



Putting Pay Equity into Practice

Pay Equity and the Productive Workplace

A case study of the NAB/FSU pay equity audit - August 2007

Pay Equity works for everyone

Industrial Relations Victoria

Department of Innovation, Industry and Regional Development

A Victorian
Government
initiative



Why look at pay equity?



For over thirty years, Australian businesses have been required by legislation to provide equal pay. The minimum legal requirements for meeting pay equity are set out in the Federal Workplace Relations Act 1996 and the Victorian Equal Opportunity Act 1995.

In most workplaces, and particularly those thinking about doing a pay equity audit, the minimum legal standards for complying with pay equity are likely to already be met. In fact, better workplaces already have well developed policies to underpin and promote equity principles and programs to deliver equity outcomes. So why are businesses interested in looking at pay equity now? Haven't equity issues already been addressed?

In tight labour markets, businesses positioning as employers of choice are showing renewed interest in pay equity. Where there are explicit policies to promote equitable outcomes for all employees, unions and managers are interested to understand why gender-based differences in accessing job roles and rewards persist. Pay equity provides a tool to understand better how informal practices; values and culture reinforce or undermine corporate values. High performance businesses are interested in what pay equity can tell them about how corporate strategy and values align with business practice and outcomes.

The Victorian Government is committed to advancing pay equity. We know that, far from the end product of women's increased participation in the workforce, pay equity and work and family balance are something that must be strived for, a challenge to which we all must apply ourselves if we want a better future for Victorian working families and industry.

I therefore congratulate the FSU and the NAB on collaborating so productively, and this case study will undoubtedly provide lessons and a way forward for other employers and unions.

A handwritten signature in black ink, appearing to read 'Rob Hulls'.

ROB HULLS MP
Minister for Industrial Relations

Industrial Relations Victoria acknowledges the work undertaken by Kim Windsor of Windsor & Associates in the preparation of this Case Study.

For a summary of recent judicial developments relating to equal pay: <http://www.eowa.gov.au>

For a discussion on the limitations of existing legislative mechanisms, see *Advancing Pay Equity – their future depends on it*, Victorian Government, March 2005.

Available from: http://www.business.vic.gov.au/busvicwr/_assets/main/lib60047/85_pay-equity-final-4-3-2005.pdf

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Message from the National Australia Bank

NAB are very proud of the fact that we were the first major financial institution in Australia to run a collaborative, open and transparent pay equity audit in partnership with government and the union.

After having conducted the audit, we feel that we now have a greater understanding of the underlying drivers of pay within NAB and therefore can confidently move ahead with our change agenda for our women.

The audit was a success for NAB on a number of levels and as such, we have committed to conducting another such audit in two years – the outcomes of which we believe will further endorse our programs for change.

We anticipate that the IRV case study will provide other large organisations with the tools, knowledge and confidence to conduct their own extensive audit and that like NAB, the findings enable them to look for areas of improvement in order to make a difference for women in the workplace.

Ilona Charles
General Manager People Services
People and Organisational Development
National Australia Bank



Message from the Finance Sector Union

The finance industry has the widest gender pay gap of all Australian industries according to ABS reports. The Finance Sector Union (FSU) finds this unacceptable for current employees, past employees who fought for equal pay and future employees who deserve to work in a sector free of gender bias, with equal opportunity for all.

FSU proposed, and NAB agreed, to conduct a gender pay equity audit as part of our 2006 Enterprise Agreement. The joint project in NAB was a first by an Australian financial institution, with a collaborative and transparent audit run across its 23,000 strong workforce.

With the support of Industrial Relations Victoria, consultant researcher, Kim Windsor, was engaged to facilitate the project and record its findings. This resultant case study documents the process and will provide a valuable tool for other organisations seeking to address the complex area of gender pay equity. Most importantly, it details the methodology, and some lessons learnt from our valuable experience.

FSU will use this experience to press for further joint initiatives with other employers to address the gender pay gap across the industry.

On behalf of FSU members at NAB and throughout the finance sector, I thank NAB, IRV and Kim Windsor for their excellent work on this project. I also wish to thank the Minister for Industrial Relations, Rob Hulls and the Victorian Government for their commitment to gender pay equity.

Paul Schroder
National Secretary
Finance Sector Union of Australia



FSU
AUSTRALIA
www.fsunion.org.au



‘It’s a good way to test how the business is tracking.’

‘No competent manager would deliberately set out to sanction the unequal treatment of men and women, particularly in today’s context of highly competitive and tight labour markets.’

‘Businesses are looking to position as employers of choice. Pay equity audits can be a useful tool.’

NAB Managers

About this report

In 2006, National Australia Bank (NAB) and the Finance Sector Union (FSU) finalised a three year enterprise agreement that contained a groundbreaking clause committing the parties to undertake a pay equity audit. This initiative was not a response to a specific pay claim or concern. Although both parties recognised that if inequities were identified, they would need to be addressed, the project was not initiated because this was an expected finding. Rather, the clause was an expression of a shared interest and commitment by the parties to explore the pay profile of NAB employees to understand better whether the basis for deciding who is paid what is fair and equitable. This report documents the approach to implementing this clause. This report aims to provide a practical insight into the issues, challenges and options for undertaking a pay equity audit. A number of ‘how to’ tools are already available². These tools provide valuable, step-by-step advice on how to design and undertake a pay equity audit. This report is should be read in conjunction with these existing tools.

Undertaking a pay equity audit is not particularly unusual. NAB had already conducted internal analyses of aspects of the pay system. What is groundbreaking about this initiative is that the audit was approached as a joint exercise between NAB and the FSU and signaled a commitment to an open and transparent investigation of pay arrangements – a subject traditionally kept well guarded. This commitment extended to NAB and the FSU agreeing to share the outcomes of their experience with other businesses to support the growing interest in pay equity. This coincided with the Victorian Government’s commitment to promote pay equity initiatives. Industrial Relations Victoria (IRV) recognised the value of documenting a practical case study and supported the engagement of a facilitator to work with the Pay Equity Working Party to support and document the work.

Each business will have its own set of issues and priorities that will shape its approach to the audit process. This report describes how one business approached the task to support other businesses that may be interested in improving their own equity practices. It reports on the issues, challenges and achievements of a project that set out to understand and address pay equity in a large, diverse and complex corporate environment.

The report is structured in four sections, which follow the audit process:

1. Establishing the project;
2. Establishing the audit scope;
3. Undertaking the audit; and
4. Reporting audit outcomes and recommendations.

2. See the resources listed under The workplan in section 2 of this report for details.

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1. Establishing the project

The business context

National Australia Bank (NAB) is a large financial services group providing a comprehensive range of financial products and services throughout Australia, New Zealand and parts of the United Kingdom and Asia. In 2000, it expanded into financial management services with the purchase of MLC. This became the bank's Wealth division. NAB is Australia's largest bank, employing around 23,000 people in Australia. Of these, around 3000 work in Wealth Management. These jobs are spread across 16 grades, 14 business units and numerous job roles³.

The employment and pay profile at NAB shares similar features to the rest of the finance and insurance sector profiled by Equal Opportunity for Women in the Workplace Agency (EOWA). Its report on the industry describes an industry sector with one of the largest pay gaps of any sector. On average, women in finance and insurance earn just 63% of male earnings and this gap is increasing at a faster pace than in other sectors (p24)⁴. At the same time, the industry boasts 'some of the most sophisticated and well resourced equal opportunity programs in the Australian private sector.'(p18)⁵

The pay profile at NAB tells a similar story and is reflective of the employment distribution where women make up 60% of the workforce and are heavily concentrated in the clerical grades, principally within the teller job role. At pre-management level, women outnumber men by more than 2:1. Yet at management and senior management levels, the pattern is reversed with men accounting for just over two-thirds of all management roles and nearly 4 out of 5 senior management jobs.

A poor industry track record on pay equity was a concern both to NAB management and the union. When the Finance Sector Union (FSU) proposed a joint a pay equity audit, management was quick to agree. 'No-one would support unequal outcomes based on gender.' Both parties saw shared benefits in undertaking this project that stemmed from:

- recognition that pay equity is a shared objective, not an 'us and them' issue;
- a genuine concern to understand whether there are pay gaps and if so, why;.
- a good fit with business commitment to improve performance by drawing as broadly as possible on available talent;.
- a chance to understand better the impact of overt policies and initiatives targeting cultural change already in place in the bank;
- A conviction that there is no reason to hide the facts. 'If there is a gap, it needs to be fixed.' (HR Manager)

The FSU's role as the catalyst and advocate for pay equity is part of a long-term commitment to addressing the pattern of unequal earnings for women and men in the finance sector. 'Traditionally these issues have been seen as combative. This was different. It is something all parties came together over.' (FSU)

3. The grading structure was being concurrently reviewed.

4. This gap of 37% in earnings is based on fulltime adult ordinary-time earnings using ABS figures for November 2004. EOWA cites earnings data from the Australian Bureau of Statistics which indicates that in the finance and insurance sector, the gender pay gap in fulltime adult ordinary-time earnings increased from 29.1% in 1994 to 36.8% in 2004, compared with a decrease for Australia as a whole from 18.2% to 15.2 over the same time period.

5. Equal Opportunity for Women in the Workplace Agency, EOWA Industry Verticals: Finance and Insurance, 2006, Commonwealth of Australia. Available from: http://www.eowa.gov.au/Information_Centres/Resource_Centre/EOWA_Publications/Industry_Verticals/EOWA_Fin_Ins_IV_2006.pdf

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Observations and lessons

- The Enterprise Agreement provided a vehicle to commit formally to undertake and report on the pay equity audit.
- Clarity and transparency are principles that underpinned the decision to embark on a pay equity audit.
- Clear commitment and leadership by senior management was essential.
- Upfront agreement that the NAB and the FSU were equal partners to the audit was important.
- The parties shared a commitment to ensure equitable pay outcomes.
- Undertaking the audit as a joint exercise with the union reinforced employee engagement and a commitment to transparency.

Project management and reporting

At NAB, responsibility for overseeing the audit was driven by its inclusion in the Enterprise Bargaining Agreement (EBA). Formal responsibility to oversee implementation of the EBA rests with the Joint Consultative Committee. Establishing the pay equity audit as a joint initiative of management and the union was an important and deliberate feature of the project design.

The working party

The working party (WP) was responsible for the day-to-day work of the audit. It comprised of core members from NAB, the FSU and Industrial Relations Victoria (IRV). In addition to a stable core membership, internal staff and external consultants with relevant expertise were engaged as needed. An external facilitator (funded by IRV) was also appointed to work with the team and IRV provided administrative support, recording meeting outcomes and scheduling meetings.

The central roles of the WP were to:

- identify the key issues to be investigated;
- agree to a workplan and approach that can provide the evidence needed to answer these questions;
- design and oversee data collection;
- review the data analysis, determine conclusions and recommendations and establish priorities;
- report findings;
- coordinate the communication strategy;
- liaise with and report back to their constituent groups.



Project focus and skill requirements

Each project will differ in terms of project focus and skill requirements. Those identified as underpinning the work of this audit are outlined below.

Project management

The tasks are to coordinate specialist inputs to the project, secure and manage resources, provide a link between pay equity work and related initiatives and stakeholders and report on audit findings.

Project facilitation

Tasks are to keep the project on track to define and meet the work program. Both management and the union saw benefits in engaging an external facilitator. Some advantages included maintaining a clear focus, providing a fresh perspective and minimising concerns that a single party could dominate the process. Whether the facilitator is an internal or external appointment, they must be acceptable to all parties.

Pay equity

An awareness of tools or models for researching pay equity issues is useful as is experience in researching labour market issues.

Statistical analysis

This occurs at different levels depending on the size and complexity of the task. This project identified three aspects that need to be considered:

Design of the statistical methodology

This should ensure that the data collected relates directly to the research questions being addressed. Existing tools and templates for conducting pay equity audits provide a useful starting point. Because of the complexities of working with large, complex databases, the WP also sought expert advice on how best to approach this task.

Quantitative data collection and analysis

These require a sound understanding of the structure of the internal HR and payroll databases.

Data presentation

This is important to consider. These projects generate large amounts of information. Part of the role of a WP is to sift through the information to draw out the key issues and lessons so they are accessible to the target audience – managers and staff in the business. Some of the approaches used by the statistical team are provided in Appendix 1.

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Qualitative research

This can take many different forms with interviews and focus groups being among the most common. Although both NAB and the FSU had experience in conducting this type of research, the WP agreed to outsource this to an external consultant. This offered dual benefits of contributing well developed expertise in conducting this type of research and underpinning the commitment to provide confidential, objective reporting of the issues.

Data analysis

This involves sifting through both quantitative and qualitative data to respond to the key issues or questions. Sound research skills are useful to draw out the main messages and themes.

Business culture and industrial context

Pay equity is integrally linked to factors such as job design, pay classifications, work-life balance, staff recruitment and promotion, training and succession planning and workplace culture. In addition to research skills, making sense of the data requires an understanding of how these arrangements work within the business and how they can affect pay equity outcomes.

Writing and presentation skills

These serve to frame the issues and report on outcomes in ways that meet the requirements of different audiences. The way findings are reported and presented deserve attention. It is not only about documenting outcomes. The challenge is to capture the attention of the audience and build a level of understanding and capacity to respond to the issues uncovered.

Ground rules

The nature of a pay equity audit requires consideration of highly sensitive, confidential information related to pay. All parties recognised the importance of maintaining confidentiality in the interests of protecting both NAB and individual staff members.

A set of ground rules to support the work of the project was proposed by the FSU and adopted. Importantly, the history of a productive working relationship between NAB and the FSU provided a solid basis of trust and respect required to underpin this work. This is the context for the undertaking given by NAB in the EBA to provide all relevant information:

NAB will share with FSU, on behalf of NAB employees and any agreed researcher all relevant information, subject to normal commercial in confidence and privacy considerations.

Management delivered on this commitment and provided open access to payroll data on the proviso that external consultants and observers signed confidentiality agreements. This demonstration of trust not only facilitated the audit process but also reinforced goodwill and commitment from all the parties.



Engaging stakeholders: a communication strategy

The communication plan

An effective communications plan is an essential part of building stakeholder engagement and laying the foundations for building a receptive and responsive audience for the audit recommendations.

The communications plan was developed around three broad stages of the project:

Project establishment – key messages: Why we are doing a pay equity audit and where you can find get more information.

Ongoing reporting of progress: This occurred at different levels according to the level of interest of the stakeholders. Detailed reports were prepared for the information of senior managers and union officials. Summary reports were available via NAB and FSU communication channels including intranet sites.

Reporting on findings: As with the ongoing reporting, a public report summarised the detailed findings of the project.

Disseminating information

Although NAB and the union were responsible for reporting to their constituent groups, the parties agreed at the outset to manage communication jointly. Senior managers and NAB staff were the primary audiences for reports although at times throughout the project public statements were released to the press. Both parties were supported by their organisations' communication specialists in preparing both internal and external statements.

Managing issues

In framing project information, the WP was mindful of managing attitudes and expectations. Two specific issues were considered. The first related to managing expectations. There was a concern that some staff might expect the audit to result in immediate pay increases. While both parties were sensitive to this possibility, it is interesting to note that in reality this was never raised as an expectation by staff either through the focus groups or through bank or union communication channels. In fact, employees generally expressed a high level of confidence in the existing pay-related policies.

The second concern was how to address a possible backlash against a project that is seen to address equity for women only. The approach was to position pay equity as an indicator of a healthy business culture responsive to the needs and interests of all employees.

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>Tips...

- *Identify the purpose of communicating audit information. For example, the most basic purpose is to provide information. The communication strategy needs to build interest and ownership of the issues.*
- *Identify the different audiences for audit information. What amount and level of information do they require? How frequently do they need to be updated? Remember the audiences you need to brief have not gone through the same intensive learning process as those more directly involved with the audit.*
- *If your business or union has communications specialists, involve them early on so they have an understanding of the project.*
- *Decide how you want to manage communications. For example, do you want to have a single message on behalf of all the stakeholders (in this case, management and union) or separate communications?*
- *Investigating pay issues may be a mutually shared project. However, there may be different views either during the research stage or about the action required in response. Communications arrangements need to be sufficiently flexible to recognise that there will be times when the parties will express different views or priorities.*

How long and how much?

Obviously, the costs and efforts associated with this type of project will vary significantly depending on the size and nature of the business, the scope of audit and whether you can draw on internal capacity or bring in external support to do the work.

The experience of undertaking this project at NAB provides one example. This estimate relates to undertaking the initial research stage. As already noted, NAB is a very large and complex business and the resourcing arrangements reflect this context.

Internal resources

- An internal project manager allocated an average 2 days a week to the project over 9 months. This allocation covered coordination of specialist inputs and liaison throughout the business.
- NAB provided high level statistical skills to support data collection and presentation. This component was critical to the success of the project and required an average of 2–3 days a week.



>Tips...

- *Meetings need to have a clear purpose, agreed timeframes and recorded outcomes.*
- *Members of the WP need to devote considerable time and effort to the project. Expectations of this role should be made clear up front. Availability of WP members to undertake detailed aspects of the work will influence decisions about when and what type of external support will be useful.*

External resources

- NAB engaged the services of a statistical analyst for around 3 days in total to support and guide the internal data experts. The ‘short, sharp input’ from the statistical consultant was invaluable in fine-tuning the methodology used to analyse the statistics.
- IRV attended meetings and funded an external facilitator with experience in labour relations, job design and equity issues. The facilitator provided information on relevant research, tools and approaches, acted as a sounding board on issues and supported the project in analysing and presenting project outcomes.

Meetings

- The WP met as required – a minimum of once a month and more frequently once data were available for analysis. Meetings typically ran for two hours and were structured around clear action agendas. A summary of agreed outcomes of each meeting were recorded and circulated after each meeting.

Observations and lessons

When deciding on reporting and operational arrangements for a pay equity audit, consider these issues:

- Do the members of the overseeing body and any related working parties have credibility with the key stakeholders – staff and management?
- Do those initiating and requesting the audit have the authority to make decisions on findings and oversee implementation of recommendations?
- Do members of the overseeing body represent a breadth of interests and attitudes or do they only represent ‘the converted’?
- Is the business willing to commit the required resources to conduct the audit and act on the recommendations?
- Are the audit objectives achievable within capacity, time and resources?
- What internal skills and support does the organisation have to draw on? What expertise would you need to draw from outside?
- Have the parties agreed on the ground rules for working together? This is likely to cover agreement on confidentiality and roles and responsibilities including representation and reporting of the views of/to constituent parties. In workplaces with less experience in working with consultative approaches, ground rules may also need to establish agreement on resources and time available to participants to undertake their role and clarify expectations on reporting and representation.
- Will the business appoint an external facilitator? If not, who will be responsible for facilitation? Is this acceptable to all parties?

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2. Establishing the audit scope

The audit scope establishes the focus or breadth of the inquiry. Audits are designed to be tools to support ongoing measurement and monitoring. To this extent, they do not need to attempt to address every aspect of equity at once. The key question for the NAB WP was how narrow or wide the initial data analysis should be. One option would be to concentrate on particular job roles where pay equity was a concern. This approach would be appropriate where a pay audit is being initiated in response to a pay claim or complaint. In this case, the audit could collect evidence on the specific target group.

At NAB, this was not the case. Although WP members had some initial ideas about where issues might be found, there was also an interest to use the process to test and challenge assumptions. As a result, the project adopted a more open-ended approach that would involve an initial scan of employment and payroll data across all employees. This preliminary scan was used to focus on job roles showing differential pay outcomes to understand better the factors that shape the pay profile and employment opportunities in these roles. This type of investigation is more concerned with identifying systemic patterns of pay inequity and investigating the likely causes. In business environments characterised by strong policies in support of gender equity, this approach uses the pay gap to highlight the gap between corporate policy and values and business culture and practice.

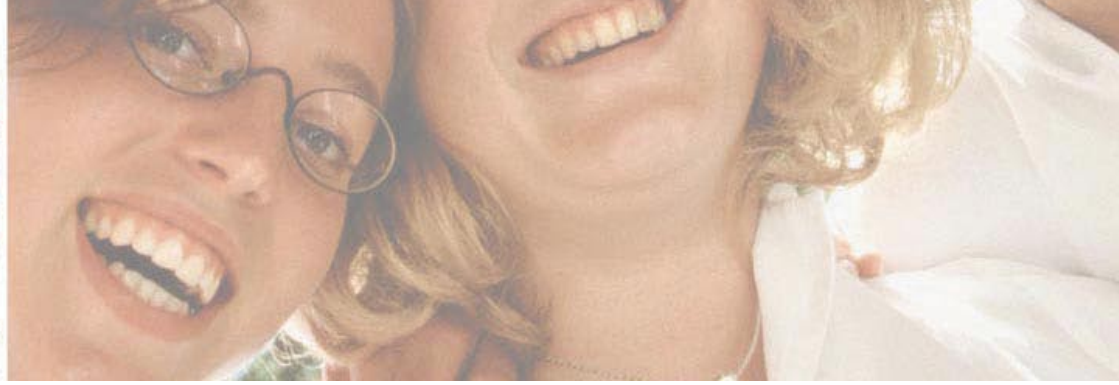
Audit methodology

The use of employment and payroll data to map patterns of employment and pay distribution across the business established baseline data against which to track the effects of programs to advance equity outcomes. The employment profile generates the next level of questions about which issues will form the focus of further investigation. The issues of most interest will influence the choice of methodology. While each business will have its own issues, some common themes are likely to emerge.

One option is to focus on occupations where the majority of women are concentrated. These jobs may be low skilled and offer little in the way of stepping stones to more interesting and rewarding jobs. In this case, strategies to look at job design or building career pathways into better paid roles will have most impact.

Alternatively, the lower level jobs where women are concentrated may be undervalued. That is, they are just as skilled as better paying jobs but the skills have gone unrecognised and unrewarded. In this case analytical methods such as comparable worth that allow a comparison of different job roles of 'nominally' equal value may be more useful. Industrial Relations Victoria has recently released guidelines on undertaking this type of comparison⁶.

6. Forthcoming Industrial Relations Victoria (IRV) publication. Check the IRV website for current information at: http://www.business.vic.gov.au/BUSVIC.1709834530/STANDARD//pc=PC_61635.html



>Tips...

- *Is the audit scope and methodology suited to the business context?*
- *Pay equity may be unfamiliar or even threatening to some stakeholders. Consider how much people understand about both direct and indirect discrimination that can influence pay equity. The audit scope needs to respond to issues or questions that the stakeholders see as relevant. As the parties gain experience and understanding, they may revisit and expand their initial focus.*
- *The investigative stage is the first step of a broader program to address equity issues in the workplace. The audit scope should not be so ambitious that people and resources are exhausted before any tangible action is taken to respond to the issues identified.*

A common feature of jobs dominated by women is that pay rates are often relatively fixed or span only a small range. It is unlikely that women will receive less money than their male counterparts performing the same role. This is why a statistical analysis of pay gaps within the same job is unlikely to result in a focus on gender segregated jobs occupied predominantly by women.

An analysis of pay differences within the same job role is more useful when looking at mixed gender roles or roles more likely to be held by men. Payroll data does not challenge the pattern of job segregation but if women and men performing the same job are treated equitably it is reasonable to expect that they should be earning the same pay. A pattern of unequal pay defined by gender would be cause for concern. It is difficult to imagine that any business corporation would practice direct gender discrimination.

That is, women receiving less by virtue of their gender. Rather this type of investigation can provide insight into the factors or practices that may appear gender neutral but systematically deliver higher pay outcomes for men over women. This allows a business to make better informed decisions about how indirect discrimination may be influencing workplace culture and implications for skill attraction and retention.

At NAB, the decision on methodology was largely influenced by the EBA, which committed the parties to:

'at least one comparison of pay outcomes for men and women performing the same role'.

The EBA clause supported a focus on the most basic question: Do men and women performing the same work receive the same pay?

The project scope was to investigate and report on pay equity within one or more job roles and make recommendations on further action required. Responsibility for acting on the audit findings was outside the scope of this project.

The decision to start with a relatively small and manageable focus was deliberate. It recognised the complexity of the task in a large corporate environment. It also allowed the parties to test the approach and assess its value. As a result, both parties have subsequently committed to future pay equity audits, which will provide opportunities to raise awareness of equity issues and monitor the effectiveness of initiatives designed to improve equity outcomes.

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The workplan

Within the boundaries established by the EBA, the WP's first task was to decide how to structure the investigation. The following pay equity publications and toolkits were helpful in shaping this approach:

- EOWA Pay Equity Tool – Payroll Analysis: A 7-Step Approach Equal Opportunity for Women in the Workplace Agency (EOWA)⁷
- Equal Pay Handbook, Human Rights and Equal Opportunity Commission, Commonwealth of Australia, 1998
- Working Towards Pay and Employment Equity for Women, New Zealand Department of Labour⁸
- Shaping a Fairer Future, Women & Work Commission, UK Department of Trade and Industry. Crown Copyright, February 2006
- Equal Pay Review Kit, Equal Opportunity Commission (UK)⁹

The initial question was: Do men and women performing the same work receive the same pay? To answer it, the WP mapped out a basic set of sub-questions that would shape the work plan:

What is the gender distribution across job roles?

Do women earn the same or less than men in this business?

Do women and men working in the same job earn the same pay?

If there is a pattern where women typically earn less than men either across the business or within a job role, what are the reasons and are these acceptable to the business?

Does the pattern of employment and pay distribution adversely affect capacity of the business to attract and retain the best people for the job?

Initial scan of the workforce

Some WP members already had ideas about which groups might be more vulnerable to pay inequity. One option was to focus the payroll analysis on these targeted positions. The WP opted instead to test its assumptions by conducting an initial scan of employment and pay distribution of men and women across the business.

Different approaches were used to filter the very large volume of data. The outcome was a shortlist of job roles that showed a systemic pattern of gender-based difference in pay outcomes.

7. Available from: http://www.eowa.gov.au/Developing_a_Workplace_Program/Six_Steps_to_a_Workplace_Program/Step_2/_Pay_Equity_Tool/_docs/EOWA_Payroll_Analysis_A_7_Step_Approach.rtf

8. Available from: <http://www.dol.govt.nz/PDFs/peeu-review-workbook.rtf>

9. Available from: <http://www.eoc.org.uk/>



Detailed analysis of pay gaps

Following the initial scan further quantitative and qualitative data were collected to identify likely causes of the gap. Focus groups were convened to explore further possible causes.

Reporting findings

Initial project findings were presented to the project steering committee. Committee members represented a cross section of the business including management, FSU representatives and the union. Discussions provided a basis for confirming key findings and making recommendations on further work and priorities for action to address areas of concern.

Observations and lessons

- It is worth investing time to think through the audit approach. Discussing the workplan provides an opportunity for project stakeholders to become more informed about pay equity. Consider the methodology issues and options that make sense for your business. Do not be too eager to start the 'doing' until you are clear about the questions you want to investigate and how you plan to find the answers.
- Establish the priority equity-related issues of interest to the business. For example, is it difficult to recruit and retain staff with the relevant skills? Why is it easier to attract or retain men in a role than women? It is helpful to frame questions that stakeholders want to investigate and make sure the methodology can provide answers to these.
- Check that the workplan is achievable within the capability, resources and timelines available? It is preferable to limit the focus in the interests of achieving a timely outcome rather than taking on too much at once that cannot be delivered.
- Confirm that the parties recognise the importance of acting on audit findings. The research stage is only the first step and only worth doing if it stimulates action to address equity issues.

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3. Undertaking the audit

While the workplan provided the broad framework, the detailed methodology was continually revisited to balance the effort of collecting data against the likely benefits. This section outlines some of the issues and approaches taken.

>Tips...

- *Any business with a large overall gap between earnings of men and women will almost certainly have a highly segregated workforce. That is, one where jobs are heavily dominated by men or women rather than more evenly mixed.*
- *It is useful to identify the distribution of women and men in 'feeder roles' that typically provide pathways into management positions. Check the representation of women in feeder or pre-management jobs. Look at whether this pattern of representation changes at management level.*

Quantitative data

Most pay equity audits will start with a review of quantitative data on employment and pay. These data are useful to:

- challenge assumptions about people and pay;
- assess the capacity of existing data systems to provide the information businesses need to measure and monitor gender equity;
- establish baseline data against which the impact of initiatives designed to influence equity outcomes can be measured.

Employment distribution

Although the primary focus of this audit was on pay distribution, establishing an overview of the distribution of women and men across the business provides useful contextual information. The WP adopted definitions of female and male dominated jobs based on international definitions as reported in the NZ guide:

An occupation is female dominated if 70% or more are female employees.

An occupation is male-dominated if 60% or more are male employees.

The WP started by looking across all employees to check:

- gender distribution across grades;
- gender distribution by employment status (part-time; fulltime).

Job grades are the most aggregated level of data describing where people sit within the job hierarchy. These high level data were useful to get a broad view of employment distribution¹⁰.

10. See Appendix 1 for examples of the way these data were presented.



Pay gaps between women and men

Getting a handle on job distribution is relatively easy. Identifying pay gaps can get a bit more complicated. Issues the WP needed to clarify included:

How should 'pay' be defined?

Over what timeframe should payroll data be collected?

What quantum of pay difference indicates a 'pay gap'?

What level of 'job role' should be investigated?

What adjustments are needed to take account of differences in employment status?

Defining pay

Pay is made up of different components. A pay equity audit will uncover whether there is any pattern indicating that one gender is better placed to access these different components. Depending on the type of job and the related structure of pay, there can be a big difference between the base rate and the actual amount received. Understanding how pay is structured is especially important where there is a fair degree of discretion in accessing different pay components. For example at NAB, a teller has access to very limited performance-related pay compared to a financial planner. It is also important to understand any job-based differences in qualifying for different pay components.

The EOWA tool provides a useful list of pay components that were used as prompts in deciding how to define pay. At NAB, the WP identified the following components to be included:

- Base salary + superannuation
- Afternoon shift
- Car allowance
- Higher duties
- Incentive payment
- Shift loadings – late night, morning, night
- Meal money
- Overtime
- Quarterly incentives
- Special recognition
- Bank car private use
- Maternity leave payment
- Payment in lieu of RDO
- Team achievement

Putting Pay Equity into Practice

>Tips...

- *It is useful to set up your database so you can separate out the contribution of different pay components. This allows you to identify which components contribute most to the pay gap.*
- *The impact of pay components other than base salary will depend on the business type. Pay components that warrant particular attention include start rates, performance-based pay, overtime and allowances. It is also worth looking closely at jobs with wide pay ranges.*
- *For more complex pay structures, longer rather than shorter time frames will provide a more accurate picture.*
- *You may need to try different approaches before you find one that makes sense of your data.*

Choosing the timeframe

If the amount paid in each pay period was equivalent, pay could be analysed over a single pay period and get a meaningful outcome. In most cases, different pay components are paid at different times. This means that the timeframe over which the data are collected will influence how accurately the data reflect actual pay received.

At NAB, the WP tried different approaches ranging from a single pay period to quarterly and annual figures. In the end, the WP agreed that data for a 12 month period gave the most accurate picture.

Defining a 'pay gap'

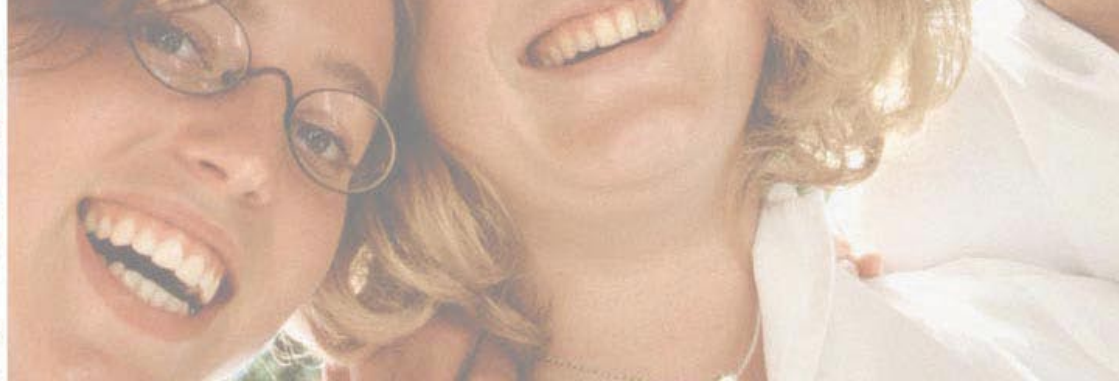
In order to identify gaps in pay outcomes for men and women you need to decide the quantum that is considered as constituting a 'gap'. The WP agreed that more than a 5% difference (in either the average or median figure) warranted investigation that is more detailed.

There are different ways to measure a pay gap. Each measure has its own strengths and limitations. The WP used two simple and complementary measures: the average (mean) and the median¹¹.

The mean is most useful when the data are evenly clustered. 'Outliers' or results that vary significantly from most others can distort the result. For this reason, it is useful to consider the actual salary range alongside the average.

The median represents the central figure for a data set. A big difference between the mean and median figures suggests an uneven distribution and you will need to look more closely at where this is occurring.

11. The New Zealand guide provides a helpful outline of basic statistical analysis options.



>Tips...

- *Excel software is commonly used by small and medium businesses. It will be more difficult to calculate medians if you are using this package. This may not be a problem if you are working with smaller numbers but for large businesses, it may be worth considering different software options if you want to run both calculations. The EOWA Pay Equity Tool provides sample data formats suited to use with Excel. The NAB statistical team used similar fields but used some more advanced software using SQL code. The code details are provided in Appendix 2.*

>Tips...

- *Large businesses often have varied ways of defining job roles. Look for an approach that groups job roles by similar activity as well as by similar pay level.*
- *Aggregate data give a broad overview but are likely to mask the detail.*
- *Large businesses are constantly undergoing changes that can affect job definitions and roles. This can present a challenge for collecting reliable data. It can also provide opportunities. For example, if you are interested in whether an aspect of corporate restructuring impacts differently on women and men, you could establish the data you need to collect so that they can be included in the next audit process.*
- *Attend to adjusting for employment status.*

Defining a 'job'

The WP was given the task of identifying and studying pay gaps for people performing the same job. This might sound straightforward but defining a 'job' can be complicated in large businesses. At NAB, large numbers of job titles made it impractical to analyse data at this level. At the other end of the spectrum, grades provided data at such an aggregate level that they tended to mask the detail. A further complication was that some job roles could be classified at different grades.

The WP needed to balance an interest in the detail against the need to keep the task manageable. It opted to use 'generic job roles', which provided a way of grouping job titles under somewhat broader headings. An indirect benefit of this process of exploring workforce profiles and related data systems is that it supports the business to understand better the workforce structure and to take stock of current data collection and analysis capacity.

Large businesses are likely to employ people under different contractual arrangements such as fulltime, part-time and casual. Before you compare pay rates, you need to decide how to treat these differences so you are comparing like with like.

The WP considered different approaches. For example, one option to adjust data to be able to include part-time and fulltime employees is to compare hourly rates. At NAB, this was not a good fit. Hourly rates did not necessarily give an accurate reflection of total remuneration. To get a more accurate picture, the WP looked at annualised total remuneration based on hours worked.

Observations and lessons

This section has described some of the preliminary issues that the project needed to consider to start collecting and interpreting data on pay gaps. These issues will be different for each business and your approach to solving them will be largely influenced by the data available to you. As you work through these issues:

- *Involve data experts from the business early on when discussing what data you need and how you want to use it. They can tell you what is realistic and what is not in terms of the data 'wish list'.*
- *Keep a detailed record of your approach. This is important to be able to explain to others what you find.*
- *Design the first audit to establish a basis on which future audits can build. This means that the data collection will need to be repeated at some point in the future. A detailed methodology will allow others to understand and refine the approach.*
- *Recognise that in most businesses the data will be limited, inconclusive and/or just too time consuming to access. Be prepared to work within data limitations and make recommendations to improve data integrity for next time.*

Putting Pay Equity into Practice

>Tips...

- *Quantitative data can be used to test whether assumptions and opinions about people and pay are supported by evidence. This requires stakeholders keep an open mind.*
- *The approach taken at NAB concentrated on finding patterns of systemic pay inequity. This approach is more manageable when working with a large number of people or roles. It has the added advantage of protecting individuals against being identified. A possible weakness of this approach is that it can overlook or mask pockets of pay inequity where the numbers in the job or role fall below the threshold included in the analysis. If this is a concern, the approach may be supported by a more focused analysis of specific roles.*

Data analysis

Having worked out what data you need and how you want to use it, the next challenge is to start collecting and analysing. Interestingly, at initial planning sessions, the WP identified job roles they thought might show patterns of pay inequity. After looking at the data on pay across all jobs, they found that in most cases it did not show the expected patterns of unequal pay outcomes for these roles. This does not rule out pay inequity; instead, it means that equity issues did not relate to differences in pay between women and men in the same job role. For example, job roles that were predominantly filled by women such as teller, showed no pattern of pay inequity between male and female tellers. On the other hand, pay gaps emerged in areas that were not initially targeted, particularly in jobs with large pay ranges and with relatively high discretionary pay components.

Looking for statistical patterns

In the NAB project, the WP agreed that it would look for systemic patterns of gender-based pay inequity rather than investigate differences on a case by case basis. This approach is suited to analysing large amounts of data, as it requires grades and job roles with sufficient people to show patterns rather than reporting individual differences. It was particularly helpful to draw on statistical expertise to establish rules about minimum sample sizes and minimum representation of gender within a sample size.

Looking at explanatory factors

The quantitative data analysis was undertaken in two broad stages. The first sought to identify jobs that showed different earnings patterns between women and men. Once established, a second level of analysis looked at these jobs more closely to try to find possible explanations.

A gap in pay between women and men is not necessarily a problem. There may be quite reasonable and acceptable explanations for this pattern such as differences in skill level. In this case, the focus should be on education and training of women and girls to influence pay equity outcomes in the longer term. The WP found only limited quantitative data was available to explain possible causes. It looked at two factors: business unit and length of service.



>Tips...

- *If you are considering data to investigate possible causes of the pay gap, make sure the explanatory factor is relevant. Explanatory factors will differ depending on the requirements attached to the job role you are investigating.*

Business units often have very different approaches and cultures. Knowing whether pay gaps for a job role were influenced by which business unit the role was attached to provided useful information.

Length of service was considered only where it was likely to provide a reasonable explanation for a pay gap. So for example, if a job has a relatively short learning curve, length of service is unlikely to explain a gender-based difference in pay.

These factors were considered because the data could be easily accessible. Other factors such as qualifications and training or experience in the role could also be useful where this information is easy to collect.

Observations and lessons

- Payroll analysis and what you can learn from it will depend on the data available and how easy they are to access.
- Do not get too bogged down by data issues. There are existing tools that outline very simple approaches to collecting and analysing data. If these are not enough and/or your business is more complex, consider getting external advice on statistical analysis. Choose someone who has experience in using statistics and who can keep the task manageable to research and describe social and labour force issues.
- Be clear about the questions you are trying to answer. Data might be interesting but it is easy to be sidetracked. If you find an interesting pattern that is not directly related to pay equity – such as a high churn rate in an occupation, make a note of it for further action and move on.
- Remember not everyone is used to working with figures. Provide adequate time for people to look at the figures before meetings. If the information is too sensitive to send off site, allow for reading time prior to the meeting and make sure there is someone on hand to answer questions.

Pay Equity works for everyone

Putting Pay Equity into Practice

>Tips...

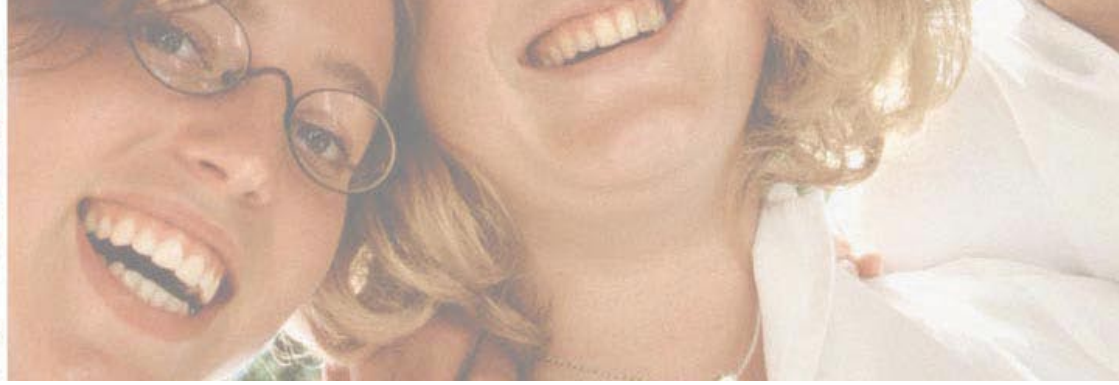
- *When designing focus groups, think about what might inhibit open participation. For example, do the participants share common issues or experiences? If not, one-on-one discussions may be more useful. Are managers or team leaders present? This can limit open discussion. Are you exploring issues that participants might feel reluctant to talk about in front of other work colleagues? If so, either consider one-on-one discussions or construct the group across work areas so people are not brought together with their immediate workmates.*
- *Advise participants of the ground rules. For example, how will the information be used? Will their views be kept confidential?*
- *Confidentiality of outcomes is linked to group size. If groups are very small (for example, fewer than 5 participants) it may be possible to identify participant views even if names are not directly quoted. Ideally, groups should be around 6–8 participants.*
- *Consider how you will record contributions. If you decide to record the session, seek agreement from all participants at the outset. If you are planning to take notes, consider involving someone other than the facilitator who can do this.*
- *Participants in focus groups or structured interviews will often be interested to get feedback. In providing this feedback, be mindful of how to do this in ways that do not compromise confidentiality. This is particularly important where numbers of participants are small.*

Qualitative data

Statistics are very useful in establishing and quantifying what is occurring. They are more limited in explaining possible reasons why. This is where qualitative research is more useful.

Like most large businesses, NAB had existing mechanisms to invite feedback from staff including both general and targeted employee surveys and a feedback intranet site. In addition to reviewing this input, the project convened focus groups. Focus groups are a useful way to gather information about peoples' experiences, attitudes and expectations. They are essentially guided discussions. The WP opted to engage an independent research company to conduct and document the focus groups. The WP decided on this approach to support objectivity and to underline the confidentiality of information gathered. An interview schedule was developed by the researcher and the WP and was used to guide group discussions. A set of indicative questions used to guide discussions with both staff and managers is provided in Appendix 3.

Separate groups were convened for women and men. This was done to encourage open discussion of gender issues. Employees from similar roles were grouped together. Separate interviews were conducted with managers from the same work areas.



4. Reporting audit outcomes and recommendations

Audits generate large amounts of data. The reporting stage involves sifting through this detail to identify the central issues and themes that require attention. This section discusses some of the common themes that are likely to emerge.

Indirect discrimination

It is very unlikely that this process will uncover pay gaps directly attributable to gender-based discrimination. This is known as direct discrimination. It is obvious and therefore relatively straightforward to understand and address and is likely to be as unacceptable to management as to staff.

Pay gaps that result from indirect discrimination are usually not based on conscious or deliberate decisions and are more difficult to recognise and act on. A challenge in preparing the report on audit outcomes is to present evidence that throws light on how this can occur. For example, if one option to access a pay increase is to make a direct request to the manager this may not appear to be gender biased. Many managers will cite female members of their work team who are more than capable of presenting a case for increased pay and women staff may themselves believe they are well placed to promote their interests. On this basis, other things being equal, you would expect that women and men do equally well in terms of accessing this type of pay increase. If the data consistently tell a different story, they provide evidence that should trigger a rethink about why this is occurring and what could be done to change it.

The 'policy–practice' gap

One of the most valuable outcomes of a pay equity audit is to understand better how closely the unstated values and practices align with corporate values and policy. A weak alignment between policy and practice is dysfunctional for any business. It demands a rethink of the policy, the practice or both. One of the most frequently cited barriers for women entering better paid, career oriented jobs across all industries is the structure of working hours. Nowhere is the tension between policy and practice more evident than around work–life balance. Just consider how many senior management roles either men or women who have struck flexible arrangements that balance their work and non-work commitments occupy. As long as taking advantage of progressive work–life balance policies means forfeiting career aspirations and feeling that you are letting your work team down, the policy–practice gap in this area is likely to be wide.

The role of leadership

The experience at NAB reinforces the need for strong leadership on equity issues. Reasons cited by staff to explain any pay gaps are similar to those reported by EOWA in its study across the finance and insurance sector. They included job design (especially related to quantum and spread of hours), recruitment and promotion criteria, processes for negotiating pay including start rates and pay increases and detrimental impact on work and career associated with accessing provisions to support work-life balance. What was interesting about the issues raised was that in most cases staff and managers did not view these as discriminating against women specifically. Where people had difficulty fitting their lives around the expectations of the job, they were more likely to see this as a reflection of their own limitations rather than an issue they could actively address.

This finding highlights the limitations of approaches that rely on individual staff members to take the running on changing an entrenched workplace culture. While raising staff awareness about policy and entitlements is important, it may be more effective to shift responsibility for raising and advancing equity issues from individual staff members to integrate it into business practice. This means establishing the responsibility and capacity of managers to actively promote and manage equity rather than responding to employee requests on a case by case basis.

Developing an integrated response

A pay equity audit is one of a suite of tools businesses can use to measure and monitor the kind of workplace they support. Businesses interested in taking initiative to review pay equity are typically those that seek to position in the market as an employer of choice. They will have other programs in place designed to support fairness and equity. Personnel responsible for programs and initiatives that affect employment, job design and pay need to be consulted. Their experience is useful to validate audit findings. They are also well placed to advise on how the issues identified by the audit are or could be addressed. If there are already programs in place to tackle issues, they can use the data collected to assess effectiveness, suggest refinements and set targets. If issues raised by the audit are not addressed by existing initiatives, they can suggest how new initiatives can best be integrated with existing arrangements.

At the same time as investigating how to integrate responses with existing programs, it is useful to retain a specific focus on gender-based pay equity. So for example, the area responsible for overseeing remuneration may monitor and report patterns of pay distribution by gender. This is one of the measures that can then feed into a future pay equity report that would report progress across a range of indicators that influence overall pay equity.



Data collection

In most businesses, the first pay equity audit will be limited by the data available. This can be frustrating but it is also an opportunity to identify how data could better support future audit processes. In some cases, this will simply be a matter of including gender as one of the items recorded. In other cases, it will require new information to be collected. The audit report should provide detailed feedback on data issues and how these could be improved. It is useful to involve personnel responsible for data management in refining these recommendations.

Reporting findings

Just as the Communication Strategy identified different audiences, each will have different interests in the audit outcomes. This will differ depending on the business but some typical reporting requirements include:

- A detailed report including an explanation of the methodology and limitations of the data collected will be required by the overseeing committee and to guide those responsible for monitoring progress and undertaking future audits.
- A summary of key findings and recommendations. The target audience for this report is senior managers and union officials.
- A public report for wider distribution to all staff. This should provide a brief description of the audit process. Staff are more likely to be interested in key findings and intended actions to address issues identified. An example of the reporting format NAB for general advice of managers and staff is included in Appendix 4.

Observations and lessons

- Pay equity audits provide empirical evidence to challenge commonly held assumptions about 'how we do business'. They provide a direct indicator of the gap not only in pay between men and women but also between stated values and on-the-ground practices.
- Pay equity is not just a matter of pay. Equitable pay outcomes are integrally linked to the way a business recruits, develops and manages its people.
- Initiatives to respond to pay equity issues are more likely to succeed if they are integrated into core business. This means the issues need to be understood and owned by the relevant areas and avoid the risk of becoming 'another HR initiative'. At NAB, an executive member sponsors each one of five points in the Diversity Action Plan, ensuring that business unit management takes ownership of and responsibility for diversity.

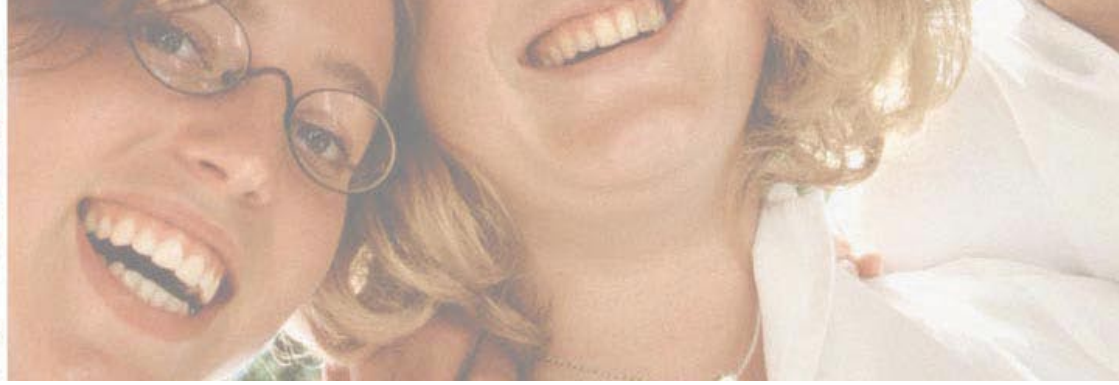
Putting Pay Equity into Practice

- Pay equity is an overall indicator of workplace culture and people management. It is useful to identify the matrices or measures to monitor changes in critical indicators that contribute to this overall result. Data collection and reporting responsibilities need to be established to feed this detail into subsequent audits.
- Business leaders need to present the business case for supporting pay equity to both staff and managers. Engaging people on this issue means shifting the focus. Responses to address pay equity, such as flexible work arrangements, are often understood and treated as a 'women's issue' yet many men have interests and commitments outside the workplace. When articulating the business case to support effective gender equity and people engagement, it is important to explain how equity impacts on the business and staff, not just on women with family responsibilities.
- The audit process will undoubtedly uncover issues that deserve attention but fall outside the scope of the audit. While it is important not to be sidetracked by these, it is equally important to raise these issues in the audit report so they can be addressed as part of an integrated response.
- The audit report should establish the timetable and allocate responsibility for managing and undertaking the next audit. Frequency will differ depending on the business context. For example, if you want early feedback on the impact of structural adjustment, you will opt for a relatively short timeframe such as 2 years. If the business environment is more stable, you may want to extend the timelines. At this stage, it is also worth identifying any specific jobs, business units or issues you want to focus on in the next round.

What next?

The common message of all pay equity guides is that the initial audit is only useful to the extent that it stimulates and guides action to address equity issues. At NAB, the ongoing agenda is still being shaped, driven by a clear commitment to maintain a focus on pay equity as a key indicator of a healthy workplace culture. The public report prepared by NAB for general advice of managers and staff is included in Appendix 5.

As with any other business audit, the value lies as much in the process as in the outcome. A pay equity audit provides a window on workplace practice and culture. While gender is the prism for looking at this picture, it will uncover wider performance issues in the workplace. It is the start of a process that will benefit businesses that want to understand more about the attitudes, values and practices that shape their workplaces.



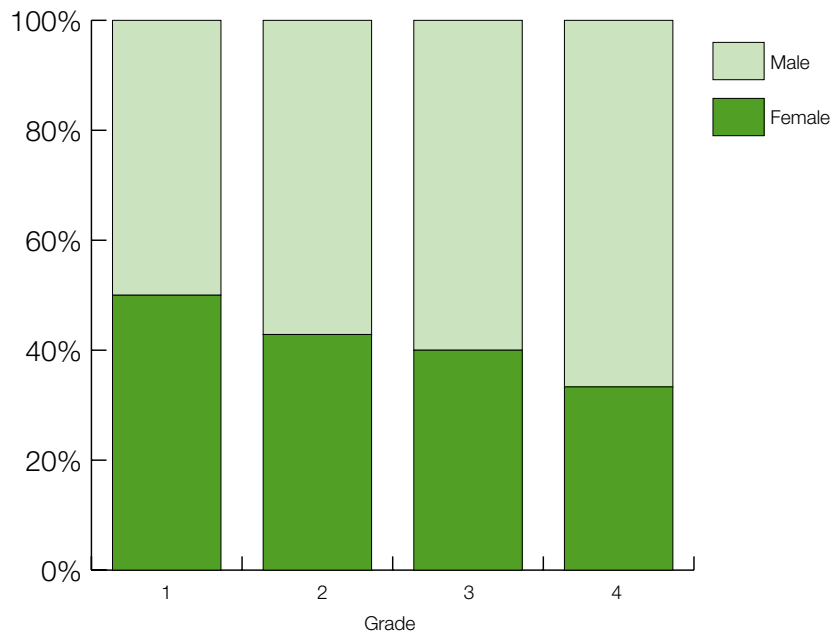
Appendix 1

Sample formats for presenting payroll data:

Grade	Pay Equity (F\$/M\$)	
	Median	Avg
1	97%	94%
2	95%	96%
3	99%	95%
4	100%	99%
Total	55%	65%

	Headcount (Total)		Yrs of Service (Median)	
	Female	Male	Female	Male
1	50	50	2	3
2	30	40	4	5
3	20	30	6	7
4	10	20	8	9
Total	110	140	5	5

- $\geq 95\%$ Pay Equity
- $85\% \leq \text{Pay Equity} < 95\%$
- Pay Equity $< 85\%$



Putting Pay Equity into Practice

Median Pay Equity (F\$/M\$)		Headcount (Total)							
Permanent Fulltime	Permanent Part-time		Permanent Fulltime		Permanent Part-time		Headcount (Total)		
			Female	Male	Female	Male	Female	Male	Total
98%	95%	1	40	50	10	0	50	50	100
101%	95%	2	20	39	10	1	30	40	70
85%	99%	3	15	25	5	5	20	30	50
99%	-	4	9	20	1	0	10	20	30
		Total	84	134	26	6	110	140	250

- >= 95% Pay Equity
- 85% <= Pay Equity < 95%
- Pay Equity < 85%

Gender Domination (F/M %)	
Permanent Fulltime	Permanent Part-time
44%	100%
34%	91%
38%	50%
31%	100%
39%	81%

- Female Dominated (> 60% Female)
- Male Dominated (< 40% Female)
- Female Only
- Male Only



Appendix 2

The following SQL code can be modified for use with Windows Access. Specific fields can be easily varied depending on the analysis required.

```
Select      c.grade_id
            ,sum(count_emp) as Total_count
            ,sum(case when m.gender = 'Female' then count_emp else 0 end) as Female_count
            ,sum(case when m.gender = 'Male' then count_emp else 0 end) as Male_count
            ,sum(Case when m.gender = 'Female' then median else 0 end) as Female_Median
            ,sum(Case when m.gender = 'Male' then median else 0 end) as Male_Median
            ,sum(Case when m.gender = 'Female' then median else 0 end) / sum(Case when
m.gender = 'Male' then median else 0 end) as Median_Pay_Equity
            ,sum(Case when m.gender = 'Female' then average else 0 end) as Female_Average
            ,sum(Case when m.gender = 'Male' then average else 0 end) as Male_Average
            ,sum(Case when m.gender = 'Female' then average else 0 end) / sum(Case when
m.gender = 'Male' then average else 0 end) as Average_Pay_Equity
            ,sum(Case when l.gender = 'Female' then los else 0 end) as Female_los
            ,sum(Case when l.gender = 'Male' then los else 0 end) as Male_los
From      (select gender, Grade_id, count(*) count_emp
From pay_equity
group by gender, Grade_id) c,
(select gender, Grade_id,
PERCENTILE_CONT(0.5) within group
(ORDER BY actual_remuneration DESC) median
From pay_equity
group by gender, Grade_id) m,
(select gender, Grade_id, avg(actual_remuneration) as Average
from      pay_equity
group by gender, Grade_id) a,
(select gender, Grade_id, PERCENTILE_CONT(0.5) within group
(ORDER BY los DESC) los
From pay_equity
group by gender, Grade_id) l
where     c.gender = m.gender
and       c.grade_id = m.grade_id
and       c.gender = l.gender
and       c.grade_id = l.grade_id
and       c.gender = a.gender
and       c.grade_id = a.grade_id
group by
c.grade_id
order by 4 desc
```

Putting Pay Equity into Practice

Appendix 3

Indicative questions used to guide discussion in focus groups:

Attitudes to Workplace and Own Job

How do you feel about your job – what are the good things, bad things?

What skills do you bring to your job? What do you enjoy/do well?

Pay/Remuneration

What does it take to be paid well in your position?

What are the difficulties for you in accessing the maximum pay for your role?

Do being paid well and getting promotion require the same set of skills? Is it different for men and women?

What sorts of behaviours does your management reward? How does this affect the way you feel in your job? Is there any other behaviour you think should be rewarded?

Career Advancement and Performance

Do men/women face different barriers/opportunities to progress through the organisation?

Does the performance rating system have a fair impact on your pay? Are there any differences in outcomes for men and women? How could we improve upon the performance rating process and its impact on pay?

Perceptions of Pay Equity

Are there any other aspects of pay that are not fair?

Do you think that men and women are paid the same for the same or similar work?

Are you aware of any situations where there are discrepancies or this does not happen?

At what roles or gradings do you see this? How do you think this has happened? (how has it evolved?) Do you have any suggestions for improvement to ensure this does not occur?

Summing Up

What is important in making sure people are paid fairly? Is pay equity an important issue for you?



Appendix 4

Template for presenting audit recommendation summary

Area	Issues/concerns	Existing action/strategies	Recommended action/strategies
For example: Job segregation	For example: Lack of career pathways out of female dominated jobs		

Appendix 5

Gender Pay Equity Audit – Public Report

Background

In June 2006, NAB announced it would conduct a Gender Pay Equity Audit in conjunction with the Finance Sector Union (FSU). The aim of the audit was to identify any gender-based pay inequities within NAB and investigate possible causes or barriers to equal pay.

The announcement generated interest from Industrial Relations Victoria (IRV) in the Victorian Government, which was keen to assist by offering research and administrative support in order to develop a case study for wider use. This forms part of the Victorian Government's commitment to pay equity and the recommendations of the Pay Equity Inquiry Report (2005).

A working party comprising of NAB, FSU, and IRV representatives was formed to undertake the audit.

Using this collaborative approach, the first stage of the project involved an open and transparent analysis of NAB's pay data, which was conducted in consultation with NAB's internal finance area, along with an external statistician to ensure the integrity of the data outcomes. The audit reviewed NAB's workplace statistics by gender, generic role, grade, and fixed salary and was later expanded to include variable pay components.

After reviewing the full pay data for NAB's employee population, the next step in the audit was to undertake an in-depth review of a select number of roles based on criteria such as a minimum pay equity gap of 5% and where employee numbers ensured a statistically significant sample size.

NAB is the first major financial institution in Australia to run a collaborative, open, and transparent pay equity audit in partnership with government and the FSU. All parties involved were very excited by the audit: its process, outcomes and future benefits for all women in NAB arising from the results.

Findings

Preliminary findings from the analysis indicated that men and women working in the same role receive similar fixed pay and incentive outcomes. However, the data also indicated there is a higher concentration of women working in lower positions. This is an issue that may not be new to NAB (or the broader industry), but is a finding that clearly indicates an area of opportunity for NAB to make a difference.

Further analysis involved in-depth conversations with a select group of NAB employees and their managers from across the business via focus groups and interviews. Outcomes from the focus groups and interviews provided insight and perspective on the data collated and enabled the working party to refine further the data analysis component of the audit.



Recommendations

Final recommendations were made to the Pay Equity Audit Steering Committee (comprising NAB/FSU representatives), NAB/FSU Joint Consultative Committee and the NAB Australian Executive Committee (AExCo) in March/April 2007. The Australian Executive Committee has agreed to progress the recommendations from the audit. (A summary of the recommendations and actions is contained in Attachment 1.)

The audit recommendations have been categorised into four broad areas:

- Job segregation
- Pay
- Work-life balance and
- Career pathing

A major part of the implementation of the recommendations and actions will involve the joint efforts of the NAB Diversity team, along with AExCo Diversity Sponsors and individual Business Unit leaders. Wherever possible, responsibility for implementing recommendations will be integrated into existing initiatives already underway through the Diversity Action Plan.

The Diversity team within the Australian Region has developed a five-point action plan for the 2006-07 performance year. Each of the action points has an AExCo Sponsor:

Action	Sponsor
Diversity awareness and capability training	Greg Sutherland and Michelle Tredenick
Flexible working taskforces	Andrew Thorburn
Recruitment and promotion capability	Steve Tucker
Mentoring and support for pre-management women	George Frazis
Metrics	Ewen Stafford

Each of these action items has had significant activity occurring over the past six months. Further information on these activities is available to our employees on the NAB intranet.

The role of the NAB Diversity team will also be to monitor and report on pay equity to the NAB/FSU Joint Consultative Committee, including responsibility for reporting on the impact of the proposed initiatives and programs in terms of pay equity via an audit every two years.

Putting Pay Equity into Practice

At the time of the next audit, we would expect to see improvements across the four key focus areas.

Job segregation: Improve the progression of women into management and senior management roles.

Pay: People Leaders proactively manage gender-based pay issues.

Work-life balance: Increase the take up rates of flexible work options.

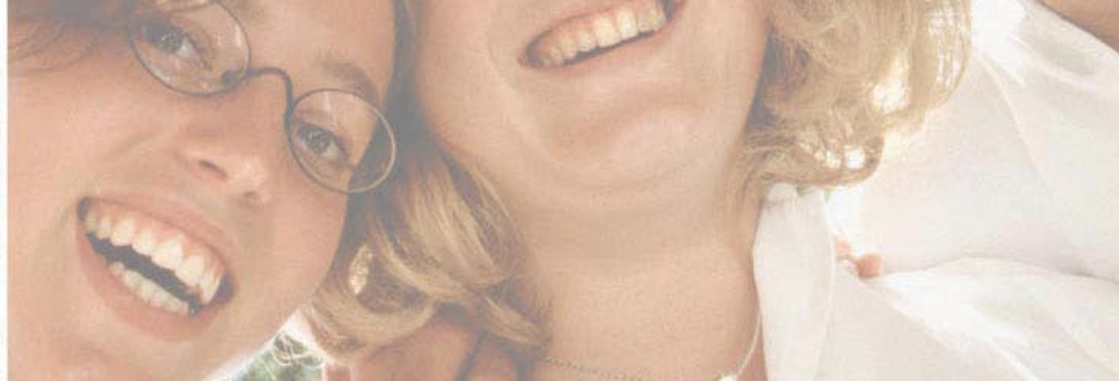
Career pathing: Conduct an analysis of Teller roles to identify the issues (or gain a greater understanding) relating to the high churn rates in the first 12–24 months across both genders.

Underpinning NAB's success is the effective data management for business units and teams. The Diversity team will further review and refine their data requirements to support the recommended actions and ongoing monitoring capacity.

IRV will publish a case study on the project detailing the methodology, hurdles, and process for conducting a pay equity audit. This case study, which will be available on IRV's website, aims to encourage and support other organisations conducting similar projects.

For their part, the FSU will continue to work with NAB to support the implementation of the agreed recommendations. FSU is also pursuing similar partnerships across the industry.

For further information about the audit, please contact Susan Sieber, NAB Pay Equity Audit Project Manager on (03) 8641 3892.



Attachment 1

Gender Pay Equity Audit Recommendations

Job Segregation

Main Audit Finding: Lack of career progression for women through NAB

Audit Recommendations

Diversity team is to work with leadership teams and specialist areas to implement and monitor these programs:

The review found that women are present in roles that feed into senior jobs but remain under-represented in senior positions. The team will identify senior jobs where women are under-represented and target women in related feeder roles to offer specific mentoring and coaching to enable women to progress into more senior roles

For targeted (feeder) job roles (such as Branch Manager, Retail – levels I/J/K; Branch Manager and Customer Service Manager under Customer First, Call Centre Operators), monitor length of time in role and career progression of women compared with men.

Investigate whether there are any indirect discrimination criteria used to appoint/promote to target jobs.

Actions Already Underway:

Mentoring program is to be progressively rolled out across NAB Australian Region from mid 2007.

Pay

Main Audit Finding 1: Women's inability to negotiate satisfactorily start or transition rates

Audit Recommendations

Require People Leaders to monitor and report on start rates by gender. Train people leaders to understand indirect discrimination as it relates to setting start rates.

Train employees in negotiating pay ranges targeted to the needs of specific groups of staff, specifically women.

Actions Already Underway

Findings of this project were supplied to the Classification Review Working Party. Training to be provided as part of the Classification Review will include support for women on negotiating pay rates. Training to be provided to People Leaders will specifically address approaches for determining pay rates without gender bias.

New Diversity metrics are to be provided to People Leaders to assist them in monitoring and reporting on start rates by gender.

Putting Pay Equity into Practice

Main Audit Finding 2: Unfair access to short-term incentives (STIs)

Audit Recommendations

Train managers to understand indirect discrimination as it relates to rewarding performance.

Report on female–male bell curve distribution as part of the Round Table process.

Actions Already Underway

Report bell curve gender distribution changes effective for 2006/07 performance reporting year.

Training of People Leaders is to occur as part of the Classification Review outcomes.

Work–Life Balance:

Main Audit Finding: Low take up of flexible working arrangements across NAB

Audit Recommendations

Diversity team is to work with Business Units to:

Map flexible work practices.

Investigate causes of low take-up rates.

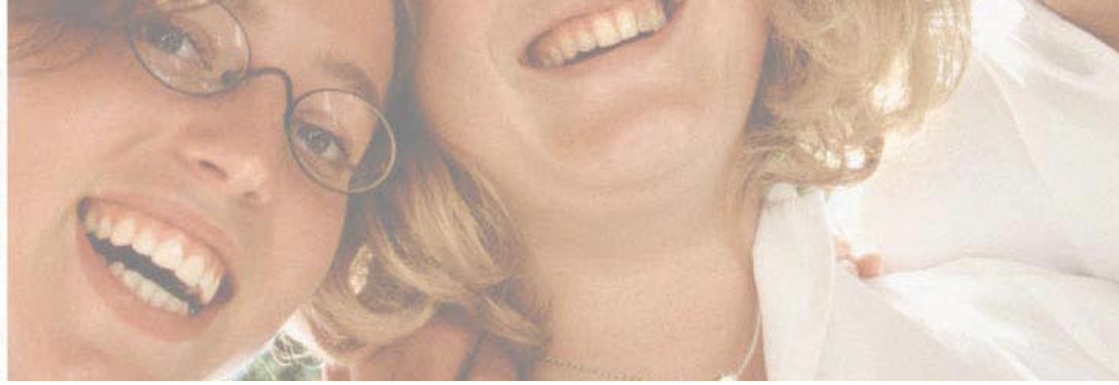
Promote practical models and support for People Leaders in structuring and managing flexible models.

Advertise employee entitlement to request flexible arrangements (all employees/across all levels) and support employees and People Leaders in negotiating flexible work arrangements.

Develop publication on flexible work options for distribution to all employees – including new recruits.

Monitor and address areas or roles where overtime, a wide span of hours and/or weekend rosters are a regular feature of work and support People Leaders and their teams to develop options to minimise long working hours (across all levels and roles).

Track career progression of a sample of women and men in pre-management and management grades over time. Sample to include employees who do/don't access maternity/parental leave and employees who do/don't access flexible work arrangements.



Actions Already Underway

Flexible Working Toolkit to be progressively rolled out from May 2007 across the NAB Australian Region.

Career Pathing

Main Audit Finding: High turnover rates of Tellers leaving role within first 12 months of appointment

Audit Recommendations

Diversity and Recruitment teams are to monitor the movement of Tellers from their role with a focus on destination – ie internal appointments versus external opportunities

Actions Already Underway

NAB's Recruitment teams are currently reviewing, refining and streamlining the recruitment process in an effort to make it easier for employees and potential employees to find a suitable role/move in the organisation. It is anticipated that the refined processes will be implemented in the last quarter of the current plan year.



Industrial Relations Victoria

Department of Innovation, Industry and Regional Development

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