Why do we have a pay gap?

The diversity perspective

Susan Doughty, Partner – Human Capital
May 2015
Apparently it’s all about choice….
Choice starts early....

- Course selection
- Career Guidance

- Social sciences
- Education
- Health

Uni

- Hard sciences
- Engineering
- IT

School

Work

$ Female dominated roles

Male dominated roles
Females often choose:

- To study and become qualified in traditional roles
- Jobs that enable them to care for children at some stage in their working life
- Career paths that are generally paid less than those chosen by males
- Jobs where career breaks and part-time options are possible

“If women plan to take time off work in the future to have children they will often make different choices today around the type of skills they will acquire than if they imagine they will be working full time for the rest of their lives.”
And when they’re in the workforce...

The more children a women has, the more interruptions to their career and the more restrictions on being able to get higher paying jobs.

Often seek lower level roles and work part time as they spend most of their working career looking after the family and home.
3 views of the pay gap in organisations

Pay gaps between women and men undertaking work of equal or comparable value, e.g. Engineers

Pay gaps between men and women at the same organisational level, e.g. Functional Managers

The difference between the average rem of women and the average rem of men across the whole org.
Gender gap explained

Like for Like gender pay gaps
Pay gaps between women and men undertaking work of equal or comparable value
- Inequality in starting pay rates
- Bias in performance ratings
- Bias in performance management system
- Inequality in access to discretionary pay
- Negative Impact when women negotiate
- Cumulative effects of pay inequality
- Impact of long-term leave
- Impact of part-time employment
- Conscious and unconscious bias

By-level gender pay gaps
Pay gaps between men and women at the same organisational level
- Cumulative effects of like-for-like gender pay gaps
- Cumulative effects of pay inequality
- Impact of long term leave
- Women in support roles/men in operational roles
- Conscious and unconscious bias

Organisational-wide gender pay gaps
The difference between the average rem of women and the average rem of men across the whole org.
- More men at higher levels/more women at lower levels
- Inequality in male/female promotion rates
- Limited number of women in leadership pipeline and succession plans
- Limited number of women in career development/leadership programmes
- Fewer women in operational roles
- Limitations on career progression due to lack of flexible work options

Workplace Gender Equality Agency
Even top executive women aren't immune

3 new facts

- Female exec's receive less incentive pay or stock overall than men
- Men benefit more when company stock increases than women
- Women's earnings are more exposed to a decline in a company's market value than men

Gender and Dynamic Agency: Theory and Evidence on the Compensation of Top Executives (Federal Reserve Bank of New York - March 2015)
The results show....

Performance Payout
If a company’s market value grows by $1 million, a woman’s increase in wealth is a tenth of her male counterpart’s.

Source: Stefania Albanesi, Claudia Olivetti and Maria Jose Prados at the New York Fed
Findings...

“Managerial Power” – The theory holds that executive pay is not efficient and is controlled by "entrenched male managers who hold board captives, influence board hiring and are able to set the terms of their own pay

Top female executives are usually younger and less tenured than their male counterparts, they have weaker networks which may limit their ability to control their own compensation
The landscape
Time is ticking…

55 Years since…

Government Service Equal Pay Act 1960
Time is ticking…

World Economic Forum (WEF) predicts it will be 2095 before we achieve gender parity

80 Years before…
NZ Gender Pay Gap

9.9% 2014...

NZ Gender Pay Gap (Ministry of Women’s Affairs)
NZ 2014 gender pay gap - 9.9%

For every $10 men earn, women only earn $9. How would Kate Sheppard feel about her face being on our note today? It’s time to change our ways or change our $10 note. Join the debate.

#demandequalpay
Using data to drive strategy
Example starting analytics

**Starting point variance**

Correlation between FTE and compa-ratio

**Link between gender, pay and performance**

Relationship between gender and turnover
Approaches to diversity analysis and reporting
Moving to competitive advantage focus
Using data to drive diversity outcomes

*From analysis to strategy*

- **Illuminate the path to contribution**
- **Progressive corporate policy**
- **Eliminate unconscious bias**
- **Sponsorship and lead**

**SOURCE:** EY

*Untapped opportunity – the role of women in unlocking Australia’s productivity potential*
Key Points

► Its not a black and white issue
► Choice isn’t always what it seems
► The issue starts early – societal expectations
► Perpetuated in the workplace – conscious / unconscious bias is a real factor
► Career breaks impact heavily on future potential
► Even top executive women aren’t immune
► Analyse, set a base line
► Set a strategy and take leadership action
► Educate and train …. Again, again and again.
Additional resources

► Workplace Gender Equality Agency
► Ministry of Business, Innovation and Employment
► New Zealand Department of Labour
► Ministry of Women’s Affairs
► YWCA – Equal Pay Awards
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization and may refer to one or more of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2015 Ernst & Young, New Zealand.
All Rights Reserved.

ED note

This communication provides general information which is current at the time of production. The information contained in this communication does not constitute advice and should not be relied on as such. Professional advice should be sought prior to any action being taken in reliance to any of the information. Ernst & Young, declares all responsibility and liability (including, without limitation, for any direct or indirect or consequential costs, loss or damage or loss of profit) arising from anything done or omitted to be done by any party in reliance, whether wholly or partially, on any of the information. Any party that relies on the information does so at its own risk.