

JULY 2019

Addressing the gender pay gap and driving progress for women's representation in senior leadership roles

Prepared by Global Women and Champions for Change



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This paper was developed in response to a request made by the Minister for Women, Julie Anne Genter, to Global Women and Champions for Change on 16 April 2019. Specifically, the Minister asked the group to provide advice on:

- 1. How New Zealand businesses would see a pay transparency regime applied in New Zealand (e.g. what size of organisations should be required to report, what method of gender pay gap should be used for reporting, and whether it should be centralised government collected data or undertaken by businesses themselves)*
- 2. What actions need to happen across the private sector, to drive progress for women's representation on boards and in senior management. Including thoughts on what the focus of a leadership event should be to attract more men who are board chairs and chief executives to attend.*



Introduction

Champions for Change is an executive leadership initiative inaugurated by Global Women in March 2016, designed to support CEOs and Chairs committed to promoting diversity in leadership.

With 52 CEOs and Chairs representing more than 113,000 employees across 39 of our top public and private sector businesses, Champions are a leading voice on diversity reporting and currently measure both gender and ethnicity metrics across leadership tiers.

Breaking down the biases and inherent structural systems that create inequalities, such as those identified by gender pay gap analysis, is an important part of our work, alongside ensuring balanced representation for women at all tiers of leadership.

We welcome the opportunity to work more closely with Government on these challenges, to create a more equitable and prosperous Aotearoa New Zealand.

Nā māua noa, nā



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Chair, Global Women



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www.globalwomen.org.nz



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Executive summary

Of the 38 CEOs and Chairs from the Champions for Change who were surveyed, there is strong support for New Zealand to be a world leader in equality, and that both public and private sector organisations be led with equality top of mind.

CEOS AND CHAIRS ARE COMMITTED TO GENDER PAY GAP REPORTING

More than 90% of Champion for Change organisations are already actively measuring and reporting gender pay gap data internally, with plans in place to close identified gaps. Almost half of the group – representing more than 50,000 employees – is also measuring, auditing and reporting externally on their gender pay gap data – in some cases as part of other international reporting standards.

A CONSIDERED APPROACH IS REQUIRED

The Champions group identified barriers to reporting on gender pay gaps, including: limited leadership appetite, lack of consistent guidelines, cost to businesses, and an inability to put statistics into context.

Proposed solutions include establishing a standardised reporting methodology that allows the opportunity to report on context alongside numbers, along with a phased approach to reporting that allows leaders time to get on board.

There was strong support for organisations of 100+ employees to report their gender pay gap data, with the majority of Champion organisations saying reporting should be undertaken by businesses themselves, as opposed to being led by Government.

CHAMPIONS ARE WILLING TO LEAD WITH A PILOT

The Champions for Change group is committed to measuring progress and holding themselves accountable, internally and externally, for change.

As such, Champions recommend they develop a simple, standardised reporting methodology with which to approach gender pay gap reporting.



The approach will allow for context and factors specific to each organisation to be explained by each participant, with the Champion-pilot group confident they can produce a first report to share in time for the October group-wide meeting.

The Champion group will share the insights and process from the pilot, to capture any learnings or changes to the guidelines and reporting process. Champions for Change will make their framework publicly available and will encourage all organisations in the private sector to report.

THERE IS WORK TO BE DONE ON DRIVING PROGRESS FOR WOMEN IN LEADERSHIP

While some businesses are leading the way with gender representation at Board and Senior Executive level, there are still New Zealand businesses with 100% male boards and senior leadership teams. Champions indicated two main barriers they believe are impacting the views of these male CEOs and Chairs to accelerate change within the teams they lead: transparency through reporting, and lack of education and awareness.

As such, there is an opportunity to lead the way in educating a broader range of New Zealand businesses on the benefits of promoting diversity and inclusion and encouraging reporting efforts.

PUBLIC AND PRIVATE SECTOR SHOULD WORK TOGETHER

There is strong opportunity for the public and private sector to work closely to address New Zealand's national gender pay gap and to drive progress for women in leadership. As such, we welcome the Minister for Women's involvement and contribution as part of our continued work in these areas.

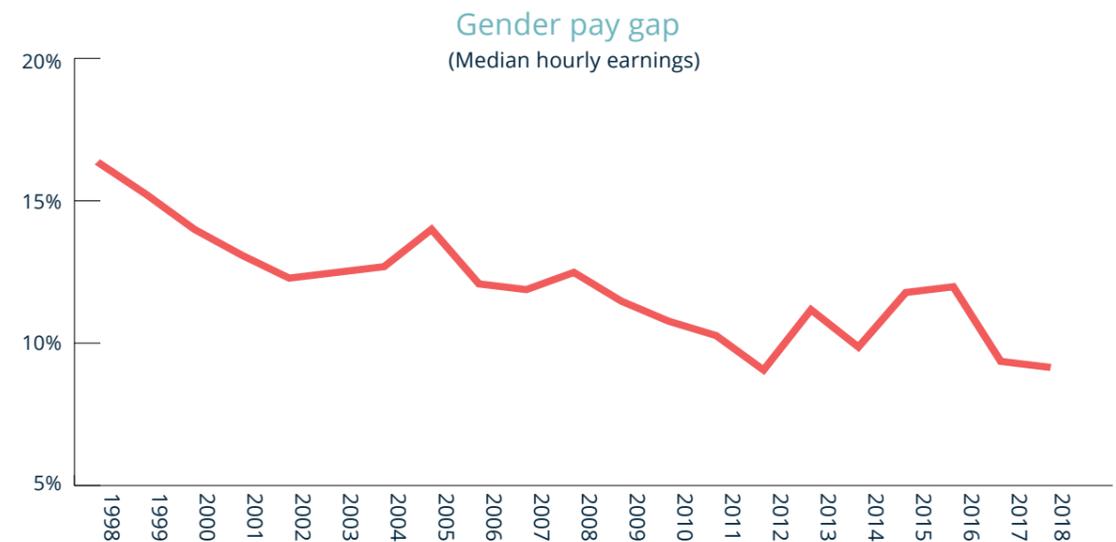


Context

NEW ZEALAND'S GENDER PAY GAP

The gender pay gap is a high-level indicator of the difference between women and men's earnings. It compares the median hourly earnings of women and men in full and part-time work.

On 15 August 2018, Statistics New Zealand announced that the gender pay gap was 9.2 percent. The gender pay gap has reduced since 1998 (16.3 percent), but has stalled in the last decade.



ABOUT THE CHAMPIONS FOR CHANGE DIVERSITY REPORTING FRAMEWORK

To measure gender and ethnic diversity, Champions for Change developed a Diversity Reporting Framework, now in its second iteration. The Framework gives companies the tools to measure gender and ethnic diversity across all management categories, from non-manager to board director.

This approach goes beyond what is currently required by NZX listing rules or public sector requirements, by targeting both gender and ethnicity representation at all levels of an organisation. The Framework provides practical guidance for organisations on how to collect and report on

gender and ethnicity workforce data. It can apply equally to listed and non-listed organisations, partnerships, and public sector organisations.

Champions for Change published year one gender results in 2018, representing more than 80,000 New Zealand employees. The report revealed that women are under represented in senior management roles, highlighting areas where organisations can concentrate efforts to grow their female talent pipelines. For year one, 29 Champion organisations submitted gender data, with a summary of gender representation by work category included on the next page, followed by international comparisons.



CONTEXT

GENDER REPRESENTATION BY WORK CATEGORY FOR THE CHAMPION GROUP 2018



INTERNATIONAL COMPARISONS 2018

(percent)	Board	KMP	Other execs/GMs	Senior managers	Other managers	Non managers	Workplace participation
NZX50	26.5	22.7	-	-	-	-	-
NZ State Sector	45.3	-	-	-	-	-	-
WGEA	24.9	29.7	30.4	34.9	41.9	51.3	50.0
FTSE100	27.7	19.3	26.1	-	-	-	-
WIW	-	20.0-21.0	29.0	33.0	37.0	47.0	-

The gender data from the first year of reporting revealed that women are under represented in senior management roles, with a particular drop off at the 'other executives/general managers' category (30.5%) and flowing on to KMP and Board level (33.0% and 35.4% respectively). While the Champions for Change group is mostly on parity or more advanced, in terms of gender balance, than many other reporting groups internationally, there is still work to be done. As a group, Champions for Change are committed to a 40:40:20 balance at all levels of employment, and are actively employing levers of diversity to achieve this balance.

Global Women are also conducting research into what is happening to women before they get to senior management to investigate why this drop off occurs and what can be done to impact it. Key findings and tools to help overcome the drop off, will be released later this year.

In terms of ethnicity reporting, approximately 62,000 employees from 26 companies responded; however, around one in every six respondents chose not to state their ethnicity which means the total data sets were often not complete, and at times data sets were highly variable in quality. There has been an increased level of responses in the 2019 reporting and on ethnicity. As a result, we now have a more robust data set to be published in October 2019.

Leadership on the measurement of gender pay gap is a natural addition to the existing Champions for Change Diversity Reporting Framework.

OBJECTIVES

- 1 Provide recommendations on how businesses would see a pay transparency regime (specifically gender pay gap reporting) applied in New Zealand.
- 2 Develop three gender pay gap case studies, including details on:
 - How case study organisations measure, and continue to measure, their organisational gender pay gap
 - What barriers exist, and how they overcome these
 - What support and/or guides do they use to assist them in the process and what insights would they give to support other organisations looking to measure their gender pay gap
- 3 Provide recommendations on activities to address the representation of women on private sector boards and senior leadership teams.

APPROACH FOR CAPTURING INSIGHTS

During the period May-June 2019, the CEOs, Chairs, and Implementation Leads from Champion organisations, were surveyed to measure their views on:

- What elements of a pay transparency regime (specifically gender pay gap reporting) might look like when applied to the New Zealand market
- Recommendations on activities to address the representation of women on private sector boards and senior leadership teams

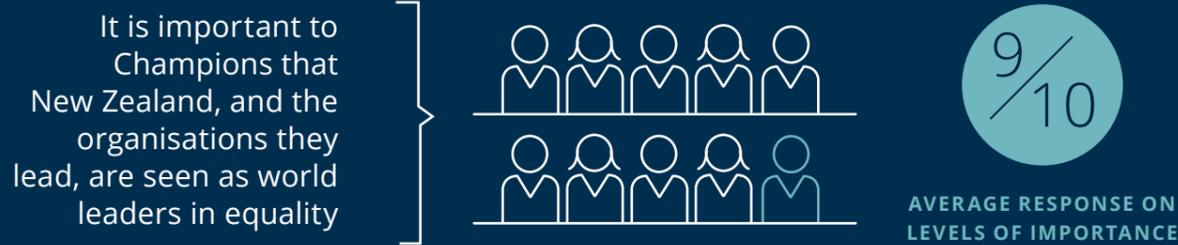
Survey results and insights were then further tested at a round-table discussion on the 21st of June with a group of 15 Champions, and again at the 28 June Champion Summit (30 Champions), to confirm the insights and recommendations outlined in this paper.

Three organisations were selected to feature in case studies to highlight insights on the application of gender pay gap reporting, associated barriers, and how they can be overcome. Genesis, SkyCity and Deloitte were featured, with full case studies available here: www.championsforchange.nz/what-we-do/measure-progress/closing-the-gender-pay-gap/

Research and insights



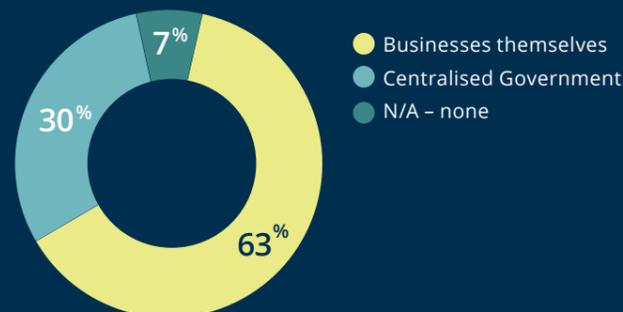
More responses than organisations as in some cases both the Chair and CEO responded



Most Champions support the voluntary regulation of gender pay gap reporting.



More than 60% of Champions believe reporting should be undertaken by businesses themselves



The most common form of gender pay gap reporting is:



Biggest barriers to publicly reporting on gender pay gap



68% of Champions believe larger companies should be required to report



Barriers to female representation on boards and senior leadership teams



The most common solutions to overcome these barriers



"Careful crafting of the reporting framework is required, allowing explanation, inclusion of progress made and plans for future actions"

91% of Champions believe numbers should be reported alongside context, including the ability to showcase improvements



Recommendations

Recommendation 1: Champions for Change will develop a standardised reporting methodology

When asked about perceived barriers for organisations to report publicly on gender pay gap data, the following were noted:

- leadership and readiness (39%)
- numbers alone lack context (34%)
- resourcing and costs (23%)
- and lack of consistent guidelines (21%).

Solutions to overcome these barriers were identified as:

- developing a standardised reporting methodology (31%)
- ensuring the opportunity to report on context (31%)
- and managing a phased approach to reporting (23%).

As such, it is recommended the Champions for Change group develop a consistent set of reporting guidelines that allows for context and factors specific to each organisation to be explained by each participant via a phased approach to reporting.

Recommendation 2: A sample group of Champion for Change organisations will lead a pilot on reporting

The majority of Champion for Change organisations are already actively measuring and reporting gender pay gap data internally (97%), with plans in place to close identified gaps (81%). A high proportion of Champion organisations are also disaggregating their gender pay gap data to understand the compounding impacts when gender is combined with other factors, i.e. seniority, ethnicity etc (81%).

Almost half of the sample (44%) indicated they are already measuring, auditing and reporting externally on their gender pay gap data (in some cases as part of other international reporting standards), and a further portion (28%) indicated they are willing to report externally in the future. The most common form of gender pay gap reporting is currently 'like-for-like' analysis, or 'by-level gaps' reporting (79%), followed by organisation wide by average (48%) or median (44%).

Champion organisations feel confident about their readiness to voluntarily report (80% confidence), and as such, propose to pilot a trial on reporting against agreed standardised reporting methodology.

Champions will set the deadline for a pilot, with a recommended schedule of requirements for the Champion-pilot group to be ready to share the results of the pilot in the final quarter of this year, 2019.

Champions will then report on the process of the pilot, to capture any learnings or changes to the guidelines and reporting methodology.

Recommendation 3: Champions will continue to raise awareness and educate the broader business community on barriers associated with the progression of women in to leadership roles

While some businesses are leading the way with gender representation at Board and Senior Executive level, there are still New Zealand businesses with 100% male boards and senior leadership teams. Champions indicated two main barriers they believe are impacting the views of these male CEOs and Chairs to accelerate change within the teams they lead, namely transparency through reporting (32%) and lack of education and awareness (23%).



As such, there is an opportunity to bring a broader range of New Zealand businesses on the journey as Champions for Change continue to lead on diversity reporting. This includes highlighting reporting efforts for increased transparency beyond the Champions group. For example, raising awareness of the NZX Code of Corporate Governance requirements and current market reporting under this code.

CASE STUDIES ON ADDRESSING THE GENDER PAY GAP

Three case studies have been developed as supporting resources to help provide insights on the application of gender pay gap reporting, associated barriers, and how they can be overcome.

Our interviews and research as part of our case studies, identified four key contributors to gender pay gaps: gender norms being ingrained from an early age, bias in recruitment, bias in the workplace, and uneven caring responsibilities. Each of these are legacy issues from a less equal time. They are intangible and can be hard to spot and address.

The good news is that none of the obstacles are insurmountable. Our Champions talk about the work they are doing to address their gender pay gaps in these individual case studies. www.championsforchange.nz/what-we-do/measure-progress/closing-the-gender-pay-gap/

LAUNCH EVENT FOR THE RELEASE OF DIVERSITY REPORTING NUMBERS

Champions for Change will host an event to launch our annual diversity reporting data, and will invite CEOs and Chairs from the broader business community, alongside the Minister for Women and Prime Minister to attend.

The focus of the event will be awareness on diversity reporting, and what metrics and reporting can do for business (building the case for change).

HIGHLIGHTING THE ROLE OF MEN AND WOMEN AS EQUAL CARERS

When we actively promote men and women as equal carers, we have the opportunity to narrow the gender pay gap, boost workplace productivity and support parents achieve both their family and work goals.

As such, Global Women is working on a piece of thought leadership designed to start a conversation between workplaces, men and their families to break down stereotypes of men caring for children and to improve the gender equality outcomes at work and at home.

Recommendation 4: The public and private sector continue to work closely together to ensure an aligned approach

There is strong opportunity for the public and private sector to continue working closely to address New Zealand's national gender pay gap and to drive progress for women in leadership. As such, we would welcome the opportunity to continue working closely on associated activity, and welcome the Minister for Women's involvement and contribution as part of any public activity we host with a broad business audience.

About

BACKGROUND TO MINISTERIAL REQUEST

As part of a meeting in early 2019 between Global Women and the Minister for Women to discuss the work of the Champions for Change, including the results of the 2018 diversity reporting, the Minister for Women, Hon Julie Anne Genter, asked for private sector views on pay transparency regimes, and examples of work organisations are doing in this space. As such, a round-table discussion was agreed to take place in coming months to further explore this topic.

The round table discussion took place in April 2019 with the Minister for Women and a number of Champions, including Michele Embling Chair PwC (Chair of the discussion), Angie Mentis CEO BNZ, Thomas Pippas CEO Deloitte, Marc England CEO Genesis, and David Walsh CEO NZ Post. Subsequently, the Minister's office wrote to Co-Chair Michele Embling to formally request two specific issues for the Champions for Change to provide advice on:

1. How New Zealand businesses would see a pay transparency regime applied in New Zealand (e.g. what size of organisations should be required to report, what method of gender pay gap should be used for reporting, and whether it should be centralised government collected data or undertaken by businesses themselves)
2. What actions need to happen across the private sector, to drive progress for women's representation on boards and in senior management. I would like your thoughts on what the focus of a leadership event should be so that we attract more men who are board chairs and chief executives to attend.

In addition, the National Advisory Council on the Employment of Women (NACEW) requested the development of three case studies of private sector organisations that have successfully measured their organisational gender pay gaps. This report is in response to these requests.



ABOUT GLOBAL WOMEN

www.globalwomen.org.nz

Global Women's mission is to catalyse New Zealand's social and economic success by championing diversity in leadership. Our dream is for New Zealand to be the best country to live, work and play; a prosperous nation underpinned by diverse leadership. Our purpose is to increase diversity in leadership in Aotearoa New Zealand through promoting, encouraging and facilitating the development of women.



ABOUT CHAMPIONS FOR CHANGE

www.championsforchange.nz

Champions for Change is an initiative that brings together leading Chairs and CEOs to advance inclusion and diversity in Aotearoa New Zealand, through individual leadership and collective impact.

CONTACT

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