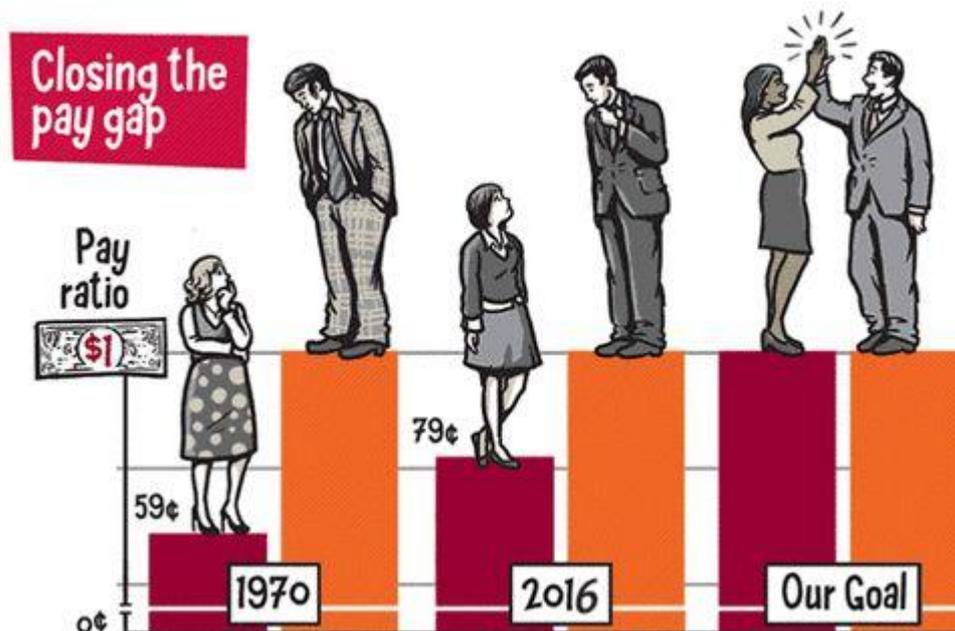


The Gender Pay Gap



The gender pay gap is, at its simplest, the difference between the average wages of men and women, regardless of their seniority. 'Equal pay' is a different concept but is a connected issue. Equal pay is about pay differences between men and women, who are paid differently for 'like work', 'work of equal value' or 'work rated as equivalent' [pwc]. Subsequently, the 2018 ILO report, defines the gender pay gap as a widely used indicator of gender inequality in the world of work and is frequently used to monitor progress towards gender equality at the national or international level. (ILO report]

BE THE CHANGE YOU WANT TO SEE IN THE WORLD

According to the Global Wage report, the gender pay gap has doubled since January 2017. The gender pay gap is as prevalent as ever in South Africa, and the Global Wage Report for 2018/ 2019 delivers some hard-hitting home truths about the problems women face in the workplace. On average, women make 28% less than their male equals.

Despite the increased focus from institutional investors and boards, the female representation at senior management and executive levels in South Africa is still on average only at 20% as reported in PwC's REMchannel® July 2018 publication. The survey consists of remuneration data for more than 550 participating organisations and just over 4000 senior managers and executives. The data also indicates that 61% of the females are remunerated below the median of the sample in comparison to 39% of males. In contrast, 63% of males are remunerated above the median in comparison to 37% of females in the sample. From this data, it is clear that corporate South Africa still needs to focus on ensuring that female numbers are increased at these levels in addition to addressing gender pay inequalities [PWC]. In the last couple of years, workers and legislators across the globe have taken some big steps to push organisations to rectify the gender pay gap. For example, salary history bans have expanded across the U.S., with the goal of making sure organisations do not perpetuate the gender pay gap. The UK passed a

law in 2017 which forces organisations with more than 250 employees in the region to report on pay disparity between their male and female employees. In France, organisations with more than 50 employees are now required to install software directly connected to their payroll systems to monitor unjustified pay gaps; if an organisation fails to erase a pay gap detected by the software over three years, they could face a penalty.

Organisations are taking voluntary measures to erase the gender pay gap; e.g. a number of Technology organisations including PayScale, Amazon, Facebook and Google, have voluntarily banned their recruiters and hiring managers from asking candidates for their salary history. Meanwhile, organisations like Salesforce have spent several millions in the last two years raising wages to close gender and racial disparities in pay. [Payscale Gender pay gap report 2018]

In South Africa, we are also shining some flashlights at the situation, and focusing a lot of effort to address ethical aspects, historical implications and unfairness within the world of work. One of the significant additions to the amended Employment Equity Act is the introduction of the right to 'equal pay for work of equal value', which has been added as a sub clause to Section 6. The amendments came into effect on 1 August 2014, which means that it is against the law to discriminate unfairly between the remuneration and working conditions of employees doing the same work or work of equal value.

Failure to apply this principle will only be unfair discrimination if the reason for distinguishing between the higher paid and the lower paid employee is shown to be one of the grounds referred to in terms of section 6 of the Employment Equity Act - namely: race, gender, sex, pregnancy, marital status, family responsibility, ethnic or social origin, colour, sexual orientation, age, disability, religion, HIV status, conscience, belief, political opinion, culture, language and birth. The Constitution of South Africa forms the foundation of this Act, as discrimination on any of these bases are deemed unconstitutional, and consequently unethical in South Africa.

Pay equality therefore, means that people who are exactly alike in every material aspect should not earn differently based on discriminatory or prohibited factors. Obvious examples of legitimate pay differences are those based on skill, individual performance, and length of service, competencies, seniority, accountability and a number of other factors such as flexible work arrangements. The Act requires that you analyse pay by using an accepted methodology or system that can determine the size of your job and the shape of your pay curve; and that can 'methodologically' or 'statistically' determine whether the differences in pay are capable of rational explanation.

The intention of the legislation is to do away with any prohibitive conditions. The gender pay gap or any other pay equality cannot be achieved overnight. The cost could potentially sink an employer, creating greater financial stress to more employees should an employer need to retrench employees. Like employment equity, pay equity is a target to be achieved over a period of time and the prescribed reporting should reflect the progress made by employers with regards to achieving certain goals. The

process in South Africa should be addressed with transparency, a mindset of equality and a genuine interest to create equality – also in terms of remuneration.

Based on the code of good practice on equal pay (2015), there are three key issues of remuneration equity compliance:

Are the jobs that are being compared, the same, substantially the same or of equal value in terms of an objective assessment?

Is there a difference in terms of conditions of employment, including remuneration of the employees in the jobs that are being compared?

If there are differences in the terms and conditions of employment, can these be justified on fair and rational grounds?

However, there are grounds on which an organisation can justify difference in pay according to regulation 7 of the code:

Seniority or length of service

Qualifications, ability, competence or potential above the minimum acceptable levels required for the performance of the job

Performance, quantity or quality of work, provided that the performance evaluation system is equally and consistently applied

Demotions from organisational restructuring or any other legitimate reason which fix pay until the structure catches up

Temporary employment for giving experience or training

Shortage of relevant skills in a particular job classification; and

Any other relevant factor.

A few practical ideas to ethically work towards the closing of the gender pay gap include:

Ensure there is a well-defined and approved reward philosophy and policy in place that addresses all the various components of reward in the business

Ensure there is consistent application of the reward philosophy and policy across the organisation, and monitor this by doing regular assessments

Ensure appropriate job analysis, evaluation and benchmarking is done – especially when your organisation has been through a restructuring process or if you have redesigned work

Analyse equity not just at a basic salary level but at a cost to organisation level (remuneration and benefits)

Review eligibility criteria (inclusion and/or exclusion of employees from programs doing the same work or performing work of equal value)

Appropriate pay structures and scales should be applied consistently and effectively. Ensure that remuneration specialists with deep knowledge regarding guaranteed and variable pay design and evaluate the structures and pay scales, and determine the ‘cost to move’ to close the gap and achieve equal pay.

Consistent application of performance management if performance is used to differentiate in any manner in your organisation. Do not underestimate the amount of training, education and knowledge sharing that performance management requires in any business. Employees and managers alike need to be reminded constantly about the core principles of performance management and the application thereof.

Ensure compliance with the established policies and procedures. Typical policies and processes that support equal pay include:

Pay philosophy/ remuneration policy

Organisation and work design

Job evaluation process, methodology and a formalised appeal process

Conditions of employment

Wage negotiation processes

Performance management

Talent Management

Succession Planning

And many more

Communicate and educate employees consistently - never underestimate how much you need to communicate with employees regarding the way Human Capital related policies are actually applied in the organisation - this can happen in townhall meetings, group sessions, departmental meetings, and individually. Employees tend to understand and consider an organisation's *modus operandi*, if they received information first hand; however, if employees are forced to trust the grapevine and hear about new practices or perceived unfair practices, the image of the organisation can be hampered.

Conduct annual reward audits to establish the status quo, but also to determine the move (or not) since the previous audit.

Put corrective actions in place with timelines and approved budget to pro-actively address and manage anomalies.

In South Africa we are intensely aware of inequality and the time-spirit in our country keeps us honest about treating employees ethically and fairly. However, in this journey, the Human Capital Community can largely influence the speed and momentum at which we chip away at gender pay gaps. We have sufficient laws, conferences, governing bodies, strategies and plans to achieve greater equality, but also pay equality in South Africa. As Human Capital professionals, we need to combine humanity and business sense to ensure we enable the business leaders to focus the available resources to achieve equality.

References

Code of good practice on equal pay (2015)

Global Wage Report 2018/19 - International Labour Organisation

<https://www.pwc.co.za/en/press-room/gender-pay-gap.html>

Payscale Gender pay gap report 2018

<https://www.iol.co.za/business-report/watch-iceland-is-bridging-the-gender-pay-gap-but-can-south-africa-do-the-same-11524928>