

# Pay equity for small business

## Three step guide to fairer pay in your organisation

The majority of businesses in Australia are small or medium enterprises and together they employ a large number of Australians, including a significant number of women.

Small businesses face a unique set of issues when it comes to managing and improving equality between women and men in their workplace. These typically include:

- higher impact of parental leave costs
- challenges in implementing flexible work options
- limited or no human resource support or function
- limited resources to develop gender strategies and management systems
- limited data collection systems and processes.

Despite these challenges, there are many benefits to be gained by small businesses that address pay equity and gender equality more broadly.

To assist, the Workplace Gender Equality Agency, in collaboration with economic Security4Women, has developed a three step guide for small businesses to address pay inequity.

For the purposes of this project the Workplace Gender Equality Agency (Agency) defines small business as any employer with less than 100 employees, that is, employers who are not required to report to the Agency under the *Workplace Gender Equality Act 2012 (Act)*.

## Step 1: getting started - understanding the issues

Gender pay equity is about ensuring women and men performing the same role are paid the same amount, and women and men performing different work of equal or comparable value are paid equitably.

Pay equity is not only a moral and legal imperative, countless studies show that gender equality leads to improved organisational performance and productivity.

Unintended gender biases in hiring, promotion, performance and pay decisions can lead to incidences of pay inequity.

Decisions that impact remuneration outcomes are generally made at the following times:

- on commencement
- during the annual remuneration process
- during promotion discussions
- within organisation-wide remuneration reviews
- when employees go on leave (particularly parental leave)
- when employees return from leave
- during retention discussions.

### Three steps to address pay equity:

#### 1. Getting started

- develop an understanding of the key issues
- articulate why pay equity is important for your business
- commit to addressing pay equity issues.

#### 2. Reviewing your data

- collect relevant payroll data
- analyse the payroll data for the women and men.

#### 3. Take action

- identify any gender pay gaps and investigate causes
- build a clear set of goals and action plans
- monitor and review pay equity continuously.

There are three types of gender pay gaps that can be found in organisations:

- **Like-for-like gaps:** pay gaps between women and men undertaking work of equal or comparable value (comparing jobs at the same performance standard).
- **By-level gaps:** pay gaps between women and men doing the same or comparable work (comparing responsibilities, typically the same level in the organisational hierarchy).
- **Organisation-wide:** the difference between the average remuneration of women and the average remuneration of men across the whole organisation.

Gender pay gaps, particularly like-for-like gaps, can often be the result of unconscious biases and practices in recruitment, promotion, performance and remuneration decisions, such as:

## Stereotypes

Gender stereotypes and bias are key factors in determining pay outcomes. Gender bias often arises from the views – whether conscious or unconscious – about the roles that women and men should play both in the workplace and in society more broadly.

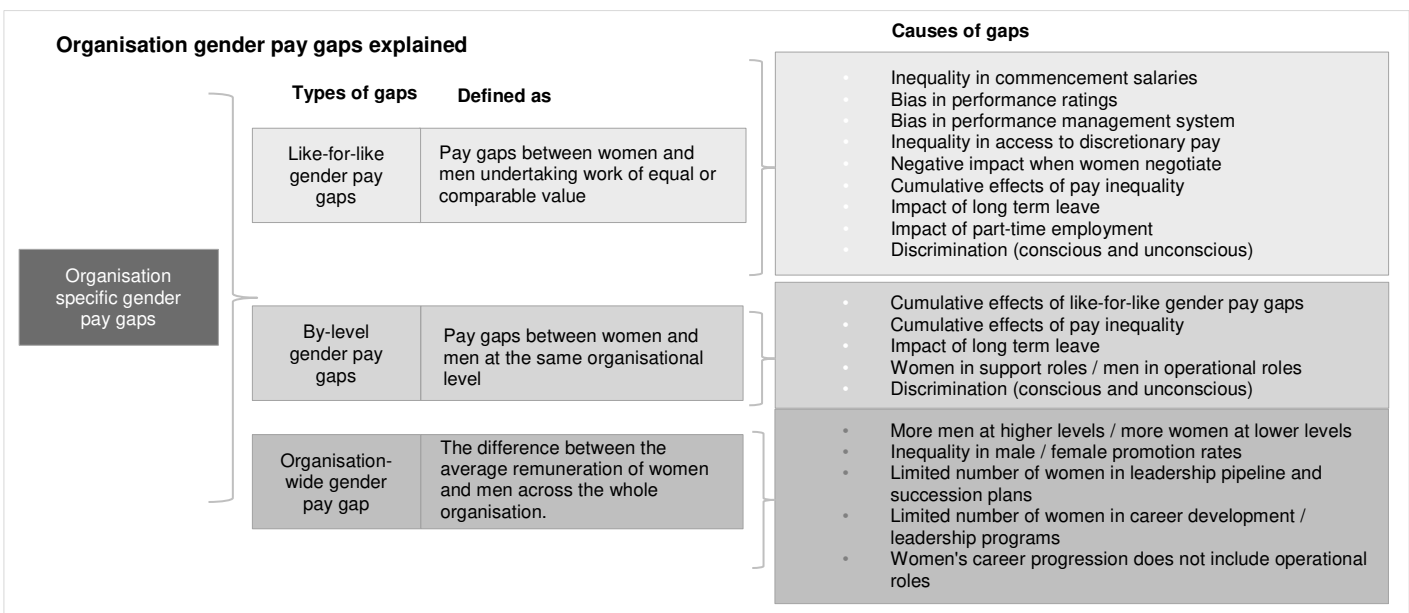
Women are generally perceived as communal, caring, communicative and encouraging, while men are often perceived as ambitious, assertive, decisive and self-reliant. These stereotypes can lead to women missing out on opportunities for promotion, being excluded from training and development or taking on leadership roles on large projects. Such bias is usually heightened for women who are pregnant, work part-time or have recently returned from maternity leave.

## Work arrangements

Employees on part-time work arrangements often experience the ‘part-time penalty’. For example, women working part-time are perceived as less ambitious and as such are given lower levels of responsibility, limited promotion opportunities, and fewer larger client and project roles. Part-time work is less likely to be available to women in senior management, or to women who want to move into senior management.

## Negotiation

Research shows there is considerable disparity between women and men when it comes to the approach taken during negotiations and their outcomes, contributing to like-for-like gender pay gaps. Negotiation is usually associated with assertive masculine behaviour. Studies have shown that women’s reluctance to enter negotiations is partly because they are penalised more than men for doing so. The more women anticipate backlash, the less inclined they are to initiate negotiations.



## Step 2: reviewing your data – finding the causes

### How to do a simple payroll analysis

For organisations that have less than 100 employees, you can take a simplified approach to analysing pay gaps:

- Obtain a list of all your employees and their annualised full-time equivalent remuneration amounts in an Excel spreadsheet.
- Arrange the employees in the spreadsheet in order of size of remuneration (e.g. highest to lowest remuneration).
- Compare the remuneration of employees that are in the same or comparable roles.
- Identify where there are differences in remuneration between the same or comparable roles and how this is related to an employee's gender.

### How to look at gaps identified

- expect to find gender pay gaps in the same or similar roles
- don't deny or resist the information the remuneration data provides – it may not mean gender bias
- focus on determining the reasons for the gaps
- investigate the largest gaps first.

### How to investigate the reasons for gender pay gaps

Consider factors that may affect pay levels, including job size and performance, to assess if remuneration is correct and free of gender bias (intended or unintended). Determine the reasons for the differences, and confirm that these reasons eliminate gender bias (intended or unintended).

The WGEA has provided two detailed worked examples of conducting a payroll analysis for small business, which are available on the Agency's website.

For more comprehensive data analysis, you may also use the WGEA gender pay gap calculator, which is available on our website.

## Step 3: Taking action – make a decision

### Investigate the causes of gender pay gaps

There can be many causes of gender pay gaps in smaller businesses, it is important to consider if these causes may be relevant in your organisation.

Causes could include:

- paying a man more than a woman for the same role because he negotiates more firmly
- undertaking recruitment on an ad hoc basis because there are no job descriptions based on an objective assessment of position requirements
- paying above the award for male dominated occupations and at award for female dominated occupations
- seeking 'cheaper' staff (women) because of business constraints
- lack of focus on eliminating unconscious (gender) biases and practices in recruitment and remuneration decisions
- rating performance on an ad hoc basis which can favour men
- paying a woman at her pre-parental leave salary when she returns to work even though she is achieving the same outcomes as her higher paid colleagues in the same or similar roles
- paying men more when greater responsibilities are assigned to their role but not paying women more when their roles are expanded to undertake more responsibilities
- paying part-time roles (more likely to be women) less than pro-rata because women are grateful for part-time work.

## Develop an action plan

Regardless of the size of the business, it is critical that business owners (who may be the general manager or CEO) show leadership and take ownership of investigating and addressing gender pay issues in her/his business. Action can be both remedial and preventative.

### Remedial action: how does a small business fix gender pay inequities?

- list the gender pay differences that cannot be explained
- list the gender pay differences that can be explained but cannot be justified
- decide, in line with budget and business strategy, how and when unexplainable/unjustifiable gender pay gaps will be rectified.

### Preventative action: how does a small business ensure that it avoids discrimination in recruitment and setting of remuneration?

- know the law in relation to remuneration and working conditions for employees covered by award or agreement and for award-free employees
- have in place a written policy and guidelines on merit based recruitment
- ensure fairness and consistency when determining remuneration for employees
- follow a consistent and transparent procedure when employees are selected to be promoted, transferred or terminated
- ensure performance management decisions are merit based and transparent and that pay increases are in line with performance rating
- provide pro-rata remuneration for positions worked less than full time
- review remuneration at least annually to identify and fix gender pay gaps.

### For more information

The Workplace Gender Equality Agency has developed a series of business-focused toolkits to assist your company address pay equity, which are available from the Agency's website.

economic Security4Women has developed an [online checklist](#) to ensure women are well informed when negotiating pay and conditions; this checklist is also helpful to small business

View [economic Security4Women](#) and the report to government on the [challenges to gender pay equity for the SME sector](#).