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Tauranga Aotearoa

Organisational gender pay gaps

Measurement and analysis guidelines





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Stats NZ Tatauranga Aotearoa
Wellington, New Zealand

Contact

Stats NZ Information Centre: info@stats.govt.nz

Phone toll-free 0508 525 525

Phone international +64 4 931 4600

www.stats.govt.nz

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Purpose

These guidelines are for employers, human resources staff, and payroll staff who want to know more about measuring and analysing gender pay gaps in their organisations.

These guidelines explain:

- what gender pay gaps are
- possible contributing factors to gender pay gaps
- why organisational gender pay gaps should be measured
- how to measure organisational gender pay gaps step by step
- how to analyse and understand gender pay gaps in your organisation
- key terms in a glossary.

We encourage employers to identify, understand, and take action on gender pay gaps in their organisations.

These guidelines were compiled by the Ministry for Women, the State Services Commission, and Stats NZ.

Defining a gender pay gap

Gender pay gaps are differences in pay for groups of women and men, usually based on the median or mean pay that men and women receive.

Stats NZ provides an annual gender pay gap figure that allows us to see gender wage differences at the national level.

[Gender pay gap is second smallest](#) shows that in 2018 men had median hourly pay of \$26.15 and women had median hourly pay of \$23.75, making the gender pay gap 9.2 percent for the June 2018 quarter. If women and men received exactly the same pay, the gender pay gap would be zero percent.

Official statistics are available to compare wages by gender and industry, age, ethnicity, and region. Pay gaps can also exist for other groups of employees, such as different ethnic groups, disabled people, and people who are gender diverse.

Gender pay gaps can also exist within an organisation. Many organisations have a gender pay gap. Organisations can use their own employee and pay data to measure and assess any pay differences, develop fairer workplace policies, and monitor changes over time. Gaps at organisational, group, and job levels are described in more detail below.

Causes of gender pay gaps in organisations

The causes of gender pay gaps are complex. Pay gaps can develop unintentionally, emerge slowly, and accumulate over time. These guidelines aim to help analyse pay and employment data in enough detail to get a better understanding of the reasons for any pay differences between men and women in an organisation.

Factors that contribute to organisational gender pay gaps include:

- more men at higher levels and more women at lower levels of an organisation
- more men in higher-paid occupations and more women in lower-paid occupations
- undervaluing work predominantly or exclusively performed by women
- men progressing more quickly than women
- men (on average) receiving higher starting pay, discretionary pay, pay increases, or performance ratings
- disproportionately slower career or pay progress for employees who take caregiving breaks, or who work part-time or flexibly.

Measuring gender pay gaps may reveal pay differences that can be explained. Some are related to gender. For example, there may be a large organisation-wide gender pay gap because there are few senior women in an organisation. This may reflect difficulties for women progressing to senior levels. However, other pay differences may be explained by factors not related to gender, such as differences in regional employment markets.

A negative gender pay gap indicates that women are receiving higher average pay than men. As with any pay gap, it is important to understand if the pay difference is explainable and justifiable.

How organisational gender pay gaps are measured

A common approach to understanding gender pay gaps is to look at the gaps by increasing detail. Examples follow.

- An 'organisation-wide' gender pay gap shows the difference in pay between all men and women in the organisation.
- A 'by-level' gender pay gap shows the difference in pay between men and women in levels such as pay bands or tiers, or by groups such as managers or graduates, or by departments.
- A 'like-for-like job' gender pay gap shows the difference in pay between men and women in the same jobs/work, and in similar jobs/work. If organisations use job sizing, they may choose to measure gaps between jobs of the same size. For example, human resources manager and IT manager may be like-for-like jobs if they are sized the same.

There may also be gender differences by starting salary, by tenure, performance pay, between ethnic groups, and for full-time and part-time employees.

Measuring gender pay gaps

Although there is no international agreement on a standard for gender pay gap analysis, the approaches used by OECD member countries have strong similarities. Our approach is based on common overseas practices, and has been tested by employers in New Zealand.

All organisations are different. The best way to compare men and women employees' pay in your organisation will depend on the organisation's size, whether jobs have been sized, and what data is available.

Organisations wanting to better understand their gender pay gaps should calculate organisation-wide gender pay gaps for median and mean hourly pay (or full-time equivalent pay), and for the upper and lower quartiles as the primary measures.

[Hourly pay](#)

[Full-time equivalent pay](#)

[Statistical methods](#)

We also recommend these supplementary measures:

- by-level gender pay gaps
- like-for-like job gender pay gaps
- gender pay gaps for full-time and part-time employees
- gender pay gaps for base pay and discretionary pay
- the proportion of women who receive discretionary pay
- other gender pay differences that you have data for, such as tenure or ethnicity
- gender representation; that is, how many men and women are in the organisation, and where they are in the structure.

The level of detail that is possible will depend on your organisation's size.

[Minimum organisation size for gender pay gaps](#)

[Step 8: Analysing your gender pay gaps](#) for more detail.

Statistical methods

Using median, mean, and quartile measures in combination provides the most balanced overview of an organisation's gender pay gap. Means and medians each have advantages and disadvantages, so we recommend using both.

Median

Median pay is the middle amount of pay earned – half the employees earn less and half earn more than the median amount. Medians are calculated by listing all employees from highest to lowest paid and finding the midpoint. If you have an even number of employees, the midpoint will fall between two people. If they do not earn the same amount, then you will need to average them to get the median (ie the pay of person 'A' plus the pay of person 'B', divided by two).

New Zealand's national gender pay gap is based on median hourly earnings, so using the median will allow organisations to compare their results with this measure.

Medians can identify 'typical' pay for an organisation. An organisation normally has a lot of people with low to medium income and not many people with high income. Very high earners do not greatly influence the median.

Note: if pay in your organisation is highly structured this can lead to fluctuations in your median-based gender pay gap. For example, if your organisation has large gaps between pay bands and many employees receiving the same pay, then sometimes medians can change a lot when a female median is at the top of one pay band and a male median is at the bottom of the next pay band (or vice-versa).

Mean

Mean pay is the sum of all pay, divided by the number of people earning that total pay – the amount of money each employee would receive if the total pay was divided evenly among all employees.

Mean pay can be influenced by small groups of employees with very high pay; for example groups of men in senior positions. With a couple of very highly paid people in a small business, mean pay may be much higher than typical pay for most people. However, the median would be relatively unchanged if we included those employees.

Quartiles

Quartiles are formed by dividing all employees in an organisation into four equal groups, ranked from lowest to highest pay. The bottom quartile is the lowest earning group of employees, while the upper quartile is the highest earning group.

Quartile pay gaps compare the pay of men and women at, for example, the lower quartile (25th percentile), which is the cut off between the lowest paid and the rest of the organisation.

An example: to calculate the lower quartile pay gap in an organisation of 200 employees, with 100 women and 100 men:

- list the 100 women in order of their pay, from lowest to highest

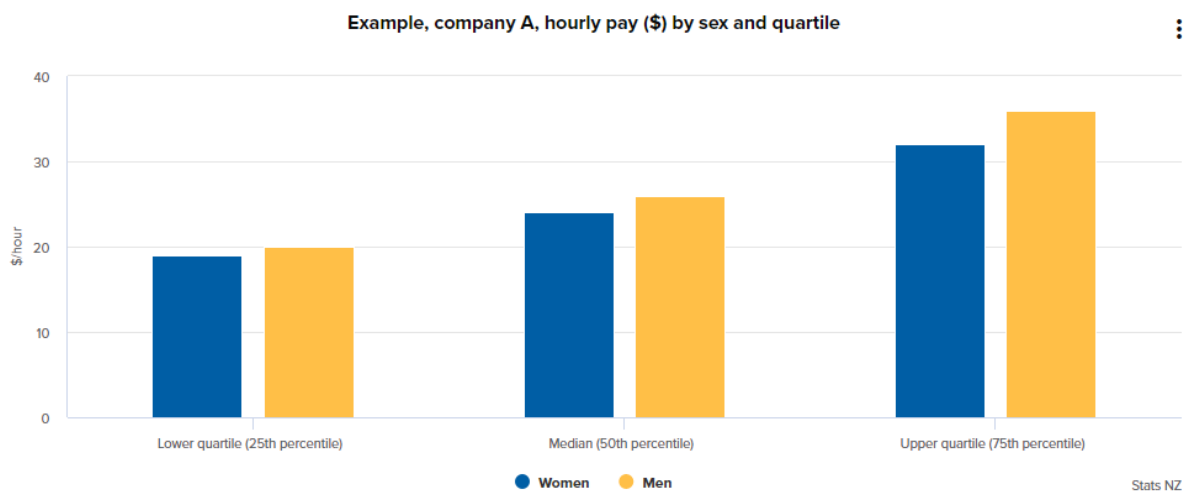
- list the 100 men in order of their pay, from lowest to highest
- compare the hourly pay of the 25th man with that of the 25th woman.

The difference between the two can be used to generate the lower quartile gender pay gap.

Research suggests that pay gaps are larger in higher-paid roles, so the upper quartile pay gap will help highlight differences in pay gaps of senior staff. Quartile pay provides more information than median pay about the pay gaps for higher- and lower-paid staff.

Figure 1 shows that Company A has a larger upper quartile gender pay gap than the lower quartile or median gender pay gap do.

Figure 1



Minimum organisation size for measuring gender pay gaps

Looking at gender pay differences makes sense in any organisation, but the approach to use depends on an organisation's size.

To calculate and measure all the gender pay measures (organisation-wide, by-level, and like-for-like jobs, and gender representation), your organisation should have at least 100 employees, including a minimum of 20 women and 20 men. Organisations with fewer than 100 employees could look at pay differences in their organisation, but need to keep in mind that the measures might not be statistically robust and should therefore be treated as indicators.

[Pay equity for small business](#) has advice for small organisations from the Australian Workplace Gender Equality Agency.

How to analyse your organisational gender pay gap

We outline eight steps for analysing an organisation's gender pay gaps.

Step 1: Define an 'employee' for the analysis

- Determine who will be included in the gender pay gap analysis.

Note: employees should be included as the gender they choose. Some employees may not identify as men or women but as [gender-diverse](#), or they may prefer not to state a gender identity. If possible, include employees who identify as gender diverse in gender pay gap calculations as a third group. If the number of employees in this group is too small for statistical comparison (ie less than 20 people), still make an effort to consider whether they experience pay differences.

- Establish how many hours a week your organisation defines as full-time work.
- Based on your definition, identify full-time and part-time, and permanent and fixed-term employees so you can compare their pay in a more detailed analysis.
- If you regularly have a large number of women on casual contracts, include them in your calculations. Excluding them will mean your measurements will not be an accurate reflection of gender pay differences in your organisation.
- Include employees seconded to other organisations if you are continuing to pay them.

Step 2: Select the analysis date

We recommend choosing an annual date (pay period) and including all employees at that date (ie a snapshot in time).

Doing this may be easier than including all employees over the past year. In a snapshot, you need not make adjustments for employees who have left, changed roles, or changed hours over the year. Pick a date where the pay and staff numbers best represent your organisation's workforce over the year.

We recommend the most-recent pay period for the snapshot, if it represents your workforce. Conduct the analysis for the same period each year so you can monitor changes over time.

Step 3: Calculate the base unit of measurement – hourly/FTE pay

Hourly pay

You need a base unit of measurement to compare employees who work different numbers of hours.

Hourly pay is a good base unit because it measures pay for a fixed amount of work (one hour). Pay for women and men can be compared without being affected by how many hours a person works, or by periods without pay, so you can compare part-time and full-time employees on an equal basis.

If pay is very stable, calculate hourly pay from the contracted rate of base pay or annual salary rather than a pay period. Where pay is not stable, use a specific pay period.

To calculate hourly pay for salaried employees, divide gross pay by the number of hours an employee is paid for in a pay period.

Full-time equivalent pay

You can use full-time equivalent (FTE) pay instead of hourly pay to calculate a gender pay gap. FTE pay shows what employees would earn if they were working full-time; it also enables part-time and full-time employees to be compared on the same basis.

To calculate FTE pay, divide the number of hours paid for by the number of hours considered full-time in your organisation. This gives an FTE proportion between zero and one. Then divide the weekly pay by the FTE proportion to get weekly FTE pay. Use a similar method to get FTE annual pay.

Example:

- Sara works 20 hours a week; full-time work in her organisation is 40 hours a week
- She is therefore $20/40$ of an FTE = 0.5 FTE
 - If she is paid \$500 a week, then her FTE weekly pay is $\$500/0.5 = \$1,000$
 - If she is paid \$26,000 a year, then her FTE annual pay is $\$26,000/0.5 = \$52,000$.

Hourly pay and FTE weekly or annual pay are common comparison units for a gender pay gap analysis.

Step 4: Define pay for your analysis

Definitions of pay vary between organisations. It is important to define pay for your organisation and to be consistent so you can monitor changes over time.

The aim of the analysis is to understand the differences between what men and women are generally paid. Knowing what is usual in your organisation provides a sound platform for measuring your gender pay gaps.

Total pay, or total remuneration, is the complete pay package employees receive annually. It comprises total fixed pay, and discretionary pay:

- Total fixed pay (or total fixed remuneration) comprises:
 - base pay – the fixed rate of ordinary pay for the job
 - other fixed pay and fringe benefits.
- Discretionary pay is variable pay that employees receive above their base pay, such as bonuses, incentives, superannuation, and commissions. Allowances and overtime may fall into base pay, other fixed pay, or discretionary pay, or it may make sense to treat allowances as a separate pay category.

International gender pay gap reporting indicates there are likely to be larger gaps in men's and women's total remuneration than in men's and women's base pay. We recommend measuring as much of total remuneration as is practical, and monetising benefits if possible. We recommend calculating gaps in base pay (or total fixed pay if possible) and discretionary pay separately. If you have significant categories of pay that are not included in one of these groups (eg allowances and overtime), analyse them separately.

Separating pay into its components means these can be analysed separately, to see if men and women have the same access to pay, allowances, and benefits.

You should exclude the following from your definition of pay:

- non-taxable allowances and reimbursements
- final pay items such as annual leave, payments in lieu of notice, and redundancy and severance payments.

Step 5: Calculate the organisation-wide gaps

Your organisation-wide gender pay gap could be the main benchmark for improvement over time. This calculation needs to be understood alongside the gender representation in your organisation and followed by more detailed analysis.

1. Sort employees into groups of men and women (include other gender categories if appropriate in your organisation)
2. Calculate the base unit of pay for each employee: hourly or FTE pay for the snapshot date
3. Calculate median pay for men and women
4. Calculate the gender pay gap as follows:

$$\frac{\text{Median hourly pay for men} - \text{Median hourly pay for women}}{\text{Median hourly pay for men}} \times 100 = \text{GPG\%}$$

5. Calculate the mean pay for men and women
6. Calculate the gender pay gap as follows:

$$\frac{\text{Mean hourly pay for men} - \text{Mean hourly pay for women}}{\text{Mean hourly pay for men}} \times 100 = \text{GPG\%}$$

7. Select the man and woman at the upper quartile (for example) and their pay
8. Calculate the gender pay gap as follows:

$$\frac{\text{Upper quartile man's pay} - \text{upper quartile woman's pay}}{\text{upper quartile man's pay}} \times 100 = \text{GPG\%}$$

9. You can repeat points 3 and 4 to calculate gaps with other data, such as discretionary pay (see [Step 6](#)), and for different groups of employees (see [Step 7](#)).

Step 6: Calculate base pay and discretionary pay gaps

It is important to measure gender pay gaps for base pay (or total fixed pay if possible) and for discretionary pay separately.

We recommend:

- measuring annual discretionary pay (but use a snapshot date for measuring base pay), because discretionary pay is typically not made in regular payments
- only comparing people who receive discretionary pay in the discretionary pay gender pay gap calculation
- calculating and comparing the percentages of men and women who receive discretionary pay.

Step 7: Map gender representation

Understanding where men and women are in the organisation's structure will help you interpret any gender pay gap results.

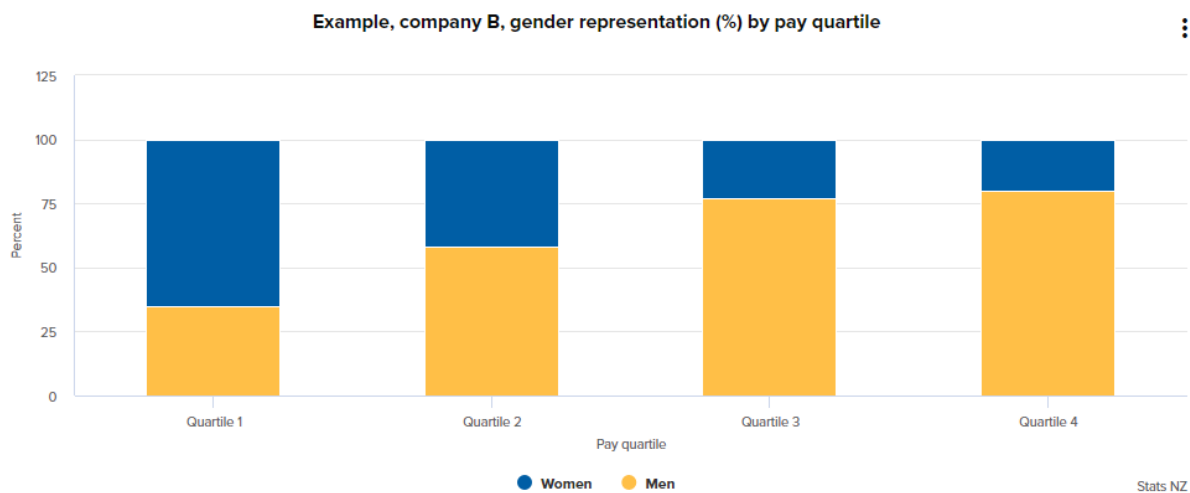
Gender representation means mapping how many women and men are in the organisation, and where they are in the structure. Understanding gender representation can quickly show what may be driving some gender pay gaps. Having fewer women in senior positions or having more women in lower-paid roles is a common driver of organisation-wide gender pay gaps and can indicate problems with progression for women.

A quick way to map gender representation and identify possible associated gender pay gaps is by calculating the proportion of women in each pay quartile.

To create quartiles and determine gender proportions:

1. List all employees in the organisation from highest- to lowest-paid, based on your main measure of pay (base pay or total fixed pay).
2. Divide the list into four equal parts – the quartiles. Note: if you have men and women on the same pay rate, and they fall across different quartiles, ensure they are distributed evenly across the quartiles (so not all women are in the lower, and men in the higher, quartile – even though they have the same pay).
3. Calculate the proportions of men and women in each quartile.

Figure 2



Step 8: Analysing your gender pay gaps in more detail

All organisations are unique – the following suggested measures for analysis may not always apply. Larger organisations may be able to use all the suggested measures. Smaller organisations can focus on the organisation-wide measures and any others where there are enough employees to make useful comparisons.

Where possible, we recommend conducting a more detailed analysis by calculating:

- like-for-like job gender pay gaps
- by-level gender pay gaps.

To understand any gaps, also analyse these factors, which might contribute to pay differences:

- ethnicity
- tenure
- working patterns, including career breaks, and part-time / full-time status
- performance pay
- starting pay
- location.

As well as analysing the measures in isolation (eg examining an organisation-wide gender pay gap in discretionary pay), a very large organisation could calculate gender pay gaps by combining factors (eg gender, ethnicity, and starting pay).

By-level and like-for-like job comparisons

By-level analysis compares men and women at pay levels, in groups, or in occupations. This determines whether or not both are being paid a similar rate for performing roles with similar levels of responsibility, or at similar levels within the organisation, and whether women and men are concentrated at different levels of the organisation.

We recommend grouping employees using the roles and pay bands specific to your organisation. Alternatively, you could assign each of your employees to Stats NZ's [Australian and New Zealand Standard Classification of Occupations \(ANZSCO\)](#).

Like-for-like job analysis compares employees in the same jobs/work, or similar jobs/work. If organisations use job sizing, you can measure gaps between jobs of the same size.

An employee acting in a higher role for a significant period should be considered within that role.

Ethnicity

Gender pay differences for Europeans are typically smaller than for other ethnic groups. Analysing ethnic pay differences may require you to collect ethnicity information from employees.

[Ethnicity New Zealand Standard Classification 2005 \(level 1\)](#) is our recommended classification.

Further work is required to develop advice on measuring ethnic pay gaps. This will be the subject of future guidance from central government agencies.

Tenure

Generally, gender pay gaps increase with age, seniority, and the length of time a woman works for an organisation. Using tenure to analyse by-level gender pay gaps can show if men and women who have been at the organisation for the same amount of time have made the same progress. It may also be that new appointees' pay is related to market rates, while the pay of existing employees has not been similarly adjusted.

Working patterns

Part-time and flexible employees

In New Zealand, about 1 in 3 employed women work part-time, compared with just over 1 in 10 employed men. On average, people in part-time work receive a lower hourly rate than those in full-time work.

While part-time and flexible work can enable people to balance work and family responsibilities, working part-time can be a barrier to progression, as higher-paid work is not generally offered on a part-time basis.

Organisations can compare full-time and part-time employees pay (based on their hourly or FTE pay) to see if part-time employees are paid less for similar roles, or are progressing disproportionately slowly.

Parental leave and career breaks

Pay gaps may be disproportionately large and career progression disproportionately slow for employees who take parenting or other breaks. Compare those who have taken parental leave or other extended breaks from work with those who have not. Check employee records for people who have taken parental leave – they may have missed remuneration and performance reviews, or have received a lower pay rate for annual leave in their first year back at work. These pay differences can create pay gaps over time.

Measuring change over time

A time series will enable your organisation to monitor the effects of changes you make to address any gender pay gaps. For a workforce that fluctuates or changes a lot, a time series will help show whether any gender pay differences identified are short-term or are more long-term structural problems.

Keep a record of the decisions you make about what to include and exclude in the gender pay gap analysis, and the methodology used. This enables the same methodology to be used each year and allows sound comparisons.

Organisations may not have all the data needed to conduct a full gender pay gap analysis now, and may need to build understanding and collect more data over several years.

Benchmarking

Benchmarking can help determine whether any gender pay gaps identified are typical of your industry, or of occupations in your organisation. At present there is little public gender pay gap reporting in New Zealand, so there are few benchmarks.

The following sources may be useful.

- Stats NZ measures New Zealand's national gender pay gap each year. See [Gender pay gap is second smallest](#) for the June 2018 figures.
- The State Services Commission publishes information on the gender pay gap across the [Public Service](#) and for [individual departments](#), and in their [Human Resource Capability surveys](#).

- The Human Rights Commission published gender pay data as part of their [Tracking Equality at Work](#) indicators in 2017.
- The Workplace Gender Equality Agency in Australia publishes gender pay gap information (private sector only) by industry in their [data explorer](#), and by occupation and industry in [Gender Equity Insights 2016](#).
- From March 2018, employers with more than 250 employees in the United Kingdom are required to publish their gender pay gaps. The published reports are available on companies' own websites and on GOV.UK's [Gender pay gap service](#) reporting page.

Appendix 1: Contributing factors to organisational gender pay gaps

Organisation-wide gender pay gap

Reasons for an organisation-wide gender pay gap include:

- occupational segregation – more women in lower-paid occupations and more men in higher-paid occupations
- vertical segregation – few women in senior roles
- better career progression opportunities for men than for women
- higher promotion rates for men than for women
- cumulative effects of like-for-like job and by-level gender pay gaps.

By-level gender pay gap

Reasons for a by-level gender pay gap include:

- the impact of long-term leave when it results in a lower-paid role or less responsibility on return to work
- women in support roles and men in operational roles
- more men than women with projects or responsibilities, leading to promotion or performance pay opportunities
- more men than women receiving discretionary pay
- cumulative effects of like-for-like gender pay gaps.

Like-for-like job gender pay gap

Reasons for a like-for-like job gender pay gap include:

- inequality in starting salaries
- negative effect when women negotiate (leading to lower starting salaries or lower salary increases for women than men)
- higher average performance ratings for men than women
- higher average performance pay rewards for men than women
- higher average access to discretionary pay for men than women
- impact of long-term leave (lower pay for annual leave following career breaks, missed remuneration or performance reviews)
- impact of part-time employment (lower pay rates, fewer opportunities to progress)
- lack of regular job evaluation to accurately size roles of equal value.

Appendix 2: Overview of gender pay gap measurement and analysis process

1. Decide on the approach; that is, what you are going to measure.
2. Develop key definitions for your organisation
 - Which employees will you include?
 - How many hours is 'full-time' in your organisation?
 - What snapshot date will you use?
 - What unit of pay will you use (hourly or FTE)?
 - What constitutes base pay and total pay?
3. Gather employee data, including gender, number of hours worked, and contract type.
4. Calculate the base pay rate for each employee – either hourly or FTE.
5. Calculate the median organisation-wide gender pay gap in base pay.
6. Calculate the mean organisation-wide gender pay gap in base pay.
7. Calculate quartiles for gender pay gaps.
8. Calculate the median and mean organisation-wide gender pay gaps in base and discretionary pay.
9. Calculate the proportions of men and women receiving discretionary pay,
10. Map the organisation's gender representation.
11. Conduct further analysis to diagnose the causes of any gaps; for example like-for-like jobs, ethnicity, tenure.
12. Record results and methodology in order to create a time series.

Appendix 3: Glossary

base pay – The fixed rate of ordinary pay for the job

by-level gender pay gap – The difference in pay between men and women in groups or levels in an organisation, such as tiers, departments, pay bands, groups, or occupations such as managers

discretionary pay – A type of variable pay that employees receive at the discretion of their employer, such as bonuses. Pay that employees receive above their base pay, such as bonuses, incentives, superannuation, and commissions

equal pay – Men and women receive the same rate of pay for the same work, or for substantially similar work

[fringe benefits](#) – Non-cash benefits paid to employees over and above wages or salary

[gender diverse](#) – A third official gender identity classification category, along with male and female, recognised by Stats NZ in 2015

gender pay gap – The difference in pay for groups of women and men

[horizontal segregation](#) – Where disproportionately more women or men are performing specific roles. This can be within an organisation, particular occupation, or industry. Sometimes used interchangeably with occupational segregation

like-for-like job gender pay gap – The difference in pay for men and women doing the same jobs/work or substantially similar jobs/work

[mean](#): The sum (total) divided by how many numbers there are in a list. When people say ‘average’, they are often referring to the mean

[median](#): – The middle value in a list of numbers

[occupation](#): – A set of jobs whose main tasks are very similar – nursing, teaching, driving are different occupations

[occupational segregation](#): – The clustering of men and women employees across and within occupations – occupational segregation can be horizontal or vertical

organisation-wide gender pay gap – The difference in pay between all the men and all the women in an organisation

pay equity – For work predominantly or exclusively performed by women, employees receive the same rates of pay as would be paid to male employees that:

- have the same, or substantially similar, skills, responsibility, and service
- work under the same, or substantially similar, conditions, and with the same, or substantially similar, degrees of effort

quartiles – Quartiles are formed by dividing all people in a group into four equal groups; in this paper employees in an organisation are ranked from lowest to highest pay. The quartile is the cut off between (for example) lowest earning group and highest earning group

tenure – The length of time an employee has been at an organisation, or the length of time an employee has held a particular job

remuneration – Reward for employment in the form of pay, salary, or wages, including allowances, benefits (eg company car, medical plan, pension plan), bonuses, cash incentives, and monetary value of the non-cash incentives

total fixed pay/remuneration – Comprises base pay, other fixed pay, and fringe benefits

total pay/remuneration – Reward for employment – it comprises base pay, other fixed pay such as fringe benefits, and discretionary (or variable) pay or remuneration

variable pay – Pay that is not fixed but changes; for example according to performance, sales, or other criteria (eg bonuses, commission)

[vertical segregation](#) – Disproportionately more women or men hold senior, higher-paid positions. This can also be in a particular occupation or industry