decreases each year, as women continue to close the gap in terms of education and labour participation.

Industrial and occupational segregation continue to be significant contributing factors to the gender pay gap

Collectively, industrial and occupation segregation represent 30 percent of the gap, suggesting that the representation of men in particular industries (i.e. mining and construction) and in particular occupations (i.e. automotive and engineering trade workers, and construction trade workers) continues to have an effect on wages, with earnings in occupations and industries with a larger share of males being higher than wages for female dominated industries and occupations.

Between 2007 and 2014, there appears to have been some success in addressing the gap attributable to occupational segregation, however, industry segmentation has increased. This may provide guidance when attempting to address the gender pay gap. Labour force statistics also suggest the increase in industrial segregation as a contributing factor may be due to industrial sectors that are dominated by men historically attracting higher wages than sectors with a high ratio of female workers, with male representation further increasing in these sectors since 2009. Furthermore, female representation has increased in the health care and social assistance industry since 2009, an industry that traditionally attracts lower incomes. Addressing the impact of industrial segregation on the gender pay gap will require a concerted response by policy makers, industry and the broader community.

There has been a significant decrease in the impact of part-time employment

The share in part-time employment accounts for only 4 percent of the gender pay gap, down from 14 percent in 2007, representing a decrease of ten percentage points, or $0.10 per hour. One possible explanation for this is that between 2007 and 2014, across both genders, the largest increase in share of part-time employees was in women within higher income quintiles.

The impact of tenure with current employer on the gender pay gap has reduced

The 2014 results indicate that women have worked with their current employer for six and a half years, which is half a year longer than was found in 2007. The impact of tenure with an employer on the gender pay gap has reduced from 3 percent in 2007 to 1 percent in 2014. The 2014 results also indicate that women in the workforce are, on average, slightly older than men in the workforce, however the impact of age difference on the gender pay gap has reduced from 8 per cent in 2007 to 6 per cent in 2014.

There has been a decrease in the impact of employer type on the gender pay gap

The impact of employer type on the gender pay gap has reduced from 3 percent in 2007 to 0.4 percent in 2014. However, in both the public and private sectors, men occupy a significantly larger proportion of higher income earning groups.

The largest changing factor having a significant impact on the gender pay gap is years not working

Career and work interruptions are responsible for 21 percent of the proportion of the gender pay gap in 2014 compared to 9 percent in 2007. However, it is worth noting that the 2007 HILDA survey included 'access to unpaid maternity leave' as a factor, which was subsequently omitted in 2014 as a result of the introduction of a Government funded Paid Parental Leave scheme. Having said this, in both reports it is clear that interruptions in work history continue to play a role in explaining the gender pay gap.

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What is Changing?

The progress achieved is critical but collectively, we need to work together to do more to close the gap. This is an opportunity for an increased and renewed focus and effort, to accelerate our progress and continue to drive positive, meaningful, and lasting change.

There has been significant momentum in recent years to address the gender pay gap, with commitment by leaders in government, business, and the broader community to address the issue of gender inequity and its implications for the full potential of our society to be unlocked.

The findings of the last seven years indicate that the skills differentials between men and women continues to narrow, and human capital endowment for women continues to increase. This can be partly attributed to the policy and legislative environment improvements that have sought to drive greater flexibility and gender equality in the workplace, such as amendments to the Sex Discrimination Act in 2011 which provided protection against direct discrimination on the grounds of family responsibility.

However, the structural and systemic discrimination faced by women is proving far more difficult to address.

There is however, a renewed focus by many public sector agencies and private sector companies to tackle workplace discrimination. As outlined in the following section, there are a range of initiatives being implemented by leading Australian companies to address the issue, with high profile sponsors driving the cultural change required. Notably, Initiatives including "Male champions of change" and WGEA Pay Equity Ambassador and Employer of Choice programs aim to prioritise reforming their workplaces to ones that challenge existing structures and ways of thinking that may drive inequality.

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Many industries in Australia are currently undergoing a shift as consumer patterns and world markets change. As we reconsider our businesses in light of these macro-economic trends, it's a perfect opportunity to apply similar critical thinking to areas such as the pay gap. For example:

- How can we adapt the principles around innovation and disruption to solving intractable social problems such as the gap?
- How do we accelerate the cultural benefits we will achieve by encouraging men to take time out of the workforce to take on caring responsibilities?
- What will the increasing move towards the gig and sharing economies mean for the value of work done by women?
- How do we interrupt the unconscious gender biases learnt by children so they may more equally value all types of work and feel free to pursue their passion rather than an expectation?

While there are areas of shining light, there's still a long way to go when it comes to seeing consistent action across Australian businesses. Only 26 percent currently conduct a pay gap audit, and of these only half then implement actions to address the findings.[13]

We recommend that all Australian businesses, of all sizes, commit to conducting a pay gap audit and developing a comprehensive roadmap to play their part in ensuring their employees are *priceless* – not priced-less.

13 WGEA - *Gender Pay Gap Statistics* August 2016 www.wgea.gov.au/sites/default/files/Gender_Pay_Gap_Factsheet.pdf

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Taking Action

Overview

The problem is real. Challenging. And impacting your business.

Three out of five employees say they would not work for organisations where pay gaps exist[13] - so organisations that fail to address pay inequity are missing out on a significant talent pool.

So how can we, as leaders of corporate Australia, contribute to narrowing the gender pay gap within our organisations and nationally?

Australian organisations have long been strong adopters of diversity and inclusion initiatives, rising to the challenges of social inequity on a number of fronts. For many of us, turning our mind to the gender pay gap won't require the establishment of a new program or additional resources – but rather, looking at what we already do with a different perspective. By analysing critical points in our business and focusing on leadership and culture, we can address many of the factors that underpin the pay gap.

A call to action

As outlined on the previous pages, the pay gap is driven by a complex interplay of factors. Addressing one will inevitably impact on the others.

As such, this section doesn't outline specific initiatives against each of the factors, but rather, provides actions that have an impact across *all* factors. This leads to raising the maturity of the business overall, rather than focusing on one factor to the exclusion of the others.

We have identified six action areas to address to help businesses mature their position on addressing the pay gap:

- Know the Numbers
- Leverage the Lifecycle
- The Caring Conundrum
- Train the Team
- Deal with the Dollars
- Change the Culture

A note on *Change the Culture*

Whilst 'Change the Culture' has been highlighted as a separate section, in reality it is both dependent on, and critical to success in all other areas. While your organisational culture will naturally change through implementing actions in the other areas, this will not necessarily result in developing a strong culture around pay equity. It is the hardest, but most important element to address, and requires long-term, focused effort.

13 https://press-content.glassdoor.com/app/uploads/sites/2/2016/02/GD_Survey_GlobalGenderPayGap.pdf

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What is your next step?

The core objective of this Executive Companion is to support Australian businesses identify and take practical action to address their gender pay gap, irrespective of where they might currently be.

Every organisation will be starting from a different point, have its own constraints and opportunities, and have different levels of organisational maturity, capability and capacity in building Diversity and Inclusion programs.

As with any change initiative, it is critical to design a process which brings your people along with you – developing a considered 'stepping stone' approach to moving up the maturity curve, which recognises your organisation's starting point and appetite and capacity for change.

We have included below WGEA's six-step model against which organisations can self assess their current level of maturity (*see link to the Pay Equity Toolkit in the Appendix*).

Depending on the focus of your Diversity and Inclusion initiatives to date, it is possible that you would have different levels of maturity in each of the six action areas. This is unlikely to be a linear journey for any organisation.

Source: WGEA Pay Equity Toolkit

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Structure

On the following pages, you will find a section for each of the six action areas identified, each outlining:

- A description of the action area, including characteristics of mature organisations, and challenges that might be found in changing your workplace;
- Icons which link the activity areas to the primary pay gap factors they are likely to influence (see *right*);
- Case studies from Australian businesses outlining initiatives they have implemented, and the insights gained from their experience. In reviewing these case studies, it quickly becomes evident that any given initiative addresses multiple of the pay gap factors identified; and
- A list of potential actions which might be valuable for your organisation to consider implementing, from early steps through to those that require significant commitment.

Pay gap factors

Tenure

Interruptions

Industry

Occupation

Part-Time

Sex Discrimination

In order to bring to life initiatives being implemented around Australia, the Diversity Council Australia and Workplace Gender Equality Agency have collated the following suite of case studies which address different factors underpinning the gap – we thank all parties involved for sharing their experiences.

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Know the Numbers

Overview

It is crucial to first understand the quantum of the pay gap in the context of your business and industry, including an honest assessment of the cultural, environment and business behaviours and processes which may be contributing – this will ensure your actions are actively targeted. There will be notable differences in the action paths you choose if your organisation has a like-for-like gap compared to an organisation-wide gap.

Characteristics

Mature organisations will treat their achievement of this goal in much the same way as other areas of their business – through rigorous analysis of the current environment and historical trends, the setting of SMART goals[14] and regular measurement of progress and reporting across, upwards and outwards.

Challenges

Obtaining accurate data and finding the right way to calculate and interpret the results is likely to take time in the early years of conducting this process. However, getting it right up front ensures you have a benchmark against which to measure future progress to ensure your efforts are targeted in the right areas.

Early measurements may be disappointing or engender disbelief – "there's no pay gap in our business." It is critical that a structured change management plan is in place (with appropriate senior sponsorship), and a long-term commitment, to ensure this response is anticipated, and the program doesn't fall in to the 'too hard' basket.

Primary factors addressed by 'Know the Numbers':

Tenure **Interruptions** **Industry** **Occupation** **Part-Time** **Sex Discrimination**

13 Specific, Measurable, Agreed, Realistic and Time-bound

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St Barbara Ltd

INDUSTRY: Mining
EMPLOYEES: 950
INITIATIVE: Gender Pay Gap Analysis

St Barbara set a number of diversity targets in 2011, including reducing the company's overall gender pay gap and has developed a strategy to ensure that all new and existing employees are remunerated equally using benchmarked data.

Since 2011 the company has been analysing data each month to identify where women were underrepresented and the overall pay gap. The progress is reported monthly to the executive leadership team and regularly reported to the board. There are also targets in place to ensure that all new roles have an equal representation of men and women.

Over time the company has seen the overall pay gap reduce significantly from the original 43 percent in 2007 to the current 15 percent as at end of June 2016.

Over the last few years, St Barbara has been reviewing like-for-like roles and variances are checked to ensure that any anomaly is justified based on qualification/experience and the company has set a new target of 0 percent pay gap for like-for-like roles.

We will also continue to focus exploring ways to increase the pipeline of women in professional and leadership roles.

"Diversity in the workplace gives us diversity of perspective, drives innovation, engagement and ultimate business success and we will continue to pursue our targets to achieve an equal balance of qualified men and women."

Bob Vassie, CEO and Managing Director

TAL

INDUSTRY: Insurance
EMPLOYEES: 1,521
INITIATIVE: Gender Pay Gap Analysis

TAL is very proud to report they have closed the gender pay gap. They started their journey in August 2013 where, at an organisational level, they reported an 82 percent gender pay equity position. As at 1 April 2016 they had closed this gap and can now report that women at TAL earn the same as their male counterparts in like for like roles. This success has included taking a holistic approach to promoting gender equity; understanding where the gaps exist and why, securing senior leadership commitment, measuring and reporting regularly to their executive team and board, changing processes and procedures which perpetuate gaps, and raising awareness through education.

TAL conducts an organisational wide pay gap analysis at least twice a year. The controls they look at focus on checking direct correlation between outcomes of reward and performance ratings for males and females across multiple lenses to ensure consistency. This includes analysing gender pay equity by function, job family, by job band, and employment type to ensure they uncover any unintended discrimination and are able to target specific actions to create pay equity in like for like roles.

This, coupled with their new initiative paying super contributions to employees throughout the first 12 months of primary parental leave, is a great outcome for the women who work at TAL. Although TAL have closed the gender pay gap the key thing for them is that the journey on gender pay equity is not over. They understand it requires ongoing attention and focus to ensure they continue to build best in class practices into their organisational norms.

"At TAL, our diverse workforce and inclusive culture are two of our biggest strengths. We believe that gender equality is not just the right thing to do morally and socially, but it also makes good business sense. As part of our holistic commitment to gender equality we offer all employees a number of flexible working options and have recently launched a new market-leading Super Guarantee Contribution (SCG) for our parental leave program. This involves TAL continuing to pay super contributions of 9.75 percent of an employee's base salary for the entire duration of their parental leave, not just during their period of paid parental leave. We are very proud of this new initiative as we know that taking time out of the workforce for parental leave has a significant impact on super accumulation, particularly for women.

Brett Clark, CEO

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Actions

Take a data-led approach

- ❑ Use workforce analytics to understand how your internal labour market works and baseline the current environment - such as when women leave and why, how many men and women take primary carers leave, who is working part-time, what the gap has been year-on-year for different segments of the workforce etc. WGEA has an excellent toolkit on conducting this assessment (*see link in the Appendix).*
- ❑ Conduct annual analysis of the progress against your gap and contributing factors. Adjust your longer term plan to refocus as required.
- ❑ Benchmark your roles broadly across sectors rather than just your industry peers (e.g. what is the remuneration banding for a Procurement Manager across mining, telecommunications and professional services compared to your own?). If you report to WGEA, access your confidential competitor analysis benchmark report to view your gender equality progress compared with industry peers.

Set targets with teeth

- ❑ Set targets which address your known areas of improvement, and linked to your business strategy. This is likely to be broader than 'women in leadership and may include areas such as the number of men taking part-time roles; number of women in technical roles, part-time employees in training etc. See the Appendix for a link to WGEA's Setting Gender Targets toolkit.
- ❑ Ensure key gender equality metrics regarding pay gaps and workforce composition are reported to the board and executive on a regular basis.
- ❑ Implement KPIs for your HR and remuneration teams to identify and address areas of inequity.
- ❑ Set targets on number of part-time roles in the organisation, including in non-traditional occupations to avoid overrepresentation in some areas.

Advocate and lead

- ❑ Communicate with your management and employees the initiatives being undertaken to address the gap, and the annual outcomes of these measurements.
- ❑ Share initiatives your organisation is taking to address the pay gap across the business industry by participating in industry advocacy and leadership groups.
- ❑ Commit publicly to targets, and share the results of your outcomes - both the strengths and improvement areas.

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Leverage the Lifecycle

Overview

The key phases of the employee lifecycle provide an ideal opportunity to take stock of how the business processes we use can address the gap, as well as ensuring on a case-by-case basis that individuals are being treated fairly.

Characteristics

A mature organisation will have reviewed its end-to-end employee lifecycle to identify key points at which checks can be built in and tools or education provided to support decision makers. By doing so, equity is built in to the system, with safe-guards to avoid organisational complacency.

Challenges

The greater the level of discretion afforded to those responsible for hiring and management, the harder it will be to provide controls around these points. If individuals have had free reign in the past, there is likely to be push-back against initiatives which constrain their influence.

Primary factors addressed by 'Leverage the Lifecycle':

Tenure **Interruptions** **Occupation** **Part-Time** **Sex Discrimination**

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AGL

INDUSTRY: Electrical Distribution
EMPLOYEES: 3,000
INITIATIVE: Remuneration Tool

'R.Review' is AGL's remuneration tool, a robust system to review, manage and deliver market-competitive and performance-based remuneration across all employee levels, including direct reports to the Chief Executive Officer. Used by leaders during the annual performance review the tool delivers gender pay equity analytics and insights.

Implemented six years ago, the reporting tool has enabled People and Culture to analyse and compare gender pay equity across the organisation, including distribution of performance and development ratings, and fixed and variable remuneration increases by gender. The real-time reporting alerts leaders if they have any unexpected and potentially gender-biased outcomes.

AGL has also implemented Unconscious Bias Training for all leaders and Remuneration Training educates leaders about the need to consider pay equity when they are making remuneration decisions.

The tool has enabled leaders to be aware of potential gender bias at early stages of the remuneration cycle. Leaders can be surprised by report findings, however anomalies are able to be rectified in a timely manner. Such insights also support targeted conversations about gender pay equity at calibration meetings that leaders and executives attend.

"AGL is committed to ensuring gender pay equity. At its most basic level – this is about ensuring we remunerate competitively and fairly, for the job, for performance and for skills and experience. At a greater level, our approach to pay equity is about driving practices that support women into leadership positions, and creating opportunities in areas of our business that provide these pathways."

Brett Redman, Chief Financial Officer, and Executive Sponsor of AGL Network of Women

King & Wood Mallesons

INDUSTRY: Law
EMPLOYEES: 1127
INITIATIVE: Blind Recruiting

Part of the King & Wood Mallesons business commitment is to regularly analyse each key 'people milestone' across the employment life cycle. Identifying and addressing biases is one core element of that analysis and from that came the 'blind CV' initiative for graduate and clerkship campaigns.

Critical to its success has been transparency with candidates about what the process is, why the company is doing it and giving an insight into the firm's values. The company has also worked with its recruitment committees and key decision makers around bias and stereotyping.

From a process point of view the approach has been simple - manually redacting all key identifiers out of applications including name, gender, age, address and school. Once de-identified, applications then go through a 'double read' where each is read by two different reviewers and ultimately to a diverse interviewing panel.

This approach has been taken firm-wide using National Graduate Recruitment Diversity Principles. The most recent campaign also incorporated the RARE contextual recruiting system to provide an even more holistic process.

Blind recruiting forms just one component of the overall approach to diversity and inclusion which includes being conscious of the way the company designs its strategy, committees, processes, education, decision-making and teams, so they actively seek out and promote differences to further equality.

"Diversity of thought, perspective, and experience are all key to success at King & Wood Mallesons. We know that can only be made possible with systems and practices which actively promote that diversity. Our 'blind CV' initiative is a step in making diversity and inclusion real by facing into the unconscious biases that may exist and adopting a truly inclusive approach to recruitment."

Sue Kench, Chief Executive Partner, Australia

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Actions

Recruit

- ❑ Ensure there is gender diversity on any panels or committees addressing recruitment or performance.
- ❑ Provide salary guidance to hiring managers for new roles, and require a second party review the justification if they recommend a candidate falls outside the range.
- ❑ Require an equal number of women put forward for all vacant roles.
- ❑ Consider 'blind' recruiting processes by de-identifying CV's and applications, and performance reviews.
- ❑ Be the first party to put the expected salary figure on the table. Know what you value the role at, rather than seeking to carry forward inequalities an individual may have been subject to previously.

Review

- ❑ Regularly measure and monitor performance ratings and promotion rates for different segments of the workforce – e.g. by gender, by occupation group, by part-time/flexible working arrangements
- ❑ Conduct regular analysis of key points in the employee lifecycle (such as those with tenure <1 year, newly promoted cohorts, lateral hires, or people two years post parental leave).
- ❑ Conduct a detailed review of your performance management and remuneration process to determine areas of opportunity for improvement (e.g. pockets of inconsistent outcomes which may indicate conscious or unconscious bias, areas where an automated tool or guidance may provide greater structure, consistency of KPI's across individuals in teams).
- ❑ Develop a consistent, evidenced-based performance review process which is common across the whole organisation. Undertake reviews within and across Departments to ensure performance and remuneration outcomes are being generated consistently.
- ❑ In performance reviews, have the results reviewed and challenged by a person independent to the team under review – the "devil's advocate".

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Reward

- ❑ Ensure remuneration is tied to the individual's responsibility, accountability and performance results, not just the organisation's performance or tenure.
- ❑ Consider the individual's performance and appropriate remuneration based on the evidence of their performance during the review year. Don't be influenced by precedent or assumptions from previous years (e.g. "Jane was happy with a 5 percent lift last year, let's do that again").
- ❑ Consider the remuneration framework and the impact of applying across the board percentage increases. E.g. a 10 percent bonus vs a $10k bonus gives very different results for those at lower salary levels.
- ❑ Cascade organisational goals and KPI's related to addressing the pay gap to management with influence on these decisions, as part of their own performance obligations with commensurate incentive structures.

Report

- ❑ Implement real-time tools which enable management and remuneration teams to identify potential areas of inequality at key points in the employee lifecycle (e.g offer, performance review, remuneration).
- ❑ Build in a review process at key career milestones to benchmark individuals against their peers (within the organisation, industry and across sectors) – for instance, at promotions, change of role, or career breaks.
- ❑ Make the banded salaries by occupation across the organisation visible to employees.

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The Caring Conundrum

Overview

Though it varies by organisation and sector, for women, a key focus area on workforce participation is the early to mid 30s period that often (but not always) coincides with the child-bearing and early school years. This is a critical juncture at which many women find themselves having to move out of the workforce and/or full-time work due to lack of flexibility and gender-biased policies and practices. This juncture is evident in women starting their own businesses, moving into more 'family friendly' sectors, taking lower level and paying roles, and moving to part-time work."

This under-utilisation of resources is a significant inefficiency for organisations and the Australian economy, and a key outcome of cultural expectations on women to take on the 'carer' role.

Characteristics

Mature organisations demonstrate a deep understanding of the career and personal junctures at which women step out of their workforce, and the drivers that inhibit re-engagement. Their initiatives are targeted towards normalising an environment where both men and women are free to take time out for caring duties (be it as a primary carer of a newborn, or flexible arrangements to facilitate the ubiquitous school drop offs and sports days). Their policies offer support for both genders in re-entry to the workforce and flexibility in the periods thereafter.

Their focus is not only on retaining employees who take time out, and ensuring their return is sustainable – but attracting those who have been out of the workforce for longer and supporting their re-entry.

Challenges

Returning to work is a hugely complex area. Hindering factors may include (but are certainly not limited to):

- The intensity and unpredictability of the work environment (especially if travel is required);
- Lack of access for fathers and other parents to parental leave and flexibility frameworks;
- Access to childcare and/or flexibility to meet caring responsibilities;
- Lack of partner or family support;
- Balancing multiple careers in the one relationship;
- Lack of flexibility to meet caring responsibilities (which may be complicated by elderly or ill parents as well); and
- The economic case may well not stack up, and are increasingly prohibitive for second or subsequent children.

Primary factors addressed by 'The Caring Conundrum':

Tenure **Interruptions** **Occupation** **Part-Time** **Sex Discrimination**

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Caltex

INDUSTRY: Fuel Supply and Convenience Retailing
EMPLOYEES: 3000**+**
INITIATIVE: BabyCare Package inc 3 percent bonus

Caltex benefits from experienced and skilled employees returning to work and continuing to contribute to the company's business success. To address the issue of a low parental return-to-work rate, the BabyCare Package was introduced in 2012. The initiative was launched because many working parents found the practical and financial challenges when transitioning back to work made it challenging to achieve their goal of balancing their careers and family.

Up until the baby's second birthday, the BabyCare Package offers a 3 percent bonus each quarter (a total of 12 percent per year on base salary inclusive of superannuation) to a primary carer once they return to work to help offset additional costs, particularly childcare. Access to Dial-an-Angel mothercraft nurses or carers is available for up to five times each year until the child turns two, as well as a specialist service helping parents identify longer-term childcare solutions. There is also a Parental Transition Group to provides opportunities for parents and parents-to-be to network.

Caltex has had 132 employees take part in the BabyCare Package and our analysis shows a 25 percent increase (at the end of 2015) in the number of women successfully transitioning back to work.

"Caltex had taken some big strides in improving its gender equality over recent years, but the journey continues. The success of the BabyCare program is a prime example that transitioning back to work and developing women's careers is just as important as providing parental leave. Among our initiatives in the diversity and inclusion space, the BabyCare package represented a significant game-changer for us. It places us in a unique position in the market, helping us to attract and retain a highly capable workforce."

Julian Segal, CEO

GHD

INDUSTRY: Engineering
EMPLOYEES: 3000+
INITIATIVE: Return to Work Pay Review

Following a detailed pay equity review which found that pay gaps can emerge particularly for people who take parental leave or return to work part-time, GHD enhanced its return to work practices.

In 2015, the program was updated so that everyone returning from parental leave has their salary reviewed within six months of their return to work. The annual remuneration review process also now includes parity reviews for people working part-time.

To facilitate a successful return to work, GHD also encourages people to keep in contact with their manager and colleagues. As part of this program people are teamed with 'parental leave buddies' to share organisational and team news and support the person's return to work. As well as 'keeping in touch days' during paid parental leave, there is the option to work casually while on unpaid parental leave, as well as training for managers to support people and teams who wish to work flexibly.

The return to work program recognises that working parents need flexible and responsive support to make their transition back to work easier, including flexible start and finish times, opportunities to work part-time or casually, and working from home. As a result, in the 2015-2016 reporting period, fewer than 1 percent of people on parental leave at GHD did not return to work.

"Our return to work program helps our people balance work with family and other responsibilities. At the same time it acknowledges that having extended leave should not be seen as a barrier to resuming a rewarding and fulfilling career, with remuneration that is comparable with peers at similar levels of experience and skill set."

Phil Duthie, General Manager

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Actions

Before they go

- ❑ Ensure that all employees are aware of the return to work options available to them from the point of induction – make this knowledge part of the culture.
- ❑ Involve team members in the redesign of their role before they go on leave. Give consideration to various working models, including the implications of working 3 vs 4 days part-time, 9 day fortnights, job sharing, working from home, travel requirements etc.

While away

- ❑ Keep in touch with team members while they are on career breaks, and invite them back to the office to participate in social events and team meetings if they wish.
- ❑ Support invitations to return to the office during career breaks with available child care.

On return

- ❑ Implement a structured flexible work program, including appropriate supports (e.g. building access after hours, technology to enable remote working).
- ❑ Implement regular check-ins with newly returned individuals to determine how they are faring and what additional support might be valuable.
- ❑ Ensure family-friendly policies are in place, and are available in practice to all employees (of both genders and all levels/areas of the organisation) – measure the adoption/uptake of key initiatives.
- ❑ Implementation of 'new parent' peer support groups for both genders. Ensure senior management representatives participate and share their experiences.
- ❑ Implement a 'Back to Level' program with mentoring/coaching and additional learning opportunities to get individuals back up to speed quickly.

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Longer term view

- ❑ Implement training programs for management on the organisation's commitment to flexible working and supporting people at this stage in their career. Ensure management honour commitments around appropriate notice for travel and respect part-time hours (no, a 4 day week should not still be 45 hours!).
- ❑ Implement recruitment and return to work programs for men and women who are re-entering the workforce after a longer period away (who may or may not have been previous employees of your organisation).
- ❑ Build employee satisfaction with their flexible arrangements into KPI's for management.
- ❑ Implement an alumni program to keep in touch with team members who leave the organisation, but may consider coming back at a later point.
- ❑ Establish relationships with local preferred provider child care establishments and facilitate employee's early introduction/applications.

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Train the Team

Overview

Formal education is one of the key drivers of women's potential earning and career progression to senior roles. The availability of on-the-job training initiatives (formal and informal coaching, industry qualifications, leadership programs etc), provide critical access to skill development and the building of professional networks.

Characteristics

Mature organisations consider their structured learning and development program a significant intervention opportunity to address the pay gap in the longer term – both to build a broadly diverse pipeline of capability coming through at all levels, but also focusing on highly talented individuals with leadership skills to expedite or reinforce their potential trajectory.

Challenges

The implementation of specific training or coaching programs for women is often met with cynicism and claims of 'reverse discrimination' from individuals of both genders. Having senior management address this issue early, in terms clearly understood by the organisation, will be critical to changing expectations and commentary across the organisation and over time adjusting the culture to accept the value of these initiatives.

Primary factors addressed by 'Train the Team':

Tenure **Interruptions** **Occupation** **Part-Time** **Sex Discrimination**

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AECOM

INDUSTRY: Engineering
EMPLOYEES: 3,200
INITIATIVE: Graduate Recruitment 50:50 Gender Split

Our CEO, Lara Poloni and the Executive team strive for an outstanding and diverse business and in February 2016 set targets for females into graduate roles and transformed the process for Graduate Recruitment.

AECOM brought on approximately 120 graduates across Australia and New Zealand in 2016 with just under 30 percent female and have since set a target of 50/50 gender split. To achieve this result, a more strategic approach was required and the latest gamification tools were leveraged as part of the short listing process and AECOM's on campus profile was elevated.

There is still a real challenge to achieve the 50/50 split based on the number of female students attending university for some areas of STEM, but it is achievable. One of the best outcomes has been getting such buy-in and commitment from the business. They support the fact AECOM wants the best and most diverse business. The next undergraduate recruitment strategy is in planning and the company continues to develop strong relationships with student female societies as well as hosting in-house women in STEM events.

"Considering the low representation of women studying STEM subjects in Australia, I'm very proud of the 2017 graduate recruitment intake of 119, where we have managed to achieve a fifty-fifty gender split for the very first time – with 100 percent gender pay equity."

Lara Poloni, Chief Executive Australia & New Zealand

K&L Gates

INDUSTRY: Law
EMPLOYEES: 492
INITIATIVE: Women in Leadership Strategy

Since 2007, K&L Gates Australian has had a strategy to improve the gender balance of partners within the firm and in 2012, established a Women in Leadership Strategy.

Nick Nichola, Managing Partner Australia, led the initiative to increase the participation of women in partnership. He recognised the only way to effect change was for all partners to create a culture that inspires women to aspire to partnership. To achieve this, all partners need to be actively involved in career planning with a focus on identifying potential future leaders early in their career to ensure that active sponsorship is in place.

The firm has deployed a number of initiatives focused on creating equal opportunities for women and men, focusing on mentoring, sponsorship and development for women, as well as firm targets to measure and track progress.

In the first three years of the strategy, the firm increased its representation of women in partnership roles from 19 percent to 22 percent. In 2016, 50 percent of promotions to partnership were awarded to women.

Women in senior associate and special counsel roles has also increased over the past three years, with a number of women appointed to partnership and special counsel roles while on maternity leave. The increase in women in leadership is also a result, in part, of initiatives such as paid parental leave, flexible working and specialist professional development programs.

K&L Gates is now aiming for 30 percent of leadership roles to be held by women by 2018.

"With a strong foundation of support in place by way of policies, practices and programs for women and men, I am focused on placing accountability on all partners to make decisions with gender equality in mind. The Women in Leadership strategy places a collective responsibility on all of the partners to provide equal opportunity to women and men. There is still more we need to do, however I am confident that our Women in Leadership strategy puts K&L Gates on the right course to achieve gender equality."

Nick Nichola, Managing Partner, Australia

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Actions

Enable

- ❑ Communicate to the wider employee group and management *why* targeted training, sponsorship and support initiatives are required.
- ❑ Ensure formal and on-the-job training is accessible to, and accessed by part-time, contractor and casual employees (e.g. ensuring training is not always conducted on Fridays or out of hours; varying whether content-based team meetings are held in the morning or late afternoon).
- ❑ Provide access to a learning program to women while on parental leave.
- ❑ Identify a pipeline of talented women and implement formal or informal avenues for them to receive additional training, leadership opportunities, stretch opportunities and access to senior leadership – for instance internally run leadership programs; executive programs at recognised business schools; participation in external programs such as the Chief Executive Women's Leadership Program; interstate and international project or postings; stepping in to new divisions or functional areas etc

Design

- ❑ Build a structured program with universities and local education institutes to support women attaining qualifications, especially in areas such as STEM.
- ❑ Implement Women In Leadership programs which focus on providing a structured pathway for women to progress to the next level – either through expediting paths for identified talent, or helping others address growth opportunities that are holding them back.
- ❑ Develop a structured sponsorship program across the organisation to support the progression of talented women.

Monitor

- ❑ Monitor the number of formal and informal training opportunities offered to either gender and implement a balancing program.
- ❑ Review employees who are working part-time to ensure they are appropriately represented in leadership programs.
- ❑ Monitor the level of education across the workforce and identify occupational areas which may benefit from supported access to further opportunities (e.g. if having an accounting degree is a predictor of moving from an accounts payable role to the AP Manager role, how can individuals in the administrative roles be supported to attain those qualifications?).

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Deal with the Dollars

Overview

Whilst remedying the processes going forward is critical to achieving pay equity, it is also worth considering steps to redress remuneration related gender bias which women have encountered in the past.

Characteristics

Mature organisations recognise that addressing pay equity is going to require 'putting your money where your mouth is' and implementing payment frameworks which remedy remuneration outcomes. This requires a strong commitment from senior leadership and an organisational belief that achieving pay equity will create a better and stronger organisation and community.

Challenges

Chances are high some of these initiatives may provoke strong positions from employees and members of the public about favoured treatment for women, and in some cases may require formal exemption from anti-discrimination legislation (such as in ANZ's example).

Primary factors addressed by 'Deal with the Dollars':

Tenure **Interruptions** **Industry** **Occupation** **Part-Time** **Sex Discrimination**

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ANZ

INDUSTRY: Financial Services
EMPLOYEES: 45,000
INITIATIVE: Financial Inclusion for Women

ANZ is taking the lead on addressing the imbalance of women's superannuation in comparison to men by paying an additional annual $500 lump sum contribution to permanent and fixed-term female employees in Australia who are on our payroll in January each year.

ANZ also pays superannuation during the unpaid portion of parental leave, and the Long Service Leave policy covers up to 24 months for employees in Australia. These changes to parental and long service leave will benefit both male and female employees.

The biggest challenge for ANZ was convincing stakeholders and decision makers of the need for action – explaining the facts and root causes of gender imbalances and to indicate the changes required. ANZ also had to obtain a formal exemption from the New South Wales Anti-Discrimination Board which approved the payment of additional superannuation to female employees.

Although there was some negative sentiment from men and some women about the 'positive discrimination' – ANZ learnt the importance of continually articulating the reality of the gender pay gap and therefore the need for these types of 'disruptive' solutions. The bank continues to focus on increasing the participation of women in leadership roles and in different occupations within the bank – because this is a key cause of the gender pay gap.

Following the announcement of ANZ's Equal future campaign in July 2015, the Senate Economics Committee announced an inquiry into the economic security of women in retirement. ANZ made a submission to the inquiry and gave evidence at its first public hearing which was held in Adelaide. The senate subsequently adopted five out of seven recommendations from ANZ's submission.

"The superannuation gender gap is a complex issue with no easy solution. We decided it was important we take deliberate steps to reduce the gap for our female employees in Australia as well as creating a level playing field for fathers and mothers who take unpaid parental leave. The superannuation top-up in particular created a lot of discussion – internally and externally, and for and against. Raising the visibility of the issue is an important part of making head-way on closing the superannuation gap. We still believe it is the right thing to do and welcome being part of the ongoing discussion."

Shayne Elliott, CEO

NAB

INDUSTRY: Banking
EMPLOYEES: 30,000+
INITIATIVE: 12 week paid parental leave for non-birth parents

In recognition of changing family dynamics, in 2015, NAB made its 12-week paid parental leave entitlement accessible to non-birth parents to help increase the number of men taking time to help raise their children.

NAB employees can now take paid primary carers' leave anytime within the first twelve months of a child's life – previously only available to the primary carer for 12 weeks upon the birth or adoption of a child (or 24 weeks at half pay). Up to 40 weeks of unpaid parental leave is recognised for long service leave accrual. Superannuation contributions on the unpaid portion of a primary carer's leave up to a maximum of 40 weeks is paid upon return to work. Employees returning from parental leave also receive a remuneration review and this has been included as a firm commitment under the Enterprise Agreement.

A comprehensive childcare strategy offers quality, cost-effective childcare options and NAB also offers a wide range of flexible working options – from job sharing, to working from home and extended leave. The 2016 global employee engagement survey shows that 85.9 percent of people work flexibly, including 84 percent of female staff and 88.1 percent of male staff.

"At NAB we aim to ensure that our employees can flex their work needs to accommodate their personal needs, no matter what life stage they are in. We know that in doing this we will not only retain our great people but enable them to realise their potential."

Lorraine Murphy, Chief People Officer

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Actions

Address existing inequity

- ❑ One-off salary uplift for individuals identified to be under the appropriate benchmark, to bring back in line with peers.
- ❑ Establishment of a separate remuneration budget to address gender pay gaps (e.g. having a remuneration budget of 3 percent, with an additional 1 percent to address gaps).

Balance business as usual

- ❑ Monitor and assess the equity of additional remuneration to employees, such as allocation of work that accrues allowances, scheduled and unscheduled overtime, and ad hoc reward and recognition frameworks throughout the year.
- ❑ Consider different treatment of different occupational groups when it comes to issues that impact variable remuneration on top of the standard salary/wage– e.g. the impact if 'operational' roles get paid overtime while 'administrative' roles get TOIL or absorbed.
- ❑ Review the classification levels of roles and occupational areas traditionally held by women to determine whether they can or should be readjusted to reflect a more equal position.
- ❑ Implement paid parental leave above the minimum standard.
- ❑ Ensure employees on career break are still considered for a performance and remuneration review each year.
- ❑ Implement a process for long-term casual or contractor personnel to be able to move to permanent roles.
- ❑ Enable and encourage men to access paid parental leave when acting as primary carer.
- ❑ Introduce avenues for part-time employees to claim payment for ad hoc overtime to bring remuneration in line with full-time employees, especially for organisations that do not have a paid overtime process normally.
- ❑ Consider payment of superannuation for employees on unpaid parental leave.

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Address areas of risk

- ❑ Consider implementation of return to work bonus at key milestones (e.g. on return and again at 12 months).
- ❑ Analyse the impacts of increasing childcare costs on employees and build this in to cost of life increases when considering remuneration outcomes.
- ❑ Enable access to additional leave for carer responsibilities during key periods (e.g. first year of return after parental leave; or ongoing illness of parent).
- ❑ Consider providing additional superannuation payments to women.
- ❑ Consider providing a remuneration inflator on part-time roles, in recognition that the value obtained from employees working part time is often beyond their 'recognised' hours. (e.g. paying 4.5 days for those on 4 day a week arrangements).

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Change the Culture

Overview

The right organisational culture is absolutely essential to driving out the behaviours that lead to the pay gap. It is essential to realise that intervention *will* be required to address the pay gap problem in a timely manner at either an organisational or macro-economic level.

Characteristics

A mature organisation recognises that change of this magnitude requires a considered change management approach and a long-term view, with a focus on role-modelling, communication and transparency. Senior stakeholders are visible sponsors both within the organisation and publicly. Leaders take ownership as champions and encourage men to take on non-traditional roles (at home and at work) by doing so themselves.

Micro-cultures and pockets of inconsistency are identified and addressed, and the organisation is resolute on ensuring that discriminatory practices do not creep back in over time. These organisations have embraced the idea that the full-time employment is no longer the only model for success.

Challenges

Most organisations will be some way on the journey to changing their cultures to a more diverse and inclusive environment – in some industries, or pockets within certain organisations, unacceptable practices are more prevalent and embedded. Unconscious biases are incredibly difficult to identify and address, but need to be a particular focus for organisations that have low levels of diversity across gender, ethnicity, education and background.

Primary factors addressed by 'Change the Culture':

Tenure **Interruptions** **Occupation** **Part-Time** **Sex Discrimination**

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Henry Davis York (HDY)

INDUSTRY: Law
EMPLOYEES: 350
INITIATIVE: Working Fathers Forum

The Working and Parenting Program for women was established in 2014, focusing on helping women combine work and parenting.

Based on their own positive experience, participants in the program suggested broadening the offering to men. Facilitated by an external consultant the Working Fathers Forum aimed to understand the challenges faced by working fathers, to discuss flexibility and to uncover what type of support working fathers would value to assist them in combining work and family successfully.

One of the interesting findings from the Working Fathers session was the men felt that the support of their immediate manager/partner was the most critical in making formal and informal flexibility work. The significant challenges articulated by this group included juggling client expectations with expectations on the home front and the desire to spend more time with family/children. The perception still exists in the minds of this group that requests for formal flexibility could be viewed as a lack of commitment to their career.

These programs have provided the opportunity for working parents (male and female) to discuss tangible and practical ideas and solutions. In turn these programs have provided valuable feedback to inform new gender equality initiatives – including enhanced paid parental leave for primary and secondary carers and an investment in improved remote access to facilitate flexible working.

"The Working and Parenting Programs we have put in place are just one illustration of our wider commitment to gender equality. It is critical that our working parents (of both genders) feel adequately supported to manage their career and home life responsibilities. Each situation is unique, and this program encourages our people to take ownership of what success looks like for them. It's been extremely well-received by those who've undertaken it."

Michael Greene, Managing Partner

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KPMG

INDUSTRY: Professional Services
EMPLOYEES: 6,700
INITIATIVE: Changing the Game

KPMG first began seeking to understand gender pay in 2010. In the first few years, we built up capability for understanding what was happening in the remuneration of our people and in 2012 we produced a comprehensive report for our National Executive Committee. This report demonstrated the criticality of taking action and has led to significant, sustained commitment across the firm to addressing the gap.

Actions identified from this report included the need for:

- Improvement in usable analytics and reporting to monitor and address gender pay issues;
- Investment in Diversity & Inclusion (both financial and time investments);
- Talent interventions (retain and engage senior women); and
- Specific reporting for the National Executive Committee – including highly detailed reporting through remuneration review.

Since that time KPMG has successfully:

- Developed a comprehensive analytics reporting tool which enables us to track performance and remuneration results by gender in real time;
- Implemented detailed gender pay equity reporting at all levels up to the National Executive Committee;
- Promoted the importance of gender equity from our senior leaders both within the firm and externally to our peers and the broader business community (CEO Gary Wingrove is a Male Champion of Change, and a WGEA Pay Equity Ambassador); and
- Invested in a multi-faceted approach to addressing gender equity. This approach includes targeted interventions within each Division to improve female representation; senior leadership development program for high potential women; education programs to help both raise awareness of gender equity issues and to actively address unconscious bias in decision making.

In relation to gender pay equity, we now have an extremely robust process that allows us to provide guidance before decisions are made, enable managers to monitor decisions as they are made, and provide informed challenge where required. This includes:

1. **Robust approach to performance reviews**: Independent representatives from HR participate in business unit performance review meetings to monitor and challenge decisions on performance, promotion and pay at the point decisions are made.
2. **Detailed analysis of outcomes and challenge where required**: Data is captured on ratings and remuneration outcomes and included in a tool which provides real time quantitative data on the gap between comparable roles across the firm. This data provides a platform to enable both HR and decision makers to ensure outcomes are fair, and, to challenge outcomes on an individual level where needed. In areas where a potential gap has been identified, decision makers are required to explain the variance or make changes to outcomes. As a result of this process around 20 individual remuneration outcomes were changed during our latest remuneration review cycle.
3. **Front and center executive involvement**: The CEO and the National Executive Committee receive detailed reporting outlining initiatives and controls in place, explicit data on performance and remuneration results, and the outcomes of these processes as part of our formal sign off.

We believe that this rigorous analysis and continual development has helped KPMG to make significant strides in our approach and that we are now at the 'review and refine' stage of WGEA's six-step process to addressing pay equity.

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Actions

Make it known

- ❑ Have senior executives communicate widely to the employee group the organisation's commitment to gender equity and the initiatives that will be put in place to address this.
- ❑ Address the concept of the 'merit myth' and embed an understanding across the organisation as to why tactical action is required to address the problem.
- ❑ Introduce management to the concept of the "Leadership Shadow" as pioneered by the Chief Executive Women and Male Champions of Change. This tool will support senior management consider the impact of 1) What they say 2) How they act 3) What they prioritise; and 4) What they measure.

Make it real

- ❑ Design targeted initiatives and flagship projects which are monitored, communicated and reported against. Let the leadership be seen as celebrating achievements in this area.
- ❑ Consider the labelling and language that is used in the organisation (sometimes even with the best intentions) – e.g. "working mother" is often a loaded term.
- ❑ Have senior and executive leadership demonstrably working part-time and flexibly.
- ❑ "Leave Loudly" – senior managers of both genders to leave in a conspicuous way early or on time, to reinforce that staying late in the office isn't necessarily the model required for success. Men especially should make it known when they are leaving for family related events.

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Make it happen

- ❑ Implement deliberate strategies and incentives to get men to work part-time.
- ❑ Recognise the tendency for people to hire and promote people 'like themselves'. Consider ways that others can be involved in these processes to provide a circuit breaker.
- ❑ Ensure that women are visible in the organisation – represented on the executive, speakers events such as employee town halls or hosting functions, represented in marketing brochures and websites etc.
- ❑ Assess all job advertisements and position descriptions for subconscious gendered descriptions of the role or the teams in which they will work.
- ❑ Redesign roles as part time so they still have the appropriate level of accountability and exposure, though not simply expecting employees to conduct the same amount of work in less time.
- ❑ Identify and remove barriers to flexibility – e.g. shift start times and length. Consult with employees to identify areas where greater flexibility can be provided.
- ❑ Encouraging men to take up roles traditionally associated with women and vice-versa, and implement structured rotation systems for personnel in the talent program to get diverse experiences.
- ❑ Move to an 'all roles flex' model, wherein the assumed model is that all roles are capable of being delivered flexibly, and managers must make the case otherwise.

Make it stick

- ❑ Remind people about the impact of bias (conscious or unconscious) at key points in the employee lifecycle, especially immediately before performance and remuneration reviews.
- ❑ Simulate or test biases as to raise awareness amongst the management group of their blindspots and preferences.
- ❑ Work with local schools and universities to address the concepts of gender stereotyping of occupations and industries and develop pathways to encourage participation in non-traditional areas for both genders.
- ❑ Design new leadership roles to be meaty and interesting part-time roles. Advertise them publicly as part-time.
- ❑ Develop and implement a comprehensive cultural change management strategy to support targeted initiatives.

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Appendix

Resources & Reading

KPMG for Diversity Council Australia and Workplace Gender Equality Agency - *She's Price(d)less: The economics of the gender pay gap*: kpmg.com/au/paygap

KPMG for Diversity Council Australia (2009) Understanding the Economics Implications of the Gender Pay Gap in Australia: kpmg.com/au/paygap

WGEA Data Explorer: http://data.wgea.gov.au

WGEA Toolkits for Conducting a Pay Gap Analysis: www.wgea.gov.au/addressing-pay-equity/toolkits-conducting-pay-gap-analysis

WGEA Setting Gender Targets Toolkit: www.wgea.gov.au/lead/setting-gender-targets

World Economic Forum: http://reports.weforum.org/global-gender-gap-report-2015/

Male Champions of Change: www.malechampionsofchange.com

Diversity Council Australia: www.dca.org.au/dca-research.html

International Labour Organisation: Equal Pay, An introductory Guide www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_216695.pdf

Centre for American Progress: Explaining the Gender Wage Gap: https://cdn.americanprogress.org/wp-content/uploads/2014/05/WageGapBrief1.pdf

CEDA: Women in leadership: Understanding the Gender Gap www.ceda.com.au/research-and-policy/research/2013/06/6/wil2013

The Australia Institute: What's choice got to do with it? Women's lifetime financial disadvantage and the superannuation gender pay gap www.tai.org.au/content/whats-choice-got-do-it-0

Cassells, R et al (2009) The impact of a sustained gender wage gap on the Australian economy NATSEM University of Canberra Report to the Office for Women, Department of Families, Community Services, Housing and Indigenous Affairs www.natsem.canberra.edu.au/storage/gender_wage_gap.pdf

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