

## **Does size matter? Attitudes to equal pay in small business**

economic Security4Women (eS4W) is a nationally funded alliance that is advocating on behalf of all Australian women for small to medium enterprises (SME'S) to improve employment conditions for women, in part by reducing the gender pay gap and providing flexible working arrangements.

The gender pay gap is measured as the difference between male and female earnings expressed as a percentage of male earnings. Pay equity refers to equal pay for men and women doing work of equal or comparable value whether the work is similar or not.

The existence of a gender wage gap or pay inequity is problematic as it diminishes the likelihood that women will fully commit and be loyal to an organization that is prepared to undervalue their work.

In 2011, an online survey of 230 women (results unpublished) - approx 45 per cent under the age of 35 - found that the majority had an understanding of pay equity and expected equal pay:

- The majority indicated that they would feel let down if they found out that the pay system at their place of work was gender unfair; 40 per cent would start looking for another job and 5 per cent would resign.
- Almost 80 per cent felt that the government should take action to redress any gender pay gap, with employers and unions also being held responsible.

Over 80 per cent of those who had considered starting their own business would do so to have the freedom to organize their own working hours.

In order to ensure SMEs are able to take advantage of the increased participation of women in the workforce, it appears that they will need to demonstrate gender pay equity and flexible working arrangements. They will have to compete with large firms that are already required to report on pay equity to the Equal Opportunity Workplace Agency and as a result are more likely to be in the position to demonstrate more attractive employment conditions for women.

It is important that SMEs are not disadvantaged when recruiting 'the best person for the job', given that in Australia, they make important contributions to servicing and producing Australia's economic growth, wealth, employment and innovation.

### ***Attitudes to gender pay equity in smaller firms***

However, little is known about the participation of women in SMEs and the impact of gender pay inequity on this participation. 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', is a difficult one to grasp.

Furthermore, SMEs 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. SMEs also generally lack formal systems to manage the employment relationship, specifically formal human resource

management (HRM) practices. But 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.

If external forces for change – regulation and reporting regimes for example – are not used to encourage change in smaller firms, then recent research undertaken for eS4W shows that internal forces are also unlikely to operate to encourage an examination of pay practices in smaller firms to identify and overcome pay inequity.

### **Key findings of research:**

A small survey of predominantly Western Australian firms found:

1. There is a lack of knowledge about gender pay equity within SMEs and that managers and owner managers of SMEs are generally noncommittal about applying a gender pay audit to their firms.
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 and society as a whole; it is the owner-manager's values, attitudes and previous work experience that is important in terms of their treatment of women
3. That awards hold back pay inequity between award covered, lower paid employees while pay equity gaps are biggest when individualised 'rewards' are given to high performing or 'meritorious' employees.

### **Recommendations based on these findings included:**

1. Training about and resources for HRM needs to be provided for SMEs 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. 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.

### **Call to action**

economic Security4Women calls on the Australian Government to develop tools to identify and reduce gender pay inequities in SMEs and assist those firms to change business work practices to ensure they get the best person for the job.

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