

# Pay equity actions and outcomes: what works in Australian firms?

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# MOTIVATION

- Persistent gender pay gap – lots of drivers incl. business cycle – often analysed through a traditional human capital model & through the lens of an individual.
- What about organisational behaviour? Do the recruitment, remuneration and promotion policies & practices play role in driving ? If so, what's the best way to resolve these?
- Lots of organisational activity and investment happening including introduction of policies and strategies to improve gender equity. Annual reporting to the Workplace Gender Equality Agency where firms report on these actions – Do they really work? If so, how and what's the most effective?

# WGEA REPORTING DATA

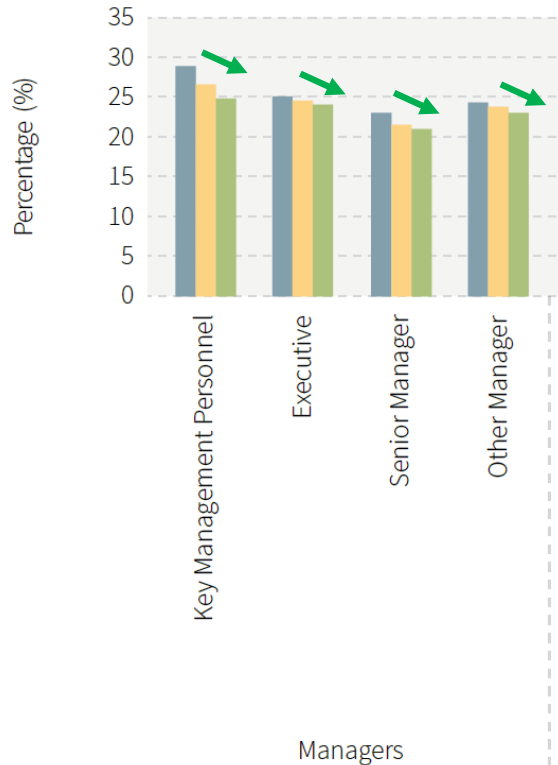
**Origin:** Workplace Gender Equality Act 2012

## **Characteristics:**

- World leading
- 5 years of reporting: 2013-14 onwards
- Across six Gender Equity Indicators
- Approx. 4,500 reports each year; 12,000 employers
- Around 4 million employees - 40% of all employees in Australia
- **Longitudinal data – firm behaviour – causal effects**

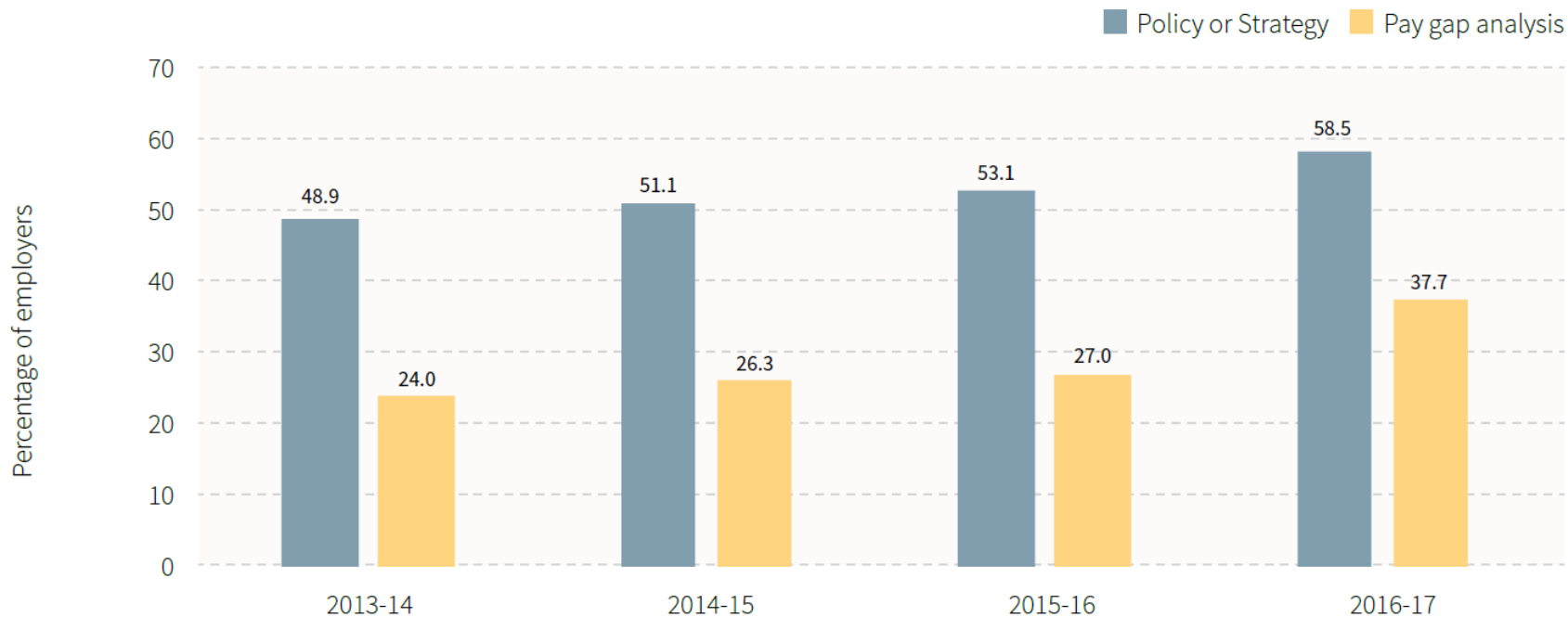
# Gender pay gap down – but not for all occupations

Full-time gender pay gap among occupations – total remuneration, 2014-15 to 2016-17



# More companies taking action

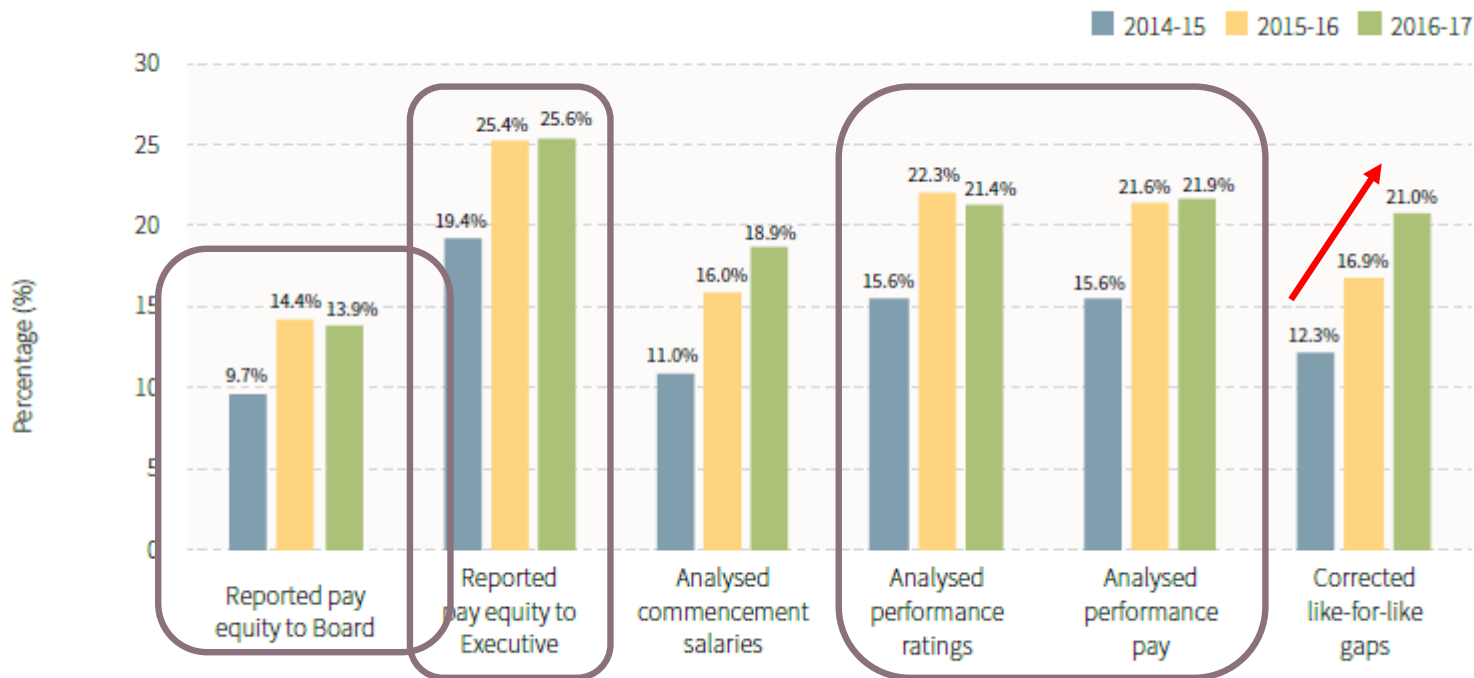
## Inside Australia's Gender Pay Gap



# Reporting to Executive most common action

Actions taken as a result of pay gap analysis, 2014-15 to 2016-17

Actions taken as a result of pay gap analysis, 2014-15 to 2016-17

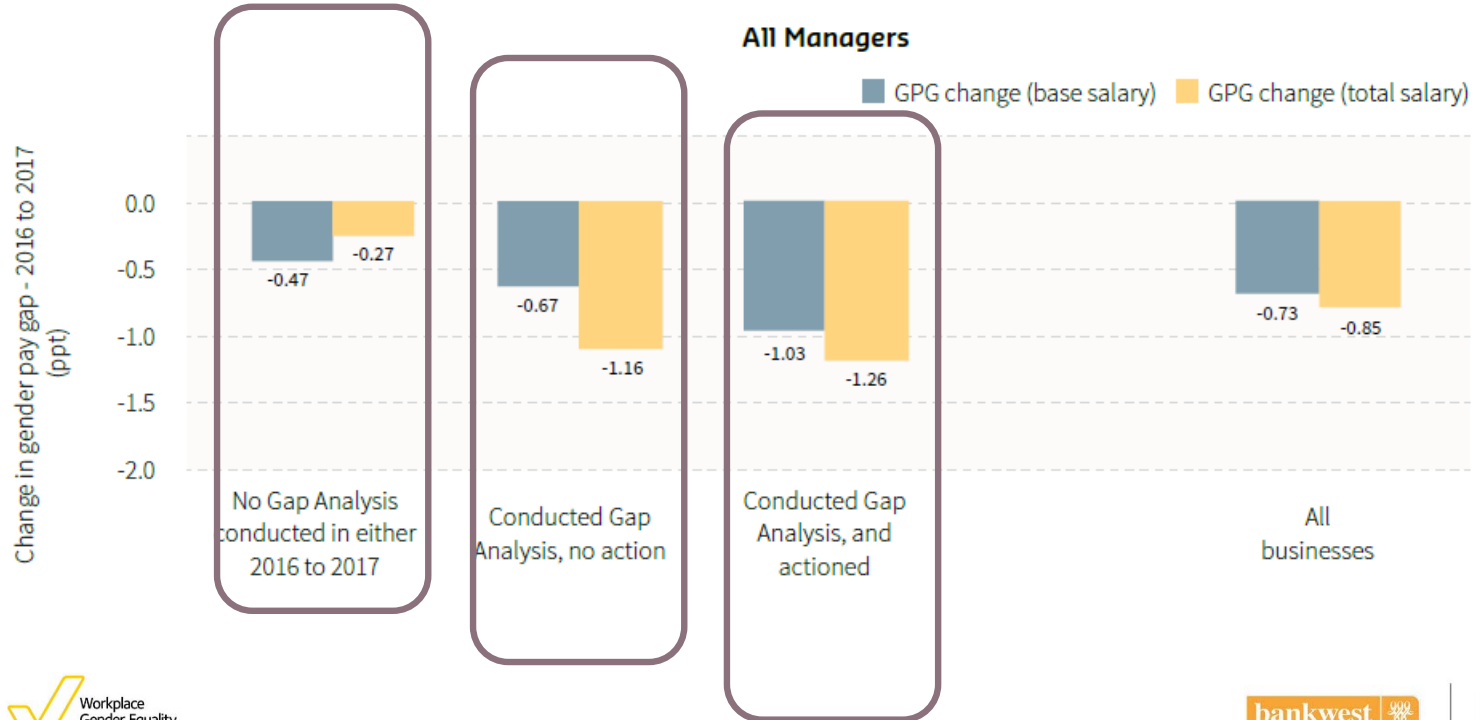


Source: Bankwest Curtin Economics Centre | WGEA Gender Equality data 2014-15, 2015-16 and 2016-17.

# Actions and Outcomes - Managers

## Inside Australia's Gender Pay Gap

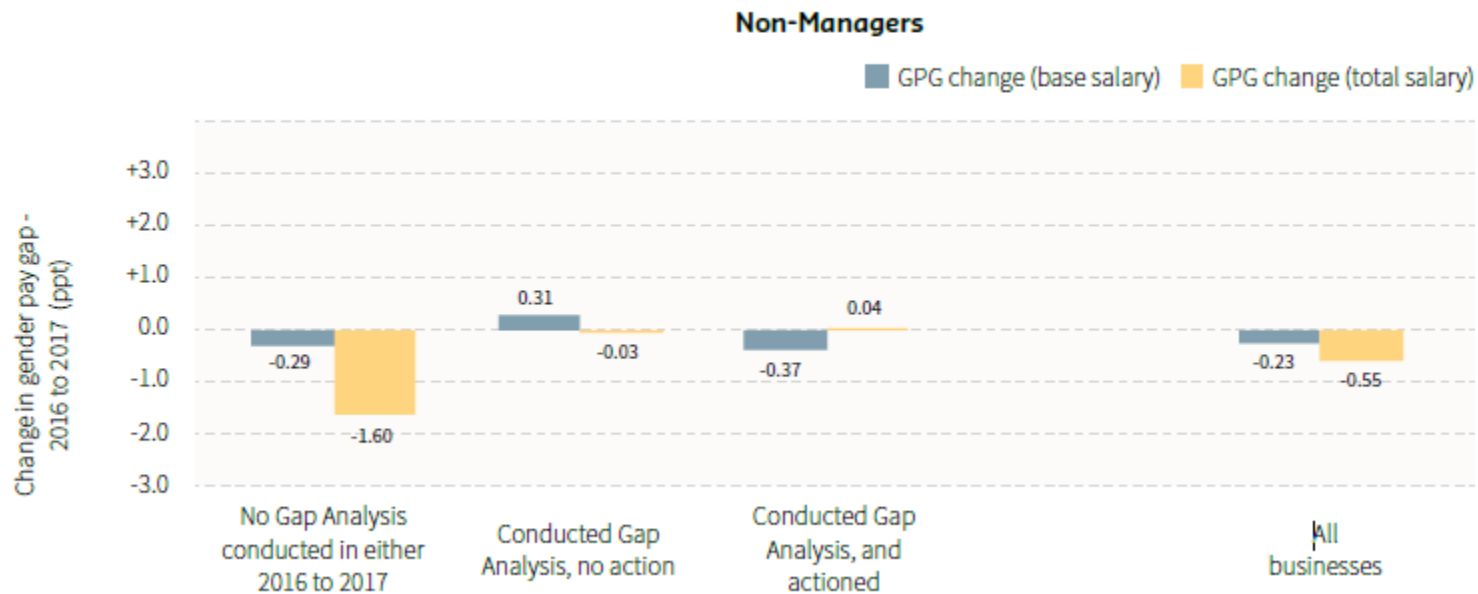
Change in managerial gender pay gap - audit and actions



# Actions and Outcomes – Non-Managers

## Inside Australia's Gender Pay Gap

Change in non-managers' gender pay gap - audit and actions

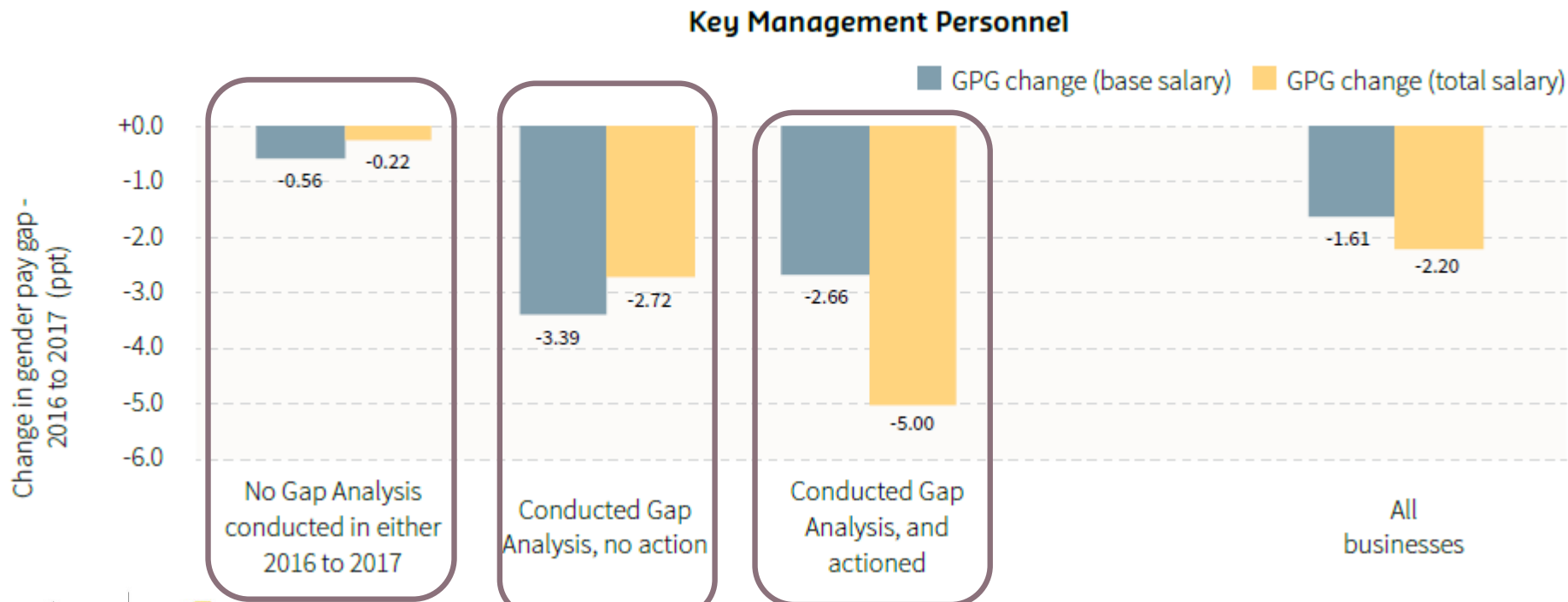




# Actions and Outcomes: Top-Tier Managers

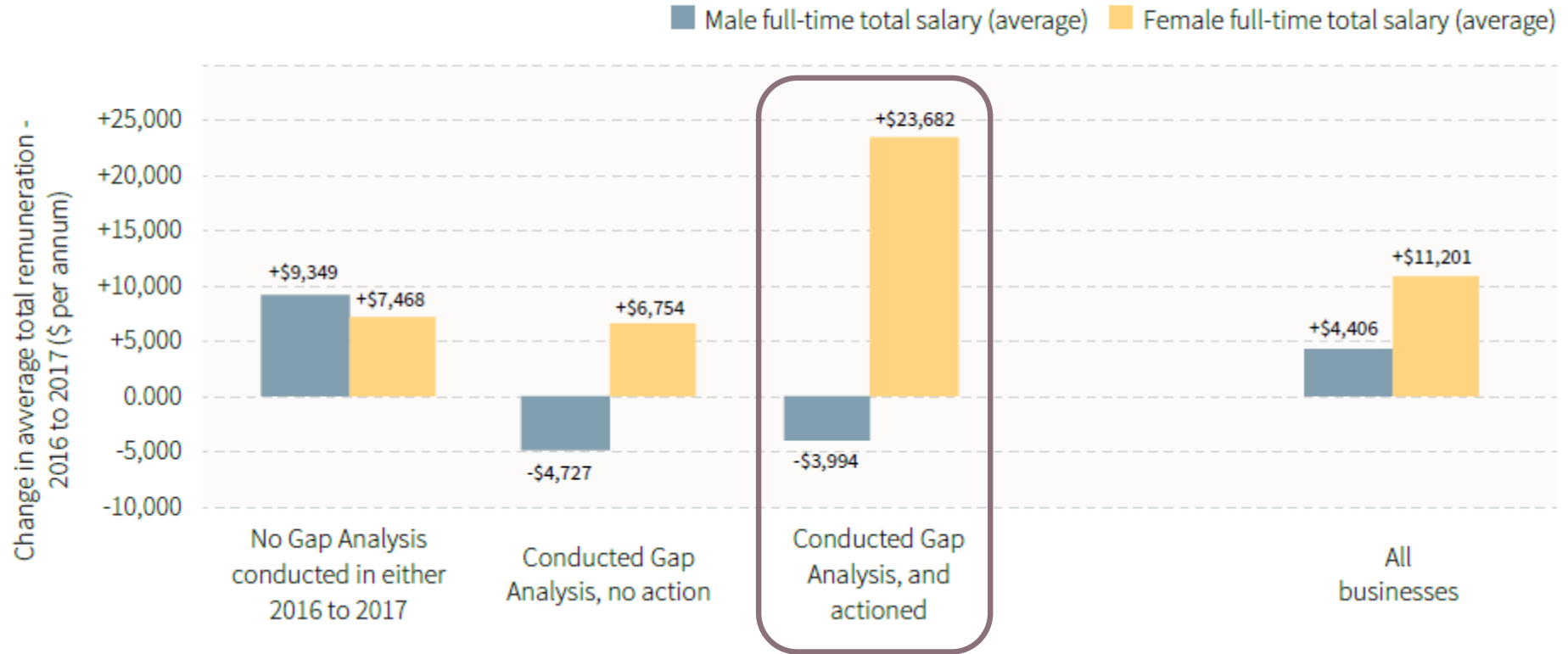
## Inside Australia's Gender Pay Gap

### Change in Key Management Personnel's gender pay gap - audit and actions



# Actions and Outcomes: Top-tier Managers (\$)

## Inside Australia's Gender Pay Gap



# Which pay equity actions lead to better outcomes?

We look at the links between companies' pay equity actions in 2015-16 and the change in their gender pay gaps over the course of the following year

We use standard regression methods

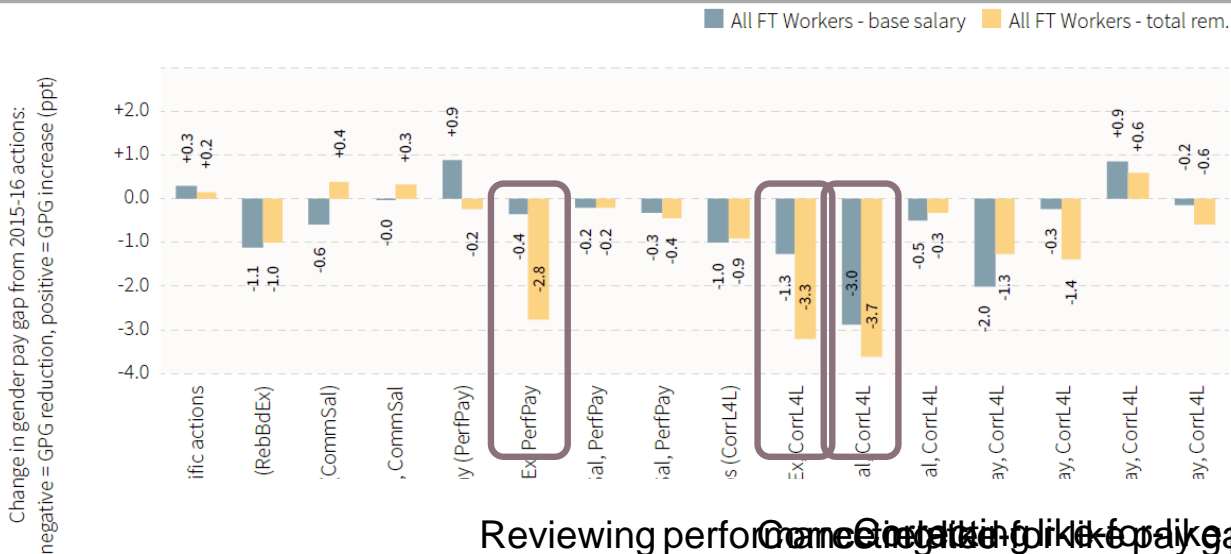
- Used to capture causal associations between actions and GPG outcomes
- Also to control for associations between other company characteristics and GPG changes

Look at any combination of company pay equity actions captured in the WGEA data

- Analysing commencement salaries (CommSal)
- Analysing performance ratings and pay (PerfPay)
- Correcting like-for-like pay gaps (CorrL4L)
- Reporting pay equity outcomes to company Executive or Board (RepBrdEx)

# Pay equity actions work better in combination....

Changes in gender pay gaps in base salary and total remuneration by combination of pay equ



Reviewing performance ratings like for like pay gaps, pay and ratings and reporting to the Board  
the Board salaries

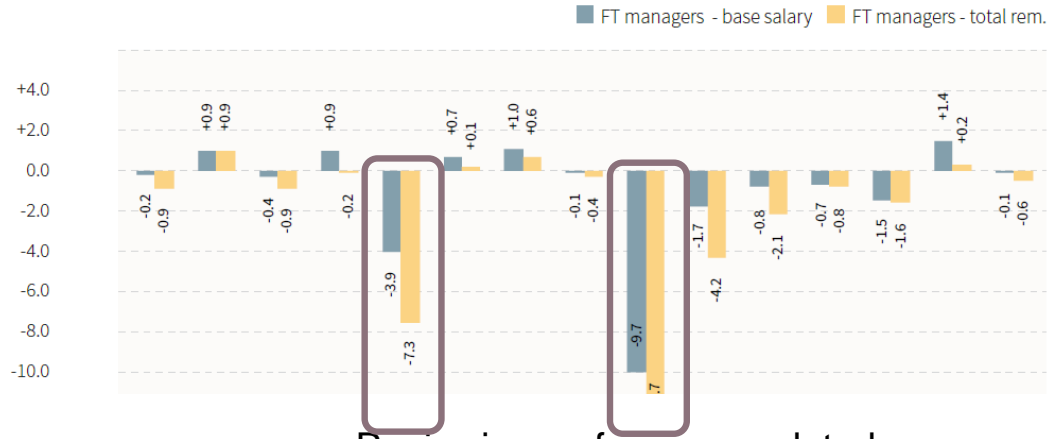
Gender pay gaps **down 3.3ppt**

Gender pay gaps **down 2.8ppt** pay gaps **down 3.7ppt**

# Action with accountability is especially powerful

Change in gender pay gaps in base salary and total remuneration by combination of pay equi

CHANGE in gender pay gap from 2015-16 actions:  
negative = GPG reduction, positive = GPG increase (ppt)



Reviewing performance related pay and ratings, and reporting to the Board  
Correcting like-for-like pay gaps, and reporting to the Board

Gender pay gaps **down 12.7ppt**  
Gender pay gaps **down 7.3ppt**

# Take homes

## Inside Australia's Gender Pay Gap

- 1. Behavioural Change:** More organisations are taking action around pay equity and we can see the impact of these actions - both standalone and in combination on the gpg.
- 2. Substantial Effects of these actions in <gpg:** particularly the combination of actions, Particularly among managerial workforce and for discretionary pay; and particularly if the actions are combined with ACCOUNTABILITY –Organisational leadership need to care and create an incentive for others.
- 3. But – not very effective for lower-level occupations** (non-managers). Companies aren't paying attention to these workers as much as the managers – wage-setting method of these workers playing a role.

# Pay gaps won't close themselves

## Inside Australia's Gender Pay Gap

- 1. Measurement:** Pay equity audits in terms of both base salaries and discretionary pay
- 2. Actions:** Specific pay actions narrow the gender pay gap AND  
*Pay actions work better in combination than in isolation*
- 3. Accountability:** Reporting on pay equity metrics at Executive and Board level