

OCTOBER 2021

## Purpose of this guidance

This guidance outlines actions for Public Service agencies to:

- measure and analyse Māori and ethnic pay and representation data
- use existing guidance to begin to address Māori and ethnic pay gaps in Public Service agencies (see *Using the gender pay gap guidance to help address ethnic pay gaps* below).

## Application

This guidance is designed to be applied in conjunction with guidance on:

- [closing gender pay gaps](#)
- [strengthening diversity and inclusion](#)

Improving equity and fairness in Public Service workplaces centres on:

- removing bias and discrimination
- fair and equitable pay
- recruiting diverse talent into a range of occupational and leadership roles
- retaining diverse talent
- cultivating inclusive work environments.

## Summary of recommended actions

We recommend agencies implement the following practices, if these are not already in place:

- capture high quality workforce information on ethnicity
- measure and analyse Māori and ethnic pay gaps using the approach in this guidance
- continue using the [guidance from the Gender Pay Taskforce](#) to ensure all employees are paid equitably and that bias is removed from human resources and remuneration systems, policies and practices.

## Commitment to fairness in pay

Public service agencies are committed to ensuring their people are employed fairly and equitably. Ethnic, gender, and other biases and discrimination undermine these goals. This guidance contributes to the Public Service's aim of being an exemplar employer by creating inclusive work environments and creating a more diverse workforce, reflective of Aotearoa New Zealand.



## Using the gender pay gap guidance to help address Māori and ethnic pay gaps

While the starting point for the [Public Service Gender Pay Gap Action Plan](#) has been women, the guidance developed by the Gender Pay Taskforce in partnership with unions, was deliberately designed to support agencies to remove bias more generally from their human resources and remuneration systems, policies and practices.

The [Gender Pay Gap guidance](#) recommends a range of actions that reduce the ability of different forms of bias to influence decisions across the employment life cycle. This guidance will help agencies to create workplaces that are more fair and equitable.

For example, the [Gender Pay Gap Action Plan](#) required agencies to review the salaries of all employees to ensure they are consistent with colleagues in the same or similar roles. Both women and men have received salary corrections as a result. This process also uncovers pay differences for Māori and different ethnicities.

The suite of Gender Pay Gap guidance is on the [Gender Pay Gap and Pay Equity](#) webpage, see also Appendix 2.

## Actions in detail

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### Step 1: Capture high quality workforce information on ethnicity

Ethnicity information for employees must be of high quality. Agencies should apply the Te Kawa Mataaho [Standards of Workforce Information](#) when collecting ethnicity information. Key points from the ethnicity standard are:

- employees should be able to report multiple ethnicities
- employees should be able to state their specific ethnic groups without having to identify themselves in a more general category
- a person's ethnic identity may change over time. Employees must be able to change the information employers hold about them to reflect this.

Having high quality ethnicity information also means agencies should monitor their ethnicity disclosure rate and aim to have ethnic information for at least 90% of their staff.

Agencies may be able to improve disclosure rates if they are clear that collecting this information is essential to their commitment to:

- having workforces that reflect the populations of Aotearoa New Zealand
- creating fair and equitable workplaces.

### Step 2: Measure and analyse Māori and ethnic pay gaps

This section will help agencies measure and analyse Māori and ethnic pay gaps within their organisations. (There is an example at Appendix 1). This section includes advice about:

- measuring Māori and ethnic pay gaps
- mapping Māori and ethnic representation to help analyse ethnic pay gaps
- including gender in the analysis

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- seeking the views of employees and unions
- maintaining confidentiality.

Note that measuring and analysing Māori and ethnic pay gaps is a relatively new area. This advice may be updated in the future to reflect improved understanding.

## Measure Māori and ethnic pay gaps using the recommended formula

Māori and ethnic pay gaps are calculated using a similar formula to gender pay gaps. Agencies should ensure they are using the same definitions of *employee* and of *pay* for calculating Māori and ethnic pay gaps as they use for calculating gender pay gaps. For more information see:

- [Organisational gender pay gaps: measurement and analysis guidelines](#)
- [Gender Pay Gap Measurement and Analysis for Public Service Agencies](#)

When calculating Māori and ethnic pay gaps, give all employees one of the following mutually exclusive values for each of the [level 1 ethnic groups](#):

- '1' – this employee identifies with this ethnic group
- '0' – this employee does not identify with this ethnic group
- NULL – this employee did not disclose their ethnic identity

Every employee who discloses an ethnicity is included in every ethnic pay gap calculation (either as a '1' or a '0').

Employees who disclose more than one ethnicity are included as '1's' in more than one ethnic pay gap calculation. As a result, employee numbers by ethnicity may add up to more than the agency's total number of employees.

All employees who did not disclose their ethnicity are excluded from calculating Māori and ethnic pay gaps.

Māori and ethnic pay gaps are calculated as the difference between the average salary for an ethnic group ('1') and the average salary of all those not in that ethnic group ('0'), expressed as a percentage of the average salary of those not in the ethnic group ('0'). For example, the pay gap for Māori is calculated as:

$$\frac{\text{Average pay for non-Māori} - \text{Average pay for Māori}}{\text{Average pay for non-Māori}} \times 100$$

This approach has been developed by Te Kawa Mataaho to report Māori and ethnic pay gaps at [a Public Service wide level](#).

Te Kawa Mataaho currently only publishes Māori and ethnic pay gaps calculated using mean (average) pay. It plans to expand this reporting to include ethnic pay gaps calculated using median pay.

## Map Māori and ethnic representation to help identify what is driving ethnic pay gaps

Mapping Māori and ethnic representation - where employees of different ethnicities are in the agency's structure - will help agencies identify the drivers of Māori and ethnic pay gaps.

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One way of doing this is looking at Māori and ethnic representation by dimensions such as seniority, occupation, role or pay band.

Another way is calculating the proportion of Māori and ethnic groups in each pay quartile (advice on how to do this can be found in [Organisational gender pay gaps: measurement and analysis guidelines](#)).

Pay gaps may also be larger and career progression disproportionately slower, for employees who take career breaks for parenting or other purposes. Compare those who have taken parental leave or other extended breaks from work, with those who have not.

To gain a better understanding of the possible drivers of pay gaps in their organisation, agencies should consider representation by ethnicity and gender.

## Consider ethnicity and gender

Public Service-wide data shows that ethnic and gender pay gaps compound, leading to Māori, Pacific, and Asian women facing larger pay gaps than European women. These women also face larger pay gaps than men in the same ethnic group.

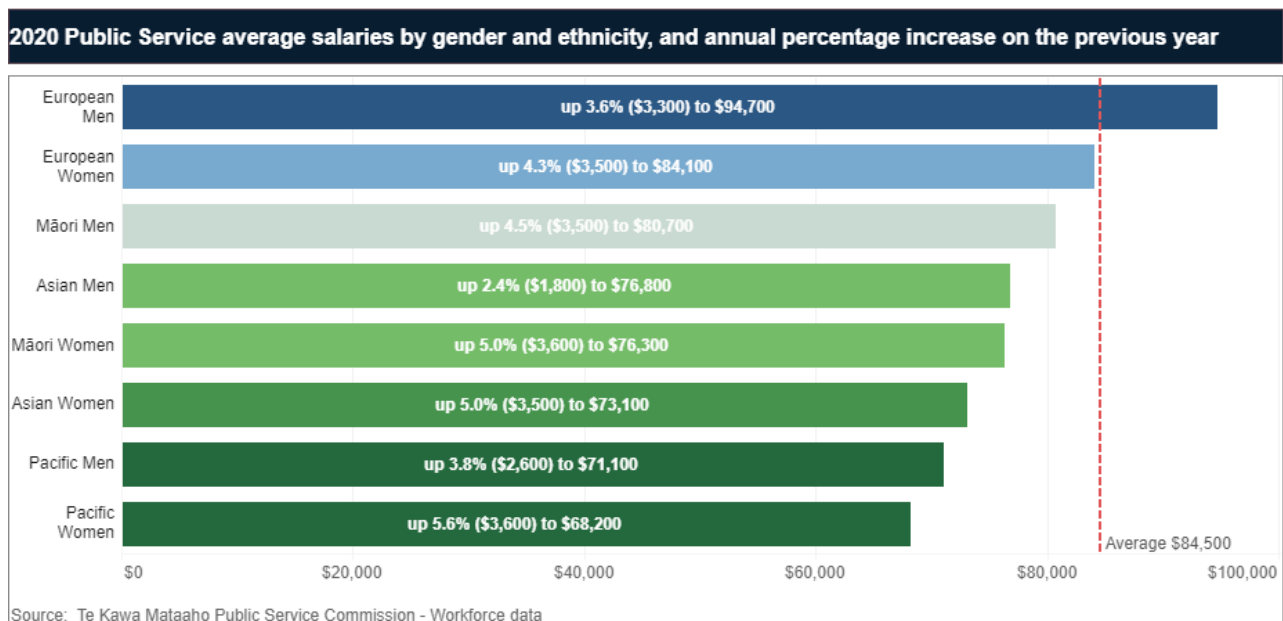
Agencies should therefore measure pay by ethnicity and gender combined to gain a better understanding of the drivers of pay differences for different groups of men and women in their organisation.

From 2021, agencies will be measuring pay by ethnicity and gender wherever possible, as part of developing their agency gender pay gap action plans.

## Compare annual average pay – recommended approach

We recommend that agencies measure differences in pay for different groups of men and women by comparing annual average pay.

This simple and effective approach is how Te Kawa Mataaho reports differences in [pay by ethnicity and gender](#) for the Public Service as a whole, as shown in this graph.





## Measuring gender pay gaps for Māori and by ethnicity

If agencies also wish to calculate gender pay gaps for women of different ethnicities, the following formula can be used:

$$\frac{\text{Average pay for all men} - \text{Average pay for women of ethnic group}}{\text{Average pay for all men}} \times 100$$

*Calculation note: The comparator should be all men i.e. men from all ethnic groups and those who have not disclosed an ethnicity. Average pay for all men is the same measure as agencies use to calculate their overall gender pay gap. This ensures that gender pay gaps by ethnicity are calculated on the same basis as the overall gender pay gap, and are therefore comparable.*

When presenting gender pay gaps by ethnicity, agencies should note that these gaps will be indicative only.<sup>1</sup>

Note that gender pay gaps for women of different ethnicities can be difficult for readers to interpret, because it is not obvious which groups are being compared, (e.g. some readers may think the comparison is between Māori men and Māori women).

Note too that analysing gender pay gaps by Māori and ethnicity usually involves comparing groups of varying unequal sizes, which may cause volatile results over time.

## Seek the views of employees and unions

Engaging with employees and unions to discuss their workplace experiences and gain feedback on current policies and practices will also help agencies to identify possible drivers of Māori and ethnic pay gaps.

In the future, Te Taunaki, the Public Service Census will be an important source of information and insight to help agencies understand their organisations' pay gaps.

## Maintaining confidentiality

Confidentiality concerns can be greater when reporting on Māori and ethnic pay gaps than gender pay gaps. This is because there are more groups involved in Māori and ethnic pay gap calculations, generally resulting in fewer employees in each group.

[StatsNZ recommends](#) reporting gender pay gaps when there are at least 20 men and 20 women to help protect privacy and produce robust measures (because pay gaps can be volatile over time when measured for small numbers of employees).

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<sup>1</sup> The full impact of the intersectionality of multiple variables on pay can only be understood using regression analysis, an advanced statistical method which depends on good data and strong data analysis capability. Agencies should only use regression analysis if they have the capability to apply the method and understand its results.

A similar standard should be applied when reporting Māori and ethnic pay gaps. For example, to report an agency Māori pay gap, there should be at least 20 employees that are Māori, and at least 20 employees that are non-Māori.

Note that agencies may need to review information for groups of fewer than 20 people when mapping ethnic pay representation to help analyse their Māori and ethnic pay gaps.

## Drivers of Māori and ethnic pay gaps in the Public Service

The main historical drivers impacting Māori economic prosperity include: the set-up and regulation of economic activity by the British before and after the signing of Te Tiriti o Waitangi; land loss; urbanisation and occupational segregation; and modern economic policies. This guidance is unable to draw concrete conclusions on how the historical context is impacting specific Māori pay gaps across the system. Nevertheless, it is important to consider them.

Additionally, reasons for organisation-wide Māori and ethnic pay gaps are similar to the reasons driving gender pay gaps:

- cumulative effects of like-for-like job and by-level ethnic pay gaps
- ethnic bias and discrimination
- failure to value tikanga and Te Reo Māori and to create bicultural workplaces
- occupational segregation – Māori, Pacific and Asian employees being overrepresented in lower paid occupational groups and more European employees in higher-paid occupations
- vertical segregation – low levels of ethnic diversity in senior roles .

All of these drivers are likely to be factors in Māori and ethnic pay gaps in most agencies, but the balance of drivers may differ depending on an agency's size and the nature of its workforce.

See Appendix 1 of this guidance for more information on overall Māori and ethnic pay gaps in the Public Service and the drivers behind these.

See Appendix 1 of [Organisational gender pay gaps: measurement and analysis guidelines](#) for more information about like-for-like job and by-level pay gaps.

## Step 3: Ensuring ethnicity is not a factor in salaries for the same or similar roles

Public Service agencies have already:

- reviewed their starting salary processes to ensure gender is not a factor in starting salaries for the same or similar roles, and
- reviewed the salaries of all of their employees in the same or similar roles to ensure that gender is not a factor in pay for these roles.

These reviews have likely also uncovered any instances of ethnicity as a factor in pay for the same or similar roles.

Corrective action is required if ethnicity is a factor in the salaries of employees in the same or similar roles, or within roles evaluated as being of similar size.

For more information see:

- [Guidance: Ensuring gender is not a factor in setting starting salaries](#)
- [Guidance: Ensuring gender is not a factor in salaries for the same or similar roles.](#)

## Step 4: Remove bias from human resources and remuneration systems, policies and practices

Achieving fairness in recruitment, pay and progression depends on removing bias from human resources and remuneration systems, policies and practices, and on building bias awareness and culture competence.

As described in *Using the gender pay gap guidance to help address Māori and ethnic pay gaps* above, the solutions to increasing equity and removing differing biases and discrimination in the workplace are similar.

Agencies are encouraged to consider and apply in principle the full suite of Gender Pay Gap guidance to reduce bias and discrimination. The guidance includes advice on cultural competence and bias training; and on engaging with employees and unions to review and develop policies and processes.

The suite of guidance includes:

- [Ensuring gender is not a factor in setting starting salaries](#)
- [Ensuring gender is not a factor in salaries for the same or similar roles](#)
- [Implementing the Gender Pay Principles and removing gender bias in recruitment processes](#)
- [Career progression, breaks and leave](#)
- [Remuneration](#)
- [Flexible-Work-by-Default Guidance and Resources](#)

Addressing bias and building cultural competence are [Papa Pounamu](#) priorities to help drive diversity and inclusion across the Public Service to achieve the good employer and diversity and inclusion aims of the [Public Service Act](#). (Papa Pounamu is the Chief Executive leadership group for diversity and inclusion in the Public Service.)

There is more information about bias, how it works, its impacts on different groups, and links to training resources on the [Addressing Bias](#) page of the Te Kawa Mataaho website.

There is similar information about cultural competence on the [Cultural Competence](#) page of the Te Kawa Mataaho website.

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For enquiries please contact

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## Appendix 1: Māori and ethnic pay gaps – calculation example

### 1. Mapping ethnic representation

Each employee is assigned a 1 for every ethnicity they identify with and a 0 for every ethnicity they do not identify with. Employees who do not identify as any ethnicity are assigned a NULL.

For example, in the following table:

- Employee 1 has identified as European and as Māori
- Employee 2 has identified as Māori only
- Employee 11 has provided no ethnic identity information

Example of employee group to calculate ethnic pay gap							
A	B	C	D	E	F	G	I
	European	Maori	Pacific Peoples	Asian	Middle Eastern/Latin American / African	Other	Salary
Employee 1	1	1	0	0	0	0	85,000
Employee 2	0	1	0	0	0	0	90,000
Employee 3	1	0	0	0	0	0	100,000
Employee 4	0	0	1	1	0	0	70,000
Employee 5	0	0	1	0	0	0	85,000
Employee 6	0	1	1	0	0	0	65,000
Employee 7	0	0	0	0	0	1	80,000
Employee 8	0	0	0	0	0	0	110,000
Employee 9	1	0	0	1	0	0	75,000
Employee 10	1	0	0	0	0	0	100,000
Employee 11	Null	Null	Null	Null	Null	Null	120,000

### 2. Example of measuring the Māori pay gap in your agency

In this example, the Māori pay gap calculation is based on the 1s and 0s in the highlighted column C above.

An employee who identifies as European and Māori, for instance, is *only* included in the Māori group of employees to calculate the Māori pay gap as below.

**Average pay for non-Māori (employees with 0) – Average pay for Māori (employees with 1)**

**X 100**

**Average pay for non-Māori (employees with 0)**

Average pay for Non-Māori comprises the average pay of 0s in column C: employees 3, 4, 5, 7, 8, 9, and 10.

Average pay for Māori comprises the average pay of 1s in column C: employees 1, 2, and 6.

The Māori pay gap in this example will therefore be 9.7%. (Note that as the calculation involves fewer than 20 Māori and 20 non-Māori employees this result would not be statistically robust.)





The employee with NULL is excluded from any ethnic pay gap calculation as they did not disclose their ethnicity.

**Please note:**

Employees are counted **once** in each ethnic pay gap calculation, even though they may be included in more than one ethnic group, e.g. an employee who identifies as Māori and as Pacific is included as a 1 in the Māori pay gap calculation, AND is included as a 1 in the Pacific pay gap calculation.



## Appendix 2: Māori and ethnic pay gaps in the Public Service

### Public Service ethnic representation and pay reporting

For information on ethnic representation, pay and pay gaps in the Public Service, see [Workforce Data Ethnicity](#).

#### Representation

Te Kawa Mataaho aggregates detailed ethnicity data and reports ethnic representation data for all classification ethnicity, Level 1 groups. The Level 1 categories are European, Māori, Pacific Peoples, Asian, Middle Eastern/Latin American/African (MELAA) and Other Ethnicities.

Te Kawa Mataaho reports ethnicity as the percentage of employees who reported each ethnic group as a proportion of all employees who disclosed an ethnicity. Those who did not report an ethnicity are excluded from the calculation. Employees who reported more than one ethnic group are counted once in each group, and as a result employee numbers by ethnicity may add up to more than the total number of employees.

Te Kawa Mataaho also reports the percentage of employees who disclose an ethnicity.

#### Pay gaps

Te Kawa Mataaho currently publishes Māori and ethnic pay gaps for some level 1 ethnic groups (Māori, Pacific and Asian ethnic groups) and plans to widen this reporting. The Commission does not report Māori and ethnic pay gaps for groups below level 1 to prevent comparing pay for very small and very large groups of employees, which may cause volatile results over time.

The 2020 Public Service Māori and ethnic pay gaps are:

- Māori pay gap 9.3%
- Pacific pay gap 19.5%
- Asian pay gap 12.8%

Trends in ethnic pay gaps over time can be found at [Workforce Data Ethnic Pay Gaps](#).

Te Kawa Mataaho also publishes average annual pay for Māori and by ethnicity and gender at [Workforce Data Pay by gender and ethnicity](#). Comparing average pay by ethnicity and gender shows that Pacific women receive the lowest average salary in the Public Service, and that in each ethnic group that is measured, women are paid less on average than men.

#### Drivers of Public Service ethnic pay gaps

To an extent, Māori and ethnic pay gaps in the Public Service reflect occupational and vertical segregation, as indicated in the bullets below. Māori, Pacific and Asian public servants tend to be over-represented in occupation groups that are lower paid.

Public Service [Workforce Data on ethnicity](#) shows:

- Pacific and Asian ethnicities are under-represented in the top three tiers of Public Service management. The [Public Service Act](#) reinforces the commitment to more representative leadership in the Public Service.
- European staff are over-represented in higher paid groups, including Managers and Policy Analysts.
- Māori and Pacific staff are well represented as Inspectors and Regulatory Officers, and as Social, Health and Education Workers but less so in other professions.



- Pacific and Asian staff are highly represented as Contact Centre Workers and Asian staff as ICT Professionals and Technicians.

A large increase in Asian new recruits in the Public Service in recent years may be a contributing factor to the recent increase in the Asian pay gap, as new recruits tend to have lower pay.

Ethnic bias and discrimination is also a key driver in creating and perpetuating pay gaps. [Exploring the Ethnic Pay Gap in the Public Services: Voices from the Rito](#) provides useful qualitative insights into the experiences of Māori, Pacific, Asian, Indian and other public servants. The need to address bias is one of five key themes in this research. Agencies may wish to draw on these insights when planning and monitoring diversity and inclusion strategies.

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## Appendix 2: Resources

[Te Kawa Mataaho: Standards of Workforce Information](#)

[Gender Pay Taskforce](#)

[Gender Pay Gap Action Plan | Te Mahere Mahi Rerekētanga Ira Tangata](#)

Gender Pay Taskforce Guidance:

- [Organisational Gender Pay Gaps: measurement and analysis guidelines](#)
- [Gender Pay Gap Measurement and Analysis for Public Service Agencies](#)
- [Guidance: Ensuring gender is not a factor in setting starting salaries](#)
- [Guidance: Ensuring gender is not a factor in salaries for the same or similar roles](#)
- [Recruitment Guidance: Implementing the Gender Pay Principles and removing gender bias in recruitment processes](#)
- [Guidance on career progression, breaks and leave](#)
- [Guidance on remuneration](#)
- [Flexible-Work-by-Default Guidance and Resources](#)

[Papa Pounamu - Driving diversity and inclusion across the Public Service](#)

[Addressing Bias](#)

[Cultural Competence](#)

[Public Service Workforce Data](#)

[Public Service Workforce Data: Ethnic Diversity](#)

[Public Service Workforce Data: Pay by Gender and Ethnicity](#)

[Public Service Workforce Data: Ethnic pay gaps](#)

[Exploring the Ethnic Pay Gap in the Public Services: Voices from the Rito](#)

[Te Taunaki | the Public Service Census 2021](#)

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