Whitepaper

Closing the Gap

Your Guide to Equitable Remuneration

Contents

Introduction

Australia's end of financial year is creeping closer and with it, the prospect of fresh budgets, strategic planning, and for many organisations, an annual remuneration review.

One of the biggest milestones in the HR calendar, the remuneration review is a process that takes time and care, especially given the financial uncertainty of the past two years. Despite the hardships caused by COVID-19, one factor that shouldn't be overlooked is gender pay equity.

The global pandemic has led to unprecedented challenges for employers in Australia and addressing existing gender pay gaps may have been filed into the "not now" folder. But in 2022, the importance of pay equity is paramount.

It's been well-documented that COVID-19 has had a disproportionate impact on the female population. More likely to work part-time or as casual employees, women have been heavily impacted by job losses, reduced hours or furlough, as well as taking on the lion's share of caring or homeschooling responsibilities. For women of colour, the consequences of the pandemic have been even more acute.

According to the most recent data from the Workplace Gender Equality Agency (WGEA), Australia's gender pay gap was 13.8% in 2021[1]. On average, women earn $255.30 less than men per week, which adds up to more than $13,000 per year.

That figure is significantly higher in certain industries too. The Professional, Scientific and Technical Services sector has the biggest pay gap at 24.4%, more than 10% higher than the national average[2]. Women in traditionally female dominated sectors such as Healthcare and Social Assistance also experience above-average pay gaps at 21.4%[2].

Beyond gender alone, it's also vital to consider the pay gap with an intersectional lens. Australia is a wonderfully diverse and multicultural place, yet the majority of the discourse focuses on gender alone. Unlike other countries, the current gender pay gap reporting fails to measure the impact of ethnicity. Anecdotally, we know ethinicity has a significant impact on wages and the gender pay gap, yet there is no data to paint an accurate picture. Campaigners have called for more comprehensive reporting that takes intersectionality into account.

13.8%

Australia's gender pay gap as of November 2021[1]

24.4%

is the gap for women in the Professional, Scientific and Technical Services sector[2]

21.2%

is the average gender pay gap in Western Australia — the largest gap state-by-state[2]

1. Australia's Gender Pay Gap Statistics, WGEA, 2021
2. Average Weekly Earnings, November 2021, ABS, 2022

The true impact of COVID-19 on Australia's gender pay gap remains to be seen but employers will play a vital role in combatting the increased inequality between male and female workers. Libby Lyons, former director of Australia's Workplace Gender Equality Agency (WGEA), recalled that after the 2007 Global Financial Crisis caused the country's gender pay gap to rise by 2%, it took 10 years to undo the damage.

"We cannot afford to see a repeat of this as we face our first economic recession in almost 30 years," she said after the first wave of the pandemic in 2020. "It will be a disaster for the economy and a calamity for Australian women.".

As organisations plan ahead for the next 12 months, gender inequality must not be forgotten. For leaders who have not yet begun the journey to closing their gaps, now is the time to start.

This whitepaper will discuss:

- The link between equal pay and commercial success
- The various pay gap metrics
- How to embed equity into your remuneration policy and reviews
- The role technology plays in measuring and visualising the gender pay gap

CHAPTER 1

How the gender pay gap affects your business

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It goes without saying that eliminating the gender pay gap is an admirable goal. But to encourage real buy-in from the decision makers who matter most, HR needs to go beyond the morals of equality. People leaders must approach the gender pay gap like any other commercial strategy and frame diversity around the question business leaders think about most: What does it mean for our bottom line?

By demonstrating the link between a diverse, equitable workforce and commercial success, HR leaders can elevate pay equity up the priority list and secure the buy-in required to make positive change. After all, closing a pay gap is not a quick job. It takes time, commitment, and financial investment to shift the dial in the opposite direction and undo the entrenched societal causes of gender inequality. But it isn't impossible, and in a world where employees are holding their employers to an increasingly high standard, those that fail to take action now could come to regret their lack of commitment in the long-run.

Thankfully, researchers have already begun delving into the data to prove that gender equality in the workforce is more than a 'nice to have'. Analysis of pay levels among top management roles in 500+ ASX-listed companies released last year by the University of South Australia[4] found a direct link between firms with large gender pay gaps and lower performance.

Explaining their findings, one of the project's researchers, Professor Carol Kulik, said pay disparity between men and women in upper management sabotages the efforts to diversify leadership and has a negative impact on overall profits.

"We hear a lot about the benefits of women in executive levels. They provide different views and perspectives, reduce risks, improve decision-making, and promote performance, but if a firm has a large gender pay gap, promoting women to the top team will neither deliver benefits for the individual nor the organisation," she said.

"Underpaying women sends a powerful signal that the organisation has low expectations about women's contributions – that women executives have a lower status and less influence than their male counterparts."

"Underpaying women sends a powerful signal that the organisation has low expectations about women's contributions." – Professor Carol Kulik

4. "Who pays the penalty? Implications of gender pay disparities within top management teams for firm performance", Human Resource Management, 2021

Why representation matters

Appointment of a female CEO → **12.9% increase in the likelihood of outperforming their sector on three or more metrics**

Further research of ASX-listed companies by the Workplace Gender Equality Agency found that a 10% increase in the share of female key management personnel led to an almost 6% increase in the likelihood of outperforming the organisation's sector on three or more key probability and performance metrics, while the appointment of a female CEO led to a 12.9% increase[5].

Pay equity benefits performance for a whole host of reasons, including:

- Attracting and retaining employees, particularly those who return to work after having children, which results in stronger loyalty and lower recruitment costs
- Encouraging a diverse workforce, benefitting innovation and performance
- Achieving higher levels of employee engagement and compliance
- Contributing to a more attractive employer brand and an edge over competitors
- Improving brand reputation with customers, clients, and partners

What's more, pay equity and the broader focus on diversity, equity, and inclusion (DE&I) is particularly valuable to younger employees who are just beginning their working lives. Pay equity is very much front of mind for Gen Z workers – something that hasn't been witnessed as strongly among previous generations. A survey of US college students aged 18-25 by software firm Handshake found a commitment to equal pay is the most influential gender diversity factor that would compel them to apply for a job posting. Of the 1000 respondents, 62% said they'd be more likely to apply for a job if the company had committed to equal pay[6].

Another survey of 1000 US workers[7] delved deeper into the implications of pay parity. It found that when employees believe there is a pay gap in their organisation – whether correct or not – their intent to stay falls by 16%. More than half (58%) said they would consider switching jobs for more pay transparency, with that figure rising to 70% for Gen Z workers.

5. Gender Equity Insights 2020: Delivering the Business Outcomes, WGEA, 2020
6. Network Trends Report: Gender, Equity, and Gen Z, Handshake, 2021
7. 2021 Compensation and Culture Report, beqom, 2021

Improving employee retention and attraction is just one example of why pay parity matters, particularly given the competitive nature of Australia's current talent market.

Beyond employees, committing to equal pay can also work to strengthen a company's consumer brand. The environmental, social, and governance efforts (ESG) of organisations are increasingly coming into play when customers are deciding which product or service provider to choose, and this trend looks set to continue.

Calls for greater wage transparency are also gaining traction in Australia. PwC recently announced it would disclose its pay ranges for staff in the coming financial year, from junior employees all the way up to high-level directors. It follows similar moves by Commonwealth Bank and Westpac after the firms removed pay secrecy clauses from its contracts.

These initiatives underline the momentum for greater pay equality Australia. The WGEA is also pushing to expand the reporting rules for businesses with less than 50 staff, as well as including new indicators such as the relative position of women compared to men, and non-binary people in the organisation. Currently, large employers (non-public sector businesses with 100 or more employees) are legally required to report to the WGEA each year across a set of gender equality indicators. They include:

- Gender composition of the workforce
- Gender composition of governing bodies of relevant employers
- Equal remuneration between women and men
- Availability and utility of employment terms, conditions and practices relating to flexible working arrangements for employees and to working arrangements supporting employees with family or caring responsibilities
- Consultation with employees on issues concerning gender equality in the workplace
- Any other matters specified by the Minister: sex-based harassment and discrimination.

The employer also must inform employees, members, relevant employee organisations and shareholders they've lodged the report and give them access to a copy, excluding remuneration information.

Under the spotlight: Australia's superannuation gender gap

The gender pay gap doesn't just impact women's take-home earnings. The inequality between men and women's superannuation starts early, compounding over time. According to AustralianSuper, male members aged between 18-29 have an average balance of $10,166, compared to $8,408 for females[8]. But the inequality increases dramatically for women at the age of 28 when many leave the workforce to have a family. As a result, women are at serious risk of living in poverty later in life. The issue of superannuation inequality is finally gaining recognition and it's now becoming more common for employers to offer superannuation while employees are on parental leave. This type of benefit can be used to strengthen an organisation's employee value proposition (EVP).

With pay equity on the agenda for leading employers, jobseekers, and consumers, the need for action is clear. It's no longer acceptable to plead ignorance. Employers can begin their journey to pay equity today, setting in play a movement that benefits employees, customers, and the organisation's bottom line. Here's how to get started.

8. The Future Face of Poverty is Female Report, AustralianSuper, 2020

CHAPTER 2

Where to start

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As the saying goes: "What gets measured, gets managed". That's particularly true for an organisation's gender pay gap because it's impossible to track success without regular, consistent metrics. Too often, business leaders don't know what their gap is or if they do, they stop short at one top-level metric.

Regular pay audits should be the backbone of any efforts to analyse and close gender pay gaps and yet, they're often overlooked. In Australia more than half of the companies that are legally required to report to the WGEA did not carry out regular pay audits in 2020[9]. The most likely reason for this is the time-consuming nature of pay gap audits when carried out manually. But as more organisations embrace technology and implement a HR information system (HRIS), reporting becomes doable at the click of a button.

Of course, reporting is just one aspect, and it must be followed by action to spark any change in the right direction.

"If every organisation did a pay gap analysis and acted on the identified problems of that analysis, the gender pay gap in Australia would soon be consigned to history" – Libby Lyons, former Director of the WGEA

For a business that has not yet started out on the pay parity journey, the starting point is a gender payroll audit to unearth existing wage gaps. For small organisations (less than 50 employees) using manual tools to manage their payroll, analysis can be done with Excel spreadsheets to calculate various metrics. Larger businesses with a HRIS in place can often utilise the software to analyse their remuneration data and produce reports in varying levels of detail. We'll look specifically into the role of technology later in this whitepaper.

It's important to anayse several different metrics when calculating pay inequality, rather than just the difference between men and women's average pay. The WGEA's online calculator is a useful resource to help organisations identify pay gaps across a number of variables, such as level, organisation-wide and performance. For more information on calculating pay gaps, see the guidelines published online by the WGEA.

9. Gender Equality Insights 2021: Making It a Priority, WGEA, 2021

The gender make-up of organisations can vary, and so HR leaders should think carefully about the parameters of their analysis. Consider the following factors:

- The unit of pay to use, whether hourly or full-time equivalent (FTE)
- Choosing the date of your dataset that most accurately represents your workforce
- Which employees to include – e.g. casuals – and which are full-time / part-time / permanent
- What is included within an employee's total renumeration

Most commonly, analysis tends to focus on organisation-wide differences by identifying the gap between the average pay of women and men in the company. But there are an additional two types of gaps, by-level and like-for-like, that are also important to consider. By using all three measures, the differences of which are outlined below, organisations will get a much fuller picture of the current landscape in their workforce, as well as indicators as to why the gap exists.

Organisation-wide gaps

The difference between the average (mean or median) pay of women and men across the organisation or department

By-level gaps

Pay differences between men and women doing work of the same or comparable level within the organisation – e.g. Managers

Like-for-like gaps

Pay gaps between men and women undertaking work of the same or comparable value – e.g. Two senior marketing executives

Naturally, numbers won't do all the talking. To understand the reasons behind their pay gaps, organisations must examine various contributing factors such as performance reviews, the hiring process, access to learning and development, and whether their business supports working parents. There are also systemic societal biases that contribute to unequal pay. The data is simply the jumping off point.

Organisations using a human resources information system (HRIS) may also have the functionality to produce more detailed gender payroll analysis. For example, they could examine the gender pay gap by tenure to find out whether it widens as employees remain at the company. They could also look for trends within performance ratings – do women tend to achieve lower ratings? Additional variables include location, starting pay, ethnicity, and working patterns.

The increasingly sophisticated capability of HR technology on the market today has greatly improved how an organisation visualises its gender diversity. Real-time dashboards provide accurate, up-to-date workforce information, while reporting tools allow users to quickly visualise data in a compelling way.

This is important because in today's world of work, data is a key component in developing long-term strategy, storytelling, and securing buy-in with decision makers. HR leaders, like all other department heads, are being expected to make decisions underpinned by data, and so quick and simple access to reporting tools is a must-have.

Pleasingly, the data from ELMO's 2022 HR Industry Benchmark Report, released earlier this year, shows that the number of organisations prioritising pay equity has risen. Comprising of 1500 respondents from Australia and New Zealand, the annual survey provides an in-depth pulse check on all facets of the HR profession. The results show 25% of organisations use pay equity as a metric to assess their remuneration systems and processes and improving gender pay parity is a focus for 23% of organisations, an 8% increase on the previous year. Clearly, the intent is moving in the right direction.

Beyond the data, let's look at practical strategies for delivering equitable remuneration.

CHAPTER 3

Chapter 3: Creating a remuneration policy

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Remuneration policies are a crucial tool for standardising wage calculations and yet it's something many organisations fail to pin down. Without a policy and process in place, rem decisions can vary wildly across an organisation, making it almost impossible to avoid the existence of pay gaps.

Rem policies provide consistency and transparency around the decision-making process, moving organisations away from relying on ad hoc estimates each time a person is hired or a pay rise is considered. It also offers essential guidance for calculating rem, speeds up the job-offer process, and raises awareness of potential biases – all crucial benefits. But first, let's get back to basics.

What is a remuneration policy?

It's a document outlining factors such as:

- The objectives of the remuneration strategy
- How remuneration is set and negotiated
- What roles or responsibilities fall within certain pay brackets or salary bands
- How employees can progress to the next band
- How performance is linked to remuneration
- What is included within discretionary remuneration e.g. bonuses, fuel allowance
- Who owns the responsibility for maintaining the remuneration policy

Rem policies should also include the organisation's gender pay equity objectives, whether that is a specific goal such as eliminating like-for-like gaps or a values statement that articulates why closing the gap is a priority and who is responsible. This acts as a clear commitment to pay equity and serves as a timely reminder each time a new hire is brought into the business.

Setting long-term strategy in writing, including commitments to regular pay audits or timeframes for achieving goals, also safeguards it from being neglected during periods of uncertainty, such as a merger or the appointment of a new CEO. Securing buy-in around tackling the gender pay gap can be one of the biggest hurdles for HR leaders to overcome so it's a good idea to embed those goals into the fabric of the organisation.

A policy should also detail the process for raising pay complaints and correcting inequalities, particularly within like-for-like roles. If organisations are truly committed to positive change, there must be an open and transparent process for staff to question whether a gap exists.

Australia's gender equality timeline

1972	The principle of 'equal pay for work of equal value' established by the Concilliation and Arbitration Commission
1977	Employment discrimination on the basis of gender and marital status outlawed in Victoria under the Equal Opportunity Act
1984	Sex Discrimination Act comes into law
2011	The first national paid parental leave scheme is introduced, offering primary caregivers 18 weeks of paid leave at minimum wage
2012	The Workplace Gender Equality Act is passed

The benefits of banding

Salary bands are common in some industries, but are overlooked in others. By implementing salary bands tied to roles, skills, or responsibilities, organisations can offer employees greater transparency around their pay and provide a path for financial progression. This is a significant retention factor, demystifying the process around how pay correlates with role and responsibility. Of course, there will be many factors that go into determining an employee's pay, such as experience, specific skills, and education. But banding provides an organisational-wide structure to overlay with market salary insights.

It also highlights those who are being under or overpaid based on the banding criteria and creates uniformity when bringing new hires into the business. Compared to men, women are more likely to prioritise additional factors like culture and flexibility, as well as pay, when they're considering a new job. Because of this, they're also more likely to ask for or accept a lower offer than a man applying for the same role.

Another strategy adopted by organisations has been to remove questions about a candidate's current pay during the hiring process. A decade or so ago, it was a standard question asked by recruiters or hiring managers, and on the surface level, it might seem like a useful way to gauge an employee's current level of skill or responsibility. But in fact, determining an employee's pay with their current salary in mind can result in bringing new pay gaps into the business.

As well as prioritising other factors, women are more likely to be conservative about their current salary or any expectations for their prospective role compared to men. If they're currently being underpaid compared to the market or their male equivalent, it's tempting for organisations to save costs by offering a below-par salary. The result is unequal pay transitions with an employee from one job to the next.

Simply put, it shouldn't be up to candidates to ask for or demand a fair salary. Banding takes the onus off the new employee, shows a clear correlation between pay and skills, and helps to remove bias from the remuneration setting process. All in all, a step in the right direction for pay equity.

Some organisations go as far as publicly detailing their pay banding and calculations. For example, corporate social responsibility provider Good Empire has shared how they calculate salaries via their website. The process begins with an employee's role base, which is informed by market data and falls into general, trained, skilled, highly skilled, and strategic tiers. Other factors that go into the calculations are the cost of living, leadership level, experience and growth, and loyalty and life extras. Of course, this level of transparency is rare and it wouldn't work for every organisation, but it offers useful insight into how to calculate equitable rem.

The problem with too many titles

It's not uncommon for employees to negotiate a new job title. Whether they're joining the business or working towards a promotion, creating a new title can seem like a simple way to keep the employee happy and onboard. Some organisations even use titles as a way to cover-up below market value pay.

Not only is it a short-sighted attraction strategy but having various ad hoc titles can be problematic for gender pay reporting and therefore, keeping an organisation's pay gap in check. Before long, an organisation might have a Head of Sales, a Marketing Director, and a Product Lead, all doing work of the same or comparable value. The lack of consistency complicates the process for analysing by-level pay gaps, meaning inequality can slip under the radar.

It's just another reason for implementing a remuneration policy and ensuring job titles align with skill levels and appropriate salary level. A business should set its job titles and the pathway to progression across all departments, whether R&D or administration. An organisation-wide structure prevents variation between teams – a factor that often contributes to pay gaps between departments.

Standardising job titles is particularly important for companies that have or plan to acquire another business. Acquisitions often lead to new job titles being brought into the business, which can then complicate the staffing structures and remuneration.

Whose job is it anyway?

A well-designed rem policy is a powerful weapon in your arsenal. One of the many benefits is outlining the process for calculating and setting pay, and who is involved. Is it left to the hiring manager, or is the pay range set by HR? Does the recruiter decide the salary, and if so, have they considered how it might impact the company's gender pay gap? Most likely, the answer is no. Unless organisations build DE&I goals into the hiring and remuneration process, closing the pay gap is always going to be a retrospective goal.

Instead, HR leaders should ensure the right questions are being asked during the recruitment process. Such as:

- Is the proposed remuneration within the appropriate range and if not, why? Is there a justifiable reason?
- Does the proposed salary create a by-level or a like-for-like gender pay gap with existing staff? Is it justified?
- Who is responsible for checking the gender gap impact of new hires?

Embedding these types of considerations into the fabric of a business is no easy task, and of course, reducing the gender pay gap is about more than just remuneration. But for organisations beginning their journey, it's a good place to start.

Speeding up the rate of change

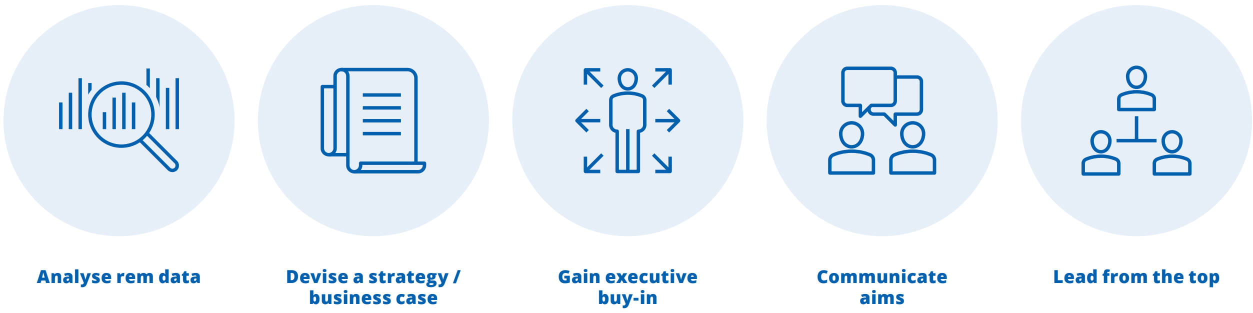
As we've already touched on, carrying out regular pay audits and implementing action based on the results are two key pillars for reducing an organisation's gender pay gap. However, there is a third mechanism that can significantly speed up the rate of change. According to the WGEA, actions to reduce gender pay gaps are three times more effective when an organisation reports its metrics or progress to the Executive or Board[10].

It shows that being held accountable for progress is a powerful driver of change, helping to elevate pay equity goals from lofty ambitions to a metric that is regularly tracked and measured. Choosing to include initiatives such as regular

10. Gender Equity Insights 2018: Inside Australia's Gender Pay Gap, WGEA, 2018 pay audits and reporting to the C-suite or board into a remuneration policy takes that accountability one step further by providing transparency to staff.

As many HR leaders know from experience, it's essential to first build a compelling business case and secure buy-in from the C-suite. Without that level of executive support, attempts to make any positive progress can feel like pushing water uphill.

Here are **six** important steps to consider:



CHAPTER 4

Remuneration reviews and the role of technology

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Remuneration reviews present an opportunity to examine pay levels across an organisation and begin to rectify gaps within teams and like-for-like roles. But we know it's not as simple as plugging the gaps. Rem decisions must be fair to all employees, regardless of gender, and align with both performance and the market. There's also the issue of budget. HR leaders aiming to reduce the gender pay gap must do so without ballooning the organisation's wage bill – something that has become even harder during a pandemic. Thanks to COVID-19, budgets have been slashed and the talent squeeze has sent wages soaring.

Organisations may be tempted to opt for a flat percentage increase across the organisation for the sake of simplicity, but such a move is only going to aggravate existing pay gaps. ELMO's 2022 HR Industry Benchmark Report found 36% of respondents still use flat, organisation-wide percentage increases, while 14% use a flat dollar amount applied across the workforce[11]. This type of approach fails to take into consideration employee performance, compa ratio, or pay equity.

36%
of organisations still use a flat percentage increase during rem reviews

Instead, HR leaders should take a nuanced approach, making the most of their budget to ensure employees are being paid fairly – both in terms of market and equity – and that rem decisions are reflective of performance. That's where technology comes in.

If not now, when?

Typically, manual remuneration reviews are a time-consuming and daunting process, one that brings a sense of dread each year for the individual or team responsible. In a time of heightened competition over wages and the fear of losing staff to competitors, this year the rem review poses an even trickier balancing act.

It's part of the reason why some companies have overlooked the need to factor in pay equity. It's too big, or too difficult, or simply not the right time. But if not now, when? Tackling the issue retrospectively with an out-of-cycle pay adjustment may prove to be more difficult than building equity into the rem review process.

Technology has made it easier than ever to visualise remuneration data across an organisation, allowing users to see how male and female salaries compare, and where the discrepancies lie. It offers speed and accuracy, meaning those charged with carrying out the review no longer rely solely on their math to pinpoint where pay gaps exist.

One mistake HR commonly makes is to assess their gender pay gap and make adjustments at the end of the remuneration review. This frames the gender

11. 2022 HR Industry Benchmark Report, ELMO Software, 2022

reporting analysis as a final check or the last stage of the process before approval. But this is a counterintuitive approach because it can take more time to implement corrections once the final figures are in place. Plus, any delays earlier on in the review process will cause HR to rush the gender reporting aspect if it's left until the end.

Instead, it's important to review the impact of pay increases on the gender pay gap at multiple stages, something [ELMO Remuneration] can facilitate. The best approach involves reporting at three key stages: The beginning (before the review commenced), in the middle (current vs planned movement), and at the end (current vs approved). Again, this frames gender reporting as an intrinsic part of the rem review process, making it easier to spot and adjust discrepancies when they become visible.

Beginning
Analyse pay gap before review commences

Midpoint
Assess pay gap of current vs planned wages

End
Check pay gap of current vs approved wages

Importantly, don't forget to include employees on parental leave at the time of the rem review. Overlooking those employees – who are most often women – can significantly contribute to pay inequality and may aggravate an existing gap. If they are not included in the process their remuneration may no longer be keeping up with the market once they return to work.

Say goodbye to bias

Another persistent issue with manual rem reviews is the existence of bias, both conscious and unconscious – a significant contributor to inequality in the workplace. As humans we all have biases and they're often planted into our subconscious long before entering the workforce. We're influenced by stereotypes, experiences, our friends, family, and colleagues. That's why leaving remuneration decisions solely to managers opens the door for preconceptions to creep in.

ELMO Remuneration removes bias from the process by making rem recommendations based on metrics like compa ratio and performance. It also helps to make HR's budget stretch further. For example, if an organisation has three employees who were low paid against the market and yet have received high performance reviews, it would be wise to focus more of the budget on this cohort compared to those with a high compa ratio and a low performance score.

Not only does this approach target the budget towards retaining the most at-risk employees (the underpaid high performers), gender-agnostic recommendations ensure that whether male or female, bias is not influencing rem calculations.

Rules-based controls are another function of rem software that can be used to embed pay equity checks into the process. For example, an organisation could choose to flag up an amber warning light if a manager opts to award above the recommended percentage increase, sparking a review process by HR. Alternatively, gender-specific business rules could be put in place to flag up female employees who have not received a payrise. There may well be a justified reason for the decision and it's not about simply giving all female employees a raise, regardless of performance. But putting automated rules in place ensures due diligence is carried out and that decisions are being made fairly.

Our recommendation

ELMO Remuneration provides the ability to bring your policy to life through rules-based controls, aligning decision-makers with your key remuneration initiatives and removing HR from the need to act as the "policy police". Whether it be salary increases, complex incentives or bonuses, with ELMO Remuneration you can be assured that your budget is managed, data is secure, reporting is timely, accurate and insightful.

CHAPTER 5

What’s causing your gap?

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So far, we've talked in detail about remuneration and how policies and the review process can contribute to equal pay. But it's also important to remember that remuneration is a consequence, rather than the cause of unequal pay. For organisations to achieve long-lasting steps in the right direction, leaders must tackle the issues beneath the surface.

Many of the contributing factors are inherent, deeply entrenched in the structures of our personal and professional lives. But with awareness and intentional actions, businesses can look beyond remuneration and begin to shift perception at a deeper level. Not only will a systemic approach result in reducing the pay gap at a faster pace, it will ensure the gap remains closed for generations to come.

A total rewards approach

Beyond purely dollar figures, it's useful to take a total rewards approach. That means thinking of other ways to support women in the workplace, for example through offering enhanced paid parental leave. In 2021, a slew of businesses refreshed their parental leave offerings in a bid to attract and retain talent. Australian mining company Rio Tinto was one, offering all eligible employees 18 weeks of paid parental leave regardless of whether they are the primary or secondary carer. The rise of gender-neutral or equal paid parental leave is a significant shift away from the assumption that dads are less deserving of time with their newborn children than mothers.

Other worthwhile initiatives include paying superannuation while parents are on leave, offering flexible working options to support those returning to the office, and encouraging new dads to take parental leave. Because men tend to dominate leadership positions, encouraging dads to use their leave has a number of benefits. It opens new positions, which in some circumstances offer a woman the chance to step-up and fill their shoes. It also begins a ripple effect in normalising men taking time away from the workforce to enjoy precious time with their children.

Our recommendation

ELMO Experiences creates memorable, personalised experiences for all the critical 'moments that matter' during the employee lifecycle. Returning to work after parental leave can be a daunting time, especially in the rapidly changing times of the pandemic. ELMO Experiences allows users to create seamless workflows, using the journey builder to assign tasks, personalised content, calendar invites and more. Perfect for navigating key career transitions.

Total rewards also encompasses non-financial benefits such as opportunities for learning and development. L&D can be a significant contributor to gender equality. If an organisation has more women in low paying roles, such as administration or communications, implementing a scheme to train them in other fields or equip them with technical skills could provide a pathway to higher paying jobs. Similarly, leadership training and mentoring are essential tools for opening the door to leadership positions for women. What's more, the visibility of women in leadership will have a flow-on effect to the next generation. After all, we can't be what we can't see.

Finally, the rise of flexible working and in particular the change in attitude around working from home could lead to a monumental shift in the history of gender pay equity.

Flexibility over when and where employees work makes it easier for women to return to the workplace after having children. It widens the talent pool considerably, particularly for those in regional areas, and also allows for a more equal share of the caring responsibilities for working mums and dads.

Thanks to lockdowns, businesses that employ people who can work from home now have the technology and buy-in to do so. Out of necessity, leaders were forced to accept that remote working was not only possible, but successful. Now organisations need to commit to flexible working practices in the long-term to avoid losing the potential gains for gender equality.

But remember, flexibility means different things to different people, and so it's vital for organisations to approach the topic with an open mind. Best practice is to consider all roles flexible, unless there is a solid business case for why it should not be. Options could include a condensed work week, job sharing, altered hours, or split shifts.

In the current climate, a progressive attitude to flexibility is crucial for an organisation's employee value proposition (EVP). During Australia's second lockdown in August 2021, just over 40% of employees reguarly worked from home[12]. Now, almost a year on, the new expectations around where and when work gets done have remained. ELMO's latest Employee Sentiment Index, which surveyed 1000 Australian workers during the first quarter of this year, found flexible / remote working was the second most important priority after remuneration. It ranked in joint second along with the stability of an organisation.

Offering flexible work options not only speaks directly to the wants of employees, but it demonstrates a commitment to employing a diverse workforce. For too long, women have had to choose between their careers and their family life – but the pandemic has created a new option. Embracing this mindset shift could mark a turning point for Australia's stagnant gender pay gap.

12. Characteristics of Employment, Australia, August 2021, ABS, 2021

CHAPTER 6

A best practice checklist for equitable remuneration

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☐ Carry out regular gender pay audits, identifying organisation-wide, like-for-like and by-level pays gaps. Ensure you include any employees on parental leave in the data, as well as part-time or casual employees

☐ Elevate the organisation's commitment by reporting pay gap metrics and strategy to the C-suite or board

☐ Create a compelling narrative using workforce data to paint a picture of the diversity in your workforce and any stand-out trends. Map out an employee's journey from hire to retire, pinpointing moments where inequality arises. For example, are women starting on the same salary as men in like-for-like roles? Are mothers on parental leave returning on below-market salaries?

☐ Design and implement a remuneration policy, setting out the pay review process, long and short-term pay equity goals and timelines for delivering on key performance indicators (KPIs)

☐ Regularly communicate the process for raising a pay equity complaint with staff

☐ Consider mentoring or leadership programs to bolster the internal talent pipeline for women in the business

☐ Incorporate pay equity goals into succession planning to ensure men and women are being given equal opportunity to training and promotions

☐ Approach current recruitment practices with a gender lens. Are job postings gender neutral? Are hiring panels made up of both men and women? Are you communicating flexible work options from the outset?

☐ Assess your organisation's current parental leave policy. Could it be refreshed to better support new parents? Consider strategies to help women return to work

☐ Implement HR technology to ensure robust and fair rem calculations, taking into consideration factors such as compa ratio and performance

How ELMO can help

ELMO Software (ASX:ELO) is a cloud-based solution that helps thousands of organisations across Australia, New Zealand and the United Kingdom to effectively manage their people, process and pay. ELMO solutions span the entire employee lifecycle from 'hire to retire'. They can be used together or stand-alone, and are configurable according to an organisation's unique processes and workflows. Automate and streamline your operations to reduce costs, increase efficiency and bolster productivity.

For further information:

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