

Gender Pay Gap

HayGroup®

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Introduction

Agenda

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- 2 Measuring the gap
- 3 The data
- 4 The real problem
- 5 What now?

About Hay Group

We help clients globally to solve their organisational and people related business problems.

We help them to make their organisations work through our knowledge and insights into people, jobs and organisations.

- Organisation transformation
- Organisation Design
- Talent management
- Leadership development
- Capability assessment
- Executive reward
- Performance management
- Work measurement
- Employee and organisational effectiveness
- Reward strategies

Why is Gender Pay Gap an issue?

An overview of the issue:

- Pay inequity means less lifetime earnings for women
- Increasingly women are the breadwinners
- The economy needs to attract women into the workforce
- Companies with more women in top jobs perform better
- A societal issue

It is simply unfair and affects us all!



Measuring the gap

The data

It is easy to be cynical when it comes to data....

Statistics are used much like a drunk uses a lamppost: for support, not illumination.

Vin Scully

Facts are stubborn, but statistics are more pliable.

Mark Twain

There are three kinds of lies: lies, damned lies, and statistics.

Unknown (Attributed by Twain and others to Disraeli but contested)

But...the numbers speak for themselves in this case!

Calculating the gap

Approaches

- Average earnings over a period e.g. WGEA
- Life time earnings
- Equal pay for equal work

WGEA Gender Pay Gap

What is the **GPG** according to **WGEA**?

Workplace Gender Equality Agency (WGEA) :

“...is the difference between women’s and men’s average weekly full-time equivalent earnings...”

WGEA calculation - AWOTE

Average weekly full-time equivalent earnings before tax, excluding

- overtime
- benefits
- salary sacrifices..

Considerations

- women a much higher prevalence of P/T.
- men more likely to be salary sacrificing.
- men take more in benefits, e.g. vehicles?

- NOT LOOKING AT EQUAL PAY FOR EQUAL WORK

Lifetime earnings

Fully inclusive

- populist approach
- great headlines

Considerations

- complex calculations – not easily replicable
- many assumptions

Equal pay for work of equal value

Job sizing approach

- apples-to-apples comparisons

Considerations

- no “official” (government) data
- point in time
- Most businesses understand method
- Comprehensive - all financial valued remuneration aggregates/elements



The data

The data in summary

WGEA

- Australian Bureau of Statistics –
 - the average man working full-time earns **18.2%** more than the average full-time working woman

Lifetime earnings

- AMP/NATSEM –
 - Women with Bachelor degree qualifications earn **42%** less over their lifetime than male postgraduates

Job size

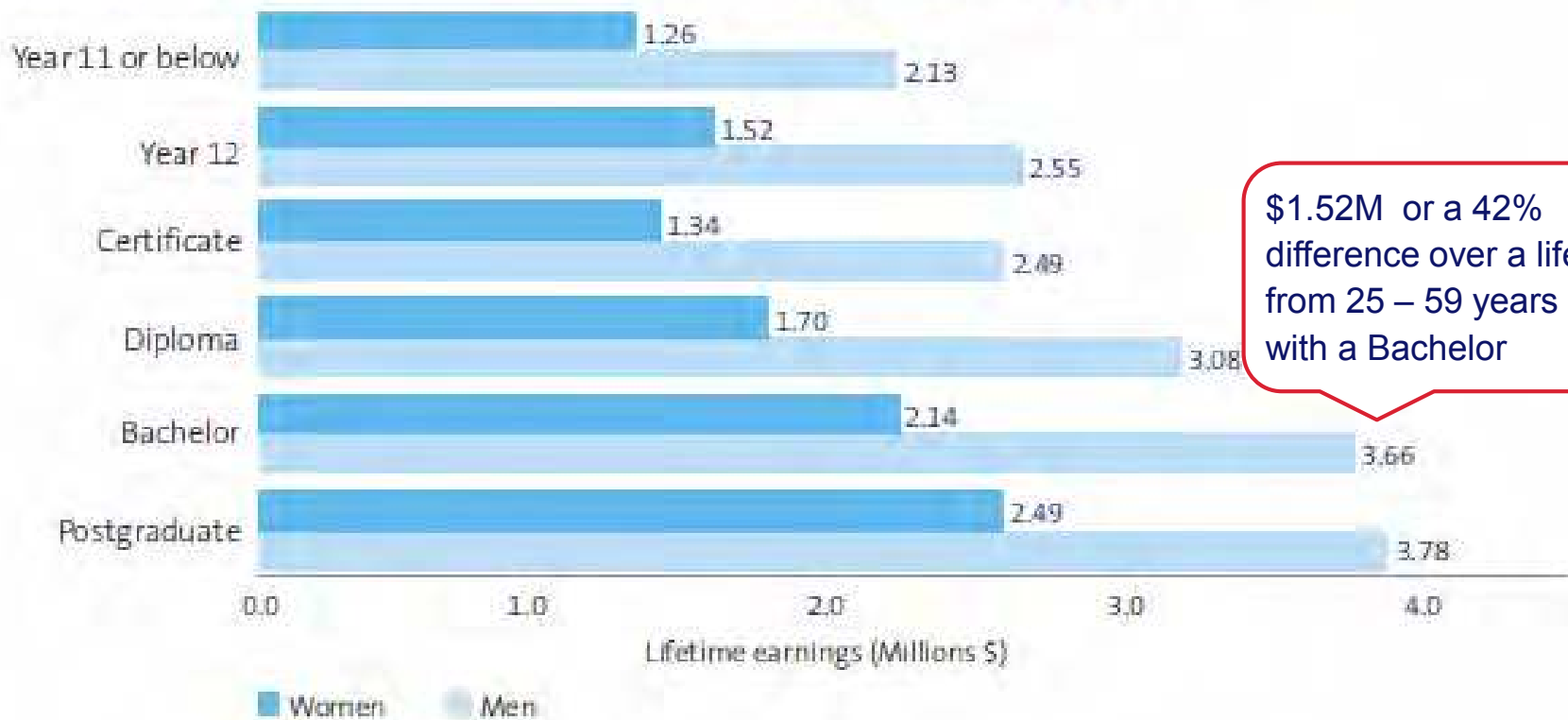
- Hay Group –
 - At fixed remuneration aggregate women earn **5%** less than men

WGEA - 18.2%

Accommodation and food services	8.0
Administrative and support services	17.9
Arts and recreation services	14.9
Construction	18.8
Education and training	12.0
Electricity, gas, water and waste services	12.3
Financial and insurance services	30.0
Health care and social assistance	30.7
Information media and telecommunications	19.5
Manufacturing	17.1
Mining	23.8
Other services	9.9
Professional, scientific and technical services	25.3
Public administration and safety	7.3
Rental, hiring and real estate services	29.0
Retail trade	10.0
Transport, postal and warehousing	16.1
Wholesale trade	14.9

Lifetime - 42% Bachelor degree

Figure 25 Lifetime employee income of persons at age 25 years, by gender



Source: NATSEM calculation from 2009–10 Survey of Income and Housing Basic Confidentialised Unit Record.

Job size Hay Group data- 5%

Fixed	Fixed plus STI	Fixed plus STI plus LTI
4.9%	2.8%	2.8%

3 years of progress?

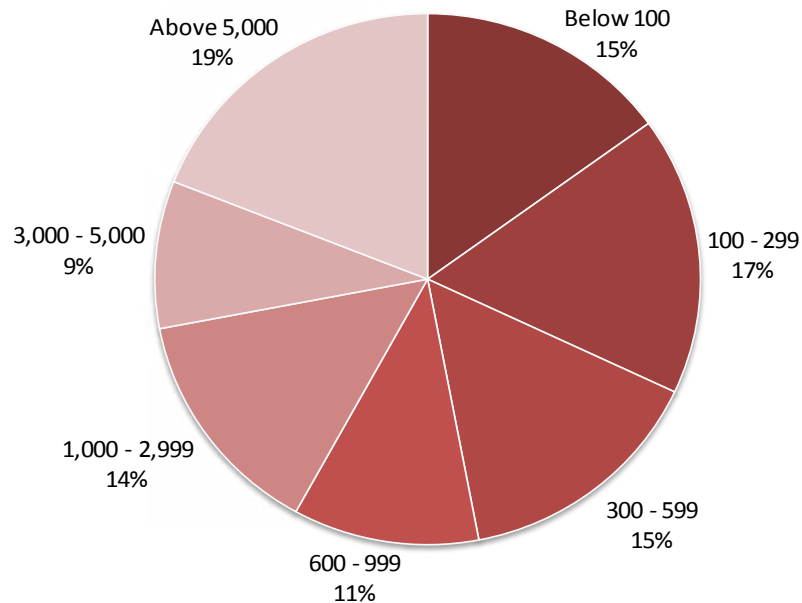
Year	GPG			Prevalence Averages of Grades	
	Fixed	Fixed plus STI	Fixed plus STI plus LTI	Males	Females
2012	7.2%	6.5%	7.2%	70.6%	29.4%
2013	6.9%	5.4%	6.1%	70.7%	29.3%
2014	4.9%	2.8%	2.8%	69.8%	30.2%

What is the market doing?

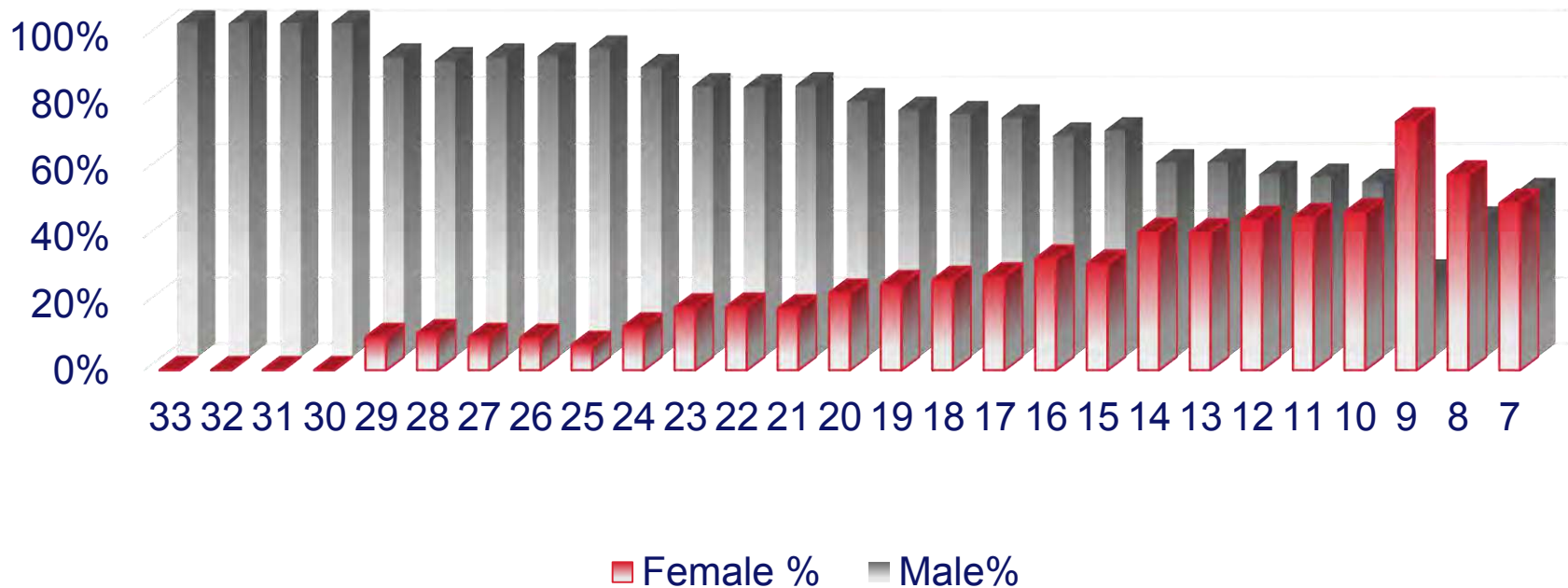
Hay Group database as a proxy for the market

	# of Jobs	% Total Database	% Total Coded
Total Jobs in database as at May 2014	257,462	100%	
Total Jobs with Gender Coded	201,891	78%	100%
Number of Female	75,137	29%	37%
Number of Male	126,754	49%	63%

Distribution of Participants by Number of Employees



The big picture on prevalence – 2014



The prevalence picture over time

Percentage of Females – 3 years

	2014		2013		2012	
Senior Mgmt and Executives	9%	17%	10%	19%	8%	17%
Middle Mgmt & Seasoned Professional	26%	27%	26%	27%	26%	27%
Supervisory & Junior Professionals	39%	38%	39%	38%	41%	41%
Clerical & Operational	44%	50%	34%	53%	42%	64%
	Average	Absolute	Average	Absolute	Average	Absolute

Tunnelling in on prevalence – job size

Employee Level	Grade	2014		2013		2012	
		Female	Male	Female	Male	Female	Male
Senior Management and Executives	33	0%	100%	0%	100%	0%	100%
	32	0%	100%	0%	100%	0%	100%
	31	0%	100%	0%	100%	0%	100%
	30	0%	100%	0%	100%	0%	100%
	29	10%	90%	8%	92%	0%	100%
	28	11%	89%	14%	86%	14%	86%
	27	10%	90%	11%	89%	13%	88%
	26	10%	90%	12%	88%	8%	92%
	25	8%	92%	10%	90%	11%	89%
	24	13%	87%	16%	84%	9%	91%
	23	19%	81%	18%	82%	14%	86%
	22	19%	81%	20%	80%	16%	84%
Middle Management & Seasoned Professional	21	19%	81%	20%	80%	20%	80%
	20	23%	77%	23%	77%	22%	78%
	19	26%	74%	25%	75%	25%	75%
	18	27%	73%	27%	73%	27%	73%
Supervisory & Junior Professionals	17	28%	72%	28%	72%	29%	71%
	16	34%	66%	34%	66%	34%	66%
	15	32%	68%	31%	69%	36%	64%
	14	42%	58%	39%	61%	43%	57%
	13	42%	58%	43%	57%	48%	52%
Clerical & Operational	12	45%	55%	46%	54%	44%	56%
	11	46%	54%	53%	47%	59%	41%
	10	47%	53%	46%	54%	70%	30%
	9	75%	25%	64%	36%	71%	29%
	8	59%	41%	69%	31%	52%	48%
	7	50%	50%	18%	82%	13%	87%

Job family prevalence

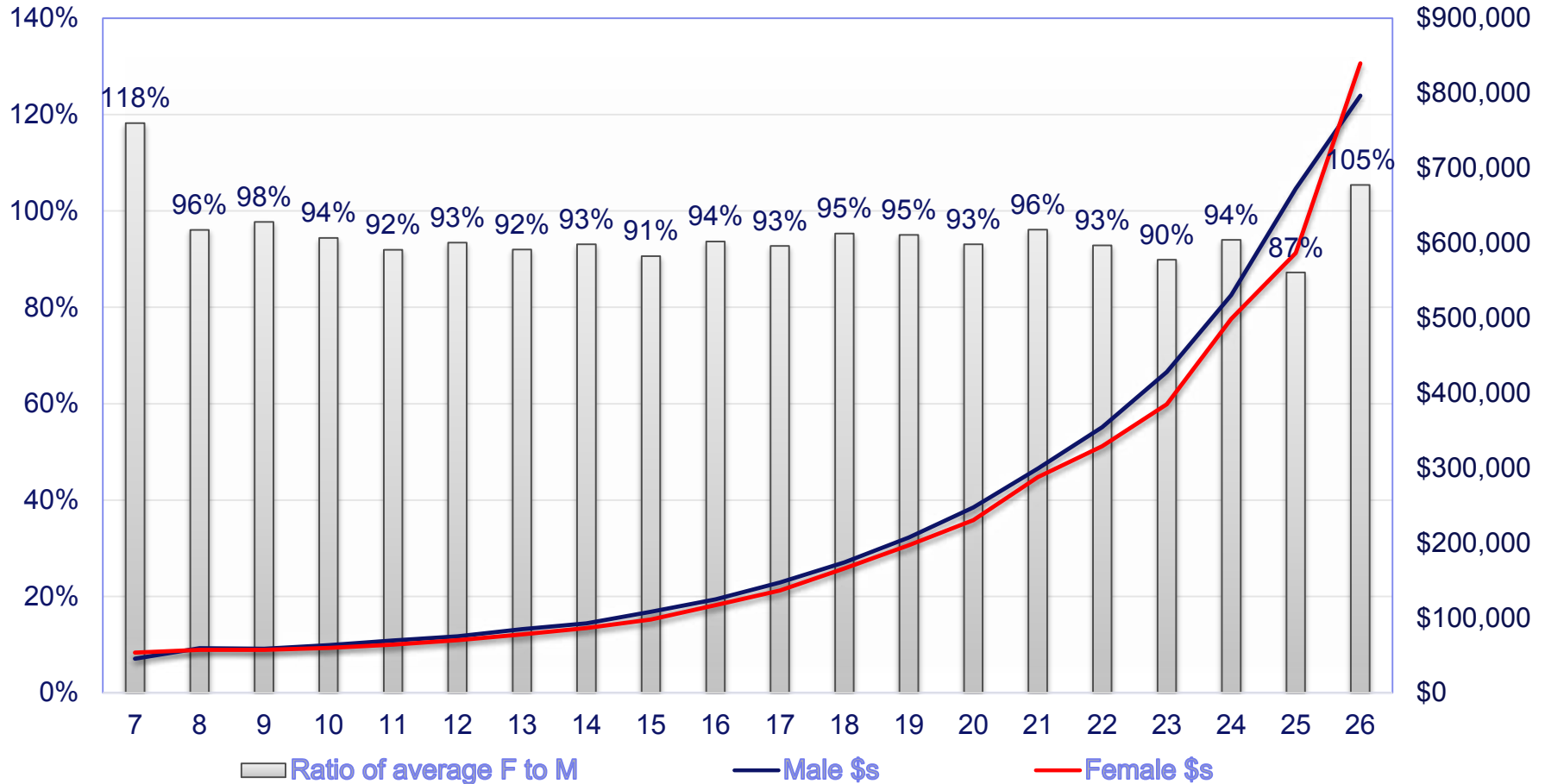
Job Family	2014		2013		2012	
	% Female	% Male	% Female	% Male	% Female	% Male
Administration Support Service	83%	17%	77%	23%	83%	17%
Human Resources	67%	33%	66%	34%	69%	31%
Corporate Affairs	65%	35%	60%	40%	60%	40%
Legal	58%	42%	62%	38%	62%	38%
Call Centre	55%	45%	54%	46%	54%	46%
Customer Service	55%	45%	58%	42%	59%	41%
Finance and Accounting	53%	47%	51%	49%	50%	50%
Marketing	53%	47%	54%	46%	55%	45%
Research and Development (RD)	46%	54%	42%	58%	41%	59%
Quality Assurance (QA)	45%	55%	43%	57%	44%	56%
Category Management	40%	60%	39%	61%	46%	54%
Product Development	39%	61%	44%	56%	42%	58%
Health and Environment	38%	62%	37%	63%	37%	63%
Sales (SL)	36%	64%	38%	62%	33%	67%
Project Management	33%	67%	30%	70%	41%	59%
Property Management (PT)	30%	70%	34%	66%	25%	75%
Logistics Supply	26%	74%	23%	77%	23%	77%
Information Technology	25%	75%	26%	74%	27%	73%
Engineering	10%	90%	10%	90%	9%	91%
Production	6%	94%	8%	92%	5%	95%

Sector prevalence

Sector	Female %			Male %		
	2012	2013	2014	2012	2013	2014
Pharmaceuticals and Healthcare	60%	79%	62%	40%	21%	38%
Consumer Durables	57%	49%	62%	43%	51%	38%
Not-for-Profit	59%	56%	61%	41%	44%	39%
Public Sector	44%	53%	54%	56%	47%	46%
Insurance	58%	53%	52%	42%	47%	48%
FMCG - Other	45%	51%	49%	55%	49%	51%
Education	57%	54%	48%	43%	46%	52%
Retail	49%	46%	46%	51%	54%	54%
Other Financial Services	48%	47%	44%	52%	53%	56%
Business Services	37%	46%	44%	63%	54%	56%
Financial Services	45%	43%	43%	55%	57%	57%
Banks	42%	42%	43%	58%	58%	57%
Construction	36%	39%	42%	64%	61%	58%
Leisure and Hospitality	53%	46%	41%	47%	54%	59%
FMCG	39%	44%	41%	61%	56%	59%
Agriculture, Forestry and Fish	27%	35%	41%	73%	65%	59%
FMCG - Food and Drink	39%	44%	40%	61%	56%	60%
Professional Services	53%	46%	39%	47%	54%	61%
Utilities	36%	40%	36%	64%	60%	64%
IS without Resources	27%	26%	34%	73%	74%	66%
Telecommunications and Media	46%	33%	33%	54%	67%	67%
High Technology	20%	18%	33%	80%	82%	67%
Transportation	25%	21%	30%	75%	79%	70%
Industrial and Service	24%	22%	30%	76%	78%	70%
Building Materials	30%	27%	29%	70%	73%	71%
Industrial Metals	29%	22%	28%	71%	78%	72%
Chemicals	23%	23%	26%	77%	77%	74%
Oil and Gas	26%	20%	25%	74%	80%	75%
Industrial Goods	27%	34%	21%	73%	66%	79%
Mining	23%	19%	20%	77%	81%	80%

What is the data showing?

Pay ratio by Hay reference level



What is the pay data showing?

Pay ratio by Hay reference level

Job size	Ratio of <u>average</u> female to male pay - 2014		
	Fixed remuneration	Fixed plus annual incentive	Fixed plus annual plus long-term incentive
26	105%	136%	129%
25	87%	97%	98%
24	94%	96%	101%
23	90%	91%	91%
22	93%	95%	95%
21	96%	98%	97%
20	93%	92%	91%
19	95%	94%	94%
18	95%	94%	94%
17	93%	92%	92%
16	94%	93%	93%
15	91%	90%	90%
14	93%	93%	93%
13	92%	92%	92%
12	93%	93%	93%
11	92%	92%	92%
10	94%	95%	95%
9	98%	98%	98%
8	96%	96%	96%
7	118%	119%	119%

What is the data showing?

Pay ratio by Hay reference level

Job size	Ratio of <u>high</u> female to male pay - 2014		
	Fixed remuneration	Fixed plus STI	Fixed plus annual plus LTI
Above RL 26	Small sample		
26	45%	37%	44%
25	59%	62%	38%
24	72%	72%	81%
23	46%	75%	71%
22	79%	87%	89%
21	97%	99%	77%
20	87%	91%	73%
19	81%	85%	80%
18	84%	80%	80%
17	78%	82%	82%
16	87%	72%	72%
15	90%	84%	84%
14	70%	69%	62%
13	82%	87%	87%
12	91%	91%	91%
11	91%	91%	91%
10	82%	78%	78%
9	107%	95%	95%
8	87%	87%	87%
7	92%	92%	92%

What is the data showing? Sectors

Sector	Male to female pay – 2014 difference		
	Fixed remuneration	Fixed plus STI	Fixed plus LTI
All Orgs	5%	3%	3%
Industrial Goods	12%	12%	12%
Mining	8%	6%	5%
Oil and Gas	8%	7%	7%
Transportation	8%	8%	8%
Utilities	8%	9%	10%
Building Materials	7%	7%	7%
Business Services	7%	7%	7%
Chemicals	7%	7%	7%
Industrial and Service	7%	7%	5%
IS without Resources	6%	7%	5%
Industrial Metals	6%	7%	7%
Professional Services	5%	5%	5%
Financial Services	4%	4%	4%
FMCG	4%	5%	5%
FMCG - Food and Drink	4%	5%	6%
Banks	3%	3%	3%
Insurance	3%	5%	5%
Not-for-Profit	3%	3%	3%
Education	2%	2%	2%
Other Financial Services	2%	3%	3%
Retail	2%	2%	1%
FMCG - Other	1%	2%	2%
Leisure and Hospitality	0%	0%	0%

~~PROBLEMS~~
SOLUTIONS

The real problem

The problem

- Equal pay for work of equal value hides the bigger problem
 - Using the Hay Group database as a proxy for our workplaces
 - “Only” ~2.8% to 5% difference
 - Trending the right direction.

Makes it look like a problem that will be easily solved! But...

- Females not getting the big jobs
 - Zero females in the 4 biggest job sizes in our database
 - 17% of all Snr Mngmt/Execs are females but mostly at entry levels – lower job sizes
 - And not trending the right direction
- Males dominating in the technical type sectors with higher paid jobs
 - Industrial, Mining, Oil & Gas sectors

The solution

What are we seeing in the market?

“Those organisations that have made most progress in my experience are those where the CEO owns diversity and has genuinely bought in”

“Targets relate to inputs though not outputs, e.g. shortlists for senior appointments need to be minimum of 50% women”

“On the pay equity side of things, interventions are mainly preventative but not seeing much in terms of dealing with the legacy issues”

“ After years of working on diversity they felt “stuck” because they were still struggling to get diverse leaders into the top ranks of the organisation (I think they had done reasonably well getting a more diverse candidate pipeline and getting more diversity in the lower levels). So (they) designed a custom leadership program for diverse mid level leaders”

“ ABC law firm, has female partners mentoring junior partners and associates. Very much therefore assigned to specific people to sort out with a global diversity role to oversee activity”.

The solution

What are we seeing in the market? (2)

Interventions include:

- Unconscious bias training
- Mentoring for high potential women
- Job rotation for high potential women
- Remove bias from selection processes
 - removing names & any sign of gender from resumes
 - more women to attend graduate fairs
 - women to feature on website ads etc, especially in male dominated industries
- Flexible working – the best organisations see that the only way this works is if MEN and women senior leaders role model it so women know is it a genuine option and not career limiting
- Get rid of perception that women need to behave like men!

Regulatory interventions and targets work!

ASX Corporate Governance impact on mining sector

2010 Amendment -Principle 3.2 – 3.4 relate to gender diversity

- Companies with women significantly outperformed:
 - ROE for all male Boards decreased by average 65.5%; at least one woman on board decreased by only 24.93%
 - EPS all male decreased by 21.06% average; at least one woman on board **increased** by 31.2%
 - Enterprise value to reserve ratio, all male average decrease of 28.08%; woman by only 18.1%
 - EV for all males average decrease by 4.91%; at least one woman **increased** by average 267%.

Summary

Key points:

- Australia has a Gender Pay Gap problem, regardless of how it is calculated
- Focusing on the gap in pay for equal work is a good start - only
- The glass ceiling still exists
- Insufficient woman in higher paying job families and sectors
- Not a business problem, a societal problem – solving it will boost performance.



What now?

What now

Have you set gender diversity targets by job level?

Are you specifically targeting starting at the lower levels in order to increase your talent pool?

Are you focusing on the BIG problems of glass ceiling and prevalence or solving the “relatively smaller” problem of equal pay for equal work?

Do leaders know what is expected from them and what role they play in implementing the changes required to meet the organisation’s gender goals?

Are you “doing” diversity at home or only in the workplace?

Thank you!

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