

## ATTITUDES TO GENDER PAY EQUITY IN SMALLER FIRMS:

A study of firms predominantly based in Western Australia

**A report for and funded by Economic Security 4 Women**

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## EXECUTIVE SUMMARY

Currently only large firms (employing in excess of 100 people) are required to report on gender pay equity in Australia and little is known about pay equity in small to medium sized firms that employ significant numbers of women. The purpose of this project is to understand attitudes to pay equity of smaller employers and as a consequence understand what would encourage or discourage them in ensuring pay equity within their firm.

To achieve this, semi-structured interviews with owner-managers of eight smaller firms (employing 100 or less employees) were held to explore their understanding of and attitudes to pay equity, their perceptions of its relevance to their firm's ability to compete and succeed, and the structure and design of Human Resource Management (HRM) practices that enable (or not) equal pay for work of equal value within their firm. All but one of these firms was based in Western Australia.

The overarching question driving this project is, *'What do smaller firm owner-managers think about pay equity and what would encourage or discourage smaller firm owner-managers from embedding equal pay practice within their firm'*.

### Key findings

As a result of the exploration of the Pay Equity Audit Tool it was found that this tool was not suitable for small business.

Coming from the interviews were a number of key themes that contributes to an understanding of attitudes in smaller firms towards pay equity. These themes were:

1. There is a lack of knowledge about gender pay equity within SMEs;
2. That in SME's there is both 'traditional' attitudes of managers in relation to women's and men's work and more inclusive attitudes as a result of changes in the economy;
3. That gender-segregated labour pools from which employees are recruited contributes to pay inequity;
4. That awards hold back pay inequity between award covered, lower paid employees;
5. The lack of negotiation skills amongst women (especially those who were not considered to be covered by an award) contributes to pay inequity;
6. That individualised 'rewards' are given to high performing or 'meritorious' employees; and

7. That the owner-manager's values, attitudes and previous work experience is important in terms of their treatment of women.
8. That managers and owner managers of SMEs generally have a noncommittal attitude to applying a gender pay audit to their firms.

## Recommendations

1. Training about and resources for HRM needs to be provided for smaller firms with a focus on recruitment and selection processes, job analysis and job descriptions, developing performance management systems and reward systems and pay equity.
2. Further research into attitudes to gender pay equity in other Australian States and Territories, based on these findings, be undertaken to describe how widespread these attitudes are and to what extent they require a national response.
3. Curricula within schools and beyond, perhaps using role models, is developed to encourage the 'de-gendering' of career and employment thinking and therefore open up recruitment pools.
4. A strong, effective and up-to-date modern award system and national employment standards be maintained to ensure a basis for the terms and conditions of employment, including, base pay rates, job requirements and other 'rewards' associated with particular jobs.
5. The award system needs to be a national system to remove any confusion for employers about understanding their obligations to employees.
6. Training in negotiation skills be embedded in VET and tertiary curricula as a valuable employability skill, with a special emphasis on these skills for women and girls.
7. A simple 'what is merit' cheat sheet and checklist be developed for smaller firm owner-managers that can be referred to when decisions about pay, promotion, and rewards are being made.
8. A webpage is developed where smaller firm owner-managers can upload their gender pay equity 'stories of success' as text, video or vignette. These stories can communicate to other smaller firm owner-managers insight into ways pay equity can bring about a range of business benefits. This webpage could be part of the EOWA, ES4W, COSBA or equalpayday.com.au website.

## **INTRODUCTION**

The purpose of this project is to explore smaller firm owner-managers' understanding of pay equity, perceptions of its relevance to their business, attitudes to equal pay, and the structure and design of Human Resource Management (HRM) practices that enable (or not) equal pay for work of equal value within their firm.

The first aim is, within the context of informal HRM practices in smaller firms, to understand how smaller firm owner-managers know whether or not a pay gap exists within their firm and how they can they be certain that pay inequity does not arise within their firm. Should they be uncertain about their pay practices, the a secondary aim is to explore their knowledge about and attitudes towards undertaking a pay audit and using a tool, such as EOWA's pay audit tool, to assist with that process. Overall the intention is to highlight to smaller firm owner-managers the importance of pay equity, the consequences of inequity and a consideration of means to rectify gaps.

Questions in this qualitative research project focussed on HRM practices used in the firm and how these are developed as well as knowledge about, and attitudes to, undertaking a pay audit using a tool such as the EOWA's Pay Equity Audit tool developed in Western Australian Government's Pay Equity Unit.

## **Background**

In 2010 a report by Business and Professional Women Australia (BPWA) for Economic Security for Women found that there was little research into the attitudes of small to medium enterprises (SMEs) to gender pay equity (MacKeith, Cook & Williams 2010). This research then exposed a general lack of awareness of gender pay auditing amongst SMEs although there was recognition of the benefits of greater flexibility in diverse working arrangements specifically in the retention of skills and acknowledgement of family commitments. The authors of the report recommended further investigation into the effect of, and possible influence of, gendered corporate culture on gender pay inequity in SMEs. This study is a result of that recommendation.

## LITERATURE REVIEW

The concept of gender pay equity is a simple one and recognizes that men and women undertaking the same work, or work of equal value, should be rewarded the same. 'Equal pay for work of equal value' has been a principle enshrined by the International Labour Organisation and adopted in Australia through industrial regulation: the 1969 Equal Pay case was based on the concept of equal pay for equal work while the 1972 Equal Pay case embedded the concept of equal pay for work of equal value. Despite acknowledging the principle, achieving equal pay is an ongoing process of change.

Equal pay appears to be a difficult concept to translate into a reality in the workplace. It may be tied up with issues of direct and indirect sex discrimination, occupational segregation, the undervaluation of women's work, the prevalence of women in part-time and casual work, the means of wage setting and power relationships at the workplace (Vic Govt, 2007; FaHCSIA, 2009b).

.Moreover there is no regulatory mechanism available that enables governments to require all firms, regardless of size, sector or ownership structure, to ensure equal pay for work of equal value. That pay equity is not a topic which is high on smaller firm owner-manager's agenda (MacKeith, Cook and Williams, 2010) maybe a result of this lack of regulation as they are not obliged to report on any aspects pertaining to pay equity under EOWA's current reporting regime.

The gender pay gap is measured as the difference between male and female earnings expressed as a percentage of male earnings. In Australia in February 2011 the pay gap in average full-time weekly earnings stood at 17.2% (EOWA, 2011) and has averaged between 16-19% over the last two decades. Pay inequity exists in all industries. In February 2011, the financial and insurance services sector had the highest gender pay gap (32.8%), followed by the health care and social assistance sector (28.8%), rental hiring and real estate services sector (27.6%) and professional scientific and technical services sector (27.1%) (EOWA, 2011). The industries with the lowest gender pay gap were public administration and safety (8.1%), retail trade (8.6%) and transport postal and warehousing (9.1%) (EOWA, 2011). The size of the average gender wage gap meant that in 2011 women needed to work an extra 63 days in a year to match what men earned (EOWA, 1 September 2011), and this is what the Equal Pay Day campaign seeks to convey to the public.

The existence of a gender wage gap means that over the course of a woman's full-time working life she can earn up to one million dollars less than her male counterpart. This may begin at graduation when female graduates earn an overall level 96% per cent of their male counterparts. In December 2010 the median starting salary for male graduates was \$50,000, which was slightly higher than that for female graduates at \$48,000 (EOWA, 2011). In a state like Western Australia female graduates working in the mining industry start out earning 8% less than male graduates and this accelerates over time with a gender wage gap of 33% for senior managers in the mining industry (Mayes, 17 July 2010, p. 26). Overtime these wage differences contribute to differences in superannuation savings and women are two and a half more likely to live in poverty in their retirement than men (Cassells, Miranti, Nepal and Tanton, 2009).

Reliance on the award system to set wages has seen a narrower pay gap emerge in smaller firms and has managed to restrain the worst excesses of pay inequity (Daly, Meng, Kawaguchi and Mumford, 2006; Vic Govt, 2007).: Indeed, using August 2008 ABS data on average ordinary time cash earnings for full-time managerial adults, the difference based on firm size has been shown to be one of a 9.6% gap in firms employing less than 20 people compared to a gap of 20.3% in firms employing greater than 1000 people (FaHCSIA, 2009a). Preston's (2011) analysis of the fourth wave of the Australians at Work study being undertaken at the Workplace Research Centre at Sydney University, found that less than one third of the wage gap was explained by difference in individual and firm related characteristics of respondents such as qualifications, experience, geographical location of employment, industry, firm size, personal demographics and household structure. Firm size played an important role with employees in large workplaces earning 13.3% more than those in smaller workplaces. However, the reporting regime, and resources to assist firms understand and reduce any pay equity gap, have focused on larger firms. For example, only firms employing more than 100 people have had to report to the Equal Opportunity for Women in the Workplace Agency (EOWA), which was established to administer the Commonwealth *Equal Opportunity for Women in the Workplace Act 1999*. But even of those that do report, research has shown that less than 40% of these organisations conduct any analysis of gender pay equity on an annual basis (EOWA, 27 May 2011).

While the industrial relations system has played a role in restraining the wage gap, the system has been changing over time. On 1 January 2010 the complex system of state and commonwealth regulation of industrial relations was replaced with one Commonwealth system. In all Australian states, except Western Australia, the Commonwealth *Fair Work Act 2009* became the system to regulate industrial relations within all public and private sector firms with some exceptions around local government and state public sector workers. Features of the new system included: a set of 10 minimum National Employment Standards;



modern awards applying to specific industries and occupations; a national minimum wage order (where it applied); enterprise bargaining; and protection from unfair dismissal (Barrett, 2010). Smaller firms have predominantly been covered by state systems of industrial relations and have traditionally relied on the industrial award system to outline terms and conditions of employment.

However, the *Fair Work Act 2009* is underpinned by the Corporation power section 51(xx) of the Australian constitution, which enables the federal parliament to enact laws with respect to “foreign corporations and trading or financial corporations formed within the limits of the Commonwealth”. Although the Corporations power is used alongside the Industrial Relations power in the Constitution, it remains the key constitutional basis for the *Fair Work Act*. This is potentially problematic as the majority of Australian smaller firms are unincorporated, operating as sole traders, partnerships or family trusts. In 1997 the ABS estimated that 26% of workers in the private sector were employed in unincorporated small and medium sized firms (Prince and John, 2005), while estimates from the ABS (2004) in October 2005 suggested that of the 837,000 firms employing people in Australia, some 402,000 (or 48%) were unincorporated.

While employees of smaller (unincorporated) firms in Queensland, South Australia, New South Wales, Tasmania, Victoria, Northern Territory and the Australian Capital Territory are covered by the application of the National Employment Standards (NES) and pay and conditions contained within the modern awards, those in Western Australia are not. In Western Australia, the only state that did not refer its IR powers to the Commonwealth, the system remains state based and there is confusion amongst employers as to whether the federal or state system applies and this will depend not only on the firm’s status (incorporated or unincorporated) but also on the historical development of individual firms.

The challenge for those firms that came from the various referred state jurisdictions to the federal jurisdiction in 2010, would have been in understanding the nuances of system and the differences in provisions relating to matters such a unfair dismissal. While the notion of a safety net is not entirely new in Australian wage fixing, given the wage fixing reviews of the later period of the Accord, a change for all firms, large and small, was the the need to comply with the ten NES and the ‘safety net’ of minimum wages and employment conditions specified in the ‘modern awards’. The NES apply to all employees on a ‘no detriment basis’ and represent the minimum standards below which no employee’s terms and conditions of employment can fall. They were developed after consultation and

consideration of 129 submissions from interested parties to the exposure draft which was released in February 2008. The NES include:

1. Maximum weekly hours of 38 hours per week, with the ability for employers to request reasonable additional hours but employees with the right to refuse reasonable overtime.
2. Parental leave and related entitlements which provides up to 12 months unpaid leave for every employee, plus a right to request an additional 12 months unpaid leave, plus other forms of maternity, paternity and adoption related leave.
3. Requests for flexible working arrangements for which allows parents and carers of children under school age or children under 18 with a disability to request a change in working arrangements to assist with child care.
4. Annual leave of 4 weeks paid leave per year, plus an additional week for certain shift workers.
5. Personal leave/carer's leave and compassionate leave of 10 days paid personal/carer's leave, two days unpaid carer's leave as required and two days of compassionate leave (unpaid for casuals) as required.
6. Community service leave (unpaid) for prescribed community activities such as voluntary emergency activities and jury service, with an entitlement to be paid for up to 10 days jury service.
7. Long service leave, which has been currently State-based and therefore a transitional entitlement for certain employees who had certain long service leave entitlements before January 1, 2010 pending the development of a uniform national long service leave standard.
8. Public holidays which shall incorporate State-based gazetted public holidays, except where there reasonably requested to work.
9. Notice of termination and redundancy entitlements, which are both based on length of service and include up to four weeks notice (or five weeks if the employee is over 45 and has at least two years of continuous service) and up to 16 weeks redundancy pay.
10. A Fair Work Information Statement outlining workplace rights which must be provided by employers to all new employees. Penalties of up to \$33,000 can apply if employers fail to supply the statement.

These ten NES sit alongside the terms and conditions specified in the 122 modern awards, which replaced the array of over 1500 federal and state awards operating as NAPSAs (Notional Agreements Preserving State Awards) (FWA, 2010). Modern awards represent industry or occupational-based enforceable minimum employment entitlements relevant to

the industry or occupation they cover. They do not necessarily apply to some managers or high income employees (where income currently is evidenced to exceed \$118,100 per annum which is indexed annually) even if they work in the industry covered by a modern award. The award modernisation process started in April 2008 and occurred in four stages (See AIRC, 2010). Each modern award was made by a Full Bench of the Australian Industrial Relations Commission to operate in conjunction with the NES. The awards created in the first phase of the process came into effect on 1 January 2010, while those in the second phase would start at later dates determined by Fair Work Australia.

In many of these modern awards transitional provisions apply to phase in any changes in wages, loading and penalties over a five-year period. Although applications have already been received by Fair Work Australia to amend modern awards, the process is such that Fair Work Australia must conduct a review of all modern awards, other than modern enterprise awards and State reference public sector modern awards, as soon as practicable after the second anniversary of the Fair Work (safety net provisions) commencement day, 1 January 2010. Fair Work Australia has recently announced that any application to vary a modern award needs to be filed in early March 2012 (<http://www.fwa.gov.au/decisionssigned/html/2011fwa7975.htm>).

In Australia, smaller firms represent the norm in terms of private business enterprises and make important contributions to servicing and producing Australia's economic growth, wealth, employment and innovation. While it is difficult to know exactly how many small firms operate in Australia, of the 2.05 million economically active firms in 2010, 40% had employees and of these less than 1% employed more than 200 people (ABS, Oct 2010). Small firms (organisations employing less than 20 people) represented some 97% of private sector businesses in Australia (ABS, 2002), employing some 55% of all private sector employees including owner-managers and own account workers (these figures exclude agricultural workers). In terms of employee earnings, the ABS (May 2010) estimates that collective agreements (43.4%) and individual agreements (37.3%) are the most common means of setting pay. 'Award only' (where that is defined as paying no more than the award specified) was the least common method of wage setting (15.2%). The ABS estimated that up to a quarter of smaller firms had employees' terms and conditions set by the award only. On average some 15.2% of employees across Australia have their pay and conditions set by the award only while in Western Australia this figure drops to 9.9% (ABS, May 2010). One explanation for this may be in the definition of 'award only' as there is evidence in Western Australia where there are labour shortages to suggest that significant over award payments are made to attract and keep staff.

The proportion of women working in smaller firms is not known. However women make up approximately 49.9% of the Australian workforce (ABS, May 2010) and according to the Council of Small Business of Australia, in 2008, half of private sector employment

(approximately 5.8 million) was located in small business. That said, it is possible that the proportion of women working in smaller firms is higher than in larger firms as these may offer opportunities for entry (and re-entry) into the workforce on a local scale. Men are 50% more likely than women to operate smaller firms and their firms are more likely to be larger and older and therefore have greater resources available within the firm (ABS, 2008). That owner-managers of smaller firms are more likely to be male (2/3<sup>rd</sup>) than female (1/3<sup>rd</sup>) and that this proportion of female ownership has not changed in any significant way over time (ABS, 2009), challenges the rhetoric about smaller firms as a place for women to 'escape' corporate life.

Further research suggests that the gender of the owner of a smaller firm can affect the composition of the workforce. Carrington and Troske (1995) show that while there is an industry effect (women are more likely to run businesses in female dominated industries), female business owners are more likely to employ females, other characteristics also play a role and the business owners age (older), education (higher) and size of their firm (larger) can all affect the likelihood of employing women. The composition of a firm's workforce can then affect pay, as firms with predominantly male employees pay higher wages than firms with predominantly female employees (Carrington and Troske, 1995). Indeed research has shown that a significant portion of the gender pay gap is associated with being in female dominated work and this is problematic in Australia's gender segmented jobs and industries. Women employed in industries that were close to 100% female dominated earned 32% less than women with identical job characteristics employed in industries that were close to 100% male dominated (Pocock and Alexander, 1999). Managerial composition also plays a role, and Cohen and Huffman (2007) show that having women in upper-status management roles 'lifts all boats' by boosting wages of women in non-managerial roles.

Indeed the 2009 report, *Making it Fair: Pay Equity and Associated Issues Related to Increasing Female Participation in the Workforce* (House of Representatives Standing Committee on Employment and Workplace Relations, 2009), highlighted issues contributing to gender inequity in Australia, which included: the gender segmented workforce; the gendered nature of part-time and casual work; women's lack of negotiation skills; the perpetuation of 'traditional' career expectations for women; the lack of women in senior leadership roles; the need for diverse working arrangements to enable work-life balance; a lack of paid maternity leave; confidentiality in the negotiation of employment contracts; and gendered corporate cultures amongst others. The *Making it Fair* report made several recommendations for narrowing the gap but in doing so there was a stated desire to avoid "creating new obligations for small and medium enterprises" (House of Representatives Standing Committee on Employment and Workplace Relations, 2009, p. iv) acknowledging that smaller firm owner-managers generally perceive regulation as burdensome.

Some changes have been made and the *Fair Work Act 2009* introduced measures to achieve equal pay for work of equal or comparable value. The principle allows for a comparison to be carried out between different but comparable work using skill and job evaluation techniques and it removes the requirement for applicants to demonstrate that discrimination was involved in setting the remuneration. This provision has been tested by the Australian Services Union and others who lodged an application to improve wages for community services workers. Fair Work Australia recognised that the work undertaken by some 200,000 mostly female workers in the sector has been undervalued. Following the preliminary decision, the government committed to fund pay rises for 150,000 social and community sector workers which will average 20% and up to 41% in some cases (Fair Work Australia 2012).

If external forces for change – regulation and reporting regimes for example – are not used to encourage change in smaller firms, then internal forces are also unlikely to operate to encourage an examination of pay practices in smaller firms. Smaller firms generally lack formal systems to manage the employment relationship, specifically formal human resource management (HRM) practices (Barrett and Mayson, 2008a). The most commonly found HRM practices in small firms reflect operational needs and pragmatic concerns: record keeping; staffing activities, such as recruiting and selecting staff; and, to a lesser extent, motivation and retention activities such as compensation and reward practices (Barrett and Mayson, 2008a; Deshpande and Golhar, 1994; Duberley and Walley, 1995; Heneman and Berkley, 1999; Hornsby and Kuratko, 1990; 2003; Kotey and Sheridan, 2001; McEvoy, 1984). Indeed Hornsby and Kuratko's (2003) study of HRM in smaller firms which replicated and extended their 1990 study of the same issue, concluded that HRM practices in smaller firms (those with less than 150 employees) had stagnated and even regressed despite threats within the regulatory and external business environments that should have seen a greater emphasis on HRM. While they concluded that staffing and reward practices were important HRM issues for smaller firm owner-managers or managers, they argued that there was need for "a greater application of HRM practices in smaller firms" (Hornsby and Kuratko, 2003, p. 89).

In terms of HRM practices, while smaller firms are generally lauded for their ability to provide flexibility, research has found that written policies addressing behaviour at work (OHS, discipline, harassment and/or bullying, and drug and alcohol use) are more likely to exist than those that address equity issues (for example, Equal Employment Opportunity, Affirmative Action, Paid Maternity Leave, and flexible hours) (Barrett and Mayson, 2007). Cassell, Nadin, Gray and Clegg's (2002) study in the North of England found that owner-

managers of smaller firms stated that their HRM practices embraced equal opportunity, but there was little evidence to support their statements. Indeed, ABS (2009) surveys show smaller firms are less likely than larger firms to have policies addressing flexible working practices. Without written policy, then access and application depends on managerial prerogative. This can be problematic if gendered attitudes colour decisions, as management practices which create inequities through discriminatory practices represent costs to organisations because all employees' knowledge, skills and abilities are not fully utilized (Cassell, 1996). Recognising the role of women as producers as well as reproducers through the provision of policies dealing with equality can have a positive effect on productivity, especially if they are provided as a comprehensive bundle of practices (Perry-Smith and Blum, 2000). Yet when these initiatives are not made mandatory through legislative fiat, then their implementation becomes a voluntary choice for employers (Dickens, 1999; 2006).

The key to gender pay equity is a pay system that is based on the demands of jobs performed within the firm (Levine, 2003). Determining the 'value' of jobs is not about the cost to the employer but the demands on the person undertaking the job in terms of knowledge, skills, and abilities. While 'like' jobs are more easily compared it is also necessary to understand that different jobs can be valued equally acknowledging that the Federal Equal Remuneration provision has been widened to equal remuneration for work of equal or comparable value. For example if a firm had a male storeperson and a female administrative assistant, they would both be likely to require product knowledge and be familiar with the firm's systems and culture, but one needed customer service skills while the other needed a forklift license. On the surface these would appear to be different jobs, but when looked at in terms of value and the different demands in each job, they actually balance each other out and therefore the pay for these jobs should be aligned.

While many employers understand their obligations not to discriminate on the basis of gender, the concept of pay equity, and particularly 'equal pay for work of equal value', can be a difficult one to grasp. While there is a nominal commitment to equal remuneration by employer organisations, there can also be resistance to the type of changes this would initiate if implemented comprehensively and consistently. Employers have not always been helped by their representative organizations in understanding the concept and this can be seen in a comment made by David Gregory, the head of workplace relations for the Australian Chamber of Commerce and Industry, who said, "You can get claims trying to line up all sorts of different types of work and to make comparisons about the sorts of value that should be attributed [to that work]" (quoted by Schneiders, 2009). This comment was made in the context of the Australian Services Union announcing the first Equal Pay Case under the Fair Work Act to address the pay inequity faced by the mainly female workers in the Social and Community sector (as discussed above).

Smaller firms are difficult to reach with information and advice about a range of business topics generally and more so about difficult to understand ones such as pay equity (McKeith, Cook and Williams, 2010). Smaller firm owner-managers generally prefer information on a 'just-in-time' basis and usually when there is an immediate problem to be addressed (Billington, Neeson and Barrett, 2009; Neeson, Billington and Barrett, 2007). Despite EOWA and the Pay Equity unit in the Western Australian government for example, developing a range of guides and information sheets about pay equity that can be applied in smaller firms, there is little evidence that it makes an impact or addresses the issues specific to the smaller firm.

Moreover, the tools available to help firms ensure equal pay practice, do not easily translate to meet the need of smaller firms. For example, EOWA's Pay Equity tool – the 7-step approach to payroll analysis – makes it quite clear at the analysis step that the tool is unlikely to be accurate for firms with less than 400 employees because there will be too few numbers in the required cells (see [http://www.eowa.gov.au/Pay\\_Equity/Pay\\_Equity\\_Audit\\_Tool/Tool.asp](http://www.eowa.gov.au/Pay_Equity/Pay_Equity_Audit_Tool/Tool.asp)). Additionally the Pay Equity Tool starts with a requirement for job descriptions to exist and while this is a basic requirement of a job, in smaller firms they often do not exist. Nor is there likely to be a dedicated HR manager in smaller firms and it is often the owner-manager, their assistant or a business manager, without HRM expertise, who is left to manage the complexity of employment.

In smaller firms there are likely to be fewer jobs undertaken and therefore any comparison between the pay for these jobs should be a relatively simple process. However, in smaller firms there are less likely to be formalized HRM practices in place and this can lead to a lack of transparency around pay practices and the setting and awarding of pay. Smaller firm owner-managers are known to treat 'valued' employees differently (Barrett and Mayson, 2008b) and in smaller private firms where there is no requirement to report, these practices can go on without challenge.

While a gender pay gap is likely to be smaller in smaller firms, one exists none-the-less and it is influenced by firm size amongst other factors.

## **APPROACH AND METHODOLOGY**

This small sample, predominantly located in WA, imposes limitations on using the findings of the study as a basis for an Australian wide commentary.

The challenge in this research is gathering participants. A range of networks and databases were exploited to gather the small convenience sample of smaller firms of which all but one operated in Western Australia. Western Australia provides an interesting case study for two reasons. The first reason is that the state government maintains a Pay Equity unit within the Labour Relations section of the Department of Commerce and therefore there are resources available to firms within the state about the meaning of pay inequity and means to ensure equitable pay practices. The second reason is that Western Australia is not part of the 'national' industrial relations system and many smaller firms within the state remain covered by awards made within the state industrial relations system. There is considerable confusion within the smaller firm community about which jurisdiction – state or federal – they operate within and there are differences between pay and conditions outlined in the state and federal awards.

The project proceeded in two stages.

### **Stage One**

The first stage was to develop an understanding of the way the pay equity audit tool was developed, how it worked and how it had been used to date. To this end a meeting was held with staff in the Western Australian government's Pay Equity Unit. During this meeting the online pay equity tool was discussed and its workings shown to Professor Barrett and Ms Sandra Cook, BPW Australia. A meeting was also held with Victorian government officials who are users of the online pay equity tool to discuss its application and extension in Victoria. Views about the viability, likelihood and rationale for undertaking a pay audit were explored with the interviewees at stage two and are reported.

### **Stage Two**

The second stage was to assess smaller firm owner-managers or managers understandings of pay equity, perceptions of its relevance to their firm's ability to compete and succeed, attitudes to pay equity, and the structure and design of HR practices that enable (or not) equal pay for work of equal value within their firm.



Semi-structured interviews were held with eight smaller firm owner-managers (see Appendix One).

Participants were asked a series of questions about their business, characteristics of the market in which their business operated, employment practices and organisational culture. Questions also focussed on the owner-manager him/herself as the literature points to the owner-manager's values playing a critical role in defining the nature and type of HRM practices that emerge within the firm (Drummond and Stone, 2007; Baron and Hannan, 2002; Baron, Burton and Hannan, 1996). The focus of the interview then shifted to the concept of pay equity and specifically what the owner-manager understood the concept to mean, what they perceived the result of any inequity within their firm to be and how they were assured that such inequity did not occur within their firm. Questions about HRM policies such as how were they developed, by whom, and how formal they were followed, with a particular group of questions on: How the value of each job was determined; where owner-managers sought assistance to determine the value of jobs; how owner-managers determined what to pay different employees; from who did they seek advice on pay rates; whether employees knew what each other was paid; how employees were rewarded; what criteria were used to determine the type and nature of rewards for employees; the extent to which there were differences in reward structures for employees; basis for which employees were promoted; how, if the merit principle applied to promotions or rewards, it was assessed; and the extent to which employees knew the basis on which rewards and promotions were made.

Interviews ranged from 30 minutes to nearly two hours and the majority were conducted at the participants' workplace. The project was explained to each of the participants and their consent to participate and have the interview taped was sought and gained. Participants were free to withdraw at any point without penalty. All the interviews were transcribed verbatim.

Overall this project sits within a qualitative research tradition. The data analysis was a 'fluid' process of making sense of the data (Tesch, 1990) and the analytic approach used relied on searching for and categorizing common themes and relationships between those themes (see O'Dwyer, 2004, for example). Each transcription was read and reviewed a number of times for analysis. The initial reading revealed the key themes while the subsequent readings enabled a template approach (Huberman and Miles, 2002) to be used where the interview text was analysed using the guide constructed from the identified themes. Essentially the analysis was undertaken in terms of understanding the meanings owners

attached to issues raised around pay equity more generally. The findings from the data are reported below.

## RESULTS

### Stage One: The Pay Equity Audit Tool

The Western Australian government's Pay Equity Unit was established in 2006, within the Labour Relations Division of the Department of Consumer and Employment Protection. The Pay Equity Unit remains the only specialist unit addressing gender pay issues in any Australian state or federal jurisdiction. The key aim of the Pay Equity Unit is to raise awareness within business and the community about pay equity through education and training and to do this by working with public and private sector employers to implement pay equity audits and other strategies to remove barriers to workforce participation and career progression for female employees.

While staff in the Pay Equity Unit have developed a range of fact sheets to assist in promoting the understanding of pay equity issues and encouraging employers to develop pay equity strategies they have also developed the *Pay Equity Audit Toolkit* as a detailed resource for employers and managers to use in helping them understand whether equity or inequity results from their pay and reward strategies. This toolkit has been shared with other agencies (i.e. EOWA) and state government departments while copies of the toolkit were distributed to Western Australian employers following its launch in July 2007.

Information from the Pay Equity Unit (WA Dept of Commerce, 2011) outlines that a pay equity audit is an analysis of payroll data and human resource practices to identify where gender pay gaps and gender issues exist within an organisation. As such a pay equity audit is only the first step in undertaking a wider pay equity review, in which managers use the data from the audit to develop and implement ongoing strategies to improve gender equity within their workforce. One element of undertaking a pay equity audit within an organisation is to determine which areas are female dominated occupations, and analyse whether the skills of employees in these areas are being appropriately valued and adequately rewarded.

The purpose of a pay equity audit is to provide the data needed to develop pay equity strategies that are appropriate and beneficial to the organisation (WA Dept of Commerce, 2010). The findings can also provide a benchmark to assess improvement in gender equity in subsequent years. The long term outcomes of a pay equity audit should be a range of targeted strategies to assist in attraction and retention of quality employees and remove

barriers to workforce participation and career progression for female employees. These include making flexible working arrangements such as part time work, home based work and flexible hours available for all employees and promoting a workplace culture that supports their use.

To assist organisations undertake pay equity audits, the Pay Equity Unit has developed a range of resources including the Pay Equity Audit Tool. It is an automated spreadsheet that creates tables and charts based on payroll data, showing 14 gender pay gaps and other indicators such as the prevalence of flexible working arrangements. Using the tool streamlines the technical process of data analysis, so that the organisation can instead focus on other aspects of a pay equity audit. The broader review process includes:

- analysing the results of the data analysis;
- attempting to assess whether gender-based discrepancies that are found are justifiable or explainable;
- identifying areas for further investigation; and
- developing recommendations for corrective action.

The *Developing Pay Equity Strategies* handbook in the toolkit details five steps to analyse audit data, develop a pay equity action plan and implement and communicate gender pay strategies. The toolkit also contains six pay equity solution sheets that provide suggested strategies and actions to address gender pay issues which relate to increasing female representation at senior management levels, gender equity in performance payments and in career development and promotion, flexible work arrangements including job sharing and part-time work.

The pay audit tool is unlikely to work well in smaller firms and there are limited other resources about how to achieve pay equity that emphasise the costs of inequity in smaller firms which acknowledge their resource constraints and information preferences.

One tool that may be useful has been developed by the UK's Equality and Human Rights Commission (EHRC). The UK's five step process guides smaller firm owner-managers through the process of assessing whether pay is fair within their organization (see <http://www.equalityhumanrights.com/advice-and-guidance/information-for-employers/equal-pay-resources-and-audit-toolkit/equal-pay-audit-kit-for-small->

businesses/). The UK's process requires evaluating all jobs and considering whether they are the same or similar and then assessing the pay for these jobs. Should pay differences emerge then the process allows for an assessment of the reasons for pay differences and requires the owner-manager to consider whether these differences arise as a result of the jobholder's gender. This was developed within the context of the UK's regulatory framework but can be used as a framework for assessing factors that would serve to motivate smaller firms owner-managers, more generally, to examine and use various tools to ensure their pay practices lead to equality.

In relation to the online toolkit, demand has not been high and it has predominantly been used in large public sector organisations. For example, in 2007 the Pay Equity Unit developed individualised Pay Equity Reports for each of the 26 large public sector agencies in WA (those with more than 400 FTEs). These reports provided an overview of the gender pay gap data for the agency and sought to encourage public sector agencies to undertake detailed pay equity audits. The initial report provides a baseline against which any progress can be measured and while reports have been provided on an annual basis a number of agencies have initiated pay equity audits.

Staff in the unit have also assisted a range of private sector firms and local government organisations with their pay equity audits. Examples of assistance include model audits, training of human resources staff in the technical aspects of the audit and collaborating with managers to identify appropriate actions to close significant gender wage gaps (where significant means a gap of 5% or more), and come up with recommendations from the findings.

The complexity of the Pay Audit tool for smaller firms, where there is unlikely to be written job descriptions beyond the classification structure as specified in the award, and no trained or dedicated HR manager, cannot be underestimated. Neither can the drivers for undertaking a pay audit: public sector organisations are accountable to the wider population, private sector ones that do not have shareholders, are not. This is essentially what the results of the stage two interviews found.

## **Stage Two: Attitudes**

The interviews were conducted with owner-managers or managers in smaller firms in diverse industries and in firms with a range in their size of employment. Employees' terms and conditions of employment were set by a range of instruments within these firms. Some

used the relevant modern award as the basis for collectively applied or individually determined terms and conditions of employment. Only one firm would have been covered by an award made in the WA state system, but even in that firm the modern award was referred to.

Key themes from the interviews are reported below and illustrated with quotes.

## **1 Lack of knowledge about gender pay equity**

Gender pay equity was not a topic that generated much interest and while participants were curious about the concept they were not rushing to investigate whether there was any inequity. There was an assumption that gender based inequity was a thing of the past:

*I must admit that it's not something that I've thought of much. I wouldn't have thought that this [pay inequity] was the case in Australia. You tend to think that since it's a first-world country it would be very good. (Business 7)*

Another owner-manager argued:

*My comment would be – not that I know anything about it outside my industry – but years ago I would guarantee that people would do anything to try to keep their wages down, so if they could make someone feel as though they were less important and not as good as they thought they were then they would because it would only cost them this much to pay them. Whereas because, particularly in Western Australia, we went through the HR crisis, if you haven't got your employment things right then you probably don't exist anymore. You can't afford not to be paying people right. You've got no chance. You can't get past square one unless you've got the people right. You put so much effort into putting people right, how can you then not pay them right? Because that just crosses off all the other efforts. I'd be surprised if it's actually that significant in a place like WA. I don't know about the Eastern states. (Business 1)*

Equal pay for equal work was well understood as a concept. As one business owner said,

*...the work is the same, the skill sets are the same, so why would we pay one gender differently than another gender? (Business 6)*

However, equal pay for work of equal value was not a well understood concept. This is evident in the following exchange:

*Interviewer: Have you thought about, in terms of dissimilar jobs, for example customer service compared to warehouse? Would you be able to do a work value exercise – a comparable value exercise – easily?*

*Business manager: What do you mean? (Business 3)*

Another business owner also found the concept difficult to comprehend:

*It's hard because it does mean you have to think about it. I would say that in our organisation we don't discriminate against women because my husband and I are very passionate about that very thing. That if someone does the same job they need to be paid the same amount of money. But when you said men tend to be in the more permanent positions I started thinking that, not in our organisation so much, but I can see that. Is it because women tend to be seen as the mothers etc? (Business 7)*

Or as another laughingly said in a response to a question about whether she thought pay equity could be achieved,

*I think it depends on your definition of pay equity. I think you can achieve pay equity at lower levels much more easily than higher levels. That would be my view. Easier for people who are paid under \$50,000 but much harder after that because you just get into that negotiation stance. (Business 8)*

## **2 Traditional approaches to gender and work**

In one of the mining services firms there was a very clear expression of 'traditional' thinking about what work men and women undertake. This was put down to being a result of the culture of the sector but one that the HR manager had been seeking to change. As he explained,

*It's a very male-dominated industry – there's no doubt about that. Probably in the more technical roles there's been some growth with female population – engineers, geologists, surveying, environmental OH&S. Certainly in the operator realm there are still not too many women operators. There are a few – certainly in our company there's not. (Business 5)*

When asked why he thought this was the case, he responded,

*I think it's more of a mindset than anything else. (Business 5)*

He went on to give two examples that illustrated this mindset.

*When I first came on board as HR Manager they were actually recruiting for apprentices. I was obviously given the role of advertising and putting some apprentices on. I then had the Apprentice Master come into my office after he'd reviewed the applications and he said, "Do you think it would be inappropriate if we scheduled a couple of females for interview?" I said it certainly wasn't inappropriate if they're the right people for the position. He said, "Well schedule them for the interview but they won't get the job." When I asked what he meant he replied, "Well we don't employ females."... Another example is when we needed to employ some Plant Operators, short-term for over a six-week period in a rush. Someone got the specs from the manager – what they need to do, what they need to have. He gave me the specs and I sent them out to an agency, who sent me back half a dozen CVs: three were female, three were male. I picked the best ones – I think it was two females and three males or*

*something – and when I informed the Operations Manager that they were starting and that two or three of them were female he blew his stack and said “What do you think you’re doing employing females for our site?” (Business 5)*

Another business owner faced a similar attitude but in relation to employing a male in a female dominated industry.

*A male nurse applied for our practice and the main doctor said “I’m not having a male nurse”. I said “of course you are – he’s the best person for the job”. A better female nurse applied anyway so it was a moot point, but the doctor felt very strongly that he didn’t want a male nurse – it didn’t suit his image. (Business 8)*

However there was an acknowledgement that times were changing and this could be seen in the explanation by the Director of a health services organisation. He explained their business used to be quite traditional in terms of the roles people played but that thinking had changed and was driven by shortages in the labour market, recognition of inequality in the business and the need to grow the business by keeping the best in the business.

*I think we’ve come a long way in a positive sense. There was a real crisis with pharmacists – you couldn’t get pharmacists anywhere – and we started looking at potential partners in women, some of whom were just married and would probably be having kids in the next year or two. Through that crisis we realised that some of them were perhaps not wanting to go down the career path because they weren’t expecting that that was a possibility. We had that sort of culture, built around the unwritten rules, which I think was, for us, “They don’t want a career” and the women thinking “well I don’t want a career”, so they were not chasing it. But that came to a head when one woman piped up and said, “Oh it’s a bit of a boys’ club.” There were more females working there than males so how could it be a boys’ club? Well because all our senior partners were males, and so from that they perceived it was a boys’ club. At that stage we did have a female partner and we had women in executive management – all that sort of thing – so it was a bit of shock to hear someone saying that. However, if you accept that their perception is their reality, then where do they get that from? Then we started trying to promote the idea of having a women’s association (particularly for pharmacists) within our organisation, run by women, so they could look at women’s issues like childcare – like maybe they could amongst themselves trust each other to look after the other’s kids at particular times. But none of them were interested in actually doing that. I wondered at the time if that was because when they really looked at what they had it wasn’t really that bad and they didn’t need to spend a lot of time trying to improve it? We tried to get a couple of them to take the initiative and run it but they didn’t want to.... So instead we opened up opportunities for people to be in business with us and not be in competition with us.... And I think that’s attracted people who are career-minded because they can see that there is a career path, rather than going to the corner pharmacy and learning everything and then what? It’s a big high-risk step buying*

*yourself a business. If you can be mentored, then everyone's a lot happier, including suppliers, landlords, and the bank. This model has worked well for us. (Business 1)*

These 'traditional' attitudes about women's and men's work, albeit changing, held within firms, were reflected in the expectations and attitudes of those outside firms. Specifically this could be seen in the gendered nature of the pools from which employees are recruited.

### **3 Gender-segregated recruitment pools**

The Australian workforce is segmented by gender in terms of industry and occupations. This was alluded in the section above. However for these smaller firms this issue was manifested in gendered recruitment pools. As the owner of a food specialist manufacturing business said:

*If I advertised the job I would get probably 80% females applying and 20% males. And the males would be people who have had a baking background as opposed to pastry.... When we were using the home cooks they were always female. Every single one. It's rare that you get male home cooks.... We don't deliberately employ, but we do like to have, males in the kitchen. And it's probably unlikely that we'll ever get to 50/50, but there's no reason why it couldn't. It's just the dynamics of the industry. (Business 5)*

The business manager of one of the mining services firms acknowledged a gender imbalance in their workforce but as she explained they simply reflected the applications she received for jobs the firm advertised,

*I actually flagged a CV the other day and said "Oh it's a girl!" She was a civil structural engineer I think. I guess 20% of the accounts applications – not even – have been guys. We're not really recruiting but headhunting for the MD. They're all men. If they came across a suitable female they would jump, I think, but it's so unlikely. (Business 4)*

Similarly the business manager of a company that warehoused and distributed pharmaceutical products explained,

*The girls in customer service have all but one had pharmacy experience, and that's where we've tried to drag them from, because it makes it so much easier when they understand the other side.*

*Interviewer: Is it deliberate that they're all girls or not?*

*Not really. It's the case that they always were before I came here. It's just that the pharmacies all have girls and if we're drawing people from pharmacies then it just follows. But there's no reason why it couldn't be a bloke, but I don't think I've ever come across a male pharmacy assistant, actually. It's simply because that's the pool we draw from. (Business 3)*



Another business owner had experienced the gendered nature of the workforce as was evident when she discussed the situation in the meat section of their supermarket.

*We've always looked for the right person for the job. Obviously, generally in a butchery you're going to get men because butchers are usually men.... I've never seen a female butcher and yet all the meat packers are female and they're probably doing the same sort of job.*

*Interviewer: So they understand the cuts but they just don't wield the knife?*

*Obviously originally it was a strength thing – a whole carcass is pretty heavy. But you don't operate with them anymore. We get pork and lamb carcasses but they're not very big. And the meat all comes in already cut. And it's not huge. Maybe it's just not seen as a job women want to do, but the meat packers are women so... it's a conundrum. I'd be interested to see if we are an equal opportunities employer. I would like to think that if a female butcher came to us and she had a good reputation that we'd take her on. But I've not seen one! (Business 7)*

Clearly change is required to the thinking that occurs around what constitutes men's and women's jobs. Educational attainment, technological changes, the way jobs are designed amongst other factors should discourage gendered thinking about careers. But there is more work to be done. As the following encounter had by the female retail supermarket business owner attests.

*We get invitations through suppliers and it is generally male-orientated. Like a trip to the football final or watching the Grand Prix. Luckily I like football and I'm happy to go along – I took the trip to the grand final by myself! The company I went with was one of the tobacco companies and when I phoned the rep and told him that it was me who was going there was silence at the other end of the phone. You could almost hear him thinking how they'd cope with me? Who'd look after me? I was going to be the only female on the trip. They even phoned my husband and said "Does she realise she'll be the only female?" He told them that I'm more than capable of looking after myself! And I had a ball! I didn't tag along with all their drinking games and things. But it was quite amusing. (Business 7)*

#### **4 Impact of Award coverage on pay gaps**

The centralized and coordinated nature of wage setting in Australia has managed to restrain the worst excesses of pay inequity, while the reliance of smaller firms on the award system to set wages has seen a narrower pay gap emerge. However, the exclusion of unincorporated (and predominantly smaller) firms from the national industrial relations system could be problematic as they rely on processes within the state (particularly Western Australia) to update wages and modernise awards.

All the owner-managers or owners who were interviewed were comfortable with the award acting as a basis for some of their employees' terms and conditions of employment. As one owner suggested, the benefit to her business of relying on the relevant award was,

*I guess stable cash flow forecasting, people not fighting about pay... I can understand why some people like awards because then no one's going to quibble about anything. When everyone's paid the same you avoid the quibbles, but it's a bit totalitarian as well, you know: no one's got any opportunities to progress or be promoted really. The discretionary stuff becomes a bit weird. So I guess your benefits are that it's maybe more stable. (Business 8)*

Similarly, the Director of another health services organisation, who was interviewed not long after the implementation of the Fair Work Act, said,

*At the moment we're in a state of flux because of the rationalisation of the awards from state to state.... We're working on that now so we can have a structured approach to it. Because employees can feel very anxious if it's all unclear. Equally, uncertainty can drive a wedge into the relationships between employers and employees. (Business 1)*

All interviewees believed that using the award as a base rate reduced the possibility of pay inequity emerging at the lower levels. As one said,

*Award rates we use for your basic workers – the people who are stuck in fruit and veg. Once we've got someone who's a little more senior and in a more supervisory role it'll be at our discretion. We don't go to the award rate and look up what a supervisor should earn and say we'll give them another \$2 an hour or whatever. We decide. So with the managerial positions it's more on market rate. (Business 7)*

Or as another business manager said,

*We pay above award and everyone in the warehouse is on the same rate whether they're male or female because they're performing the same duties. That's the way we've structured it. It saves a lot of hassle. (Business 3)*

Similarly another business owner used the award as a base arguing,

*In terms of within the staff, we have all of our people in the kitchen, other than our casuals, on the same pay rate. (Business 6)*

Another, when asked how she determined the pay for her health services staff, argued,

*That's easy. At a lower level actually this whole topic's quite interesting. We have above-award payment but it's based on grade and their qualifications. So it's really clear that if you have this qualification this is your pay and if you get that qualification we'll increase*

*it. Very simple. Recently one of the guys asked for a pay rise once he got a qualification and that was fine – he gets more money.*

*Interviewer: So it's really quite structured in terms of who gets paid what and where there are any differences?*

*It wasn't always but with the introduction of the Fair Work stuff, we just went through everyone's qualifications against what the award said, so we did it methodically. It wasn't always that way but it is now.... We've got a very good woman in the centre, who is incredibly cheap. She was happy to be on a lower amount but to be honest we should give her a pay rise because she's good at her job. If a bloke had turned up to do the same job he would have been employed at the same pay rate so there's no intrinsic bias there I don't think. (Business 8)*

However it was clear from the interviews that the situation changed dramatically when people were employed in roles not directly covered by the award, although it is a moot point that owner-manager and owner's assessments of that were correct. The ability for women to negotiate with any skill or confidence became important at this point.

## **5 Negotiation skills for above award conditions**

Once employees are no longer considered to be covered by the award, the setting of pay is the result of individual negotiations. Employers usually start from a position of strength as they know what the business can afford to pay. This was apparent in the discussions with the owner of the retail supermarket when she said,

*We recently advertised outside for a meat packer. But one of the butchers knew of another lady who was fantastic but she wanted as much as a butcher and we can't afford to pay that. It'll be what we can afford to pay for that position and what that person is prepared to accept. The lady who came for the position managing the deli said, "This is how much I want" and we said "OK we can afford to give you this much instead", and she accepted that. But sometimes they hold out and you know they're fantastic and you have to pay them. (Business 7)*

Another business owner told the story of a staff member who wanted a pay increase and explained the situation as,

*...she was blackmailing me. I told her "I'm not going to pay you extra money and if I do I'm going to jeopardise everyone else's employment". She said "don't put that on me" and I said "Well don't ask then. This conversation's over. We're not doing it". For me the balance there is not about doing the right thing around gender pay, it's about employing all these people and them keeping their jobs. So even if she had a really good case,*

*which she didn't, because she's already the highest paid, I'd be like it doesn't matter anyway because if it bankrupts the business then no one's going to have a job. That's much more important to me than being an employer of choice, I guess. (Business 8)*

However employers, like employees, may not know exactly what the 'going rate' is for specific jobs. As the owner of the food manufacturer said,

*In terms of the market rate, well it's guesswork. (Business 6)*

Another business manager benchmarked against their closest competitor.

*I look at the award and I think no, I can't pay that award level and I don't. I ask [competitor] what they pay their people and I can't match them. I'm not the best paying and I'm not the worst paying – I sit in between. And that's purely strategic because I don't want people leaving and going over there. There's not enough of a gap for it to be incentive for anyone to do that, but we're paying better than if they went somewhere else. (Business 3)*

But it is different for women. Pay for all positions in this mining services firm were normally set through a process of negotiation and this was how one woman's pay was set.

*But of course women are slightly more reluctant to do that -to get in there and ask and negotiate and do the back-and-forth - when they're up against guys. Even I had to go down different avenues to do it – to put it in writing and do all the research and everything myself. It was such an ambiguous role it was near impossible, so I literally just made up a figure and threw it at them. (Business 4)*

However, she also sat in on the Board meetings and had seen in minutes how much the other eight people sitting around the table were being paid.

*I didn't really have the exposure to what people were getting paid until literally three weeks ago. And seeing it in black and white – it's just phenomenal! ... When I sit around the Board now and I have a ballpark figure of what everyone else is earning and what I'm earning. And on average it's less than half, easily – half to a third. But these people have degrees and skills. I might be out there doing marketing and whatever else but at the end of the day if a project was thrown at me, if they weren't there, I couldn't do it. Yet if I weren't here they're still quite capable of going out and securing the work. So I understand that that's a bit of a pay-off, and why there is such an imbalance. (Business 4)*

Another business owner struggled with the balance between treating people fairly and equitably and running her business profitably. As she said,

*As a small business person it's very hard because if you ask someone what they want to be paid and they say "x" and you know that's less than a bloke doing the similar job, it's really hard to say "oh no I really should pay you more". Because it's coming out of our profit and if you can get someone cheaper you do. If it was a bloke doing the same thing I'd probably be doing the same thing, I'd be thinking, "great, I got you cheaper". But from a gender perspective women are less likely to ask. (Business 8)*

As she explained further,

*I don't go out and say this job is going to pay this much money. (Although I do sometimes with the nurses.) We say to people, "You're the best candidate – how much do you want to be paid?" And if women ask for less, then it's not a business owner's natural inclination to say "oh no, I think you should be paid more". And that, for small business, is an absolutely kicker.*

*Interviewer: I suppose it's the market as well?*

*I know it's a gender issue. I know it's about women not having the confidence to ask for more or not knowing that they should ask for more, blokes having the guts and confidence and women not. I'm conscious of it, so I guess that's the first step. One way of solving it is by advertising the salary, but having said that, the blokes are probably always going to try for more anyway. (Business 8)*

Negotiation skills were important as one of the business managers pointed out,

*I guess with any industry it's about how well you negotiate going in and then everyone's on the same increment of bonuses. So as much as you might learn or be better than the person who negotiated better going in, the chances of you catching up in that organisation aren't there. It's not going to happen. (Business 4)*

In smaller firms concepts of value – value of staff to the business – frame negotiations and this can be seen in the treatment of new employees (as above) and of permanent staff as the following section shows.

## **6 Recognition of merit and individualised rewards**

Merit is a principle whereby an employees' skills, knowledge and ability are recognised regardless of their sex, race, age or any other characteristic. What these examples show is the way in which roles will be adjusted and conditions tailored to the 'right' person in the smaller firm and that may or may not reflect merit.

In the health services business the owner engaged in significant negotiations with her staff, some of whom were highly qualified and difficult to replace. This could lead to the perception of inequality as she explained,

*I have the situation at the moment where I have exactly the same job description for a man and a woman and there's a \$5,000 pay difference. I think he's worth the \$5,000 more on merit and a skills basis, but on paper the job is the same. So I'm happy to pay extra for him because he knows [key aspect of the business] backwards and the doctor's been trying to get him to be a nurse recently. I couldn't even imagine the woman in that situation. So I'm happy to pay him more but on paper it would suggest an inequity. (Business 8)*

The HR manager in one of the mining services firm gave the example of the employment of their recruitment officer. As he explained there had not been a recruitment officer when he first started but he had been implementing systems and changing work processes so that roles would become transparent. As he explained,

*I first started, two years ago – and the company hasn't grown that much – I had one support officer, who was a human resource/recruitment person (mind you she didn't have formal qualifications but she did the job) and she was on about \$40,000. Since then we've recruited a HR officer and he earns \$70,000. Considerably more. The OHS officer is on about the same. And the recruitment officer is also on about the same. So there has been a significant increase. (Business 5)*

Individualised rewards also take the form of promotion:

*...we recruited her primarily to do blue-collar recruitment but she's got a degree in marketing so we've given her more of a recruitment/business development role. (Business 5)*

She had 'proved', her value and therefore,

*...our Recruitment Officer was put on a six-month contract and she's proved to be exceptional and we negotiated her contract last week. (Business 5)*

But in determining her pay,

*It's almost market forces, really, that drive that. We know, for example, what a good recruitment officer in Perth is worth – or a good OHS officer. (Business 5)*

Quite what the result is for individuals depends on their value as perceived by the owner-manager or manager and there may be little transparency in the subsequent decision making. Quite what decisions are made can depend on the owner-manager or manager's values, attitudes and previous management experience, which is the final key theme arising from the interviews.

## 7 Management background and values

The owner-managers and managers who were interviewed all had considerable management experience, bar one. Those with a corporate background, were used to the existence of formalised management systems and the requirement to be transparent in decision making.

As the manager of Business 3 explained,

*We have a human resources policy which we developed which goes through all those things [performance management, promotion etc] and is based on the award, but it's also about standards of dress, bullying, sexual harassment, all that sort of stuff. So we have a policy that everybody's read and signed off on. And a lot of that is standard stuff that we've taken from other organisations and gleaned over the years. Promotions – if there's an opportunity coming up and we can identify someone internally that would fit that role then I would obviously promote from within. There is very limited opportunity, realistically, to do that sort of thing because obviously we're not a corporate. If somebody leaves we assess whether we need to replace that person and if we do need to then we try to see if there's a facility from within and if not we'll advertise for someone externally. Performance reviews are not formal. We don't do an annual performance review. Coming from a corporate background we used to do them religiously. I don't know where they all ended up – in the bin probably. Nothing ever happened with them. It made the HR people happy but that was about it. And I'm sure other companies do take it more seriously but I know the companies I've dealt with in the past haven't. So I deal with that sort of thing as the need arises. If there's an issue I deal with it. I've had issues late last year where people have been put on notice, given timeframes to correct their behaviour and it's all done in writing and if it's not corrected we take the appropriate action and if it is then well and good. (Business 3)*

The manager in Business 2 had less management experience and her role was quite diverse. She had been trying to implement formalised systems into the organisation but was challenged by custom and practice.

*This is the first job I've had to recruit in and I don't like doing it. I've got three or four on the go now. And you get no support from the guys – “give me a job description or help me write an ad because I don't know what you do and I don't know what programmes you use” and they're always too busy. I hate it. They won't sit it in on the interviews. (Business 4)*

Custom and practice also meant that what the owner wanted, the business did, so for example, she told the story of two recent graduates employed in the business:

*Two of the guys we have here are grad students but one came through family connections. I don't know how we got the other one. That's part of our recruiting technique – the advertising might be out there but if [owner] or [owner's wife] come*

*across someone... For example one of the drafties was [owner's wife] florist – she was a plant adviser at [organisation name] and wasn't making enough money and wanted to do something different so she was brought in here, given a job, given training, sent on a course – everything – and it's changed her life. (Business 4)*

The Director of Business 1 acknowledged that his attitudes to women were changing, and that this reflected the gradual changes in society.

*...there are a lot of women that want to work. The culture these days is that women want to work and be equal with their husbands, just as husbands can stay at home and look after the kids and wash the clothes just as easily as the women can. That seems to be a generational thing after the Baby Boomers, I think. Is that true? You look at Baby Boomers and older people I see there's still a culture of the old-style of 'well we're just employing this woman because she's been out of the workforce for the last 10-15-20 years bringing up the kids so although she's mature-aged and very reliable and all that sort of stuff she won't know much and she'll be desperate for a job so we'll just pay her that', when she's actually a highly capable person. I see a bit of that happening....But there's a gradual change. There's no reason why we shouldn't change it quicker. I think once you get Generation Xers into the corporate world it will be a whole different story because all the blokes there have been told "when we get married I'm not washing your clothes and ironing your clothes". It's funny but true. I can see it in all the people in our organisation and talking to the different guys – especially the married ones – about what their expectations are at home. I think "Oh how can you do that to your husband? That's pretty nasty" but I can see that I'm just on the border of that change where it's all changed. (Business 1)*

These changed values were evident in the way women were encouraged in their business.

Attitudes are important and influence the treatment of women, the work they are allocated and the pay they receive for that work, was reflected by the HR manager in the mining services firm with the male dominated mindset when questioned

*Interviewer: Do you think, in your knowledge of the organisation, there is a gender pay gap in this organisation?*

*Yep.*

*Interviewer: Why do you think that's there?*

*I think it's just been there for a long time and it's just going to take a little while to change it.*

*Interviewer: Is that something you're pushing at?*



*I've had a fair bit to do with it I think. (Business 5)*

## **8 Attitudes to pay equity audit**

There was a generally negative response to undertaking a pay equity audit. In one firm, even where the HR manager was aware that the women earned less than the men, did not think that a pay equity audit was relevant,

*We could do it but I don't think it would be actually relevant in our organisation at the moment, because it's more about numbers, I suppose. We've only got a handful of females and the roles that they undertake, there's probably not a great comparison with the male roles, if you know what I mean. (Business 5)*

Another, the Director of a health services organisation, didn't believe there would be any benefit, that there wasn't an issue. They said,

*Right at the moment I would say no because I don't feel like we've got an issue here because we really just try to keep the people... it's not an issue all round.... I could pretty much guarantee that there's no imbalance there. I could be completely wrong but I can't see that there is an imbalance there. Everybody who is good we try to keep. We're about to go through reviewing our wages so that we actually make sure we're on top of it because of the tightening that's coming up. So we're actually paying a lot of people above the award rates and we want to maintain that so that we maintain the good people. Amongst all that I feel that [an audit] would be a process and an expense that really doesn't have a cost-benefit that's worth it for me at this point in time. That's my sense of it. If you said to me that I could be losing people because there was a bias in our organisation to paying more to males and that you'd done a survey and 20% of our staff said that then I'd probably do something about it. But I don't see it. I've tried talking to them.*

In another business there was a concern that a pay equity audit might raise issues better left alone,

*...out of curiosity I'd like to know whether or not it [pay audit] would change anything or is it really an issue that the managers would want to raise? Having it brought to the attention of other people that there are black and white areas because it's all calculated, they know exactly what's going on in their business. I don't know whether they'd advocate that. (Business 3)*

While she was the business manager she acknowledged the potential ramifications of such an audit

*For me personally, it'd be curiosity – the value of the job that an audit might show. For the owner of the company – I don't know. I guess I wouldn't see them wanting to do it [pay audit]. Even if I was the owner of this company I wouldn't want to unstitch that. Because how are you going to rectify it? You either have to bring someone's pay down or, ridiculously, bring the other ones up. And it's not going to happen. You can't cut someone's pay back, because this paper says that there's a gap. (Business 3)*

Similarly the business manager of another manufacturing organisation (Business 2) was of the view that a pay audit might be interesting, it was unlikely the owner would take notice or action change as a result even though the organisation prided itself on being a quality employer.

One business owner could see some advantage to undertaking a pay audit in particular in demonstrating pay equity to the wider community, she said,

*I think it [undertaking a pay audit] would be important – and quite interesting to work it out. It would be interesting.*

*Interviewer: What would you see the value of a big tick saying "this is an equal pay organisation"? What would be the value of that to your business?*

*I think it would be something you could shout about, definitely. You feel that some sort of official thing that you've done this audit and you've proven yourself, it would be important. I'd like to see that. (Business 7)*

But when the discussion turned to giving firms an employer of choice award based on their pay equity, she said,

*I suppose it would be nice to have. I suspect that it would probably be one of those things that people would think was nice but just get on with their day. (Business 7)*

The final comment above effectively summed up the attitude amongst the owner-managers or managers of smaller firm that were interviewed.

## **CONCLUSIONS AND RECOMMENDATIONS**

Women's workforce participation has increased over time and if Australia is to achieve its productive potential and the economy expand to its full capacity, then women's participation rates will only have to further increase. But despite the nation committing to the concept of equal pay for work of equal value in the late 1960s, it still remains an ideal only. Nationally the gender pay gap stands at 17.2% and there is little sign that it will radically reduce over the next few years. A range of factors contribute to this gap including

direct and indirect discrimination, the gender segmented nature of the Australian labour market and attitudes towards and under valuation of, 'womens' work'. But it is gender, in and of itself that plays a major role in explaining the current wage gap for full time employees.

In smaller firms which make up the overwhelming bulk of Australian business enterprises, there is little known about gender pay inequity, what may or may not work to mitigate inequity and to encourage change or indeed whether change is required. While there are measures that aim to mitigate inequity in larger and public sector organisations.. By understanding what owner-mangers of smaller firm think about pay equity and how they structure their HRM practices this project has started the process of what is needed to ensure smaller firms benefit from an increased workforce participation of women by encouraging change in Australian workplaces that lead to closing the pay equity gap.

In particular with this project we focussed on one tool employers could use – the pay equity audit toolkit – and found in smaller firms there was some curiosity about the tool but little interest in, or drivers for, using it. Moreover the informality of HRM practices, for which smaller firms are known, was apparent in the diversity of firms studied. By and large jobs were not formally described and the job classifications in awards vary in their utility (See Attachment Two for two examples).

A firm's pay practices should simply be one element in their overall HRM system and research shows that workplace culture plays a critical role in the intent, nature and type of HRM practices operating within firms. In the smallest of firms these practices can be directly linked to the owner-manager's values and attitudes. Drummond and Stone (2007) and Baron, Burton and Hannan (1996) point to the critical role of the smaller firm owner-manager in the establishment, operation and coherence of HRM systems and that their values at the founding of the firm exerts a significant effect over the type, nature and speed of HRM practices adopted over the evolution of the firm. However what this can mean is that if the owner-manager holds gendered attitudes then these are likely to be evident in the firm's HRM practices and prevent them from taking full advantage of changes in the labour force.

It is arguable that without any form of pressure on firms to comply, and without education about the way gendered thinking can inform ideas about merit and the best person for the job, then the pay practices that emerge would not always be equitable. In the interviews it was apparent that the owner-manager or manager of these firms understood the need for pay equality and could connect up this need with good business practice as well as changing

societal expectations. But as an Australian Human Resource Institute survey showed, despite some 64% of CEOs and 60% of Senior Managers in their survey of 920 managers holding supportive attitudes to gender equity, less than 20% had gender equity as part of their key performance indicators (Anon, 8 March 2011).

This study has a number of limitations, not the least in its small and convenient sample size where that sample was drawn mainly from WA. WA represents a unique Australian case as it has not referred its IR powers to the Commonwealth and as a result many employers express confusion about award coverage. However, across the interviews with the eight smaller firm owner-managers or managers there were common and consistent themes that emerged. Moreover these themes are consistent with those others have found in research more generally about gender pay equity. The main findings from this study are:

1. That there is a lack of knowledge about gender pay equity within SMEs;
2. That in SME's there is both 'traditional' attitudes of managers in relation to women's and men's work and more inclusive attitudes as a result of changes in the economy;
3. That gender-segregated labour pools from which employees are recruited contributes to pay inequity;
4. That awards hold back pay inequity between award covered, lower paid employees;
5. The lack of negotiation skills amongst women (especially those who were not considered to be covered by an award) contributes to pay inequity;
6. That individualised 'rewards' are given to high performing or 'meritorious' employees; and
7. That the values, attitudes and previous work experience of owner-managers and managers of SMEs is important in terms of their treatment of women.
8. That managers and owner managers of SMEs generally have a noncommittal attitude to applying a gender pay audit to their firms.

A number of recommendations can be drawn from these findings. It is recommended that

1. Training about and resources for HRM needs to be provided for smaller firms with a focus on recruitment and selection processes, job analysis and job descriptions, developing performance management systems and reward systems and pay equity.

2. Further research into attitudes to gender pay equity in other Australian States and Territories, based on these findings, be undertaken to determine how widespread these attitudes are and to what extent they require a national response.
3. Curricula within schools and beyond, perhaps using role models, is developed to encourage the 'de-gendering' of career and employment thinking and therefore open up recruitment pools.
4. A strong, effective and up-to-date modern award system and national employment standards be maintained to ensure a basis for the terms and conditions of employment, including, base pay rates, job requirements and other 'rewards' associated with particular jobs.
5. The award system needs to be a national system to remove any confusion for employers about understanding their obligations to employees.
6. Training in negotiation skills be embedded in VET and tertiary curricula as a valuable employability skill, with a special emphasis on these skills for women and girls.
7. A simple 'what is merit' cheat sheet and checklist be developed for smaller firm owner-managers that can be referred to when decisions about pay, promotion, and rewards are being made.
8. A webpage is developed where smaller firm owner-managers can upload their gender pay equity 'stories of success' as text, video or vignette. These stories can communicate to other smaller firm owner-managers insight into ways pay equity can bring about a range of business benefits. This webpage could be part of the EOWA, ES4W, COSBA or equalpayday.com.au website.

## ATTACHMENT ONE

### List of Participants

Code	Business type	Employees (approx)	Governance	Founded	Interviewee
Business 1	Health services	15	Head office of private company	1952	Director
Business 2	Manufacturing and sales	20	Company recently taken over by UK listed company	1997	Business manager
Business 3	Warehousing and distribution	25	Private company	1985	Business manager
Business 4	Mining services	30	Private company recently taken over by ASX listed company	1986	Business manager
Business 5	Mining services	17	Head office of private company	1988	HR manager
Business 6	Manufacturing and sales	14	Private company	2005	Owner-manager
Business 7	Retail	98	Private company	2005	Owner-manager
Business 8	Health services	15	Sole proprietor	2008	Owner-manager

## ATTACHMENT TWO

### Examples of awards

For example, in the Hair and Beauty Industry Award 2010 (MA000005) jobs are simply classified in terms of qualifications.

**Hair and Beauty Employee Level 1** means:

(a) receptionist, salon assistant or short-term apprentice.

**Hair and Beauty Employee Level 2** means:

(a) a make-up artist who holds a Certificate II in make-up services (or equivalent);

(b) a nail technician who holds a Certificate II in Nail Technology (or equivalent); or

(c) an unqualified beautician or cosmetologist.

This can be compared to the Children's Services Award 2010 (MA000120), jobs are not only classified in terms of qualifications but also indicative duties and responsibilities, while the means of progression to the next level is also addressed as can be seen with the Level 1 classification in the Award.

**Children's Services Employee Level 1:** This is an employee who has no formal qualifications but is able to perform work within the scope of this level. The employee will work under direct supervision in a team environment and will receive guidance and direction at all times. The employee will receive structured and regular on-the-job training to perform the duties expected at this level. Normally an employee at this level will not be left alone with a group of children.

**a) Indicative duties**

- Learning and implementing the policies, procedures and routines of the service.
- Learning how to establish relationships and interact with children.
- Learning the basic skills required to work in this environment with children.
- Giving each child individual attention and comfort as required.
- Basic duties including food preparation, cleaning and gardening.

**b) Progression**

A Level 1 employee will progress to the next level after a period of one year or earlier if the employer considers the employee capable of performing the work at the next level or if the employee actually performs work at the next level.

## RESOURCES FOR EMPLOYERS

### General Employment Resources

Equal Opportunity for Women in the Workplace Agency (Practical EO Resources and Tools: [www.eowa.gov.au/Developing\\_A\\_Workplace\\_Program.asp](http://www.eowa.gov.au/Developing_A_Workplace_Program.asp))

Employing People (including Guides to, and resources for, Hiring People; Employer Obligations; Employee Entitlements; Skills Development and Training; Complaints, Disputes and Employee Relations; and Ending Employment: [www.business.gov.au/BusinessTopics/employingpeople/pages/default.aspx](http://www.business.gov.au/BusinessTopics/employingpeople/pages/default.aspx))

Western Australian Department of Commerce, Labour Relations (Employment information for Private Sector Employers: [www.commerce.wa.gov.au/LabourRelations/Content/Employers/index.htm](http://www.commerce.wa.gov.au/LabourRelations/Content/Employers/index.htm))

### Pay Equity Audit Tools

The Pay Equity Audit tool ([www.eowa.gov.au/Pay\\_Equity/Pay\\_Equity\\_Audit\\_Tool/Tool.asp](http://www.eowa.gov.au/Pay_Equity/Pay_Equity_Audit_Tool/Tool.asp))

The UK Equal Pay Audit Toolkit for Small Businesses ([equalityhumanrights.com/advice-and-guidance/guidance-for-employers/tools-equal-pay/equal-pay-audit-toolkit-for-small-businesses/](http://equalityhumanrights.com/advice-and-guidance/guidance-for-employers/tools-equal-pay/equal-pay-audit-toolkit-for-small-businesses/))

### Various Salary Resources

Fair Work Ombudsman ([www.fwo.gov.au](http://www.fwo.gov.au))

AIM National Salary Survey ([www.aim.com.au/publicatons/salariesurvey.html](http://www.aim.com.au/publicatons/salariesurvey.html))

Hays Salary Guides ([www.hays.com.au/salary/](http://www.hays.com.au/salary/))

Live Salary ([www.livesalary.com.au](http://www.livesalary.com.au))

My Career Salary Information ([www.content.mycareer.com.au/salary-centre](http://www.content.mycareer.com.au/salary-centre))

### Negotiation Guides

YouTube (search salary negotiations)

### Unlawful Discrimination

Self-assessment Checklist ([www.fairwork.gov.au/Templatesformschecklists/Unlawful-discrimination-self-assessment-checklist.pdf](http://www.fairwork.gov.au/Templatesformschecklists/Unlawful-discrimination-self-assessment-checklist.pdf))

Equal Opportunity: Are You Getting it Right? A Guide for Employers and the Recruitment Industry ([www.eoc.wa.gov.au/Libraries/Documents/recruitment.sflb.ashx](http://www.eoc.wa.gov.au/Libraries/Documents/recruitment.sflb.ashx))



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