Gender Pay Gap Action Plan

March 2020

Foreword

Inland Revenue is committed to having an inclusive culture where our people can achieve their full potential. We are taking action to create a more inclusive workplace, including a focus on closing the gender pay gap.

We are publishing our Gender Pay Gap Action Plan externally this year sharing and reinforcing our commitment to closing the gender pay gap at Inland Revenue so we can have a workplace free from inequalities.

How are we doing?

Across Inland Revenue we pay men and women equally for the same or similar work. However, we do have an overall gender pay gap of 18.4%. This is because men and women are not represented proportionately across roles. Women make up 65% of our staff, hold most of our lower paying roles and are under-represented in higher paying roles.

In 2017, we set ourselves a target to achieve and maintain a 40-20-40 percent gender balance in senior leadership roles. This means we will have at least 40% women and 40% men in leadership roles, with the remaining 20% allowing for gender diversity and natural fluctuation. Our senior management is currently 41% women, an increase from 22% in June 2016.

While we have made progress in leadership roles, particularly in senior management, this doesn't offset the high number of women in lower paying roles. We know that to close our large gender pay gap, we need to improve our gender balance across roles and levels w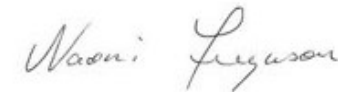ithin our organisation. Our Action Plan sets out how we will address the issues of gender representation in the coming year and where we need to focus our efforts.

Work is also happening across the public sector to explore the issues of ethnic pay gaps. Māori, Pacific and Asian women experience bigger pay gaps than European women. At Inland Revenue, we want to understand more about our barriers around ethnic representation and pay and how we can improve this.

Our Gender Pay Gap Action Plan describes the range of actions we will take to achieve this. These actions are about addressing systemic barriers (like inflexible work practices) that may disproportionately impact women and certain ethnic groups from seeking new opportunities and find ways to reduce bias that hinders employment, pay and career growth.

Inland Revenue is heading in the right direction, but there is still a lot of work to be done. This will take time. But I am confident that through our actions, working together in a focused and proactive way, we will close the gap and all benefit from having a more inclusive workplace.

Naomi Ferguson
Commissioner of Inland Revenue

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Closing the Gender Pay Gap at Inland Revenue

IR is committed to closing the gender pay gap and having a workplace free from inequalities, so everyone can achieve their full potential.

This plan reflects on our progress in 2019, with updated gender data including ethnicity. It sets out actions planned for 2020.

Background

2017 — Committed to completing further research and analysis to deliver an action plan with specific measures and targets to address the gender pay gap, equal pay, gender equality and employment equity.

2018 — First gender pay gap action plan developed.

2019 — Refreshed gender pay gap action plan submitted to State Services Commission.

Developing this action plan

1. We completed detailed analysis of our people data to understand the drivers of the gender pay gap at IR, including ethnicity. These insights have helped shape our action plan.

2. Our people and unions were actively involved in developing and reviewing this action plan. This includes:

   • our unions (PSA, Taxpro and NUPE)

   • representatives from our employee-led networks (Māori, Pasifika, Multicultural, Rainbow, Diversability and Women's networks)

   • members of the People & Culture team (Workforce Information & Intelligence, Recruitment, Employment Relations, Policy & Remuneration, Learning & Development and Organisation Development)

3. Our action plan has been cross-referenced with, and aligns to:

   • the Public Service Gender Pay Gap Action Plan - Te Mahere Mahi Rerekētanga Ira Tangata; and

   • the Gender Pay Principles - Ngā Mātāpono Utu Ira Tangata.

4. Our people and unions will be actively involved in the implementation of this action plan.

Snapshot: current pay gaps
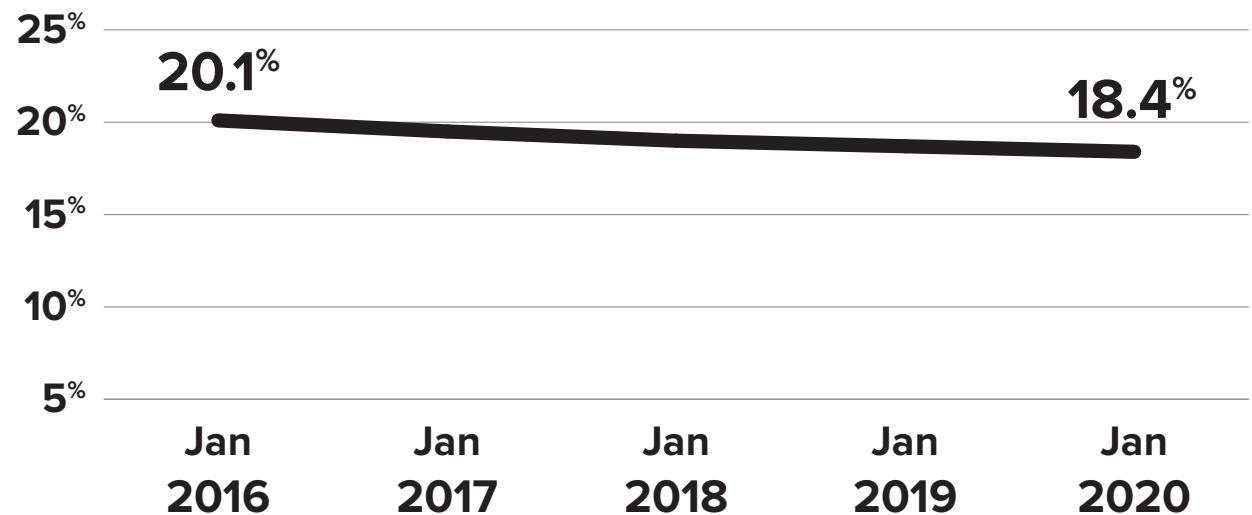
Figure 1: Our mean and median gender pay gaps

0%

Average (weighted) within role GPG

Within Pay Band: 0%

18.4%

Overall (mean) GPG
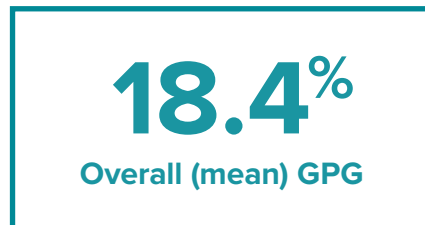
Median GPG: 23.9%

Figure 2: Our gender pay gap since 2016

The gender pay gap (GPG) indicates the average difference between women and men's earnings. It is calculated as the difference between the average total remuneration for females' and the average total remuneration for males'. The median gender pay gap is calculated as the difference between the middle value of all females' total remuneration and the middle value of all males' total remuneration.

Gender is not a factor in salaries for the same or similar roles at Inland Revenue
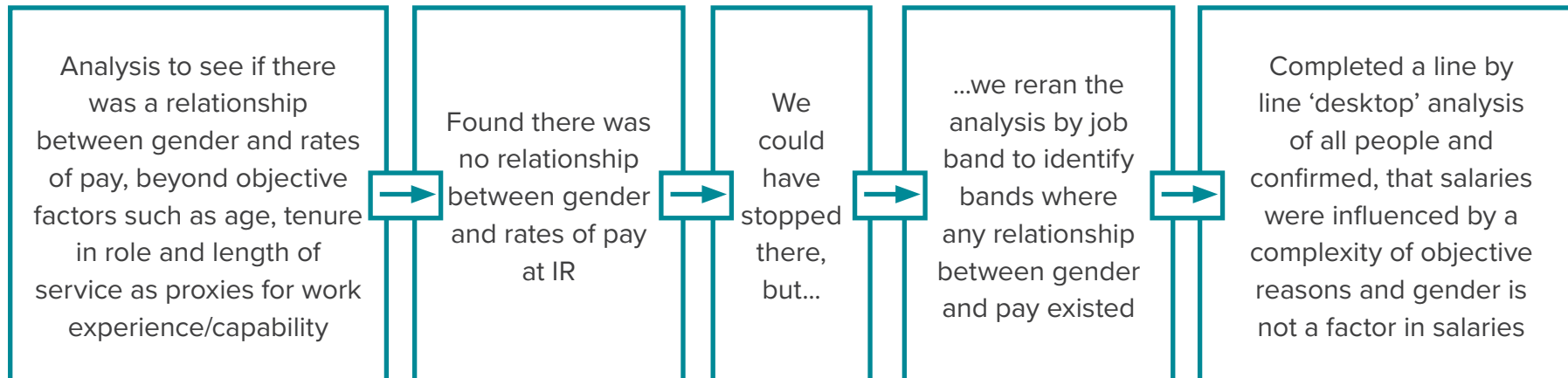
0%

Average (weighted) within role GPG

Within Pay Band: 0%

The pay gaps have been analysed for every role at IR. On average there is no pay gap between women and men who work in the same roles (0%).

Equal Pay: Confirming gender is not a factor in salaries for the same or similar roles at IR

| Analysis to see if there was a relationship between gender and rates of pay, beyond objective factors such as age, tenure in role and length of service as proxies for work experience/capability | → | Found there was no relationship between gender and rates of pay at IR | → | We could have stopped there, but... | → | ...we reran the analysis by job band to identify bands where any relationship between gender and pay existed | → | Completed a line by line 'desktop' analysis of all people and confirmed, that salaries were influenced by a complexity of objective reasons and gender is not a factor in salaries |

Representation is the primary reason for IR's **gender pay gap**

- Men and women are not represented proportionately in roles and business areas across IR.

- 65% of IR people are women, and a large proportion of our women employees are in lower paid roles (e.g. customer service roles).

- Women are more highly concentrated at the Staff (66%) and Team Lead level (67%) and have decreased representation at the Management (51%) and Senior Management (Tier 2 and 3 leaders) level (41%).

- Over the last 4 years, progress has been made in improving the proportion of women in senior leadership roles, however this does not offset the high concentration of women in lower paid roles.

- A large proportion of men are in higher paid roles such as ICT, Legal and Tax. These areas are traditionally male dominated fields and have the lowest female representation in IR.

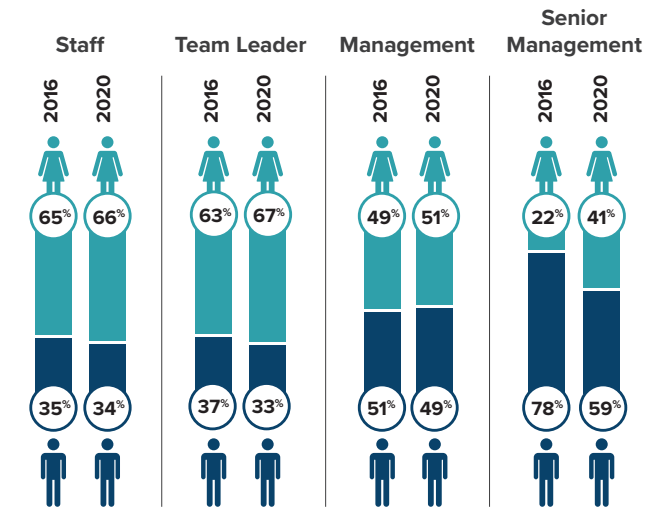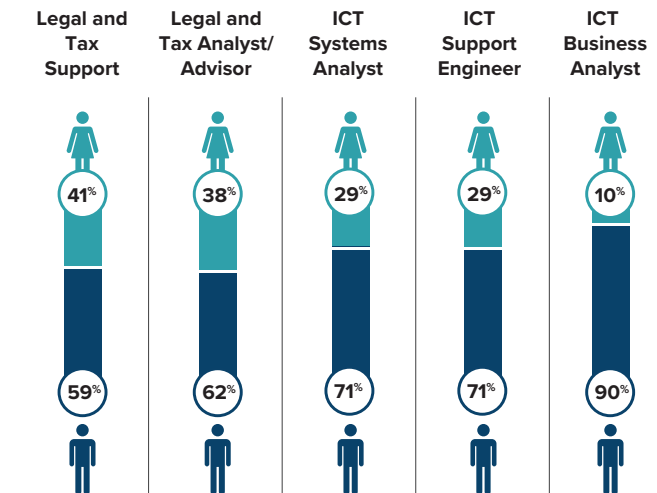**Figure 3: Representation by management level, 2016 & 2020**

Staff		Team Leader		Management		Senior Management	
2016	2020	2016	2020	2016	2020	2016	2020
65%	66%	63%	67%	49%	51%	22%	41%
35%	34%	37%	33%	51%	49%	78%	59%

Figure 4: Roles with the lowest female representation

Legal and Tax Support	Legal and Tax Analyst/ Advisor	ICT Systems Analyst	ICT Support Engineer	ICT Business Analyst
41%	38%	29%	29%	10%
59%	62%	71%	71%	90%

Representation is the primary reason for IR's **ethnic pay gap**

- Our preliminary analysis has shown that representation is also the primary reason for IR's ethnic pay gaps.

- Over the last year, we ran a campaign to encourage more IR people to record their ethnicity. As a result, we have increased our recorded ethnicity data from 65% (September 2018) to 87% (Jan 2020) of IR people.

- Currently there are not enough people in each ethnicity group across enough roles to carry out an analysis of ethnic pay gaps within same or similar roles that is statistically robust and ensures the privacy and confidentiality of our employees.

- We are going to build our understanding of our internal diversity picture by getting data on the national view, by gender, ethnicity, profession and location.

- IR's ethnicity breakdown is close to the ethnicity breakdown in New Zealand. As with gender, a large proportion of Māori, Pacific and Asian people are in lower paid roles. A smaller proportion are in higher paid roles.

- 67% of our people at the Staff level and 94% of our senior management identify as European.

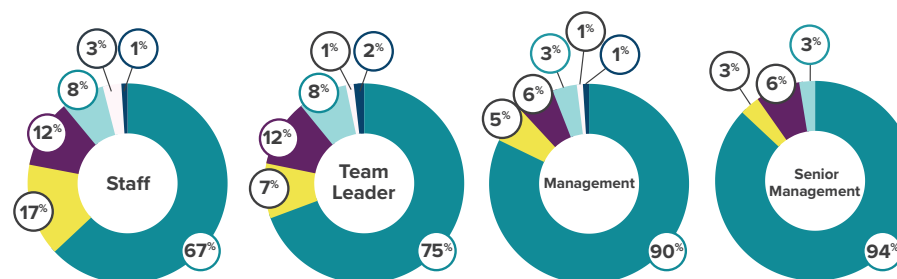## Figure 5: Ethnicity representation by management level

Figure 6: Our ethnic pay gaps

Ethnicity	Ethnic Pay Gap	Average Salary
European	-12%	$82,579
Asian	8%	$73,419
Māori	13.6%	$69,173
Pacific Peoples	14.3%	$68,303
MELAA*	12%	$69,872
Other Ethnicity	5%	$74,922

Ethnic pay gaps are calculated by comparing the average salaries of people identifying with a group and the average salaries of everyone else. *MELAA (Middle Eastern, Latin American, African).

- Within business areas there are some roles which are predominantly European (82%+) such as Human Resources, Legal & Tax and Communications.

How are we going to address this?

We are committed to addressing the issue of gender and ethnic representation at IR by design rather than expecting it to happen by default. Inclusive people practices will help address conscious and unconscious bias. **We have identified five key action areas:**

1. **People Analytics & Insights:**
Regularly measure and publish progress

Why? We know that what gets measured gets done. We want to regularly measure and publish progress in relation to the gender and ethnic pay gap, representation and pay progression to drive visibility, understanding and accountability.

2. **Attraction:**
Attract a diverse pool of applicants

Why? We want to attract a diverse pool of applicants to improve representation of groups at all levels and areas of the organisation.

3. **Selection:**
Ensure our candidate selection processes are free from bias

Why? We want to make our selection processes free from bias to improve representation and pay equity at all levels and areas of the organisation.

4. **Career & pay:**
Supporting our people's career development

Why? We want to have an environment in which everyone can maximise their potential, and develop their careers regardless of their gender or background.

5. **Whānau friendly:**
Building a more flexible, whānau-friendly workplace

Why? We want to be a whānau friendly employer and flexible by default, where flexible options are equally available to men and women and do not undermine career development or pay.

Action Area People Analytics and Insights

What we want to achieve	Regularly measure and publish progress in relation to the gender and ethnic pay gap, representation and pay progression to drive visibility, understanding and accountability
What we achieved in 2019	• Analysed the profile of IR employees from the point of gender and ethnicity. • Conducted a cohort study to examine pay and career movements from 2015 to 2020. • Investigated the ethnicity and gender breakdown of roles across business areas. • Examined the job position data to identify job segments with a gender imbalance. • Included external data from Stats NZ to compare IR's ethnicity profile with New Zealand population, at both national and local level. • Started measuring and publishing ethnic pay gaps. • Incorporated demographic data into our people dashboards.
Key insights from 2019	• The gender and ethnic pay gap can be influenced by hard to measure factors including bias, and the choices people make. This can influence decisions on things such as recruitment, development opportunities and pay. • We need to undertake a qualitative research exercise with our people (diversity networks and unions) to deeply understand the stories beyond what the data is telling us.
Our plan for 2020	• Continue to analyse our gender and ethnic pay gaps and review progress. • Continue to build our understanding of our internal diversity picture by gaining data on the national view, by gender, ethnicity, profession and location. • Conduct in-depth analysis including further qualitative research with our diversity networks on the lived experiences of our different demographic groups to support our 2020 action plan, including a focussed qualitative piece on the "Arrival of a new child" employee experience.

Action Area Attraction

What we want to achieve	Attract a diverse pool of applicants to improve representation of groups at all levels and areas of the organisation.
What we achieved in 2019	As a capability-based organisation we source, recruit, develop and deploy diverse people based on their capabilities. This acknowledges the value of skills and competencies acquired through caring, voluntary and community work, and mahi aroha. • Supported our hiring managers to limit the job requirements to those which are essential. • Supported hiring managers in identifying opportunities around flexibility of location and working hours within roles to encourage more diverse applicants. • Created a new recruitment video to reflect the diversity of our people and support our attraction strategy. • Included statements in our job adverts that promote our diversity and inclusion aspirations. • Trialled the gender decoder tool and developed an inclusive language guide to support us in maintaining the gender neutrality of our job titles, descriptions and job adverts.
Key insights from 2019	• External applicants were more likely to be male while internal applicants were more likely to be female. • We advertise 70% of our positions in Wellington. This may be due to the greater diversity and seniority of roles available in Wellington. However, it is possible that we are restricting our ability to attract diversity through the locations we advertise.
Our plan for 2020	• Transition towards an intelligence-led recruitment strategy to understand which under-represented groups we need to focus on, for which roles and business areas and how we can better attract them. • Continue to support hiring managers in identifying opportunities around flexibility. • Start research to develop IR's Employee Value Proposition, along with our people and unions.

Action Area Selection

What we want to achieve	Ensure our selection processes are free from bias to improve representation and pay equity at all levels and areas of the organisation.
What we achieved in 2019	• Worked with our unions to review IR's selection tools and proposed a framework that mitigates potential bias. • Piloted training for our hiring managers which includes whānau support for candidates, capability-based interviewing, selection and the role of bias. • Monitored interview outcomes using documented panel summaries. • Partnered with Diversity Works NZ to deliver unconscious bias training for the recruitment team. • Partnered with Diversity Works NZ to facilitate a workshop to support the recruitment team in reviewing our end-to-end recruitment process and developing mitigation strategies for potential points of bias. • Reviewed the Recruitment Guidance: Implementing the Gender Pay Principles and removing gender bias in recruitment processes and identified areas for improvement.
Key insights from 2019	• Based on the data available, 39% of hires were internal, and 65% of internal hires were women. • For internal opportunities, the percentage of applicants from each ethnic demographic group is in line with the ethnicity profile of IR. The placement rates for all ethnicities is similar. • Gender is not a factor in the variability of starting salaries at IR; rather the differences occur between internal versus external appointments. Irrespective of gender, internal appointees have generally been hired at lower starting salaries than external appointments. Internal starting salaries is an area for further investigation.

Our plan for 2020	• Implement the learnings identified from the Diversity Works workshop and improve our level of cultural competency within the context of the Recruitment Guidance: Implementing the Gender Pay Principles and removing gender bias in recruitment processes.
	• Continue to support our hiring managers with tools, guidance or training to:
	  • source diverse talent pools and enable diverse short-lists
	  • mitigate bias through selection (including diverse selection panels)
	  • make equitable and objective decisions on starting salaries for internal and external hires
	• Monitor IR's gender representation and where possible ensure gender balance is not negatively impacted by organisational change.

Action Area Career and Pay

What we want to achieve	An environment where everyone can maximise their potential and develop their careers regardless of background.
What we achieved in 2019	• Our development practices such as Whanake and Investing in You recognise the unique backgrounds and perspectives of people and fosters aspirations through tailored coaching and development. Empowering people to grow and develop their careers helps support gender equality. We built on this work by introducing new resources such as Navigating Your Role and the Capability Uplift Guide which helped our people transition into and operate effectively in capability-based roles. • Continued to embed our pay approach (introduced in 2018), which removed the role of leaders in determining the quantity of pay increases awarded in the Banded Pay Structure. This removed potential sources of leader bias for pay increases in those roles. • For our Graded Remuneration Structure, pay increases are determined by leaders jointly via calibration meetings. Leaders are supported in their decision making by a range of tools and guidance from Business Partners, with emphasis placed on diversity lenses. Proposed increases flow through to a dashboard tool, which allows them to see the impact of proposed decisions on the overall gender pay gap.
Key insights from 2019	• Participation on IR's professional development and leadership courses was in line with IR's gender profile, but there is an under-representation of non-European groups. • A higher percentage of women than men attended our Emerging Leaders course. The representation of non-European groups on the course was in line with IR's demographic profile. • Ethnicity and gender did not appear to influence career development at IR when we looked at movement between pay bands between 2015 and 2020. • Despite these achievements, gender and ethnicity representation imbalances exist and we need to identify the barriers that may disproportionately deter women or specific ethnic groups from advancing their careers.
Our plan for 2020	• Continue to build on our existing development practices to improve gender and ethnic representation through mechanisms such as coaching/mentoring. • Implement a new online talent management process, tools and support material to enable more effective talent management practices; and greater visibility of gender and ethnicity within the talent pipeline. • Work with our people and unions to understand the barriers and opportunities to career movement.

Action Area Whānau friendly – Building a more flexible, whānau friendly workplace

What we want to achieve	Be a whānau friendly employer and flexible by default, where flexible options are equally available to men and women and do not undermine career development or pay.
What we achieved in 2019	• Flexible working has been a key part of IR's workforce strategy and business transformation since 2016. Parts of IR are already working in a highly flexible way, but it isn't consistent across the business. • Introduced workplace tools and technology that enable a modern and future-fit workforce. • Worked with our people and unions to explore IR's current state of flexibility and develop an action plan to address the policy, process, culture and mindset shifts in line with the milestone of being flexible by default by the end of 2020; so that its applied consistently across the business. • Developed a learning refresher for employees returning from extended career breaks including parental leave and a guide for their leaders. • Introduced secure parenting room facilities in all IR offices.
Key insights from 2019	• 14% of our women work part-time compared to 2% of men. 92% of part-time workers at IR are female. • Women took more parental leave days than men (on average 248 days compared to 64 days. • 13% of people who took parental leave exited during their first six months of returning to work. • Our people said that extended whānau is important to them and whānau responsibilities can sometimes hold them back from applying for higher roles. • The roll out of new technology has enabled greater flexibility and there has been a decline in dependent sick leave days taken. • There are some constraints to the types of flexibility for front line people, based on technological and customer requirements.

Action Area Whānau friendly – Building a more flexible, whānau friendly workplace

Our plan for 2020

- Implement our flexible working action plan including:

    - An overarching policy and guidance for various flexible working practices which is simple and accessible

    - Organisation-wide communications to build awareness and support the culture shift

    - Encourage and support trialling of different flexible working arrangements

    - Investigate options to record and report on flexible working arrangements

    - Supporting leaders to actively role model flexible working

- Continue to ensure that learning is inclusive by design including for those working flexibly. Our learning will also incorporate principles of inclusive language and imagery.

- Undertake further research with our people to better understand the "Arrival of a new child" experience.

- Investigate with SSC, the concept of comparable employer contributions (e.g. to KiwiSaver) when people are on parental leave.

Progress against Sector milestones

	Milestone	Progress	
2020	**Flexible by default**	• Developed a Flexible by default action plan (see action area on Whānau Friendly).	• IR is on track to achieve this milestone.
	There is no bias or discrimination in remuneration systems and Human Resource practices	• IR's revised pay approaches (introduced in 2018) removed manager influence on pay increases for collective-based roles (90% of people). For the remaining 10% of people, bias is reduced through peer calibration. In both approaches, pay ranges were significantly increased in 2018. Both pay approaches prioritise larger increases for those paid lower in the pay range. • Employees on or returning from parental leave receive a remuneration review (introduced in 2017).	• IR's performance approach (introduced in 2017) removed performance ratings and focusses on conversations to help our people develop and grow to their full potential. • Continue to influence managers to build awareness of the role of bias in decision-making. • Continue to support hiring managers with capability-based recruitment and selection. • Reviewed the SSC Recruitment guidance and identified areas for improvement.
2019	**Equal Pay**	• Completed a deep dive analysis and confirmed that gender is not a factor in salaries for same or similar roles in IR.	
	Gender Balanced Leadership	• Achieved our 5-year goal set in 2017 to achieve and maintain a 40%-20%-40% gender balance in senior leadership roles.	• Senior management is currently 41% women, an increase from 22% in June 2016.

Risks to achieving the 2020 Gender Pay Gap action plan

IR is undergoing organisational change in 2020, as part of our business transformation	
Potential risks	**How we will manage this risk?**
1. As we become a leaner organisation, there is a risk that we may negatively impact our gender and ethnicity representation, as we transition to our future operating model. This may have a negative impact on IR's gender pay gap, as representation is the key driver of our gender pay gap.	We can mitigate this risk by monitoring and considering our representation during the transition.
2. The Gender Pay Gap Action plan is being led by People & Culture. The organisational change may impact our capacity and capability to deliver the action plan.	We can mitigate this risk by allocating dedicated resources, with the capabilities to support the delivery of the action plan.

The impacts of COVID-19 are yet to be determined

Appendix 1: Data rules

For the analysis

We have included all active employees (including Parental leave, leave without pay, external secondees, casuals). Contractors and agency workers are not included as we do not hold their salary information and they are not IR employees.

We have used annual salary, plus:
- Retention allowance
- Premium job allowance
- Performance payments
- At Risk pay
- Salary trade (reversed)

We recognise that not all people identify as a man or a woman. However, our analysis is confined to men and women as these datasets were large enough to make meaningful comparisons, while also providing anonymity.