

2021

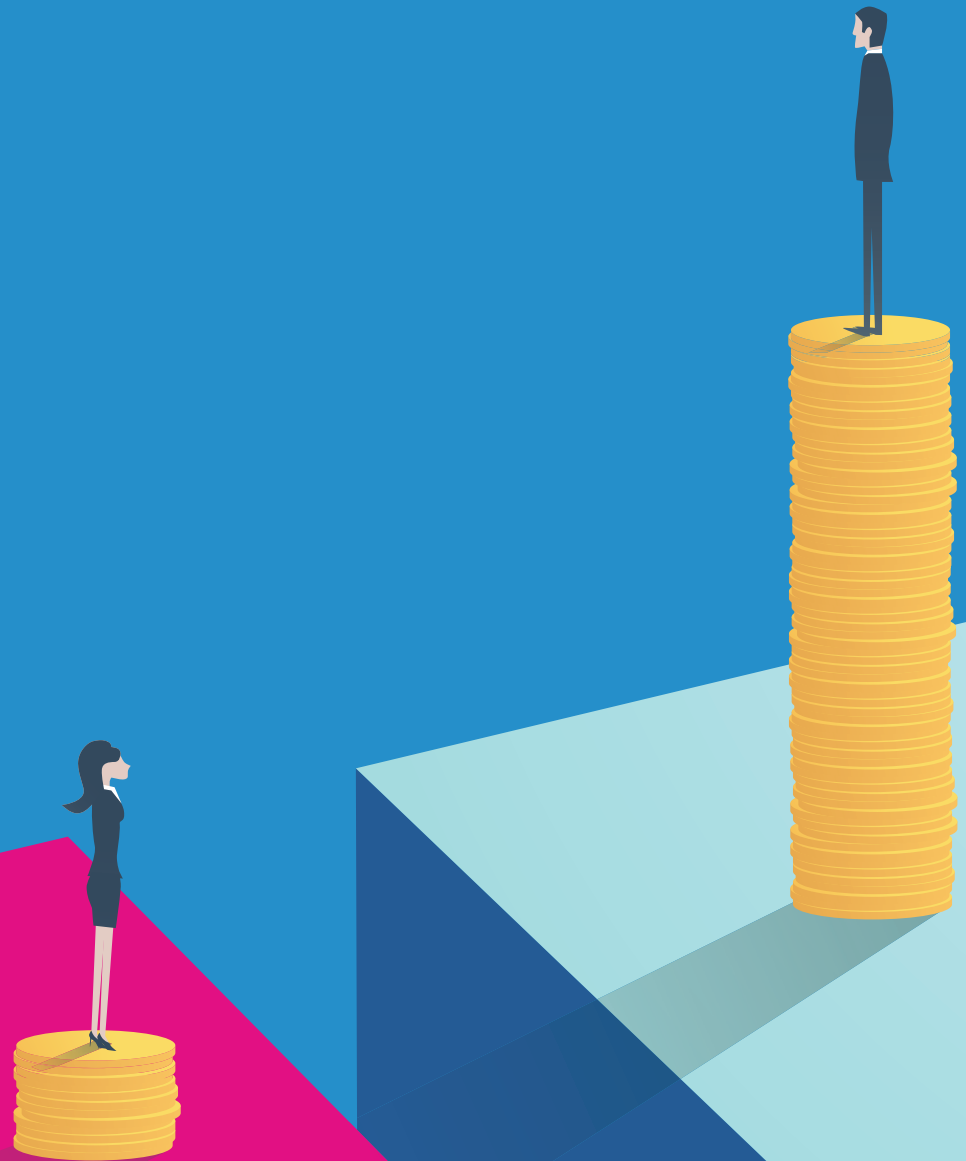
Pay Equity

ANALYSING THE GENDER
PAY GAP IN NEW ZEALAND



Contents

- 3 Foreword
- 4 How We Approach the Data
- 6 Our Findings at a Glance
- 7 Gender Pay Gap and Gender Representation by Each Level and Sector
- 9 Benefits Value Gap Commentary
- 10 Gender Pay Gap by Industry
- 11 Pay Restraint & the Pay Gap
- 12 Gender Pay Gap: Directors' Fees and Board Representation
- 14 How We Can Help



Strategic Pay are thrilled to be able to present our latest analysis on our comprehensive database to understand the current state of the gender pay gap in New Zealand.

These findings are based on data as of March 2021, and represent a significant sample of over 187,000 employees. What is particularly noteworthy about our analysis is that it does not just provide a view on Base Pay differences. It also examines what the gender pay gap looks like when benefits such as vehicles or KiwiSaver (as valued for pay purposes) are analysed, and when variable pay such as bonuses are thrown into the mix. In short, using Base Pay may be a useful starting point, but it only sheds some light on the gender pay gap.

In a year where we have seen little to no wage movement as a result of the shock from the Covid-19 pandemic, unsurprisingly, the gender pay gap remains relatively unchanged from the numbers we first published last year. This is in keeping with what Statistics NZ reported in their June 2020 quarter, which showed a median hourly gender pay gap of 9.5% (based on the household labour force survey of around 30,000 individuals).

Much of the focus for addressing inequity has been on closing the gender pay gap and organisations have been tasked to deal with this in New Zealand in the same way as everywhere around the world. Closing the gender pay gap today will not solve the problem for the future, and just addressing pay inequities will not resolve gender inequity at work – the causes run much deeper than that. Nevertheless, addressing pay inequities is a good place to start because it forces organisations to focus on the broader employment issues that result in a gender pay gap.

This year's findings remind us that while we have made some progress towards pay equity, we still have a long way to go. To increase the chances that organisations in New Zealand/Aotearoa will achieve pay equity we need to be thinking broader than just pay. To paraphrase other writers on diversity and inclusion - we won't achieve gender pay equity by inviting women to the dance. We need to involve them in choosing the music. If we continue to focus only at a tactical level and only react to what's happening externally, we will simply be playing the numbers game. We need to take a more strategic approach and commit to building a culture within our organisations where everyone can contribute and develop. We also need to recognise that to achieve this, behaviour needs to change.



We hope you enjoy this publication and gain some valuable insights into this important issue. Strategic Pay hope to continue to track how the gender pay gap changes over time and will look to extend this to include ethnicity as we continue to expand and improve our database.

Cathy Hendry
MANAGING DIRECTOR



How we Approach the Data

Through our work as Remuneration Consultants, Strategic Pay collect significant amounts of data on all pay levels from a large variety of clients from all sectors and industries. We collect data for Base Pay, but also the types and quantum of benefits paid, and the quantum of variable payments received. Using this data, we can analyse and provide a thorough view as to how we see this gap within the New Zealand context, and we also have the ability to provide different breakdowns and insights.

The depth of data available allows us to analyse how, and how widely, benefits are distributed, whether one group has a higher or lower incidence or value of benefits and other forms of rewards than others. In addition, we are able to explore differences by sectors and industries, providing more granular and useful insights compared to a broad whole sample analysis.

There are a variety of approaches to how comparisons can be made to determine the gender pay gap. Some use job titles as the basis of the analysis or individual attributes e.g. education levels. There are advantages and disadvantages

in applying the different approaches, and we readily acknowledge them. However, our approach to the analysis is one that we use to underpin much of our work as a remuneration consultancy i.e. the level of work (complexity and accountability) being done by the employees in the sample, as assessed by our various job evaluation tools.

The underlying calculation for determining the gap that we apply is the same as that used by Statistics NZ, but as noted, we will in all likelihood get different outcomes given we use a different (and larger) sample, and the roles in that sample are sorted by level of work categories. We also take into consideration the additional components of the reward package over and above Base Pay including the benefits and variable payments received.

This information may help alert senior managers and HR professionals to areas of priority or where some gains can be made, as organisations seek to close the gap in the short or longer-term.



Important Definitions



PAY LEVELS

The broad categories or levels of work we refer to (and underpinned by job evaluation outcomes) are as follows:

Up to 400 points: General Staff, Frontline Supervisors, Junior Technical roles

400-800 points: Mid-management/Specialist/Technical, Senior Management in smaller organisations

800-1200 points: CEOs in smaller to medium entities, second tier roles in medium organisations, or third tier roles in larger organisations

1200-1600 points: Second tier roles in larger organisations, CEOs in medium to large organisations

1600 points plus: CEOs large organisations



SECTORS

Private Sector

Public Sector (this includes both central and local government organisations)

Not for Profit Sector

All Sectors (which combines the above sets for purposes of this analysis)



ORGANISATION SIZE

Within the New Zealand context, we use below \$60 million annual revenues as small organisations, and above \$300 million as large.



COMPARATOR

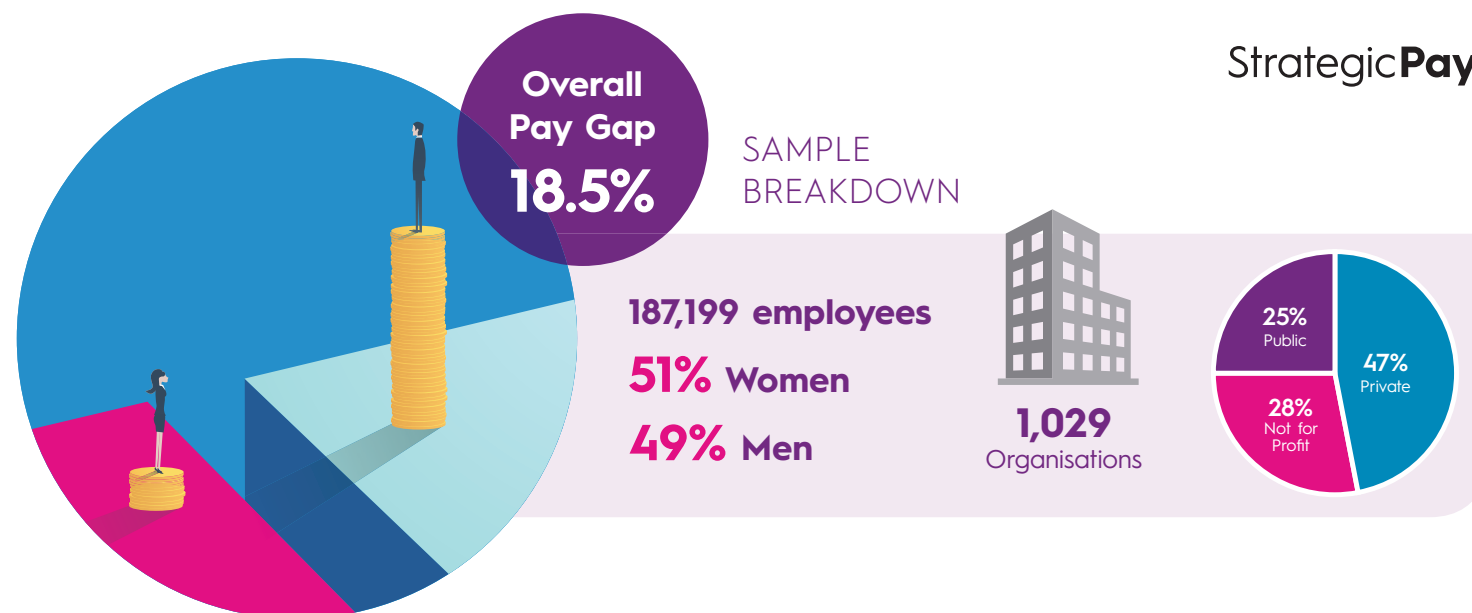
The data provided in this report refers to Fixed and Total Remuneration.

Fixed Remuneration level: Base Pay plus fixed or proportioned benefits such as vehicles, allowances, additional leave, service payments, superannuation contributions and the employer's contribution to KiwiSaver. Any definite benefits which are subject to FBT or other tax measures have this tax amount paid by the firm included.

Total Remuneration level: The sum of all definite remuneration items. This includes Base Pay, cash payments, benefits and actual variable pay, such as incentive pay, and bonus components paid. Total Remuneration excludes target amounts for bonus or incentives and any overtime payments. Benefits which are subject to FBT or other tax measures that have the tax amount paid by the firm included.



Our Findings at a Glance



Our 2021 analysis shows little has changed in terms of the gender pay gap since our 2020 report and continues to highlight the key issues in relation to gender pay gap analysis and statistics:

- that the overall gender pay gap statistic often fails to represent the real gap and the true picture emerges when you explore the detail.
- a key contributor to the gender pay gap is occupational and vertical segregation – i.e. the type of roles in which women are employed.

The economic impact of the pandemic is being seen in pay restraint and even pay freezes. While some of the focus is on addressing inequities especially for the low paid, existing anomalies will remain if pay movement is restrained and this will perpetuate if not exacerbate the gap. Fixing anomalies at the bottom will not address the overall issue which is where women are working – we need to look at role types & role levels.

The changing economic and social environment has the potential to counteract the benefits gained to date. We need to keep our eye on the ball and acknowledge this is a long term issue that will not be fixed by short term measures only, nor by a focus on pay only.

Closing the pay gap in the longer term requires employers to ensure a broad range of human resources and employment practices are considered in light of their impact on pay equity:

- **Flexibility:** Establishing a culture that enables flexibility no matter what your status, including employment, marital, family, sexual orientation, age etc.
- **Development:** Ensuring that regardless of part-time or full-time status, gender, ethnicity, age, all relevant development opportunities and reward options are available and accessible to all employees.
- **Mobility:** Encouraging women into a broader range of occupations and to put themselves forward for development and promotion.
- **Remuneration:** Ensuring that the pay levels for roles are related to the actual level of responsibility and skill required in the role, not what the market pays for similarly titled roles.

Gender Pay Gap and Gender Representation

GENDER PAY GAP BY LEVEL OF WORK AND TYPE OF PAY

SP10® Points Level	Staff Level	Pay Gap			Representation	
		Base Pay	Fixed Remuneration	Total Remuneration	Male	Female
Up to 400	General Staff	8.0%	8.6%	8.8%	44%	56%
400 - 800	Middle Management / Specialist / Technical	9.0%	10.7%	11.1%	58%	42%
800 - 1200	Senior Management / CEO small organisation	7.2%	8.6%	8.7%	68%	32%
1200 - 1600	CEO medium organisation / GM large organisation	14.6%	16.4%	15.9%	77%	23%
1601+	CEO large organisation	23.2%	27.7%	32.7%	81%	19%
	All Levels	16.8%	18.5%	19.0%	49%	51%

GENDER PAY GAP BY EACH LEVEL AND SECTOR

SP10® Points Level	Staff Level	All Sectors	Private	Public	Not for Profit
Up to 400	General Staff	8.6%	12.8%	10.5%	0%
400 - 800	Middle Management / Specialist / Technical	10.7%	13.7%	7.1%	6%
800 - 1200	Senior Management / CEO small organisation	8.6%	8.6%	6.0%	2.6%
1200 - 1600	CEO medium organisation / GM large organisation	16.4%	6.9%	3.9%	18.3%
	All Levels	18.5%	20.8%	18.9%	9.6%



Gender Pay Gap and Gender Representation

General Market: There has not been much change in the overall gender pay gap since our 2020 report (now 18.5% compared to 17.7% last year.) Many organisations either did not give salary increases following the pandemic or gave the same percentage increases across the board, resulting in existing gaps increasing. The main increase in the gender pay gap is at the very senior levels, suggesting that fewer women are moving into senior roles. However, in-depth analysis identifies that while women are heading up similarly-sized organisations as men at this level, the female chief executives are employed within the health education and Public Sectors (Half of the male Chief Executives in large organisations are employed in the Private Sector, while only one-fifth of female Chief Executives are employed in the Private Sector). The Public Sector tends to pay less than the Private Sector. Combined with the fact that less than a fifth of Chief Executive roles in large organisations are filled by women, this increases the overall gap.

Private Sector: Despite generally conservative Private Sector pay movements in 2020, we observe a small but statistically insignificant increase in the gender pay gap in 2021 ((between 20-21% for Fixed Remuneration). This sector continues to report gender pay gaps which are higher than either the Public or Not for Profit Sectors. Most organisations highly value their professional positions (between 400 and 800 points) as they represent the bulk of their mid-level roles. In this group, we observe that Private Sector males are remunerated an average of \$13,000 more in Base Pay than females (with a pay gap of almost 12%). That advantage, amounting to \$1,083 per month before tax, would make a significant difference to the take-home pay of this valuable group of female employees. The consequence of this difference is compounded with the higher corresponding KiwiSaver contribution flowing into both Fixed and Total Remuneration. With restricted borders and an increasing war for talent, appropriately valuing the contribution of all your employees will assist to maintain a competitive market position.

We note with caution, due to the impact of the pandemic on organisations profitability and performance, a significant decrease in the gender pay gap in bonus and incentive payments in the Private Sector. This indicates an overall reduction from a 49% gap to 37%. Interestingly the gap has widened at the General Staff level (to 43%) yet reduced at all levels above.

Public Sector: The Public Sector results indicate that the pandemic and resulting pay restraint requirements have had an impact on pay levels but no real effect on the gender pay gap. The gender pay gap has reduced by a statistically insignificant amount overall but has increased at some staff levels. The overall gender pay gap for median Base Pay in the Public Sector is 17.5% which is a little above the gender pay gap for the whole sample (almost 17%), while the gap in the overall remuneration package (close to 19%) is at a similar level to the overall market. The gender pay gap has reduced (by half to 1 percentage point) at the senior levels, perhaps reflecting the pay restraint required at the senior levels in the public service following the significant financial input from the government to deal with the economic impact of the pandemic.

The overall gender pay gap has increased, due to changes at the senior levels, mirroring the overall figures in the General Market.








We observe females represent a higher proportion of the workforce than in the overall market (female representation drops to a fifth in the top roles in the General Market but is close to a third in the Public Sector). While females have slightly higher representation at the General Staff level, the gender pay gap is still in favour of males for Base Pay and increase when benefits and bonus payments are included in the total. Also of interest is that the gender pay gap at the General Staff level, while close to the gender pay gap in the overall market, is surprisingly still higher than in the General Market. Deeper analysis indicates that over three-quarters of this gap can be explained by the higher representation

of males in the larger jobs within this range, (e.g. specialist roles such as Engineering Officers and Analyst Programmers or more senior roles such as Team Leaders). The broader Public Sector covers the health and education sectors so includes a range of female-dominated roles at the General Staff level. As these represent approximately three quarters of the workforce, both occupational and vertical segregation of employees by gender has a significant impact on the overall Public Sector gender pay gap.

Not-for-Profit Sector: The Not for Profit (NfP) Sector is modestly leading the way towards Pay Equity in New Zealand. This sector has shown improvement from 2020 with decreases in gender pay gaps across all three remuneration comparators of approximately 1%. While this is not statistically significant, it is an improvement in the right direction. The 2021 NfP sample is 12% larger than 2020 while the representation, with 80% female and 20% male, remains static. For the first time in our reporting, we observe a gender pay gap advantage to females, this being a 1.5% advantage in Base Pay for Senior Managers/Small CEO positions. However, this needs to be balanced by evidence of a widening gender pay gap in both Fixed and Total Remuneration for this same group. The NfP Sector is constrained by funding and philosophy. Change in this sector takes time and money and is often driven by forces outside the organisations. Despite the chilling impact of the pandemic on remuneration, minimum wage increases contributed to General Staff having the largest pay movement of all NZ Sectors and levels per our latest national Remuneration Report. While there remains a 0% gender pay gap at the General Staff level, we observe an almost halving of the gender pay gap across all remuneration comparators for NfP Mid Management / Specialist / Technical positions. This may well be the result of the active management of internal equity in response to compression issues arising from the minimum wage movements.



Benefits Value Gap

			Gender Pay Gap on Benefits
 Bonus Payments	\$3,000	\$5,615	46.6%
 Kiwi Saver	\$1,989	\$2,412	17.5%
 Car Parking	\$2,860	\$2,500	-14.4%
 Car Allowance	\$7,800	\$11,500	32.2%
 Car Value	\$11,156	\$13,950	20%

What is clear when examining Base, Fixed and Total Remuneration is that the gender pay gap increases at both Fixed and Total Remuneration levels. Detailed analysis of the data shows that overall males receive more incentives, KiwiSaver contributions and higher value in cars. Looking purely at Base Pay masks the fact that males on balance receive more fixed and variable pay (e.g. bonuses) than their female counterparts.

Car parking, car allowances and the pandemic

One interesting change from our 2020 report is the reduction in the value of car parking in employee remuneration packages – both males and females now receive a lower value of car parking in their remuneration packages, but the value dropped significantly more for males than for females (30% compared to 10%). This has resulted in this particular benefit now being in favour of females by 14% (it was nearly 12.5% in favour of males in 2020). Did the lockdown, and the ability to

work from home following the lockdown, mean that a car park is no longer an attractive benefit? The value of car allowances also dropped for males but not for females. Is this perhaps indicating a shift towards acceptance that working from home (rather than commuting to work every day) is an acceptable way of working for men as well?

This “advantage” is offset by the gap in the other vehicle-related benefits – males still have the advantage in both vehicle and vehicle allowance values. Could this be a reflection of the women being more likely to do the “school run” and needing the flexibility of taking the family car to work, therefore retaining the car park?

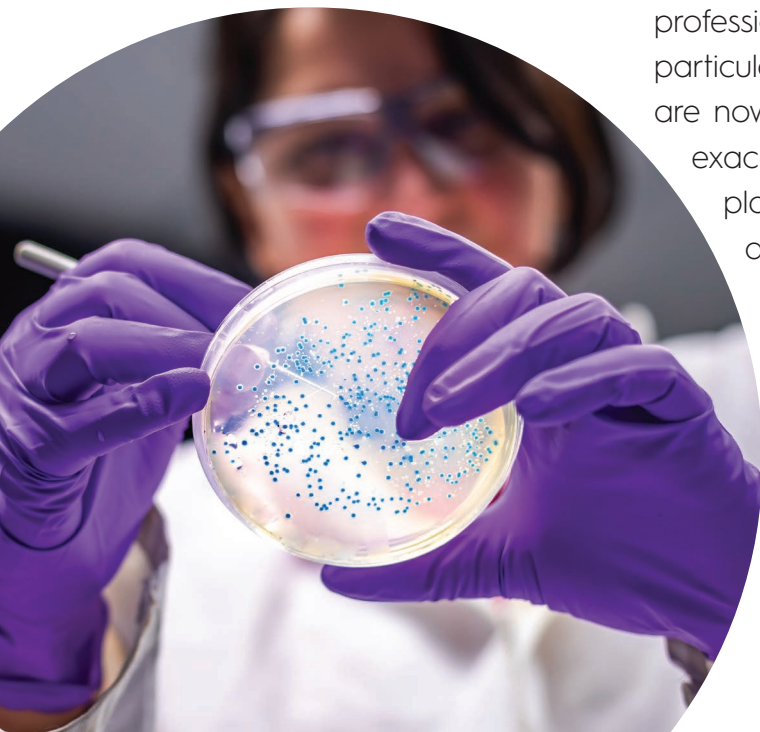
What is important about this analysis is the extent of the real gender pay gap and the underlying causes, highlighting the need to explore more than Base Pay differences. We would recommend that the same analysis is conducted of the benefits and incentives granted, to gain the full picture of the gender pay gap.



Gender Pay Gap by Industry

While some industries follow the normal pattern that can be seen in the overall market, with a smaller gender pay gap at the General Staff level which increases with job size, some have their biggest gap in the Professional/Middle Management group. The Construction/Engineering industry demonstrates this - there are a larger proportion of professional roles such as engineers and project managers, which are male-dominated. Our broader market research tells us that this profession tends to be paid higher than similarly sized female-dominated roles such as the caring professions. In this industry, these groups in particular along with information technology, are now facing increasing skill shortages exacerbated by the border restrictions in place as a result of the pandemic. Our analysis demonstrates the impact of this with the gender pay gap increasing overall in this sector, and especially at the Specialist/Technical level.

These results highlight once again a key issue behind the gender pay gap – a large part of the overall gender pay gap is related to occupational and vertical segregation – i.e. where women are employed. Women are often employed in lower-paid roles, either because they are in roles that the market undervalues such as customer-facing or caring roles. Or they are working in sectors that are not facing as acute skill shortages as other industries - and the resulting premium on pay levels. Or they are employed in smaller roles in terms of accountability and skills required, i.e. women are not being promoted to more senior (higher paying) roles.



Pay Restraint & the Pay Gap

Following the economic impact of the pandemic, attention has been focused on pay restraint at senior levels, with the definition of “high pay” being above \$100,000. While restraint was exercised across all sectors to one degree or another, the Public Sector faces a requirement for organisations to focus on pay movement for those paid below \$60,000 and severely restrict movement for those paid above \$100,000. Will the effect of this (and an emphasis on pay movement for those paid below \$60,000), result in a faster closing of the gender pay gap, with lower paid females having their pay raised and higher paid males potentially missing out on increases?

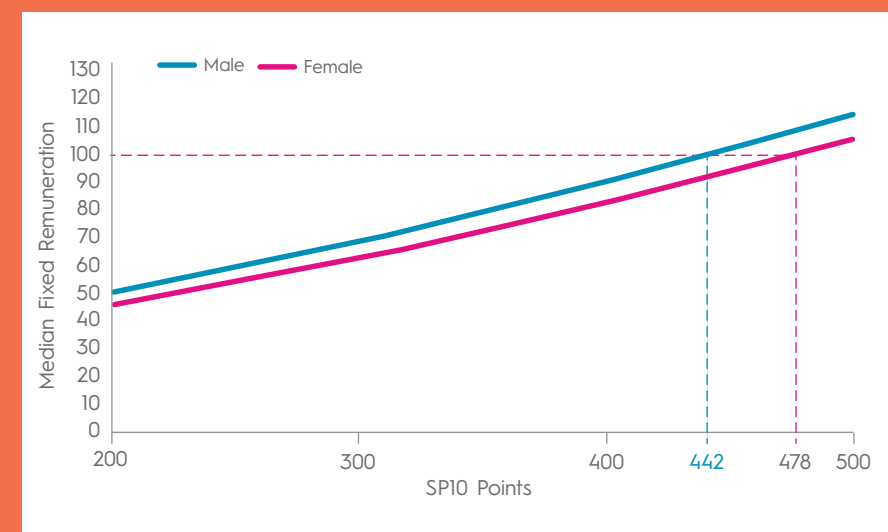
Our data indicates that more males are earning \$100,000 plus than females - about 45% of those earning above \$100,000 are females. In addition, 60% of those earning below \$60,000 are females.

When the \$100,000 limit was introduced in 1993 it represented a role over 800 SP10 points - now it represents a role around 450 points. We suspect because it now actually reflects a much smaller role than it did nearly 30 years ago as an indication of high earners, the \$100,000 threshold is unlikely to affect the gender pay gap significantly. The emphasis on raising the pay levels for the lower paid, and especially the pay equity settlements, will have more impact on the

overall gap. But until more women move into the more senior and higher paying roles (e.g. in the engineering and information technology job functions and senior executive positions for instance), the overall gap will remain fairly large.

Unfortunately, our analysis also indicates that for females a “\$100,000 job” was noticeably larger than for males (i.e. females are still paid less than males for the same size job, as demonstrated in the graph below).

Until we address both pay equity and employment equity, the gap will not go away.



Directors' Fees & Board Representation

2,554
Directorships



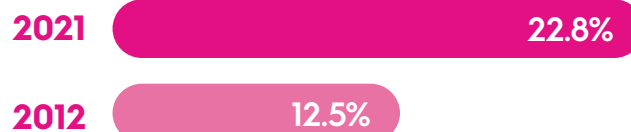
Responses:
2,244
Directorships

TYPE OF DIRECTOR

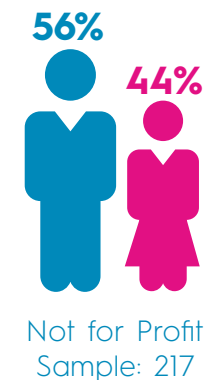
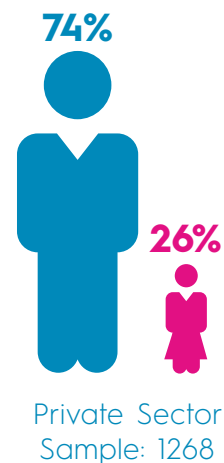
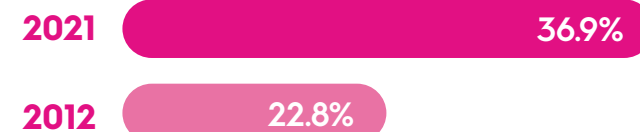
Type of Director	No. in Sample	Percentage of Sample	Percent of Sample	
			Male	Female
Non-Executive Chair	355	16%	274 (77%)	81 (23%)
Non-Executive Deputy Chair	111	5%	69 (62%)	42 (38%)
Non-Executive Director	1776	79%	1120 (63%)	656 (37%)

PERCENTAGE OF BOARD MEMBERS WHO ARE FEMALE

Chairs

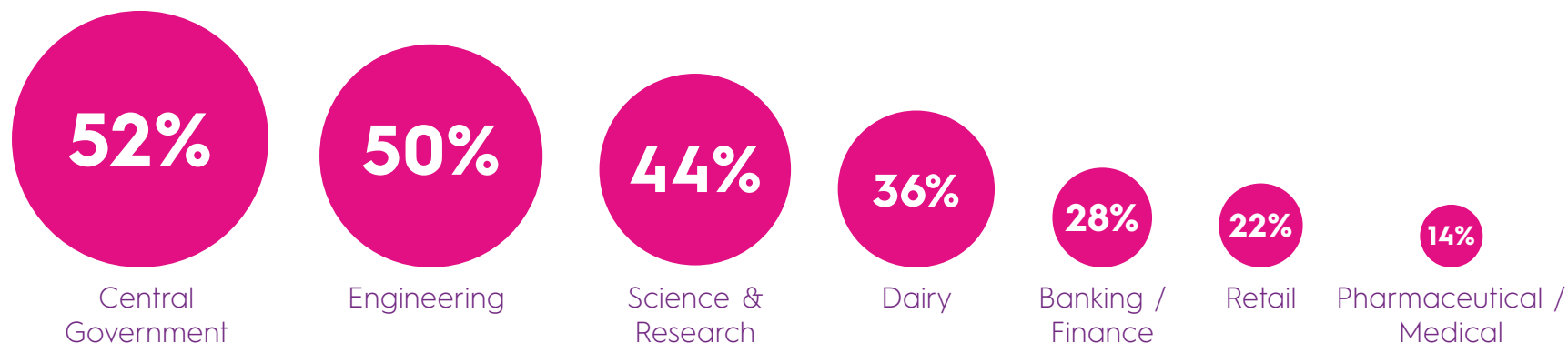


Directors



Directors' Fees & Board Representation Commentary

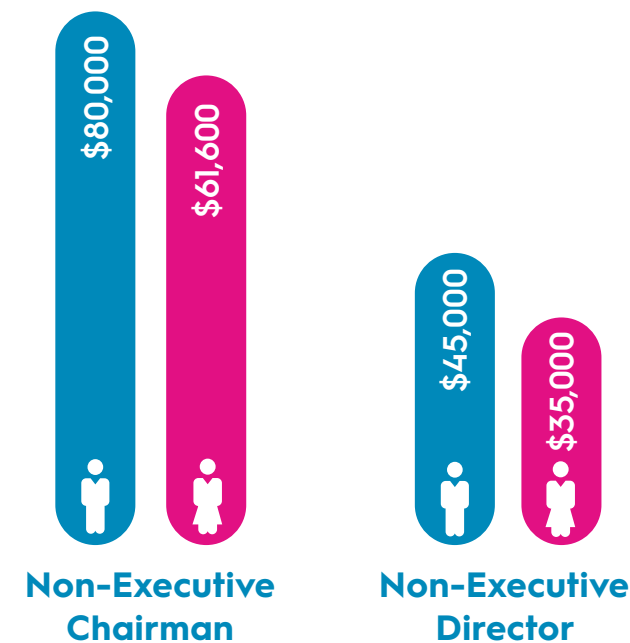
FEMALE BOARD MEMBERS PER INDUSTRY



Female representation on Boards increased again this year continuing the year-on-year trend of steady increases. Strategic Pay's 2021 Directors' Fee survey shows close to 37% female representation at the Director level. Within the NZX50, females make up approximately 32% of all directors. Overall, in the Strategic Pay Database, we see a 23% gender pay gap for Chairs and just over a 22% gender pay gap for directors. The gender pay gap has increased from last year, particularly for Chair Fees which showed an approximate 12% gender pay gap in 2020. This suggests that while representation has increased, the females are likely to be on Boards with lower fees. Female board members are most prevalent in Central Government (52%) Engineering (50%)*, Education (47%), and Health (46%). In contrast, women are less likely to be included on boards found in the Pharmaceutical/Medical and Mining/Petroleum industries.

Our analysis suggests the gender pay gaps seen in Director and Chair Fees are largely driven by the types of Directorship being undertaken by females. We note from the distribution of male and female directors, females are more common in the lower-paid Public Sector compared to the Private Sector which only shows a 26% female representation on Boards. This will likely be having quite an impact on the overall median fees earned. To close this gap, there will need to be a shift to getting a greater number of females on all Boards, particularly in the Private Sector.

MEDIAN DIRECTORS' FEES BY GENDER



* This industry has a small sample size, therefore making the prevalence more pronounced, compared to education and health, which all have much larger sample sizes.

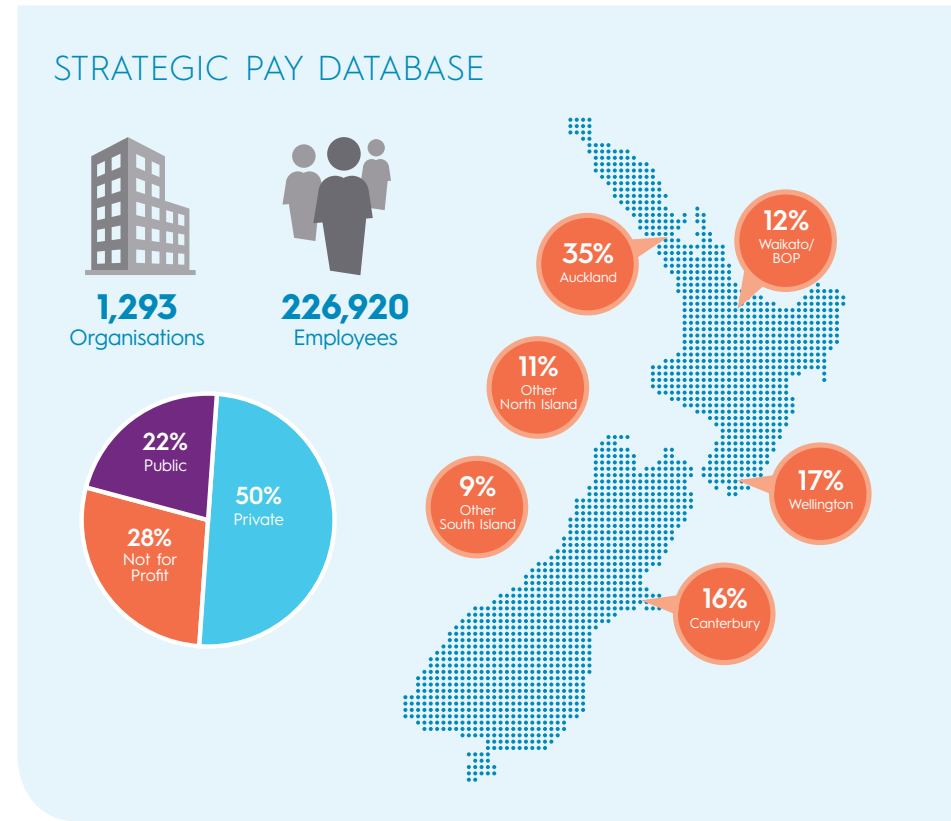


How We Can Help

Strategic Pay has developed proprietary tools and has the depth of information and expertise to assist organisations to explore and address equity in the workplace.

These include:

- Analytical job evaluation methodologies to ensure you're able to compare like with like jobs
- Unbiased job-related market information and remuneration advice
- Tools to undertake thorough gender pay equity audits, analysis and investigation
- Industry-specific gender pay gap information, drawing on data over 187,000 jobs in New Zealand
- New Zealand's largest database of remuneration data



If you'd like more information about how we can help you to navigate reward and Pay Equity, get in touch with our team of advisors today.

StrategicPay 

 Find out more about Pay Equity here

info@strategicpay.co.nz
www.strategicpay.co.nz

Connect with us:  

Auckland | Hamilton | Tauranga | Wellington | Christchurch | Dunedin