

2020

Pay Equity

ANALYSING THE GENDER
PAY GAP IN NEW ZEALAND



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Pay Equity Committee

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Pay Equity is an important issue that has been a key focus for many businesses and governments over the past few years. As we move into a world changed by the Covid-19 pandemic, we understand that in times of crisis, business focus may change and addressing pay inequity may move down the priority list. But we believe this is still an important issue to be addressed, in some ways now more than ever.

Women are strongly represented in roles which depend on social interaction (front-line service workers across many industries) and are more likely to feel the brunt of financial hardship as a result of the pandemic. We could still see large numbers of people across most industries and particularly in the private sector, not only losing their jobs, but also potentially being hired back at lower rates when the world starts moving again.

We aim to give some insights into the current pay gaps within the New Zealand context and allow organisations to consider how they stack up within their sector or industry. These findings are based on Strategic Pay data as at March 2020, and we intend to monitor how the gender pay gap and gender representation in the workforce changes over time. The findings can help inform decisions and encourage organisations to take a more active role in reducing their gender pay gap.

A literature search will reveal there are a number of ways organisations can analyse the gender pay gap, and naturally they all make use of the information they have access to. This will obviously vary from study to study and may therefore produce varying results.

In New Zealand, the most widely available figure on our pay gap is provided by Stats NZ, which indicates the gap is currently 9.3%



Within Strategic Pay we have a strong commitment to the principles of pay equity and an internal committee coordinates our consulting in this area. This Pay Equity Committee is made up of several consultants

who are passionate, knowledgeable and experienced in this work. They have prepared this booklet to better explain how we can all understand what the gender pay landscape looks like at the moment, the critical issues involved and how we can assist in developing systems and processes to ensure fairness in pay structures.

John McGill

CHIEF EXECUTIVE OFFICER

as at June 2019 quarter. This figure is determined from a sample of around 25,000 employees and calculates the overall (median) difference between male and female hourly earnings (Base Pay) across that sample.

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 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, and it sheds some light on the gender pay gap, but this analysis allows us to turn a brighter spotlight on the issue.



How we Approach the Data

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

The depth of data available allows us to analyse what, 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 pros and cons to 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 calculation for determining the gap is the same as that used by Stats NZ, but we will in all likelihood get different outcomes given we use a different (and much larger) sample, and that the roles in that sample are sorted by levels of work. We also take into consideration additional components of the reward package over and above base salary including fixed 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.



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 orgs

800-1200 points: CEO's in smaller to medium entities, second tier roles in medium or third tier roles in larger orgs

1200-1600 points: second tier roles in larger orgs, CEO's in medium to large organisations

1600 points plus: CEO's 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:

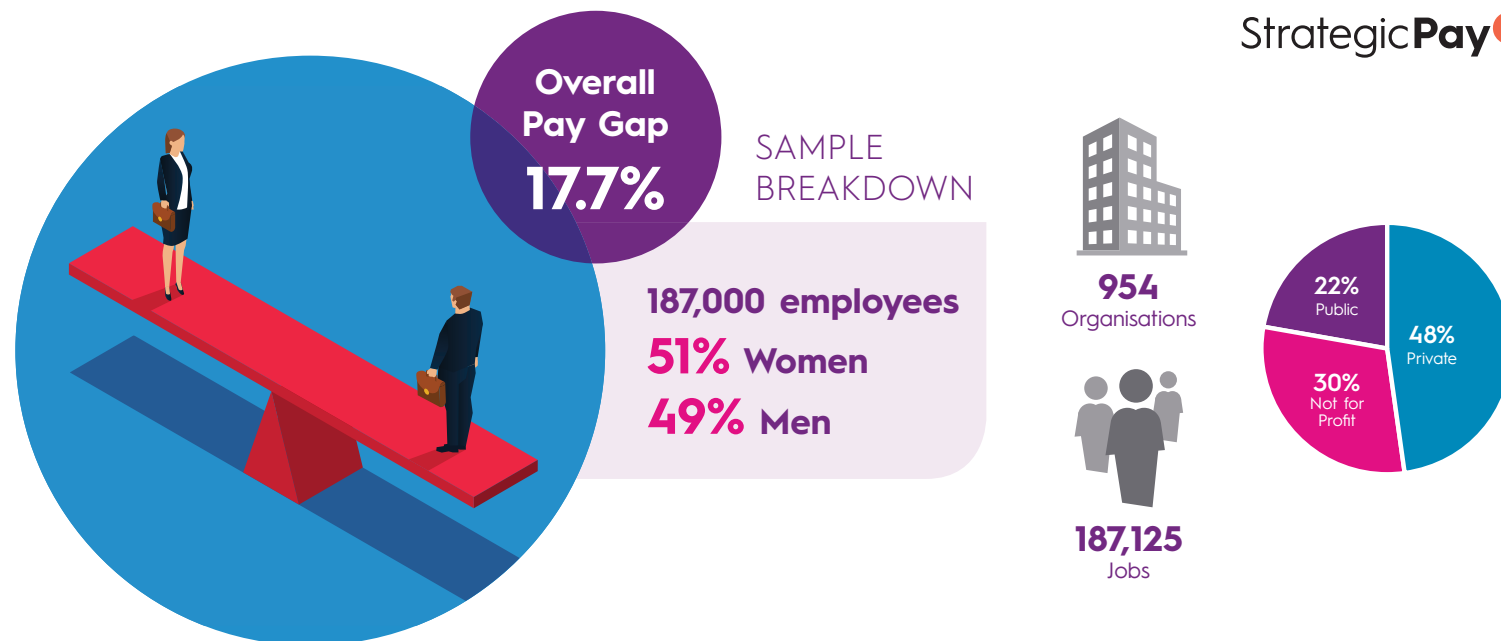
Base Salary plus fixed or proportioned benefits such as vehicles, allowances, additional leave, service payments, superannuation contributions and the employer's contribution to KiwiSaver.

Total Remuneration level:

The sum of all definite remuneration items i.e. base salary, cash payments, benefits and variable pay, such as incentive pay, and bonus components actually paid. Total remuneration excludes target amounts for bonus or incentives and any overtime payments.



Our Findings at a Glance



Our analysis highlights some key issues in relation to gender pay gap analysis and figures:

- that the overall gender pay gap only reveals some of the picture and the devil is truly in the detail.
- a key to the gender pay gap is occupational and vertical segregation – i.e. the type of roles in which women are employed.

From our experience there are several broader human resources and employment practices that employers need to investigate and address if they really want to close the gender pay gap in the longer term:

- 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.
- Ensuring that regardless of part-time or full-time status, gender, ethnicity or age, that relevant development opportunities and reward options are available and accessible to all employees
- **Ensuring** clear career pathways and development opportunities are available to all.
- Encouraging women to put themselves forward for development and promotion.
- Establishing a culture that enables flexibility no matter what your status, including employment, marital, family, sexual orientation, age etc.

Closing the gender pay gap will not be fixed by short term measures only and employers will need to accept that they are in this for the long haul. The economic impact of the pandemic has the potential to exacerbate the gap, and if employers take their eye off the ball now, nothing will change.

Gender Pay Gap and Gender Representation

GENDER PAY GAP BY LEVEL OF WORK AND TYPE OF PAY

SP10® Points Range	Staff Level				Representation	
		Base Salary	Fixed Remuneration	Total Remuneration	Male	Female
Up to 400	General Staff	7.9%	8.9%	9.1%	44%	56%
400 - 800	Middle Management / Specialist / Technical	8.8%	11.0%	11.3%	57%	43%
800 - 1200	Senior Management / CEO small organisation	8.1%	9.3%	10.1%	66%	34%
1200 - 1600	CEO medium organisation / GM large organisation	12.7%	15.5%	19.01%	79%	21%
1601+	CEO large organisations	15.2%	19.1%	28.8%	89%	11%
	All Levels	15.6%	17.7%	18.2%	49%	51%

GENDER PAY GAP BY LEVEL OF WORK AND NZ SECTORS

SP10® Points Range	Staff Level	All Sectors	Private	Public	Not for Profit
Up to 400	General Staff	8.9%	12.4%	10.8%	0%
400 - 800	Middle Management / Specialist / Technical	11.0%	14.2%	6.5%	11.2%
800 - 1200	Senior Management / CEO small organisation	9.3%	15.9%	6.1%	1.3%
1200 - 1600	CEO medium organisation / GM large organisation	15.5%	6.1%	4.5%	18.3%



Gender Pay Gap and Gender Representation Commentary

General Staff Category 0-400 points:

At this level, representing support and entry level technical positions, the Private and Public sectors show a gender pay gap, however there is no gap in the Not for Profit (NFP) sector. But, on the other hand, the NFP sector has low male representation at this level with males making up only 16% of the NFP sample.

The Private sector shows the widest gap at this level. The gap can in part be explained by our data which shows that males receive

more benefits, most notably vehicles and car allowances. In contrast some accommodation for the preferences of females may be apparent with females at this level receiving around 8% more in parking allowances than males.

We found a 10.3% gap in the Public sector which is surprising given their focus on closing the gender pay gap (this includes the local government and health sectors). At this level in the health sector there are a significant number of female-dominated caring roles, which our

research indicates tend to be paid lower than roles of a similar size in other sectors. In local and regional government, significant differences in fixed remuneration levels may in part be explained by benefits involving car parking, car allowances and provided vehicles. Vehicles allocated to field roles (which are male dominated) are normally considered tool-of-trade vehicles, however commuting use and limited private use are sometimes permitted as a benefit to those employees, thus increasing their fixed remuneration.

Technical Specialist to Mid-Management Group 400-800 points:

Once again, the gap is highest in the Private Sector at 14.2% and surprisingly high for the Not for Profit Sector at 11.2%. In contrast, the gap is considerably lower in the Public Sector at 6.5%.

Our analysis suggests that the NFP sector is paying male technical specialists and middle managers more than their female counterparts. There are also relatively more males at this level (nearly twice the representation there than at the general staff level), and the overall gap is therefore higher than for the overall NFP sample.

Senior Management / CEO of small organisation Group 800-1200 points:








This level includes senior managers in medium and large organisations and CEO's of small organisations. At this level, there is little evidence of a gender pay gap in the Not for Profit Sector but the gap increases noticeably in the Private Sector to 15.9% in Fixed Remuneration. The Public Sector shows a small decrease in the gap to 6.1%. As observed at lower levels, this would appear to be due to benefits of greater value being received by males than females. Also at this level, as with the lower levels, males receive around 30% higher incentive payments as well.

Executive Management / CEO of medium to large organisation Group 1200-1600 points:

This level constitutes big jobs in big organisations with males making up 90% of this group. The overall gap again rises to 15.5%, led by the Not for Profit Sector which has a gap of 18.3%. This is the largest gap observed at any level. In contrast the Public and Private Sectors' gaps have decreased to be reasonably close at 4.5% and 6.1% respectively. Are we observing the result of the increased transparency and scrutiny at this level in the Public and Private Sectors?



Benefits Value Gap

			Gender Pay Gap on Benefits
 Bonus Payments	\$3,000	\$7,202	58.3%
 Kiwi Saver	\$1,920	\$2,299	16.5%
 Car Parking	\$3,190	\$3,640	12.4%
 Car Allowance	\$11,500	\$14,000	17.9%
 Car Value	\$12,515	\$14,207	11.9%

What is clear when examining Base, Fixed and Total Remuneration respectively is that the pay gap increases at both Fixed and Total Remuneration levels. Analysis of the data shows that overall males receive more incentives, higher KiwiSaver contributions and higher-value vehicles.

Therefore, an analysis that looks only at Base pay masks the fact that males on balance receive more fixed and variable pay (e.g. bonuses) than their female counterparts. This may have in part to do with the types of roles attracting the benefits e.g. those roles requiring vehicles, such as regulatory or other field roles in local/regional

government. However, it is less clear why females at all levels receive less in KiwiSaver than their male counterparts. This could be because KiwiSaver is a payment based on a percentage of Base pay, or it could be because men have negotiated higher contributions from their employers.

What is important about this analysis is the extent of the real gap and the underlying causes, highlighting the need to explore more than base salary differences. We would recommend that the same analysis is conducted of the benefits and incentives accruing to job-holders if we are to fully understand the full extent of the gender pay gap.



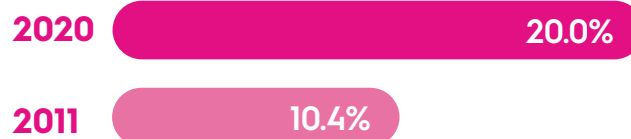
Director Fees & Board Representation

2,176
Directorships

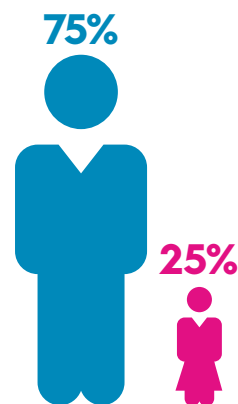
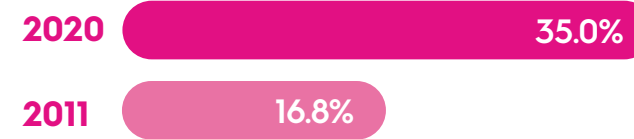


PERCENTAGE OF BOARD MEMBERS WHO ARE FEMALE

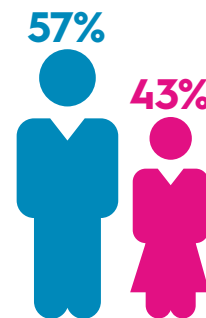
Chairs



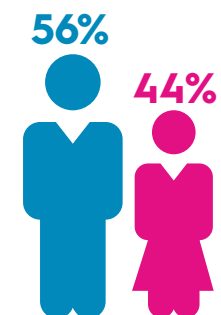
Directors



Private Sector
Sample: 1236



Public Sector
Sample: 952

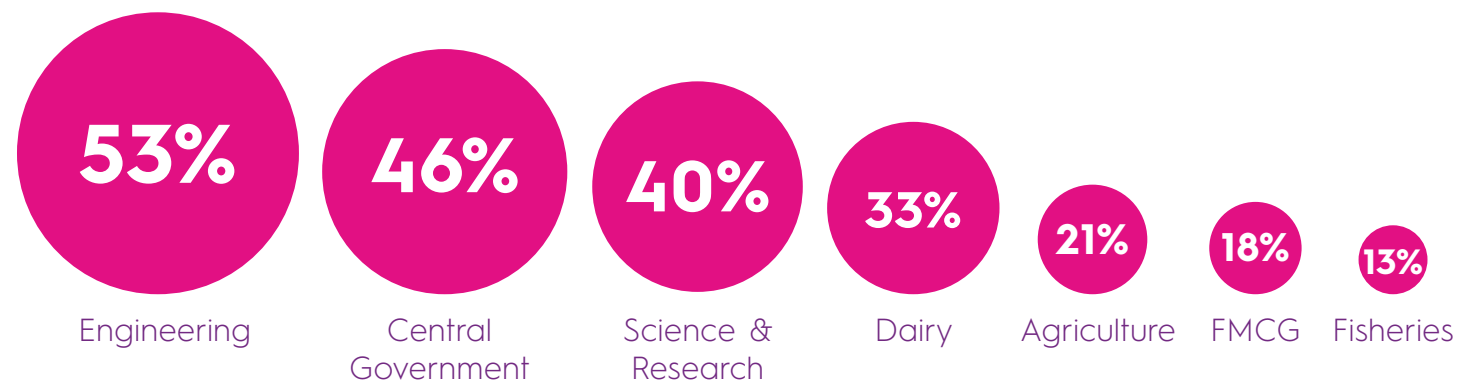


Not for Profit
Sample: 217



Director Fees & Board Representation Commentary

FEMALE BOARD MEMBERS PER INDUSTRY

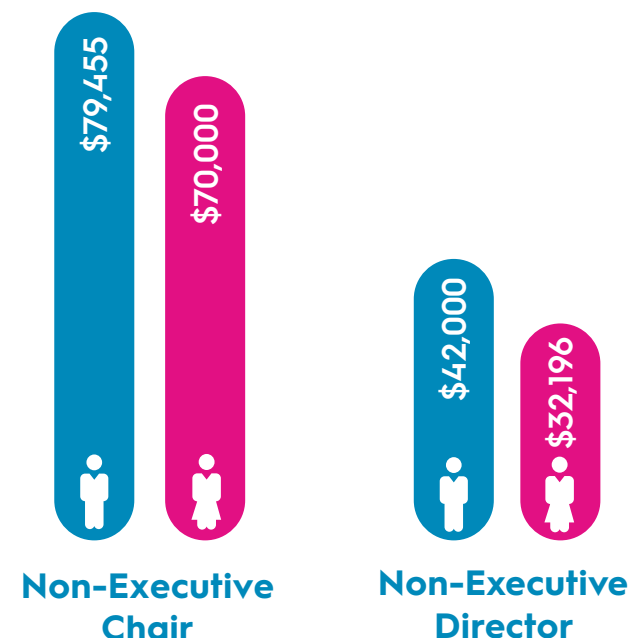


Female representation on New Zealand Boards has been increasing steadily since 2011. It is worth noting our figures for business across New Zealand are higher than reported representation on the NZX50 index which has female representation at 28.4%. Women are better represented in the Public and Not for Profit Sectors which has an impact on the gender pay gap in fees paid to Board members. There is an 11.8% gender pay gap for Chair Fees and a 20.8% pay gap for Director Fees.

Female board members are most prevalent in engineering (53% - although this sample is relatively small), compared to education (50%), health (46%) and central government (46%), which all have much larger sample sizes. In contrast, women are less likely to be included on boards found in the fishery and mining/petroleum industries.

We also found that overall there is a gap between female and male director fees, however, we would suggest this is largely driven by the types of Directorship being undertaken by females. We note from the distribution of male and female directors, that females are more common in the lower paid Public Sector Boards, this will likely influence the overall median fees earned. In order to close this gap, there will need to be an increase in the number of females on all Boards, particularly in the private sector.

MEDIAN DIRECTORS FEES BY GENDER



Gender Pay Gap by Industry




Media/Communications, Transport/Storage and Pharmacy/Medicine industries show a gap below 10%.

Our data allows us to dive into the Gender Pay gap by industry including the likes of Local Government, Professional Services, Transport/Storage, Forestry/Agriculture and Fisheries and many more. We can see which industries are leading the charge and which of those are falling behind, most industries follow the pattern we see in the overall market i.e. with a smaller gender pay gap at the general staff level but which increases with job size, some have their biggest gap in the professional/middle management group. Again we note what is a key issue behind the gender pay gap

- 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 smaller roles in terms of accountability and skills required, i.e. women are not being appointed to more senior (higher paying) roles.

You can purchase more indepth analysis on the gender pay gap for your sector or industry.

 **Contact us today to purchase your industry breakdown**

This is the first step in understanding the extent of the pay gap challenge in your sector/industry. The next step is to contact your Strategic Pay consultant to discuss a confidential organisation report which will allow you to see how your organisation's gap compares to your sector/industry and against the wider market. To paraphrase an old saying, the journey begins with the first step.

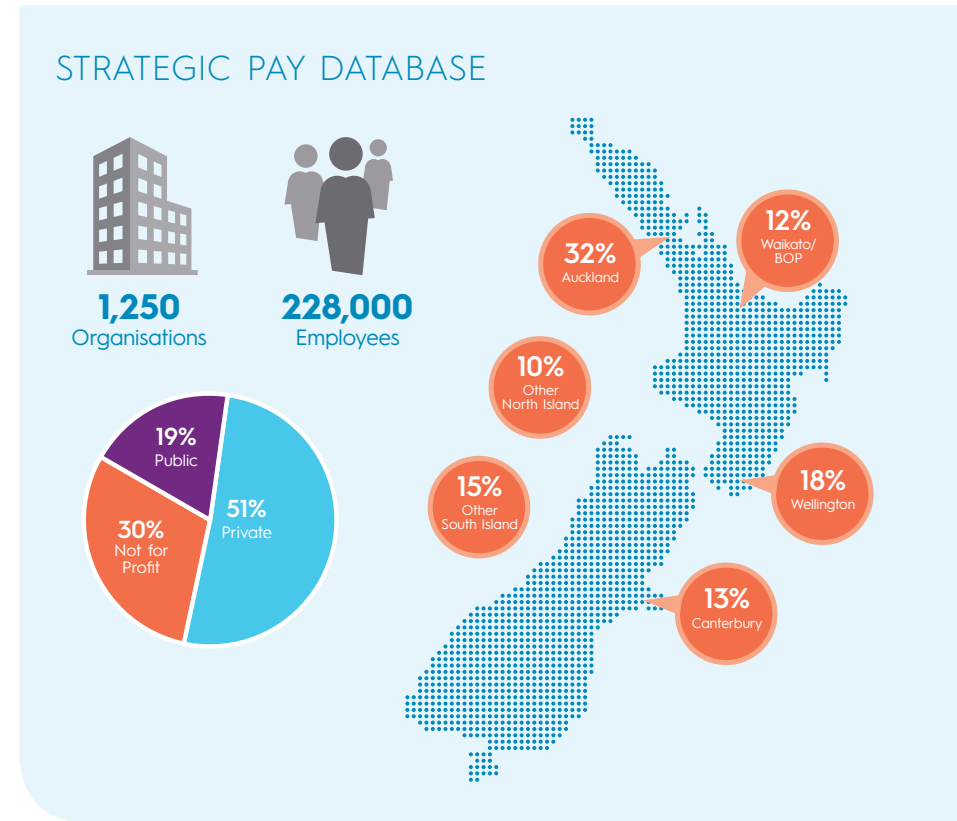


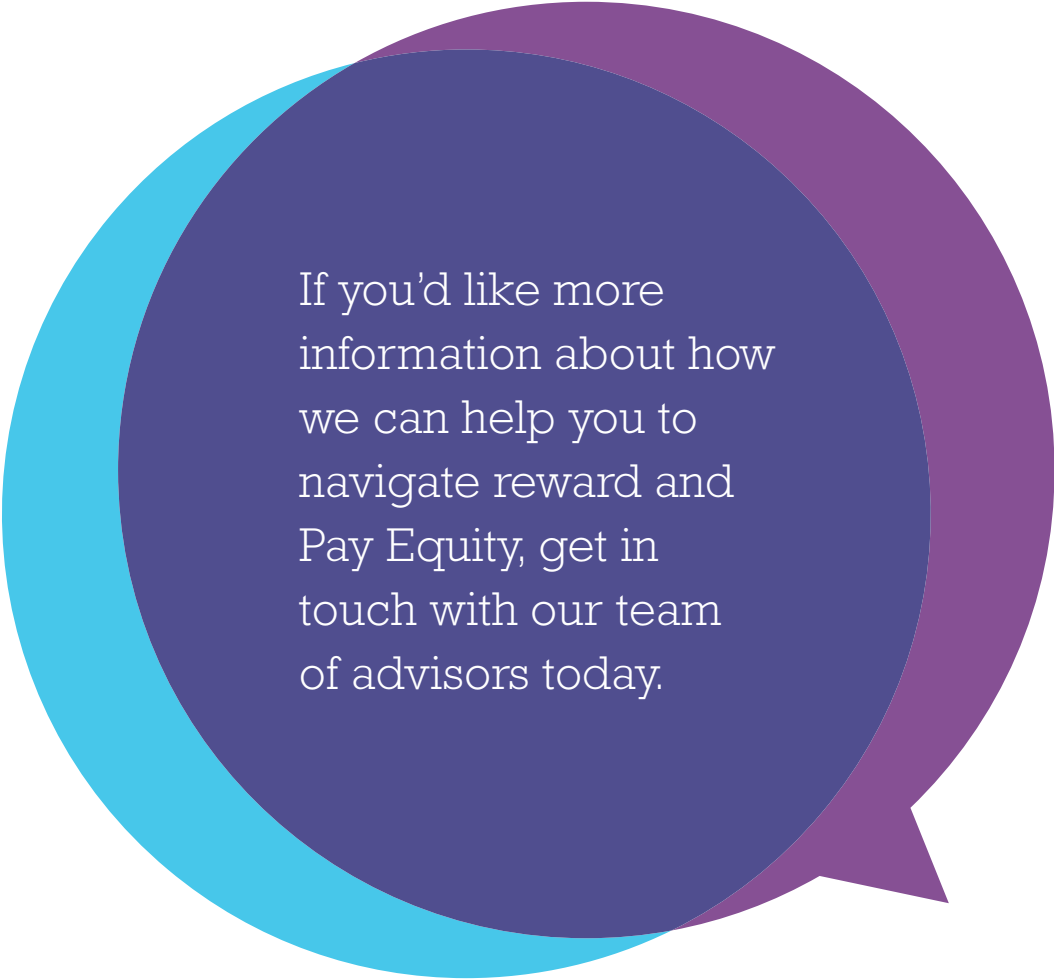
How We Can Help

Strategic Pay has proprietary tools, the depth of information and the expertise to assist organisations to explore and address inequity 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](#)
-  [Purchase your Industry Breakdown of the Gender Pay Gap](#)

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