2022

Pay Equity

ANALYSING THE GENDER PAY GAP IN NEW ZEALAND

StrategicPay

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 Equity Case Study

13 Gender Pay Gap: Directors' Fees and Board Representation

15 How We Can Help

Foreword

This is the third publication of our Pay Equity analysis which highlights our research into the gender pay gap in New Zealand. These findings are based on data as of March 2022 and represent a significant sample of over 190,000 employees. Due to our comprehensive database, we are able to look beyond just base salary, and examine 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.

Following a year of little to no wage movement in 2020, we have since seen significant wage pressure driven by high inflation and severe skill shortages. Given the rapid change over the last 12 months, we were interested to see what impact this may have on gender pay gaps. Overall, we have seen a drop within our database, however this has been driven primarily by the public and not for profit sectors, while the private sector has remained relatively unchanged over this period. Both the public and not for profit sectors have likely benefited from initiatives to target pay gaps, including a number of large pay equity settlements and compulsory public reporting. It will be important for the private sector to keep focus on equitable pay for the forthcoming year.

The current environment with increasing economic forces, high staff turnover, and difficulties in retention and recruitment can very quickly create inequities in an organisation's pay framework. Paying equitably, and being seen to pay equitably, will be a competitive advantage in this sector as well as the broader market.

Strategic Pay teamed up with MindtheGap in 2021 as their reporting partner to provide advice and support to organisations signing up to the pay gap registry. This public registry was launched in March 2022 and is seen as an important step in encouraging organisations with more than 50 staff to measure and report pay gaps. While Strategic Pay are not quite at 50 staff, we also took the step to report our own pay gap publicly and are part of the registry.

Research overseas has shown a reduction in pay gaps when organisations are required to publicly report on gaps, and we are hopeful to see similar reporting measures introduced in New Zealand as a result of this campaign. Given the New Zealand pay gap has remained relatively unchanged for a number of years, it is clear that more targeted measures such as public pay gap reporting are needed to start making a real difference in New Zealand.

Across the ditch, a joint report released by KPMG, Diversity Council Australia (DCA), and the Workplace Gender Equality Agency (WGEA), calculated the gender pay gap represents a cost of AU$51.8 billion a year or around 7% of total yearly earnings. We commissioned similar research in New Zealand through Motu in partnership with MindtheGap and found the figure to be $7.6 billion per year, or 5% of wages and salaries. When you combine gender and ethnic pay gaps, this figure increases to $17.6 billion, or 11% of wages and salaries. These large figures highlight how significant this issue is and why we need to address this inequality.

Discrimination is likely still a main driver of pay gaps. Organisations can look to reduce unexplained or unjustified gaps by implementing structured and formal pay practices such as job evaluation. Interestingly, a recent study in the UK suggested that "the ethnic wage penalty is halved, on average in the presence of a job evaluation system" (Forth et al. 2021).

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 salary, 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 salary 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.

It is important to note that a single measure may highlight for an organisation whether it has a gap, but may not necessarily identify all gaps, and definitely will not identify where the underlying inequities might be.

Important Definitions

Why do we use medians?

The median is a more reliable statistic and better reflects the pay a typical employee receives.

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 (plus benefits):
Base salary 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 (fixed plus incentive or similar bonus-type payments):
The sum of all definite remuneration items. This includes base salary, 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 have the tax amount paid by the firm included.

Our Findings at a Glance

Overall Pay Gap 16.7%

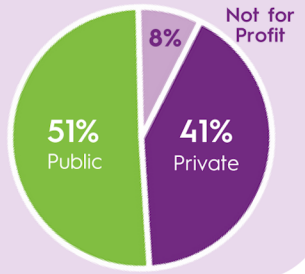
SAMPLE BREAKDOWN

192,000 employees

50% Women

50% Men

1,141 Organisations



In a 2020 PWC report on countries' achievements in terms of women in work, New Zealand ranked number one in the world due to its "small gender pay gap, low female unemployment rate and high labour force participation". We can be proud of this, as well as the fact that New Zealand women did not suffer quite as dramatically as women in the United States and Canada in terms of increased unemployment as a result of the pandemic. Unfortunately, our review of the remuneration market in 2021 did identify that the pandemic had set back our progress towards pay equity.

This year's report indicates we are turning the tide, gaining back some of the ground lost, and the gap, now at 16.7%, is slightly better than indicated by our inaugural analysis in 2020. However, adding to the issues affecting gender pay gaps, the experts believe the transition to "net zero" will further perpetuate inequalities.

Analysis suggests that the energy sector's transition to net zero/ response to climate change will create jobs in three sectors – utilities, construction and manufacturing. These sectors are male dominated, so much of the benefit of the transition to net zero is more likely to be enjoyed by males, potentially at the expense of females.

Experience indicates that the IT sector will also benefit as a result of lockdowns as well as a move towards net zero. Our analysis shows that the construction industry in New Zealand is male dominated (75% male) and the IT sector, while relatively less male-dominated (at 63% male) continues to have one of the highest gender pay gaps (above 20%) along with professional services and banking and finance.

Governments and organisations need to ensure that women are upskilled in the right areas. While electrical engineering is an easier employment option for women than the hard physical labour involved in construction, for instance, there is still a need for upskilling and training. As women move into these fields (at the bottom of the career ladder), the pay gap is likely to be exacerbated. However, until there are more women in these fields who have then worked their way up the ladder, we cannot eliminate the pay inequities.

We will only achieve gender equality in work when we achieve gender equality in society. This however can only be achieved if organisations play their part. Organisations can contribute by focusing on addressing their own pay gaps, being aware of unconscious bias in their recruitment and promotion practices as well as broadening their approach to developing talent and career pathways to encourage women into a broader range of roles.

We cannot fix employment and pay disparities easily – we need to address the systemic and structural gender and racial inequality which exists in the labour market and in society.

Gender Pay Gap and Gender Representation

StrategicPay

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	6.9%	7.8%	8.5%	45%	55%
400 - 800	Middle Management / Specialist / Technical	8.1%	9.7%	10.4%	57%	43%
800 - 1200	Senior Management / CEO small organisation	6.2%	7.1%	9.4%	65%	35%
1200 - 1600	CEO medium organisation / GM large organisation	16.2%	16.7%	17.7%	75%	25%
1601+	CEO large organisation	31.1%	29.9%	35.5%	80%	20%
	All Levels	**14.9%**	**16.7%**	**17.4%**	**50%**	**50%**

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	7.8%	12.3%	10.1%	-1.0%
400 - 800	Middle Management / Specialist / Technical	9.7%	12.7%	6.2%	7.5%
800 - 1200	Senior Management / CEO small organisation	7.1%	7.3%	6.0%	3.9%
1200 - 1600	CEO medium organisation / GM large organisation	16.7%	11.6%	11.2%	*
	All Levels	**16.7%**	**20.1%**	**16.9%**	**5.9%**

*not enough data to report

Gender Pay Gap and Gender Representation

General Market: There has been a slight improvement in the overall gender pay gap since our 2021 report (now 16.7% compared to 18.5% last year.) The reduction in the gender pay gap is reflected at each job level except the very senior level (Chief Executives of large organisations). Between 2021 to 2022 there was a slight increase in the gap at this level, but between 2020 and 2021 there had been a significant increase. The not for profit sector continues to show the lowest gaps as well as a "positive gap". However, the positive outcomes, especially at the general staff level in this sector are not enough to reduce the gap significantly in the overall market. It will be interesting to see what effects the additional pay equity settlements in the broader public sector will have on the gender pay gap in 2023.

Private Sector: Our NZ Remuneration survey for the year to March 2022 indicated the private sector remuneration levels moved by 2.7%. As pay increases, has equity been taken into account in private sector pay decisions? Our 2022 Gender Pay Gap (GPG) analysis is encouraging as it shows a slight decrease in the private sector GPG to 20%, also slightly lower than our inaugural 2020 report. However, it remains higher than both the public and not for profit sectors and is 3.4 percentage points above the overall GPG across all sectors. The skewed representation by gender across staffing levels in the private sector, with 62% males to 38% females and especially the higher proportions of males at the very senior levels, contributes to the higher GPG.

The GPG has decreased at most levels in this sector by 0.5 percentage points at the general staff levels this year, and for both mid and senior management levels it has decreased slightly across all 3 years of monitoring. At the CEO level, unfortunately, the gap has increased significantly, contributing to the higher overall gap in this sector.

Our analysis suggests a trend towards less variable pay in the private sector at the general staff level for both males and females, possibly as a result of the economic impact of the pandemic.

Higher variable pay amounts for both genders at the mid and senior management levels, however, may contradict this or reflect prudent remuneration budget management on the part of organisations in these uncertain times. Whatever the rationale, across all staff levels we observe a larger quantum of variable pay for males than females ranging from 4% to 50% higher. For senior managers and chief executives in medium and large organisations, overall male incentive pay increased while female variable pay decreased. Once again this added to the pay gap significantly in terms of the total remuneration received by females compared to males.

Public Sector: The public sector results indicate that pay restraint requirements continue to have an impact on pay levels, with the guidelines requiring an emphasis on addressing the low paid and pay inequities. Our analysis shows a reduction in the overall gender pay gap in the public sector to 16.9%, lower than it was in our inaugural analysis in 2020 prior to the impact of the lockdowns.

The public sector continues to have a higher female representation than in the overall market (56% compared to 38% in the private sector, for instance). Female representation in the top roles in the largest organisations is 35% in the public sector (only 10% in the private sector). While females have slightly higher representation at the general staff level (3/5) in the public sector, the gender pay gap remains in favour of males. However, this is still less than the private sector pay gap at this level. Females appear to be receiving significantly higher vehicle benefits (cars and car allowances) in the public sector. This is because more females receiving this benefit are in senior management positions while the majority of males receiving this benefit are in front-line field positions (generally in local government).

The broader public sector also covers the health and education sectors, including a range of female-dominated roles at the general staff level such as nurses. As these and other female-dominated roles represent a large part of the health workforce (around three-quarters), both occupational and vertical segregation of employees by gender continues to have a significant impact on the overall public sector gender pay gap.

Not for Profit Sector: At the general staff level, the not for profit (NFP) sector is now showing a slightly negative pay gap resulting in a pay gap in favour of females. At this level, the workforce is predominately female oriented, representing 81% of the sample. A large majority of the roles at this level will be covered by the various pay equity settlements, which are clearly having quite an impact on reducing pay gaps within the sector.

Interestingly, the pay gaps at middle management/ technical/specialist and CEO/senior executive level have increased slightly from 2021. Both increases are relatively small and not statistically significant, suggesting the pay gaps at these levels have remained relatively unchanged. Unfortunately there was not enough data to provide analysis at the upper end due to small sample sizes.

At the overall level, the sector still boasts the lowest pay gaps, and these have halved since our inaugural analysis in 2020. Over the last 12 months the sector has seen large overall increases at all levels, in contrast to the broader general market which has focused most of the increases at the lower-level roles and specific functions or technical positions. The sector does have a lot of ground to make up as pay rates are typically much lower when compared to the broader general market particularly at the senior executive and CEO level.

Benefits Value Gap

			Gender Pay Gap on Benefits
Bonus Payments	$3,200	$7,500	57.3%
Kiwi Saver	$2,110	$2,512	16%
Car Parking	$2,500	$2,500	0%
Car Allowance	$9,500	$11,500	17.4%
Car Value	$11,892	$13,518	12%

What is clear when examining base, fixed and total remuneration is that the pay gap increases at both fixed and total remuneration levels. Detailed analysis of the data shows that overall males continue to receive more in incentives, KiwiSaver contributions and higher value in cars. Looking purely at base salary masks the fact that males on balance receive more in their overall remuneration package than their female counterparts.

The On-Going Gap

We noticed from our 2021 analysis that the value of car parking had reduced compared to the 2020 figures. This value in remuneration packages remains low this year, both males and females still receive a lower value of car parking in their remuneration packages than in 2020, but this benefit no longer has a gap in females' favour as it did in 2021. Males also continue to have the advantage in both vehicle and vehicle allowance values. We did note, however, (see above) a gap in favour of females in terms of vehicle in the public sector.

The value of KiwiSaver in the remuneration package remains lower for females, reflecting the lower salaries and therefore mirroring the gap as it increases with job size. This is likely to continue to exacerbate the income gap for women as they move into retirement with a lower level of savings.

What is important about this analysis is the extent of the real gap, the underlying causes and the potential for this to exacerbate inequities beyond working life. This highlights the need to explore more than base salary differences and to think beyond the immediate impact of the differences. We recommend that not only base salary differences are explored, but also analysis is conducted of the benefits and incentives granted, to gain the full picture of the gender pay gap within organisations and the potential for perpetuating inequity beyond employment.

Pay Equity Case Study

GNS, a Crown research institute with just over 500 staff, has been on its pay equity journey for some time and has already taken a number of pro-active steps to address inequities. These include revising its HR policies, as well as a number of pay adjustments. These measures have been quite successful, reducing the gap from 21% in 2017 to 17% in 2021. Despite the progress, GNS remained concerned with the remaining gap. GNS approached Strategic Pay to review its current analysis and approach, undertake additional investigative analysis to identify underlying causes, and provide recommendations to help GNS improve pay equity long-term.

In our experience, organisations that have been successful in reducing their pay gaps have set clear goals and invested significant time and money to address the issue, and continue to do so over time. Strategic Pay have developed a model to capture the complexity and on-going nature of the pay equity journey, which outlines our recommended approach to tackling pay inequities. This framework, as shown in the diagram below, provided our approach to auditing what GNS has done and where it is on this journey, as well as providing our recommendations for possible actions GNS might like to consider.

PAY EQUITY JOURNEY

Pay Equity Case Study

Our review found that GNS has "ticked the boxes" in the model, reflecting the organisation's commitment. GNS has allocated accountability at a senior level, undertaken a range of detailed analyses, taken action to address issues identified, audited the outcomes and over the last few years provided an account of actions and their outcomes to the Board.

SO WHY DID GNS STILL HAVE A GENDER PAY GAP? WHAT COULD THEY DO ABOUT IT?

Our experience and analysis, including for this booklet, demonstrate that a key cause of the overall gender pay gap is where women are employed – both the type and the level of roles, otherwise known as occupational and vertical segregation. GNS is no different. Interestingly, the graph on the following page shows there is close to 50/50 representation at senior levels. This is encouraging as it has been a key performance indicator for the organisation that it has been focusing on as part of the approach to addressing pay inequity to date. However, the graph also shows that there is a greater representation of women in the lower pay bands, which contributes to their overall pay gap.

One area we delved deeper into was the age profile in GNS. Our analysis (by pay band level and gender), not surprisingly confirmed that, with experience (and therefore age), comes seniority. While not necessarily contributing to the overall gender pay gap directly, the aging population results in a cohort of higher paid men sitting in senior roles, potentially limiting promotion opportunities for women. Nearly one fifth of the science/technician group are men over 60, with a number of men over 70 sitting in the top bands. Our recommendation was for GNS to consider phased retirement for senior specialists. Enabling and encouraging older specialists to take phased retirement would free up senior roles for women to move into, which could contribute to a reduction in the overall pay gap. Phased retirement allows for senior and experienced specialists to continue contributing their wealth of knowledge and experience to the organisation through mentoring and oversight.

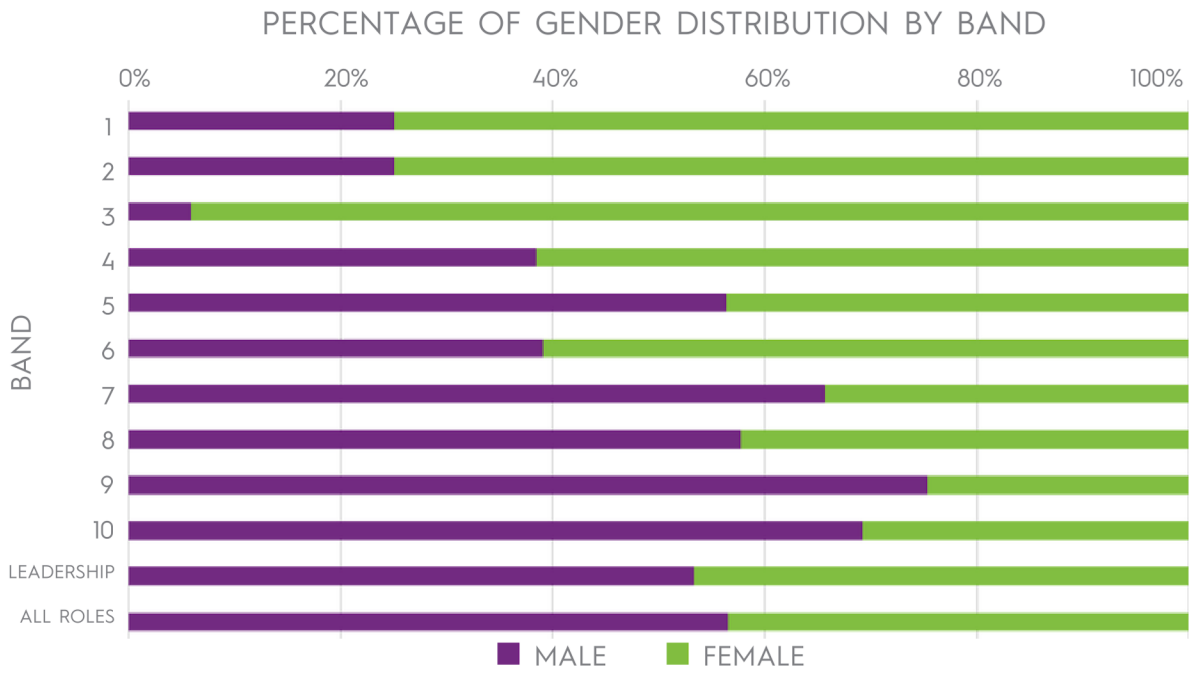
GNS had already changed its promotion and recruitment processes to include better gender balance on decision panels. To check for any potential bias in recruitment processes and outcomes, we analysed the data on applicants, shortlisted candidates and appointees for 128 positions over the previous 18 months.

Pay Equity Case Study

Our analysis indicated that there had been no bias against women in either shortlisting or appointments. Of those who applied, men were slightly less likely to be shortlisted, and of those shortlisted, there was no obvious bias towards either men or women in appointments made.

The figures for the last 18 months do indicate, however, that there were fewer women applicants for GNS roles over this period. In fact, just over one third of applicants were women. This gave rise to another of our recommendations for GNS to consider:

Attracting more women applicants.



To do this, we suggested they actively enhance their EVP/brand and profile as an attractive employer in this specialised field. This could include initiatives such as sponsorship and/or scholarships for women to enter the earth sciences field (and potentially relevant IT fields as well).

Directors' Fees & Board Representation

2,521 Directorships

Responses: 2,205 Directorships

TYPE OF DIRECTOR

Type of Director	No. in Sample	Percentage of Sample	Percent of Sample	
			Male	Female
Non-Executive Chair	358	16%	273 (76%)	85 (24%)
Non-Executive Deputy Chair	107	5%	68 (64%)	39 (36%)
Non-Executive Director	1740	79%	1083 (62%)	657 (38%)

PERCENTAGE OF BOARD MEMBERS WHO ARE FEMALE

Chairs

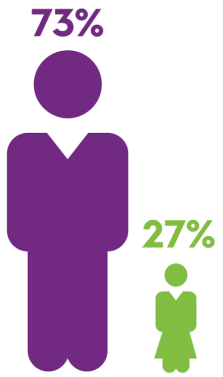
2022 — 24%

2012 — 12.5%

Directors

2022 — 38%

2012 — 22.8%



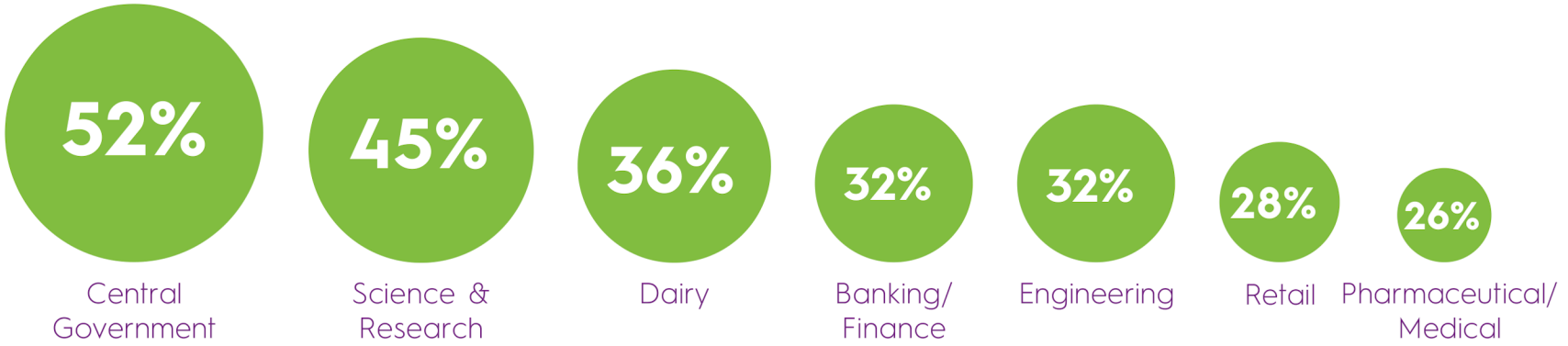
Private Sector
Sample: 1277

Public Sector
Sample: 937

Not for Profit
Sample: 217

Directors' Fees & Board Representation Commentary

FEMALE BOARD MEMBERS PER INDUSTRY

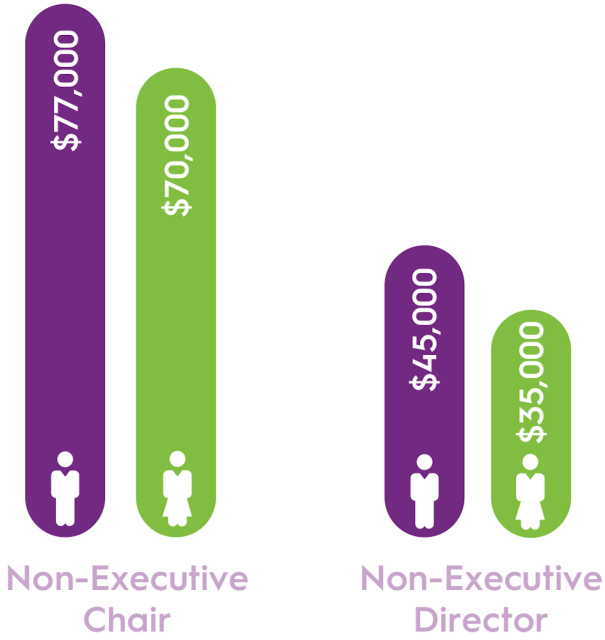


Female representation on boards increased again this year, continuing the year-on-year trend of steady increases. Strategic Pay's 2022 Director Fee survey shows 38.0% female representation at the director level. Within the NZX50, women make up 28.0% of all directors. We have seen a drop in the pay gap for both chairs and directors in our database this year. The pay gap for chairs now sits at 9.1% which is a large decrease from 24% last year. The pay gap for directors has remained unchanged from 2021 sitting at 22.2%.

Female board members are most prevalent in central government (52%), education (47%) and local government (45%). In contrast, women are less likely to be included on boards found in the wholesale/import/export and FMCG industries.

Our analysis suggests the pay gaps seen in director and chair fees are largely driven by the types of directorship undertaken by females. We note from the distribution of male and female directors, women are more common in the lower-paid public sector compared to the private sector, which only shows a 27% 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 women on all boards, particularly in the private sector.

MEDIAN DIRECTORS' FEES BY GENDER



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.

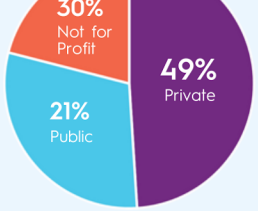
These include:

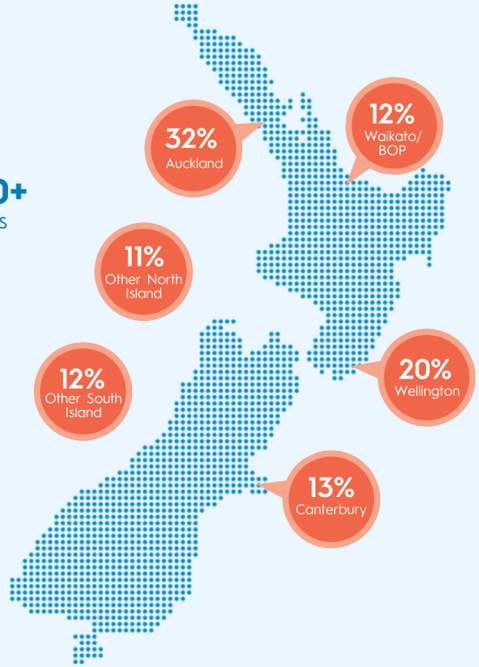
- Analytical job evaluation methodologies to ensure you're able to compare like with like jobs
- Unbiased job-related market information and remuneration advice
- Tools to undertake thorough gender pay equity audits, analysis and investigation
- Industry-specific gender pay gap information, drawing on data over 200,000 jobs in New Zealand
- New Zealand's largest database of remuneration data

STRATEGIC PAY DATABASE

1,400+ Organisations

230,000+ Employees





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