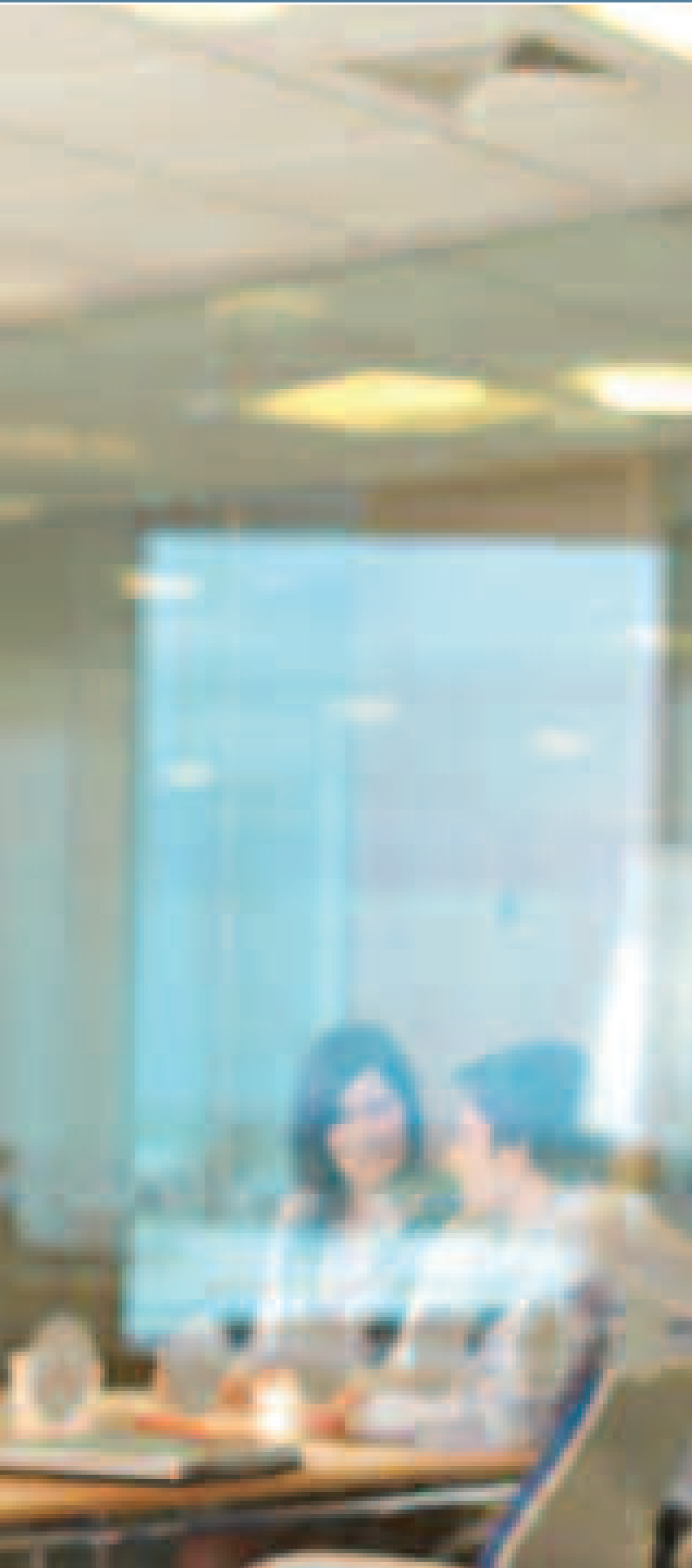


# PAY EQUITY WORKS FOR EVERY ONE



**Pay equity and productive workplaces in local government**



Workforce Victoria acknowledges the work undertaken by Kim Windsor of Windsor & Associates in the preparation of this report.

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## WHY LOOK AT PAY EQUITY?

**The Victorian Government is committed to advancing pay equity. We have learned that closing the gender pay gap does not happen automatically because of women's increased participation in the workforce. Pay equity and work and family balance must be strived for if we want a better future for Victorian working families and industry.**

The majority of Victorian workplaces comply with the legal requirements surrounding pay equity and this has been a great foundation for advancing non-discriminatory work practices. Some workplaces have taken a leadership role and developed policies to underpin and promote equity principles and programs to deliver equity outcomes. They have engaged their workforce because of this commitment to equity.

Local governments are well placed to be local community leaders and champions for social change. They also want to be seen as preferred employers, attracting the right people to work in the sector. Often local governments can work together with neighbouring councils to affect change within a region.

The Victorian Government, through the Local Government and Planning Ministers' Council, is working with the Commonwealth Government and other State and Territory Governments to advance women's participation in local government. The current and potential contribution of women in local government is widely acknowledged and barriers to participation should be actively addressed.

The Victorian Government is committed to promoting sustainable enterprises by establishing and maintaining fair and productive workplace practices; with pay equity as an essential component. I therefore congratulate Moreland City Council and the City of Greater Bendigo for taking the lead as pilot case studies, Nillumbik Shire Council for its support and input, and the Municipal Association of Victoria, the Australian Services Union and the Victorian Employers Chambers of Commerce and Industry for collaborating so productively. This guidance material will undoubtedly provide lessons and a way forward for other local government employers.



**Martin Pakula MP**  
Minister for Industrial Relations

## MESSAGE FROM THE MUNICIPAL ASSOCIATION OF VICTORIA

The MAV is pleased to endorse the *Pay Equity and Productive Workplaces in Local Government Report*, which has been developed as a collaborative project by a working party consisting of representation from MAV, Workforce Victoria, Australian Services Union, and VECCI.

Active participation and involvement of the City of Greater Bendigo and Moreland City Council, and the support of Nillumbik Shire Council made this report possible. I would like to acknowledge their contribution to this important body of work.

The project has identified significant issues that relate directly to issues relevant to pay equity and highlight practical steps and measures that can be taken by councils to enhance their knowledge and performance in this area. Now, when skills shortages and the significant impact of the ageing workforce and population make the 'war for talent' an ongoing challenge for all employers, it is more important than ever for councils to identify unique ways in which they can be seen as an employer of choice.

We strongly recommend this report to all Victorian councils and encourage the local government sector to take up the challenge of dealing constructively and positively with this important and significant employment issue.

**Rob Spence**  
CHIEF EXECUTIVE OFFICER



## MESSAGE FROM THE AUSTRALIAN SERVICES UNION

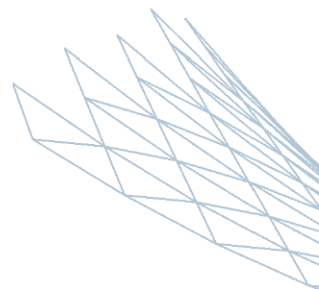
The ASU is pleased to endorse the *Pay Equity and Productive Workplaces in Local Government Report*.

The pay equity principal has been something that has engendered bipartisan support amongst the representative bodies in local government and in many individual councils. This support has seen the principal of 'equal pay for equal work' being recognised in most enterprise agreements across Victoria.

However, until now, none of these bodies has actually come to grips with the large number of significant issues that relate directly to the implementation of pay equity principles and highlight a number of practical steps and measures that can be taken by councils to enhance their knowledge and lay the foundations for outcomes that will have tangible benefits not only for the employees, our members, but the organisations that embrace them.

We strongly recommend this report to all Victorian councils and encourage other forward-thinking employers in the local government sector to deal constructively and positively with what is now and will continue to be an important and significant employment issue.

**Brian Parkinson**  
BRANCH SECRETARY





## **MESSAGE FROM THE VICTORIAN EMPLOYERS' CHAMBER OF COMMERCE AND INDUSTRY**

As a member of the Working Party that has overseen the development of this report, VECCI recommends the report to all local government authorities. In collaboration with the MAV and ASU, Workforce Victoria has undertaken significant research and development to produce this report.

Moreland City Council and the City of Greater Bendigo agreed to be subjects of the pilot study. Their contribution cannot be understated. Nillumbik Shire Council provided significant support.

The report deals with matters that have actual or potential impact on the strategic and operational directions on Councils particularly from a human resources viewpoint.

VECCI urges all Councils to study this report closely and to consider becoming involved in a similar program.

**David Gregory**  
HEAD OF WORKPLACE RELATIONS POLICY



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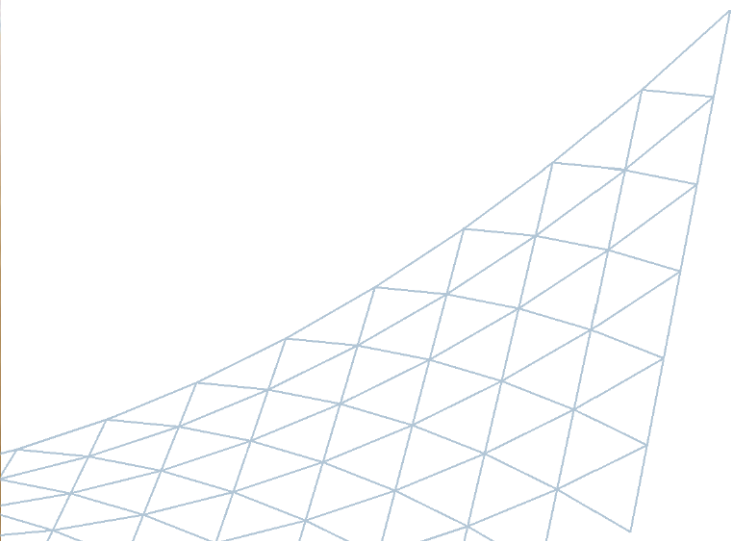
# ABOUT THIS GUIDE

The Victorian Government in collaboration with the industry through the local government pay equity project, sponsored pay equity audits in a large metropolitan and a regional local government employer – *Moreland City Council* and the *City of Greater Bendigo*. This report presents the common findings of these audits. The pilot local government employers agreed to share their experience to stimulate and support other employers in the sector to implement their own audit processes.

*We don't need to reinvent the wheel. Councils face similar problems – we offer the same types of services. It makes sense for us to learn from each other.*

Craig Niemann – CEO, City of Greater Bendigo

This is the second in a series of guides designed to promote action on pay equity in Victoria. It follows a report on the outcomes of a joint National Australia Bank (NAB) and Finance Sector Union (FSU) audit.<sup>1</sup> Workforce Victoria has developed a guide to support organisations to implement pay equity audits.<sup>2</sup> Specific pilot audit reports such as this one describe how the industry context influences the way audits are conducted. Such reports also outline common findings that are likely to feature in audit findings of similar organisations.



<sup>1</sup> The NAB/ FSU pay equity report which provides a detailed discussion of some aspects of audit methodology as applied to a large finance sector business, and can be accessed from: [http://www.business.vic.gov.au/busvicwr/\\_assets/main/lib60013/nabfsupayequityauditcasestudy.pdf](http://www.business.vic.gov.au/busvicwr/_assets/main/lib60013/nabfsupayequityauditcasestudy.pdf)

<sup>2</sup> A generic guide to conducting a payroll audit can be accessed from: [http://www.business.vic.gov.au/BUSVIC/STANDARD/PC\\_61635.html](http://www.business.vic.gov.au/BUSVIC/STANDARD/PC_61635.html)

This report is set out in three parts. **Part One** summarises the common themes uncovered by the audit processes of the two pilot employers. It describes how the pilot employers are already supporting pay equity as well as some of the specific initiatives prompted as an outcome of the audit process. **Part Two** outlines features of the approach as it applies in local government. For a more detailed explanation of the methodology, see the EOWA guide, which provides a simple outline of the steps involved.<sup>3</sup> The Workforce Victoria NAB and FSU pay equity audit report provides an applied example and includes a discussion of applied aspects of the approach. **Part Three** provides an outline of payroll data items, description and reporting formats.

A series of 'starting points' are included throughout this report. The 'starting points' are practical examples of actions employers or employees can take to assess and address pay equity issues in the workplace.

## WHAT IS A PAY EQUITY AUDIT?

As an employer, one way of tackling the issue of pay equity in your workplace is to use simple but effective pay equity tools: an evaluation and an audit of your wages system and other human resource management practices that can operate in the workplace. Conducting a payroll analysis involves analysing the pay differences between groups of employees that are nominally equal.

One method is to calculate the overall average pay difference between a group of male and female employees, and then look to see to what extent these differences can be explained by factors such as grade of employee, section of the organisation, full-time or part-time status.

## WHY CONDUCT A PAY EQUITY AUDIT?

*Audits are good business practice. They provide an external view on what we are doing and how we can improve.*

Craig Niemann – CEO, City of Greater Bendigo

*You expect that things happen equitably. People might have perceptions about where they sit but by doing the exercise, collecting the evidence, you do see what's really happening. In a modern workplace, this sort of data is invaluable.*

*In the hurly burly of running a municipality, some things can drop off the radar. This has been a great exercise for us and my advice to any other council is – do it.*

Peter Brown – CEO, Moreland City Council

Although unequal pay has been unlawful in Australia for decades, pay equity remains an aspiration rather than a reality for women in Australia. In 2008 across all industries, a woman only earns 84 cents for every dollar a man earns.<sup>4</sup> The earnings gap is a recurring feature of pay and conditions across all industries; the issue is invisible to most managers and employees.

This raises the first question: why should a business conduct a pay equity audit?

Gender pay equity audits can deliver tangible benefits for both local government and employees by:

- providing feedback not only about pay equity but also about the broader human resource management issues to the employer;
- providing objective evidence based approach to reviewing and improving employer policy and practice;
- identifying opportunities to improve job design and structure career pathways to the mutual benefit of the employer and employees;

6 3 These audits are based the approach outlined by the Equal Opportunity for Women in the Workplace Agency (EOWA) Pay Equity Tool – Payroll Analysis: A 7-Step Approach. For information on this approach see: [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](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) To find Workforce Victoria advice on applying this approach see: [http://www.business.vic.gov.au/BUSVIC/STANDARD/PC\\_61635.html](http://www.business.vic.gov.au/BUSVIC/STANDARD/PC_61635.html)

4 ABS Cat 6302.0 Seasonally Adjusted Average Weekly Ordinary Time Earnings



- testing the alignment of employer values and policies with workplace culture and practice; and
- raising the employer profile as an *employer of choice*.

The CEOs in both pilot local government employers described pay equity audits as contributing to continuous improvement of organisational and human resource management. They welcomed an approach that provided an evidence base for identifying, monitoring and acting on facts to improve current practice and strengthen their standing as employers of choice. Where audit methodologies were once associated with financial accountability, the same processes are now routinely applied across an organisations activities.

The combination of quantitative and qualitative data provides an opportunity to understand how closely organisation and human resource management outcomes reflect corporate values. Many of the themes raised by the audit process relate to good employment practice that is equally important for men and women. The audit supports managers to explore how unwritten rules, culture, values and practices in a workplace can either advance or frustrate stated organisational strategy and policies.

## LOCAL GOVERNMENT WORKFORCE CHALLENGES AND ACTION

The pay equity audits identified three central themes:

- > job segregation
- > working hours
- > recognition and reward

Outlined below are the main findings that can be applied to the wider local government industry sector in Victoria.

### Job segregation

Local government employment distribution reflects a distinctly segregated workforce with the majority of women concentrated at the lower end of the pay scale. This pattern persists in spite of policies that explicitly promote equal access to positions at all levels.

### Working hours

Flexible work arrangements are an attractive benefit of working for local government. Many women appreciate working for an employer that allows them to structure their work arrangements around family responsibilities. On closer examination, the issue of the structure and spread of hours is complex and can have unintended consequences. Jobs offering less than full time hours are overwhelmingly dominated by women and are concentrated at the lower end of the pay scale.

### Recognition and reward

Challenges in attracting and retaining staff are driving new approaches to designing jobs and packaging rewards. Although pay and classification structures in the local government sector remains quite tightly prescribed, it is joining industrywide trends to increase flexibility in structuring pay and conditions, particularly for senior positions. This type of flexibility can have negative consequences for women. Research shows that when bargaining around pay is decentralised, the earnings gap between women and men increases. As local government employers adopt more flexible approaches to structuring pay and conditions, it is important to understand how and why this unintended outcome can occur and what can be done to make sure that more flexible pay and conditions do not translate into a larger gap in earnings.

### An ongoing action agenda

The value of an audit can be measured by the extent to which it shines a spotlight on current practice to stimulate organisations to take action to close the pay gap between women and men and improve outcomes for all employees.

# PART ONE: COMMON THEMES

The audits followed a common method of collecting and analysing both quantitative (payroll) and qualitative (focus groups and interviews) data. Part 2 of this report provides a step-by-step outline of this process. This section reports on the issues uncovered by work of the pilot local government employers.

More than most other industries, the local government sector is open to public scrutiny. A formal commitment to equal opportunity was written into legislation in 1989 when the *Local Government Act 1989 (Vic)* introduced an equal opportunity clause. As would be expected, the data collected in the two pilot local government employers suggest that the pay gap in local government is significantly smaller in local government than for the rest of industry. Notwithstanding this finding, the audits identified a number of issues that warranted further consideration. The pilot local government employers have agreed to make these findings available in the hope that they provide a head start for other employers to implement this approach. Not all of the issues raised were identified as gender related although statistical data suggest that gender is often an important, if unacknowledged, explanatory factor.

Common themes are described under three broad headings:

1. JOB SEGREGATION
2. WORKING HOURS
3. RECOGNITION AND REWARD





## JOB SEGREGATION

*Look at jobs mainly done by women and those where women are underrepresented*

Local government employment distribution reflects a distinctly segregated workforce with the majority of women concentrated at the lower end of the banding structure and therefore the pay scale. This pattern persists in spite of policies that explicitly promote equal access to positions at all levels. There are multiple factors that shape and reinforce the distribution of women and men across job roles. In local government, access to flexible working hours is a key factor discussed below. Other issues that emerged from the focus groups related to access to conditions that support career development.

- Experience in higher duties or acting positions provides an opportunity to demonstrate skills. As one manager explained, sometimes people who might otherwise be overlooked can really shine in the role. In some cases, it can also provide an informal pathway into a permanent appointment. Both pilot employers are revisiting the approach and implementation of policies affecting access to acting positions and will monitor this more closely.

### STARTING POINTS

Is there a policy outlining how acting and higher duties opportunities are allocated? For example, are all acting roles advertised? Is the policy consistently followed? Does anyone monitor who gets access to these opportunities and how these decisions are made? If people believe they have been overlooked, what action can they take to raise their concerns?

- Poor job design and truncated career pathways can leave people stranded in dead-end jobs. In the pilot employers, focus group participants were enthusiastic about the scope to restructure jobs to make better use of skills and provide more interesting work:

*The organisation still operates within silos. There's not the opportunity of working across the organisation; yet we're a large organisation – we should be able to provide more scope.*

Redesigning jobs and exploring new career pathways is on the agenda of both pilot employers.

- Often women are interested in pursuing a career but lack confidence to move to the next level:

*I worry about it – I'm in a very female-oriented area. Going to that next classification, having to deal with a more blokey culture, I find that a bit daunting.*

*It's also a matter of confidence. Even though I think about going that next step, you think, 'Gee, would I be good enough for that job?'*

- In both pilot employers, there were examples cited where women do higher-level work by default as a man holds the title and the pay packet.

*You can go one on one with a man – he ends up getting the job and you end up supporting him ... You end up carrying the bulk of the role but the selection panel didn't see you as being good enough to do the role – just good enough to support the man.*

Some women are reluctant to raise this issue because the additional responsibilities they absorb improve the variety and satisfaction they get from their work. This allows deeply embedded and often unconscious assumptions about the likely gender of people in senior roles to go unchallenged. Failure to manage underperformance of senior managers can have a detrimental impact on the women who support these positions. Pilot employers are introducing robust performance management systems including roll out of 360-degree feedback.

If women are over-represented at one level but underrepresented at the next level up within the classification structure, it is worth understanding why they are not progressing. The best place to start is to ask them. Because of the feedback from focus groups, one of the pilot employers is looking to set up a mentoring program to support women interested in moving into roles that are more senior. Existing initiatives include a cadetship program where cadets move between departments to get exposure to the opportunities available. A similar approach could be used to increase women's representation in target job roles.

In some cases, women had the perception that they were underrepresented in senior roles even though the statistics indicated that they were not. Pilot local government employers identified the need to raise the profile of senior women. This could be linked into mentoring initiatives.

Look at the jobs where most women work. Home care is a good place to start. If these jobs offer little or no career pathways, they can end up as low-paid job 'ghettoes'. Some of the more long-serving people in carer roles did not see career development as a priority. This did not apply to newly recruited carers. Pilot employers are rethinking the design of carer jobs to recognise changes in the demands of the job and in the expectations of the people doing this work. Career opportunities could offer pathways within the caring role as well as across other roles within local government and the wider caring profession.

Do members on selection panels understand how unconscious attitudes and assumptions can influence decisions? Employers can arrange for training about indirect discrimination.

## WORKING HOURS

Staff regularly cited flexible work arrangements as an attractive benefit of working for local government. Many women appreciate working for an employer that allows them to structure their work arrangements around family responsibilities. On closer examination, the issue of the structure and spread of hours is complex and can have unintended consequences. Jobs offering less than full time hours are overwhelmingly dominated by women and are concentrated at the lower end of the pay scale.

- Some women accept lower-level jobs in exchange for flexible work arrangements. This not only perpetuates the pay gap but also is a very poor use of skills, particularly in the context of current skill shortages.
- Innovative solutions to structuring flexible arrangements are often confidential. This limits opportunities to share and learn from this experience. Good practice and models should be showcased and disseminated. This could be done at an industry level. Women in more senior positions talked of being forced to choose between career and family.

*I know I certainly haven't had a family because I've been interested in pursuing my career. It's probably more achievable now to do that (mix career and family) ... but I think definitely if you want to have children, you can potentially be dismissed for some things.*

*I made a decision to step back. The career's on hold and I accept that.*

*You lose every time. If you take maternity leave, you lose super, you lose long service accrual, you lose increments - you just stop.*

# PAY EQUITY WORKS FOR EVERY ONE



- Women find it daunting to return from family leave. They spoke of feeling guilty for accessing flexible arrangements and anxious about whether they were adequately contributing.

*I get good support – my hours aren't monitored ... but you always feel, 'I've got to do more'. You feel guilty all the time – you feel you're not doing enough. I wonder if a male counterpart would feel that.*

- In considering work options, women often discount jobs that routinely require extended or unsocial work hours. Reducing requirements to work long or unsocial hours benefits everyone and will particularly improve opportunities for women. Conversely, workplaces that are chronically underresourced and routinely pressure staff to work back present a systemic barrier for many parents juggling work: family responsibilities, most of whom are women.
- Senior managers and especially male managers can provide highly influential role models.

*The (male) CEO missed (out of hours meeting) last week because he had parent-teacher interviews for his kids ... and that's fantastic. It's the first time I've ever seen that ... it says that this (family responsibility) is more important than being at the meeting. It was really quite significant.*

## STARTING POINTS

Develop and review flexible working policies (if they do not already exist). Look at the jobs that are occupied by people on flexible work arrangements. If they are mainly at the lower end of the pay scale, think about what can be done to improve access to more flexible arrangements in more senior positions. This is not always easy especially in specialist areas, customer-facing jobs or jobs requiring attendance of out-of-hours meetings. In the pilot employers, the human resources department reviews all applications for flexible arrangements and, if necessary, supports managers to find ways to restructure positions to accommodate employees' working-hours preferences. Consider ways to smooth the transition for women returning from maternity leave. The pilot employers are planning to continue payment of banding and salary increments over a period of up to 12 months' maternity leave. Although a relatively modest initiative, it signals a commitment to supporting the choice to return to work and offers the added benefit of simplifying payroll calculations.

Identify any jobs or departments that routinely require people to work back or attend meetings out of hours. Have a look at the gender composition of these roles. The pilot employers will monitor areas where high workload regularly places demands on workers to routinely work either paid or unpaid overtime and look for ways to minimise these requirements.

Look for ways to encourage actively, male employees to take advantage of flexible work arrangements. An equal sharing of caring responsibilities is fundamental to shifting the distribution of pay between women and men.

## RECOGNITION AND REWARD

Challenges in attracting and retaining staff are driving new approaches to designing jobs and packaging rewards. Although pay and classification structures in the local government sector remains quite tightly prescribed, it is joining industrywide trends to increase flexibility in structuring pay and conditions, particularly for senior positions. This type of flexibility can have negative consequences for women. Research shows that when bargaining around pay is decentralised, the earnings gap between women and men increases. As local government employers adopt more flexible approaches to structuring pay and conditions, it is important to understand how and why this unintended outcome can occur and what can be done to make sure that more flexible pay and conditions do not translate into a larger gap in earnings.

## FAIRNESS IS IMPORTANT TO LOCAL GOVERNMENT EMPLOYEES

Most focus group participants enjoy working for local government and feel fairly rewarded but perceptions of unfair or inconsistent treatment can undermine morale.

*I feel well paid for what I do but it's when you look at the inequities across the organisation ...*

- Some descriptions of unfair or inconsistent practice reflected a lack of information about the approach to setting pay and conditions for some roles. Examples cited related to differences in pay as well as conditions such as time in lieu or paid overtime. Apparent inconsistencies between pay and conditions available to people who may be doing the same or similar work are becoming more common as employers aim to structure pay and conditions to attract and retain talent in tight labour markets. In specialist skill areas and for senior

roles, arrangements frequently vary. Unless the criteria for negotiating flexible pay and conditions are clear to everyone, it can lead to assumptions about unfair treatment that can have lasting consequences for staff morale.

- Discretion to negotiate start rates (incremental level for banded positions) can increase gender-based pay gaps. Women frequently expressed reservations about their ability to negotiate as effectively as their male colleagues.

*I'm on a banded classification but I wouldn't even think of trying to negotiate – men for some reason seem to be much more confident in their own ability than women tend to be.*

Women were not generally opposed to flexible pay and conditions but did not welcome the prospect of entering discussions without the relevant information. The option of negotiating pay and conditions should be premised on transparent and consistent advice about what can be negotiated and the criteria on which decisions are based.

*It (decisions about pay and conditions) shouldn't be at the (individual) manager's discretion, the same rules should apply across the board – 'Here's the package, these are all the things HR says I have to talk to you about.'*

*(There needs to be) more transparency in the pay at a certain classification. I didn't know what the range would be or how to negotiate. There should be more openness about what's on the table.*

Pilot employers agreed to monitor the distribution of start rates for men and women. A difference in the distribution of starting rates to favour men over women will trigger a review of the basis on which these decisions were made. In addition, they will review and communicate policy and guidelines for negotiating on pay and conditions and ensure that managers have the appropriate skills and support.

- Decisions about where positions align to the pay structure directly influence pay outcomes. The industrial award guides this although arrangements for some positions, particularly

# PAY EQUITY WORKS FOR EVERY ONE



management roles outside of the banded scale are less clearly prescribed.

- Valuing these positions is sometimes based on criteria developed in-house but increasingly employers rely on more formal job evaluation systems to guide their decisions. Job evaluation systems hold out the promise of providing a more objective, transparent and therefore more consistent basis for aligning jobs with a pay structure. Whether they achieve this objective and, specifically, whether they deliver equitable outcomes for both women and men cannot be taken for granted. It depends on whether the system is gender neutral.
- The design of these schemes in terms of the way they describe job roles and assign values or weightings is socially driven. That means that unless specifically challenged, they will reflect the status quo. So, if there is currently a pay gap between women and men, this will be reinforced. Because job evaluation systems are varied and often complex, it is not possible to provide a comprehensive guide to determining whether systems are free from bias.
- The following list outlines the factors to consider in selecting an appropriate job evaluation system.
  - Schemes use a factor point rating system to describe and weight jobs. Some schemes are better suited to describing certain kinds of work. Biased schemes either do not describe the full range of skills used by women or do not allocate them high scores. For example, skills that are similar to those used in unpaid work such as caring for others, cleaning or counselling are sometimes overlooked or underrated.
  - Check whether factors and weighting are appropriate. For example, if a scheme weights qualifications more highly than the skills and knowledge that are acquired by doing the qualification, this will advantage those who have attained their skills and knowledge through formal education over those who can demonstrate the same skills and knowledge but do not hold a qualification. For positions where qualifications are mandatory,

it is appropriate to specify this requirement. For other positions, it can create an artificial barrier.

- Most schemes use benchmark jobs as reference points. Selecting benchmarks that are predominantly filled either by women or men can reinforce gendered assumptions about job value. Choose benchmark jobs that are commonly filled by both women and men.
- Where schemes reference to existing rates, they will reinforce existing discrimination. So, for example, referencing to market rates will reinforce discrimination in the market. Given that the pay gap across all industries is significantly larger than the gap in local government; benchmarking salaries against the wider market could undermine rather than improve pay equity in local government.
- Gender equity should be an explicit objective of any job evaluation scheme. The approach to achieving this objective should be transparent and open to scrutiny and those responsible for implementing the scheme should be trained in how to avoid gender bias. Ask the scheme proponent about their policies and approach to support gender equity and to demonstrate how these work in practice.
- Where whole occupations have been systemically undervalued or where the job role has significantly changed across the industry, it will be more appropriate to look at these issues at an industry rather than an individual employer level. For example, work value cases have been conducted to review predominantly female job roles including librarians and childcare workers.

## STARTING POINTS

Employees may not identify gender discrimination as a factor when describing inconsistent treatment. This does not mean there is no gender-based discrimination. It is up to managers to monitor employment practices and pay outcomes to check for any unexplained systemic differences in treatment between women and men.

The history of amalgamations means that local governments have inherited a range of historical differences in pay and conditions. In addition, increased flexibility in the structure of packages for senior positions can lead to perceptions of inconsistent practice. Both pilot local government employers identified opportunities to improve communication and transparency around pay and conditions.

The evidence collected by the pilot audits reinforces findings in other industries that show that when pay and conditions are subject to management discretion, the outcomes for women are likely to be less favourable than for men. This is almost never the result of intentional or conscious discrimination. To avoid the possibility of indirect discrimination, managers need clear and consistent criteria and procedures for exercising judgment. Employers need to monitor that procedures are correctly interpreted and consistently applied.

Where there is flexibility to vary start rates of pay; monitor these rates for women and men to check for any patterns of difference that favour one group over another. If the numbers of new appointments are very small, statistical patterns will be difficult to detect. In this case, make sure managers have clear criteria to follow in exercising discretion and ask them to document their decisions. A peer review panel could be established to provide wider input and oversee a consistent approach across the organisation.





# PART TWO:

## CONDUCTING AN AUDIT IN LOCAL GOVERNMENT

This section starts by outlining the skills needed to conduct a pay equity audit. It then describes the two stages involved in collecting and analysing data. The first uses payroll data. The second directly explores the views and concerns of managers and staff.

### WHAT SKILLS DO YOU NEED?

#### Project management

In most cases, the human resources department is best placed to oversee the pay equity audit. Managing an audit involves mapping and communicating the process, coordinating the different inputs and expertise, developing and managing the action plan to respond to audit findings and developing and managing a communication plan. Human resources may oversee progress of the audit but responsibility for implementation needs to be firmly embedded in day-to-day management.

Existing information channels such as consultative committees are a useful way to keep people informed about the work. The detailed work of collecting and analysing data will need to be delegated to a smaller group – usually two or three.



A pay equity consultant supported the pilot employers. Their experience outlined in this report provides a solid basis for employers to implement their own audit processes although you may want to engage expertise at particular stages. At a minimum, your audit team responsible for the detailed audit work will need to understand pay equity and what to look for. Use this report as a starting point. You could reinforce this with an introductory pay equity training session.

### Payroll data collection and analysis

The initial data analysis stage is based on payroll data. This requires someone who understands how the payroll system works and can access the data required. In very large employers, it will be helpful to involve someone with basic statistical expertise in interpreting and presenting data. The statistical guide provided in the appendix demonstrates the application of simple templates to support basic analysis suitable for most local government employers.

### Qualitative data collection

Collecting qualitative data involves convening focus groups and conducting selective one-on-one interviews. The audit team approved the outline of issues to be discussed in the focus groups and facilitation was conducted by an external consultant rather than by an employee. This approach was designed to reinforce confidentiality and to encourage participants to be candid in their responses. If engaging an external consultant, look for someone with an understanding of equity issues and well-developed expertise in conducting this type of research.

### Data analysis and presentation

This involves sifting through both quantitative and qualitative data to identify the key issues that warrant further investigation or action. In addition to understanding pay equity, members of the audit team need good analytical and presentation skills to be able to distil the key messages and issues in a way that captures the attention of decision makers including both senior management and consultative committee members.

## COLLECTING AND ANALYSING PAYROLL DATA

The starting point for the audit is to review payroll data to look for any patterns of difference between women and men. The approach starts with some overall measures of pay equity and gradually drills down into the detail of the data to provide a richer picture and look for clues about possible causes for observed differences.

### Setting the timeframe

You need to decide on the reference timeframe for collecting payroll data. This is important because actual pay often fluctuates over pay periods for example, as the result of payments of bonuses or allowances. A long timeframe such as 12 months has the advantage of smoothing out these variations. This works well where the workforce is stable but is more problematic if there is a fair degree of movement that results in people not working in the same role over the full period. One pilot employer used 12 months as its data collection timeframe. The other collected data for six months. This decision was mainly driven by the introduction of a new payroll system, which presented difficulties adopting a longer timeframe.

### Establishing targets

Targets or key performance indicators can be established early in the project and may be based on external benchmarks using data from across a range of industries. Clarity around the intent of the project is critical in establishing specific, measurable and realistic targets (SMART) which may be used later on in determining key project outcomes and measuring the success of their implementation.

### Defining remuneration

The next step is to identify the different components that make up the pay received. By identifying all pay components and recording each of these items separately in your data set spreadsheet, you can easily identify which items make the largest contribution to the gap. If the list of allowances and amounts paid is very large it will be more practical to group allowances by type. **Part Three** includes a list of the main components identified by the pilot employers. Adjust the items across the top of the page to reflect your pay categories before you use this.

# PAY EQUITY WORKS FOR EVERY ONE



## Building the dataset

Payroll data are recorded in the dataset for each employee. To safeguard confidentiality, employee names are usually replaced with an identification code. The spreadsheet is then populated with data against each employee identification number. Aim to include the following essential items. The optional items can be useful in investigating possible causes of the patterns you identify. Items that are highlighted are explained in more detail below:

Essential		Optional
<ul style="list-style-type: none"> <li>Employee identification</li> <li>Gender: male or female</li> <li>Band or classification</li> <li>Job title</li> <li>Employment status: full time, part time, casual</li> <li>Hourly rate: base rate or ordinary time earnings</li> </ul>	<ul style="list-style-type: none"> <li>Amount of each item in the remuneration list for the nominated period (see <b>Part Three</b>)</li> <li>Full-time equivalent ratio (Hours actually worked divided by the number of normal hours worked by a full-time staff member)</li> </ul>	<ul style="list-style-type: none"> <li>Date of birth</li> <li>Commencement date</li> </ul>

## Employee identification

It may not be practical to include every employee. The aim of this statistical analysis is to find systemic patterns. If there are individuals or job groups that are likely to skew the data, you might want to remove them. A decision not to include some data in the data set does not mean you should not look at these positions separately or include them in subsequent audits. For example, one of the pilot employers employs a small number of casuals who work for only an hour or two at a time in jobs such as school crossing supervisors. It was decided that the effort required to extract these data outweighed the value of collecting it. The CEO's salary was also excluded, as this would skew the average pay outcome.<sup>5</sup>

## Band or classification

Before you can compare data across the organisation, they need to be aligned to a single pay scale. Most local government employers employ a diverse range of staff on multiple pay bands. Adding to the complexity, job titles are often numerous, idiosyncratic and sometimes outdated. The approach used aligned like jobs with the eight-level

classification scale in the award. While inquiries that are more detailed were conducted at the level of job role and department, the main statistical analysis used the more aggregate classifications figures to provide cell sizes was sufficient to identify statistical patterns. When cell sizes get too small it is not possible to see overall patterns.

At the upper end of the pay scale, senior executive officer (SEO) and senior officer (SO) positions sit outside the banded structure. The relatively small number of these positions led both pilot employers to combine Band 8 with SEO and SO positions. They also excluded the CEO position so that it did not skew this category.

## Making sense of payroll data

Payroll data are valuable in establishing objective evidence about the distribution of pay and conditions but it is easy to get overwhelmed by the process. Before diving in, think about the questions you want to answer to guide your analysis. The threshold question is: *Is there a difference between what women and men earn?* This can then be broken down to check which factors appear to influence the gap.

<sup>5</sup> When working with datasets that have large variations at one or both extremes of the scale, medians provide more accurate indicators than averages. Refer to the NAB report for a more detailed discussion of statistical analysis issues.

- What is the pattern of job distribution between women and men?
- Is there any difference in the gap when measured using the base rate of pay compared with the actual rate of pay?
- Does the pay gap differ between classifications?
- Does the gap at a given classification (or role) differ between departments?
- Does the pay gap differ according to the nature of employment (permanent full time, part time etc)?

Gender pay equity audits use data to look for patterns of difference in employment and pay outcomes for women and men. This initial data scan guides the next level of inquiry. It suggests areas where a gap may exist without needing to prove statistically the point. In some cases, available data will not support detailed analysis. For example, records may be inadequate or difficult to access. This in itself is a useful finding as it helps to define the agenda for future records management so that the next iteration of the audit process is more robust.

## Gender distribution

The most significant explanatory factor for the pay gap in most organisations is the uneven distribution of women and men whereby men are more likely to occupy positions that pay more than positions occupied by women. A strongly gender-segregated workforce can also signal a culture that systemically excludes or limits opportunities for some types of employees. In local government, women usually outnumber men and the largest occupational group is likely to be home carers. There are different ways to present occupational distribution and the gender pay gap. Two examples are provided in **Part Three**. Table 3 shows the distribution of women and men across the classifications as a proportion of total women and total men. Table 4 and Table 5 show the pay equity ratio (the gender wage gap) by classification and full-time and part-time employment.

## Nature of employment and hours of work

Although women in local government outnumber men, a large number of these positions are less than full time and women account for the bulk of part-time jobs. The nature of part-time work and the employment contract can affect the pay gap even once adjusted to a FTE figure. To check whether this is an issue in your local government employer, start by looking at the distribution of women and men across the different types of employment arrangements. Next, check whether the earnings gap (adjusted for hours) differs depending on the nature of the employment contract or the hours work.

Common categories include:

- permanent full time
- permanent part time
- temporary full time
- temporary part time
- casual

## Defining a 'pay gap'

In order to identify a 'pay gap' you need to decide on the quantum of a gap that should trigger further investigation. This project determined that any more than a 5%<sup>6</sup> difference in actual pay (either in the average or median figure) should be more closely examined to identify the possible reasons.

## Describing pay gaps

Describing the gap in the base rates compared with actual rate is a useful starting point. In most cases, a difference in these figures highlights where paid overtime is a significant feature of the job role. This can be further broken down to consider how other factors such as the job role, nature of employment or differences between different departments or business units influence outcomes.

The initial analysis provided an overview of employment and pay gaps in the pilot employers that guided a more detailed investigation. An interim report was developed in each of the pilot employers that flagged issues that warranted further analysis and mapped out the next level of inquiry. Some common issues emerged.

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- Although both employers reported a relatively low pay gap compared with the average across all industries, some specific areas warranted closer attention.
- In both cases, uneven job distribution was the main explanatory factor for the pay gap. As home carer was the largest female occupation, this was earmarked for further consideration. Not surprisingly, there was no pay gap evident for this group. The main issue of concern was the high concentration of women and the advanced average age of carers. As a result, focus groups were convened to identify differences in the attitudes and expectations of long-serving carers compared with recruits that are more recent.
- One employer decided to convene focus groups for bands that acted as 'feeder-level' roles to better understand why women did not appear to progress to some higher levels at the same rate as their male colleagues.
- The largest pay gap occurred at the top end of the pay scale. Data aggregation (combining Band 8 with SE and SEO positions) limited more detailed statistical study of this group. It is also difficult to identify patterns given the relatively small numbers at this level. Future data capture will disaggregate this category. One employer decided to conduct a specific inquiry to test whether this gap reflected differences in the start rate (incremental level).

## Qualitative data

Statistics are useful in establishing and quantifying what is occurring. They are more limited in explaining why. This is where qualitative research is more useful. Talking to people allows you to go behind the data to get a better understanding of what the figures really mean. It captures insights into the unconscious attitudes and values of a workplace from the perspective and in the words of the people who work there.

Focus groups were conducted in both pilot employers. In one, separate groups were conducted for women and men at the same classification level to identify possible differences.

Other sessions for senior women were based around women on flexible work arrangements to juggle work and family commitments and women working full time. Mixed gender groups for carers were convened in both employers.

## STARTING POINTS

Think about what might inhibit open participation. For example, if the convenor is a local government employee, will participants feel able to talk openly about their attitudes to pay and conditions?

Are participants likely to talk about issues in front of others in the group? Often if their managers or team leaders are present, open discussion can be limited.

Explain how information will be used. For example, most people will want assurances about confidentiality. They will want to know what type of report or follow up information they can expect and whom they can contact for more information.

Make sure the audience for the report or outcome supports the intent of this data-gathering stage and will respect confidentiality undertakings. Even when names are omitted, comments can sometimes be identified with the person. People who participate in this process are providing their views in good faith. The information provided should be accepted as a perspective on current attitudes and opinions. In some cases, they may not be well-informed. However, it is important that managers do not take this up with individuals who may have expressed these views.

Participants in focus groups will be interested to know how the organisation plans to respond to the information they have provided. If you decide to gather this level of information, make sure you communicate outcomes back to people. For example, both pilot employers have developed an action plan as the basis for reporting their responses to the audit findings.

Some of the issues raised are outside the scope of individual employers to manage. Project outcomes were reported to an industry working party, which provides a mechanism to diffuse the lessons from this project and to pursue issues that require action at an industry level.

### An ongoing action agenda

The value of an audit can be measured by the extent to which it shines a spotlight on current practice to stimulate organisations to take action to close the pay gap between women and men and improve outcomes for all employees. The initial audit undertaken by this project is the first step in establishing baseline data against which progress will be measured. The basic metrics include:

- Total pay gap between women and men, adjusted for hours (FTE).
- Pay gap by classification level: This provides a basis to identify priorities. For example, the pilot employers plan to look in more detail at classification 8, SEO and SE levels where there was a slightly larger pay gap than for other levels.
- Start rates (or incremental start level) by classification level and gender.
- Employment distribution by job role – this allows employers to focus on priority areas such as tracking success of initiatives to increase representation of women in target roles.

Deciding on additional metrics to monitor will depend on the issues relevant to a specific employer. The audit team in each of the pilot local government employers made a series of recommendations as the basis of an ongoing action plan to be adopted by local government employer executive. Some recommendations are already being addressed by existing initiatives or can be addressed at management level. Others will be taken up in negotiating the next enterprise agreement.

*Enterprise agreements are one of the best levers to respond. It's a time when all conditions are on the table. The more evidence available, the better informed the parties - the better the outcomes.*

Peter Brown – CEO, Moreland City Council

### STARTING POINTS

Establish benchmark data to measure and track pay equity in your organisation. Consider these basic measures:

- Total pay gap between women and men, adjusted for hours (FTE)
- Pay gap by classification level: this provides a basis to identify priorities
- Start rates (or incremental start level) by classification level and gender
- Employment distribution by job role

Think about the timing of your pay equity audit so that it provides timely information to the industry partners when they come to negotiating industrial agreements.

Specific arrangements for regularly updating the audit process will differ although both local government employers recognise the importance of incorporating it into mainstream organisation systems. Bendigo, for example, has an external audit committee supported by an external auditor, which develops and monitors audit programs for the year. Responsibility to oversee and report on pay equity may be added to its agenda in addition to delegating management responsibility for day-to-day implementation. Consultative committees will receive reports on implementation and play a role in ongoing monitoring of the action plans.

# PART THREE:

# PAYROLL DATA ITEMS, DESCRIPTION AND FORMAT

## PAYROLL DATA ITEMS

The following table outlines the type of data items that are typically found in local government employer payroll systems that need to be identified to conduct an audit.



**Table 1: Data items and description**

Data label	Description	Data label	Description
salary	Ordinary time salary	a_l	Annual leave
s_l	Sick leave	lsl	Long service leave
pub_hol_ord	Public Holiday ordinary time	purchase_lve	Purchase leave (48/52)
back_pay	Back pay	o_t_1_5	Overtime one-and-a-half times
o_t2_0	Overtime double time	o_t_2_5	Overtime double-time-and-a-half
annualised	Annualised salary	all	Annual leave loading
family_lve	Family leave	casldg	Casual loading
availability	Availability allowance (similar to oncall)	bonus	Bonus (mostly phased out)
c_l_mot_veh	Council vehicle(limited use)	comp_leave	Compassionate leave
evenallow	Evening work allowance for immunisation	extra_hours	Extra hours (to contracted part time hours)
hd_hours	Higher duties	higher_duty	Higher duties
higher_duties	Higher duties	housebound	Housebound allowance
industall	Industry allowance	language_all	Language skills allowance (selected staff)
maternity_lv	Maternity leave	mchqualsallw	Maternal child health nurse qualifications allowance
meal_1	First meal allowance	on_call	On call allowance
over_award	Over-award (historical)	paternity_lv	Paternity leave
pkgd_o_awd	Packaged over-award	pkgdclveh_	Packaged council private use vehicle
salary_mtce	Salary maintenance	travel_all_2	Kilometre reimbursement (6-cylinder vehicle)
uniform	Uniform allowance		



## PAYROLL REPORTING FORMATS

The following tables based on indicative data show how the payroll data can be presented, once the analysis is complete.

**Table 2: Pay equity ratio by classification (hourly rate, total salary Full Time Equivalent [FTE])**

Classification	Pay equity ratio (median)	
	Hourly rate	Total FTE
1	87.2	95.7
2	100.0	97.4
3	122.8	117.8
4	100.0	101.9
5	–	–
6	103.7	103.9
7	100.0	97.6
8	94.0	93.9
All	96.9	91.9

**Table 3: Distribution of male and female employees by classification**

Classification	Female (n)	Male (n)	Total (n)
1	78	84	163
2	109	11	122
3	37	19	59
4	150	102	256
5	–	6	6
6	3	13	22
7	41	49	97
8	70	67	145
All	488	351	870

Table 4: Pay equity ratio by classification (full-time employees)

Classification	Pay equity ratio (median)	
	Hourly rate	Total FTE
1	100.2	94.8
2	–	–
3	101.4	96.3
4	102.9	100.3
5	0.0	0.0
6	104.7	100.3
7	95.9	96.6
8	94.0	95.8
All	109.7	102.0

Table 5: Pay equity ratio by classification (part-time employees)

Classification	Pay equity ratio (median)	
	Hourly rate	Total FTE
1	91.3	101.2
2	100.0	97.4
3	100.0	102.9
4	95.5	101.2
5	–	–
6	–	–
7	100.0	102.9
8	99.3	91.6
All	96.8	98.2

# PAY EQUITY WORKS FOR EVERY ONE



**Table 6: Business units comparison with average age of males over 49 years**

Business Unit	Average age female	Average tenure female	Average age male	Average tenure male
Home maintenance	–	–	55.5	14.8
Building	44.5	5.6	54	11.5
Engineering	44.5	4.6	54	12.0
Media and communications	36	1.7	53	7.7
Children’s services	46.5	13.9	52.5	7.9
Citizens’ services	45	7.3	52	13.3
Parks and gardens	52	14	49	5.7
Roads	–	–	49	16.6

**Table 7: Business units comparison with average age of females over 49 years**

Business Unit	Average age female	Average tenure female	Average age male	Average tenure male
Immunisation	61	17.4	–	–
Social development	57	17.7	–	–
Local laws	55.5	13.9	45	9.4
Maternal and child health	54	9.3	–	–
Parks and gardens	52	14.1	49	5.7
Rates	52	16.0	30.5	4.1
Home care	51	7.2	48	3.3
Records	49	7.7	36	5.5



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## For Further Information

For more information, go to the Workforce Victoria website at:  
[www.workforce.vic.gov.au](http://www.workforce.vic.gov.au)

### **Workforce Victoria**

Department of Innovation, Industry and Regional Development

