



GENDER & ETHNIC Pay Gap Action Plan

October 2021

NAOMI'S FOREWORD

At Inland Revenue we are committed to creating a safe and inclusive workplace where everyone can achieve their full potential. We have been working towards this over several years, driven by our Diversity & Inclusion strategy, which includes key actions around closing the gender pay gap.

We have worked hard to make progress against our intentions and the positive results reflect our ongoing efforts. We have also undertaken analysis in different areas which shows us that gender and ethnicity are not a determining factor in what people get paid at Inland Revenue. Our gender and ethnic pay gaps are driven by the roles those people are in, particularly the high volume of women and ethnic minorities in our lower-paying and customer-facing roles. In this sense, we have a vertical pay gap rather than a like-for-like pay gap.

We are pleased to see progress in some key areas:

We can see a clear increase in feelings of inclusion reported by our people in 2021 compared to 2017.

As part of our organisational transformation, we have been working on getting our culture right, developing inclusivity as one of our four cultural anchors. This has enabled us to actively focus on new practices and a range of people policies to shape our culture. We

believe that creating an inclusive culture is an important foundation to sustaining and harnessing diversity at work.

We focussed on increasing women in leadership and have achieved our five-year goal within three years.

We set out to have a 40-40-20 gender mix (40% identifying as female, 40% identifying as male and 20% for natural fluctuations and gender diverse for all people leadership roles) and achieved this within three years. Targeted actions, such as using gender neutral language in our job adverts and role descriptions, has resulted in significantly more women applying for all levels of leadership roles than previously. We made the most significant gains in increasing women in senior leadership roles, while maintaining levels we are satisfied with in Team Lead and Middle Management levels.

We have shifted our gender pay gap from 20.6% to 18%.

While we have made progress, this doesn't offset the high number of women in lower paying roles. We have no plans to force a change in the gender balance of our frontline roles which results in an ongoing significant overall gender pay gap. Having large numbers of women in our frontline roles provides a talent pool which we want to encourage people to progress from. We are now exploring how to improve the gender

balance across higher-paying technical roles (professions with underrepresentation of women) while maintaining our gender balance in leadership positions.

This Action Plan sets out how we will address the issues of gender and ethnic representation in the coming year, building on the strong foundations from previous years. This year our focus will move from getting organisation settings right to more targeted and focused efforts. One major area of focus is on increasing the ethnic diversity of our leadership and leadership pipeline. This year we will be doing in-depth analysis to understand the drivers of the lack of ethnic representation in leadership and technical roles. Our focus will be on supporting an increase in the ethnic diversity of our leadership using talent practices, development opportunities and supporting hiring decisions.

While there is still more work to be done, I am heartened by the progress we are making. I am confident our work over the coming year will move us closer to becoming a safe and inclusive workplace.

Naomi Ferguson
Commissioner of Inland Revenue

Naomi Lyson



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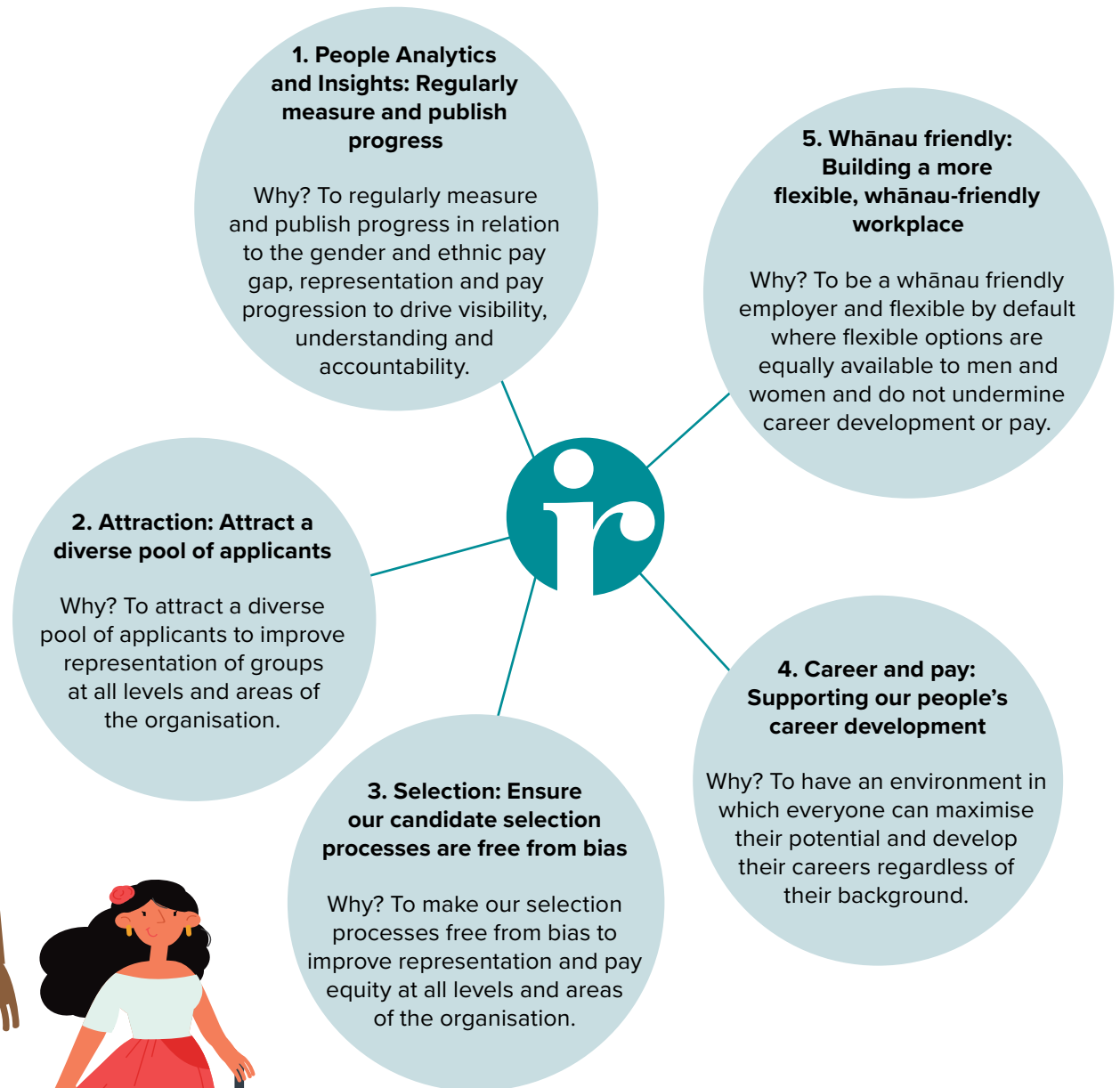
OUR FIVE FOUNDATIONAL FOCUS AREAS

2021 Gender and Ethnic Pay Gap Action Plan

IR is committed to having a workplace free from inequalities, so everyone can achieve their full potential. This aligns to our cultural anchor of being inclusive and is driven out of our Diversity & Inclusion Strategy.

We first developed our Gender Pay Gap Action Plan with our people and unions in 2018. Together we identified five key action areas that would form our 3–5 year plan. These are still relevant today (see diagram).

From 2020 we started to incorporate the ethnic pay gap and include that into our programme of work. Based on the analysis and insights we have gathered over the last year, this plan sets out our actions for 2021-2022. The work we have identified progressively builds on the foundations we have put in place.





SUMMARY OF ACTIONS TAKEN TO DATE

SUMMARY OF ACTIONS TAKEN 2018 – 2020

Analytics & Insights

We analysed a range of areas to gain better understanding, examples include:

- A 5-year cohort study examining pay and career movements
- Comparison of ethnic groupings in IR against the NZ population, finding ourselves mostly comparable
- Analysis of all HR processes across the employee lifecycle to identify risk points for potential bias
- Qualitative research with our people (diversity networks) to complement our understanding of bias
- Developing and publishing our People Dashboards internally (which contain demographic data reflective of our gender and ethnic pay gaps)

As a result, IR has a comprehensive understanding of the drivers of our gender and ethnicity pay gaps, which is unequal representation in higher-paying roles.

Attraction

In 2015, we committed to being a capability-based organisation. This means we source, recruit, develop and deploy people based on skills, knowledge, experience and attitudes. IR's people capabilities recognise the value of transferrable skills and experience – including those people acquire through caring, voluntary and community work, and mahi aroha when we are making selection decisions. Our capability-based roles also reference specific qualifications only when required for the work.

Other actions include:

- Promoting our D&I aspirations in job adverts, using more diverse imagery on our careers page, promoting our open-ness to flexible working options (location, time)
- Using gender neutral language in our job titles, descriptions and job adverts (which saw us increase the number of women applying for leadership positions)
- Trialling different sourcing strategies (e.g. Kumara vine, Workbridge), resulting in a more diverse candidate pool

Selection

Our key focus in Selection was around reducing bias in decision making. To do this we:

- Partnered with Diversity Works NZ to upskill our recruitment team (with unconscious bias training and support for reviewing our end-to-end recruitment process to develop mitigation strategies for potential bias)
- Worked with our unions to review IR's selection tools to mitigate potential bias
- Required gender mixed interview panels and monitored interview outcomes using documented panel summaries
- Piloted training for our hiring managers which includes a focus on whānau support for candidates, capability-based interviewing, selection and the role of bias.

We identified that as we increase the diversity of our candidate pool, we need to ensure actions set out above are supporting more diverse hiring decisions. This is one of the drivers for our work on unconscious bias, hiring manager support and inclusive leadership under Papa Pounamu (one of our key areas of work under our D&I Strategy).

SUMMARY OF ACTIONS TAKEN 2018 – 2020

Career & Pay

Since 2017, all employees on or returning from parental leave receive a remuneration review.

In 2018, we introduced a new pay approach and continued to embed it over 2019. Both our banded and graded pay structures mitigate bias by removing the role of a single leader in pay decisions. Both pay approaches prioritise larger increases for those paid lower in the pay range.

Having reviewed PSC Guidance on Remuneration and Guidance on Career Progression, Breaks and Leave, we know that our remuneration structure is robust, with controls for the potential for bias. Our people practices recognise the unique backgrounds and perspectives of people and encourage career aspiration achievement through tailored coaching and development, irrespective of gender or ethnicity.

We continue to embed learning around the role bias can play in the decisions leaders make in relation to how they use development opportunities and select people for roles.

Whānau friendly

Flexible working has been part of our people strategy since 2016, but not consistently due to a combination of mindset, process and technical barriers. Some of the actions we have taken to address these barriers include:

- New workplace tools and technology for a flexible workforce that enable work to be done from any location
 - Working with our people and unions to develop an action plan to address the policy, process, culture and mindset shifts to meet the flexible by default milestone by the end of 2020
 - Engaging with our people and unions to develop a new flexible working policy and supporting guidance (which was then launched in March 2021)
 - Published a 'flexible working hub' on our intranet with guidance and resource, supported through staged communications through multiple channels at all levels.
- Implemented 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 and built on this by including faith rooms.





EVIDENCE OF PROGRESS

EVIDENCE OF PROGRESS

Greater feelings of inclusion, increased diversity of applicants, reducing pay gap

Our focus has been on establishing the organisational platforms, policies and practices to improve inclusion at work and remove the barriers to pay and progression. While our Gender and Ethnic Pay Gap Action Plan outlines a series of specific actions, it's worth noting that other actions under our D&I strategy have also supported these outcomes. These actions have included: establishing our D&I roadmap; executive commitment; introducing our Inclusive cultural anchor; setting up and supporting our people networks; promoting learning and adopting new people practices.

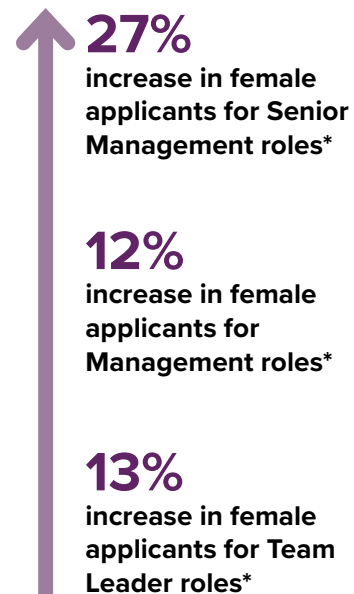
The cumulative effect of these is evidenced through:

- A significant increase in reported feelings of inclusion in 2021 compared to 2017
- An increase in the proportion of women applying for all leadership positions.
 - Between 2018 and 2021 (full year data), we have seen a 27% increase in female applicants for Senior Management roles, 12% increase for management roles, and 13% increase for Team Leader roles.

- Achieving our five-year goal of increasing the number of women in senior leadership roles within three years
- Senior management is currently 48% women, an increase from 22% in June 2016
- This has been an important milestone to reach due to the influential nature of leadership roles, which creates a platform for continued change. We aim to maintain this.

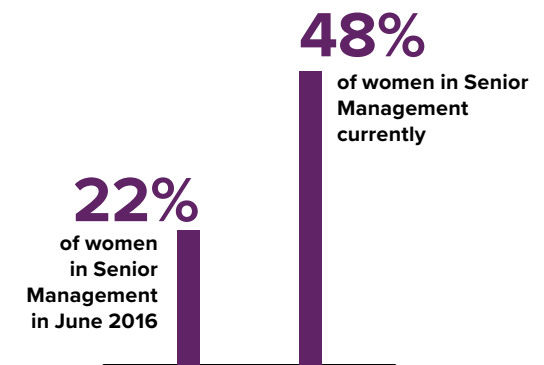
As a result, we have shifted our gender pay gap from 20.6% in 2016 to 18% in 2021.

Key takeouts

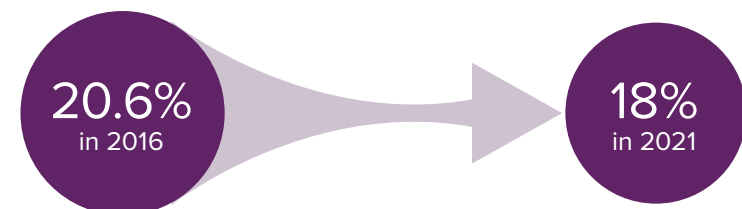


*Between 2018 & 2021 (full year data)

Women in Senior Leadership Roles within 3 Years



Gender pay gap shift



POSITIVE INCLUSION OUTCOMES

Increase in reported feelings of inclusion at work across gender & ethnicity

Key Findings

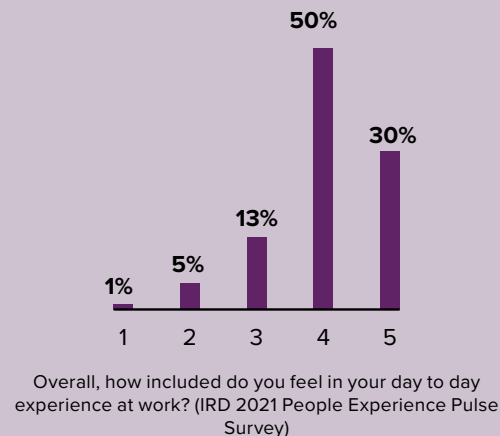
The distributions for reported levels of inclusivity in 2021 compared to 2017 show a clear shift towards a more positive sentiment with regards to inclusivity.

The questions for the 2017 and 2021 surveys were different and measured on different scales. Therefore a direct comparability is limited although the trend allows an inference that reported levels of inclusivity has shifted in a positive direction since 2017.

Reported levels of inclusivity (2017)

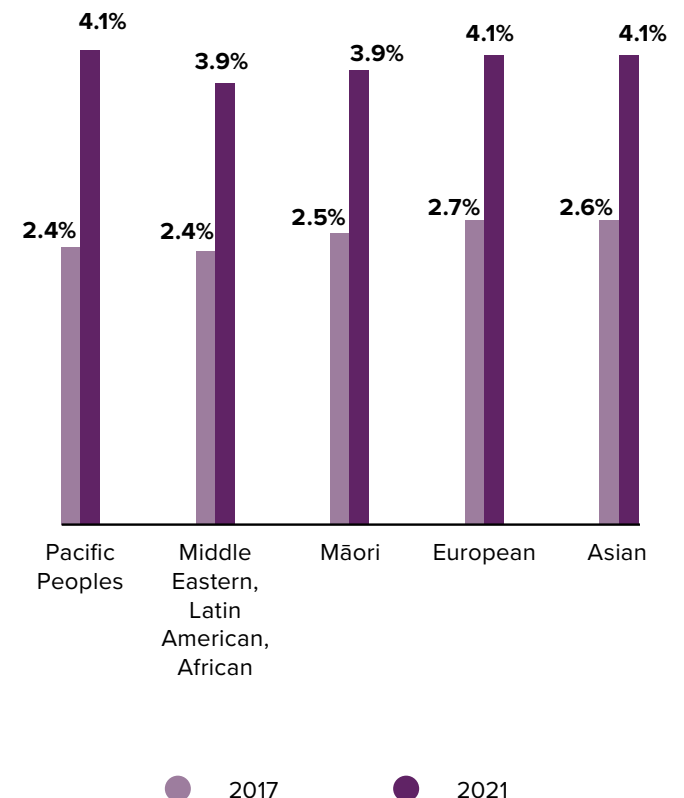


Reported levels of inclusivity (2021)



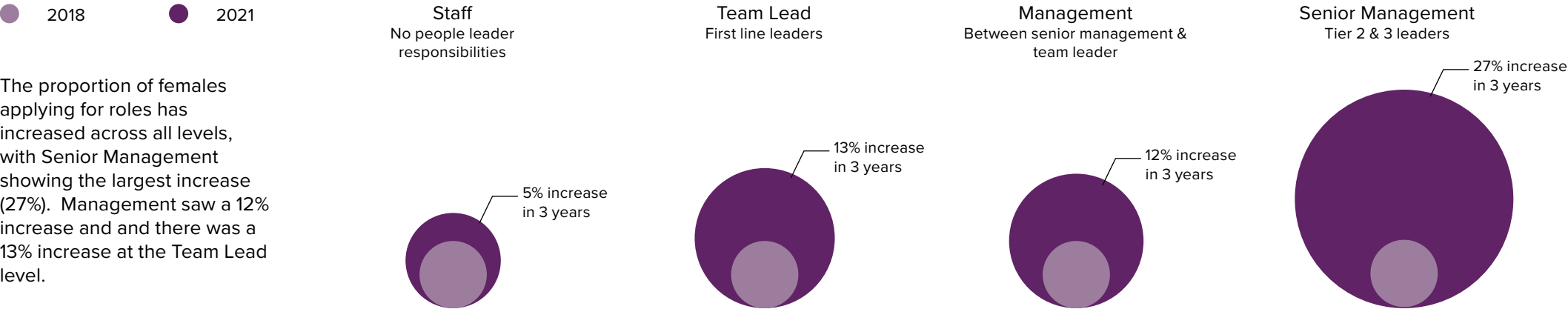
Similar positive shifts have been observed across Gender and Ethnic groups suggesting that the increased positive sentiment has been felt across groups.

Difference in reported levels of inclusivity

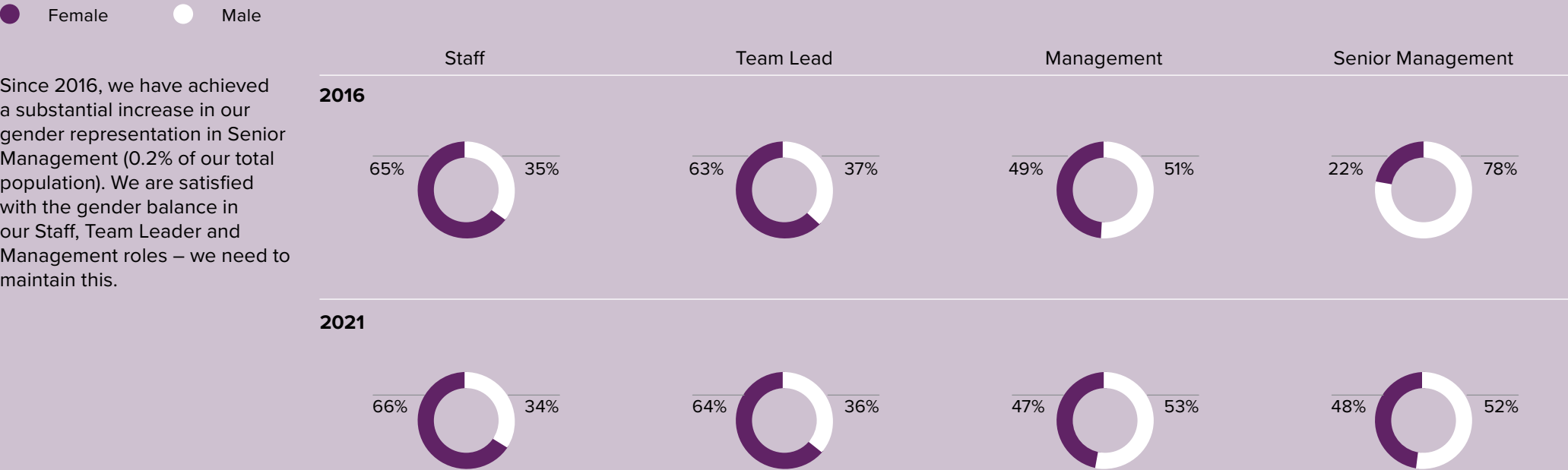


POSITIVE GENDER OUTCOMES

More women are applying for leadership roles



Increased representation of women in senior leadership roles



2021 PAY GAP SNAPSHOT

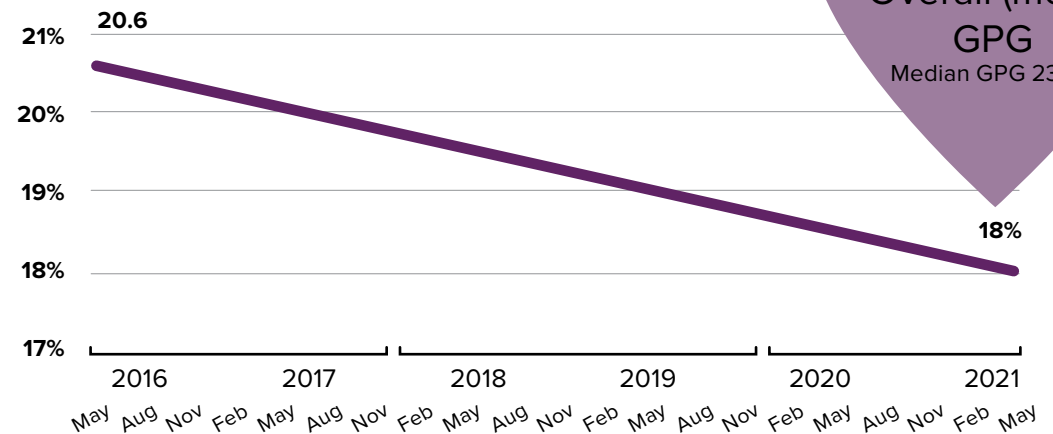
Overall reduction in the gender pay gap since 2016

The gender pay gap 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 pay at IR



0%

Average (weighted)
within role GPG

Within Pay Band: 1.4%

18%

Overall (mean)
GPG
Median GPG 23.7%



DRIVERS OF OUR PAY GAP

THE GENDER PAY GAP

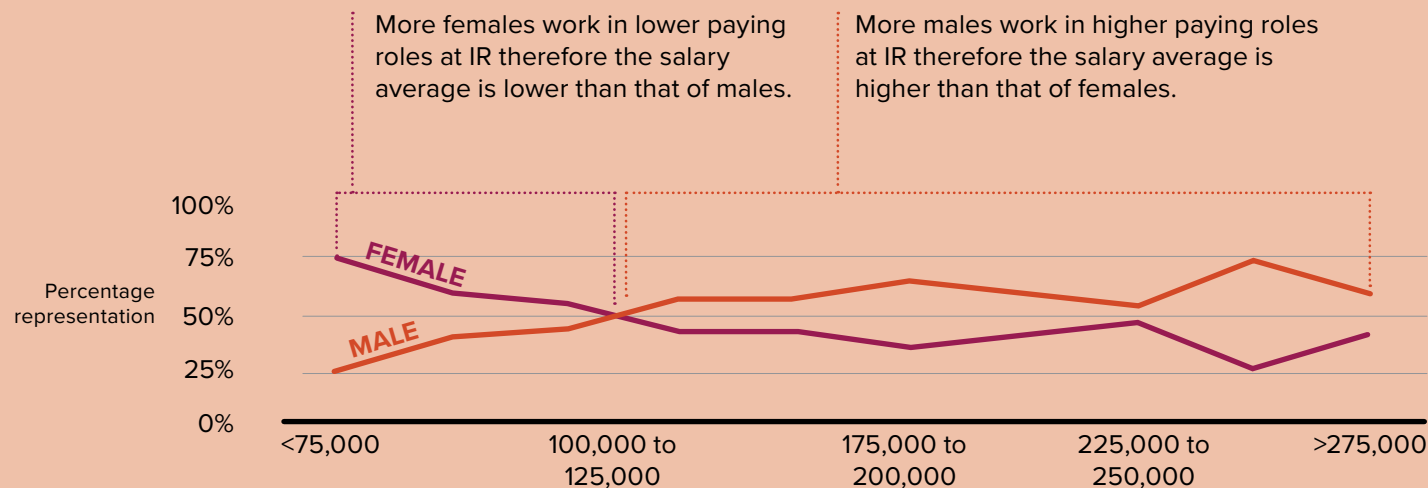
Representation is the primary reason for IR's gender pay gap

Our analysis shows the following:

- There are minimal like-for-like gender pay differences within roles.
- Our gender balance in leadership is at levels that we are satisfied with, and we aim to maintain this.
- Female representation at Senior Leadership is 48%, Management is 47%, Team Lead level is 64% (which while high, is still broadly within our target range).

The gender pay gap is driven by representation:

- The high proportion of Females at lower paying roles (e.g. Customer Service Officers) AND
- The low proportion of Females at higher paying roles in the organisation.
- Our representation at the Frontline has very high Female representation (see magenta line in graph below) but is in proportion to the applicant pool.
- We do not intend to force a change here, but rather see this as opportunity for Female entry into the workplace and a pipeline for future talent. For this reason, IR will always have a gender pay gap of >10%.
- For roles above \$125,000, representation is generally aligned to our target range of 40-40-20; however, this ratio is consistently higher for Males. As such, an area of focus over this year is increasing Female representation in technical or specialist areas, particularly those with an average remuneration above \$125,000.



THE ETHNIC PAY GAP

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

At an organisational level, our preliminary analysis has shown that, like the gender pay gap, representation is also the primary reason for IR's ethnic pay gaps.

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.

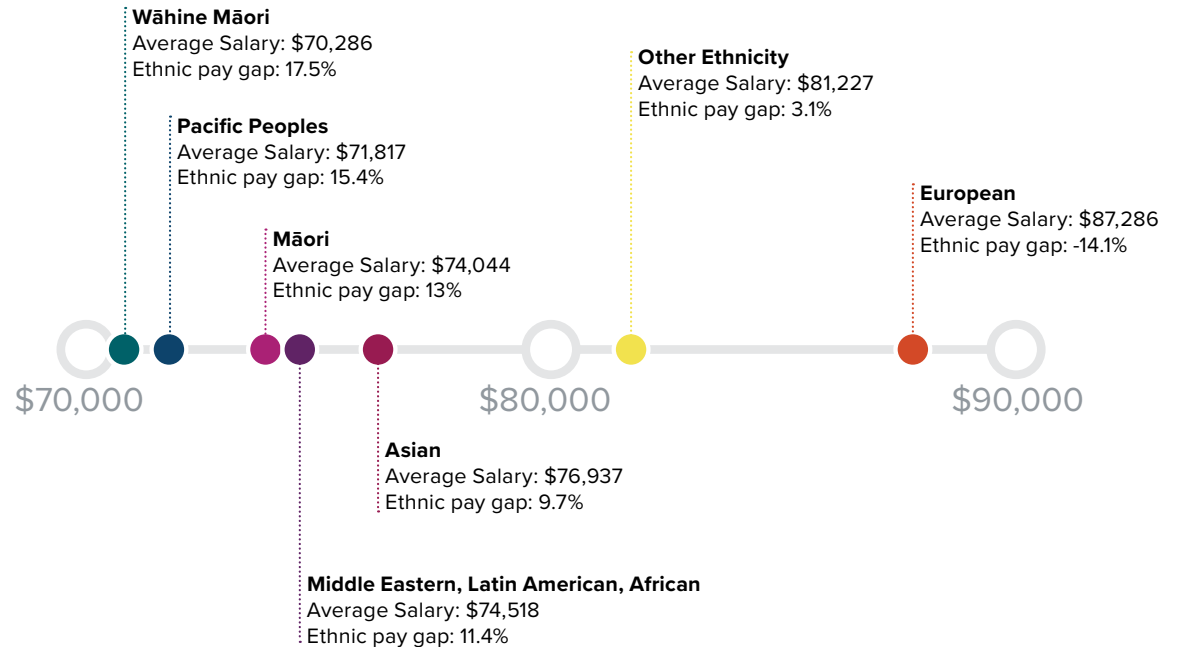
66% of our people at the Staff level, compared to 96% of our senior management identify as European. Within business and job segments there are some areas which are predominantly European such as Marketing & Communications and Legal & Tax.

There are currently not enough people in each ethnicity group across enough roles to carry out a statistically robust analysis of ethnic pay gaps within same or similar roles while ensuring the privacy and confidentiality of our employees.

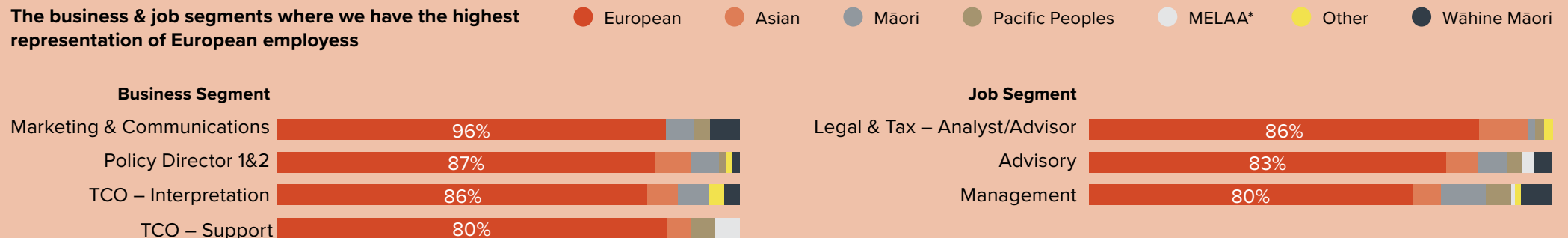
Ethnic pay gaps are calculated by comparing the average salaries of people identifying with a group and the average salaries of everyone else with a declared ethnicity.

*MELAA (Middle Eastern, Latin American, African)

The ethnic pay gap & average salary



The business & job segments where we have the highest representation of European employees



WHILE IR'S ETHNICITY IS CLOSE TO NZ POPULATION

Ethnic diversity is concentrated in lower-paying roles

While the diagram to the right shows that IR's employee ethnicity closely reflects the ethnicity breakdown in New Zealand, the bottom diagram shows that most of our diversity is in lower pay bands – we want these lines closer together.

Our next aim is to understand how this compares at a professional level and by region, so that we can consider the impact of location on our hiring practices.

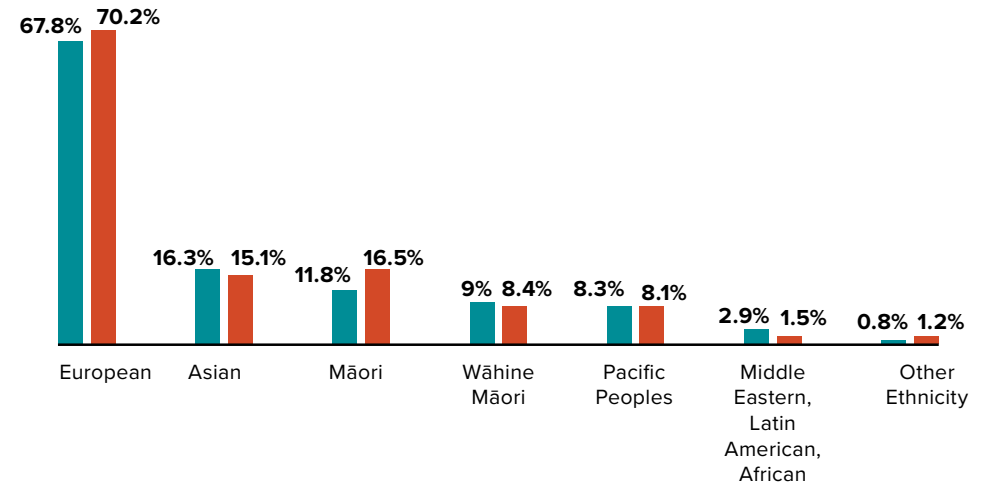
We are also exploring how we better use the diversity we already have at IR – the high concentrations of ethnic diversity in customer-facing roles.

Because a large proportion of our appointments are internal we have an opportunity to support career progression for under-represented ethnic groups.

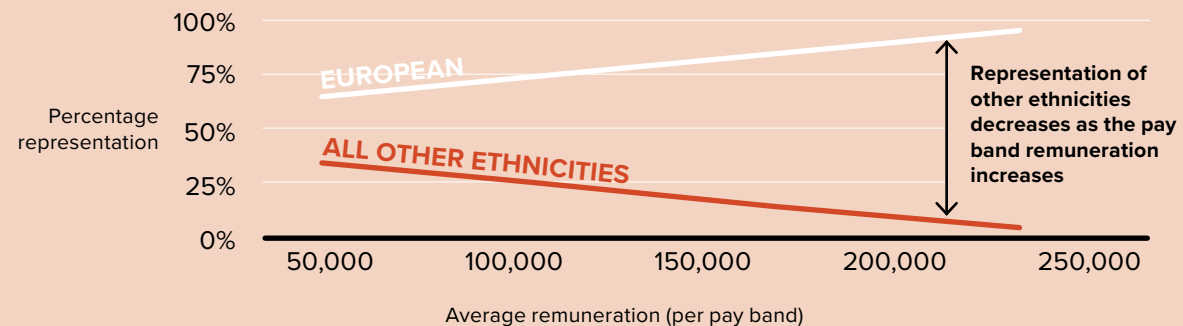
Inland Revenue employee ethnicity

*from 2018 census data

IR New Zealand*



Ethnic representation by average remuneration per pay band



REPORTING THE GPG FOR OTHER CONTRACTUAL AGREEMENTS

Reporting the GPG for contractors working at IR

We hold less data on contractors than our employees and do not have all of the pay information to be able to do any sort of comparison. We are exploring how we could meaningfully report on this in the future.

Reporting the GPG for third party suppliers

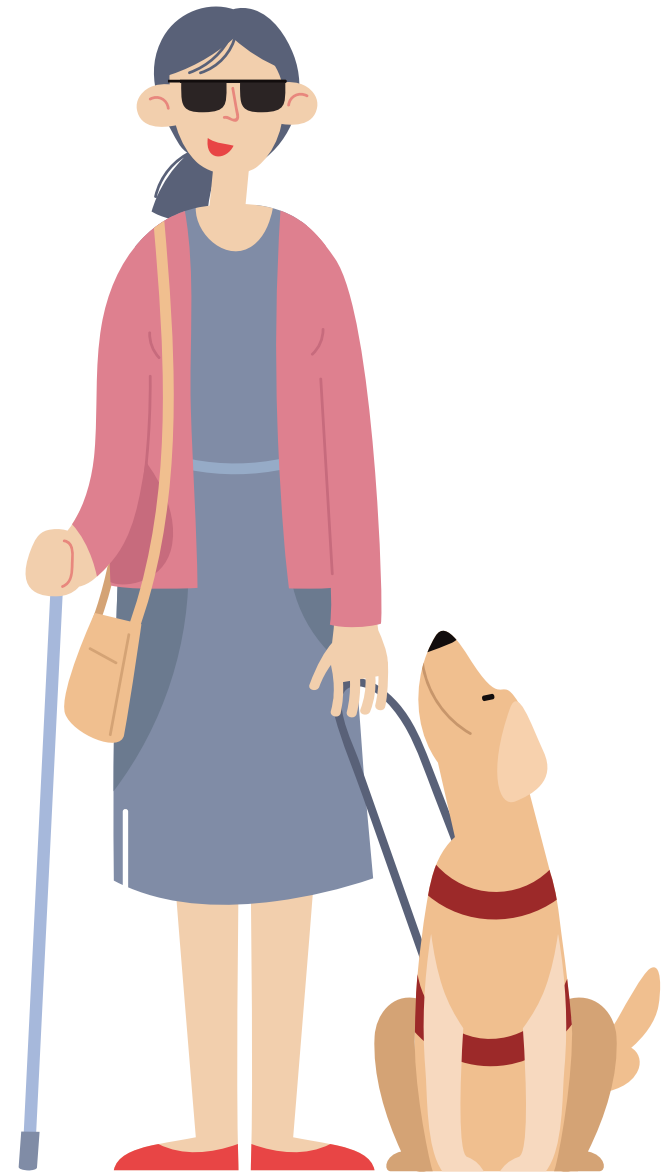
While we are unable to report on the gender pay gap for third party suppliers, government procurement is increasingly being used as a lever to deliver better social, cultural and environmental outcomes. Two of our focus areas in our Broader Outcomes strategy support the intent of reducing the gender and ethnic pay gap.

- **New Zealand business and communities**

We are looking to identify and create opportunities that enable a wide range of New Zealand businesses to access our contracts when sourcing goods and services, including Māori and Pasifika businesses. We are also looking at how we might increase supplier diversity in our supply chain, with a focus on Māori businesses.

- **Employment and decent work**

We are looking at how we might create a more inclusive supply chain which contributes to the creation and preservation of jobs for those who would otherwise struggle to participate in the labour market. We are also looking to ensure a more level playing field for responsible suppliers who do not cut costs by using unsafe or unfair practices.

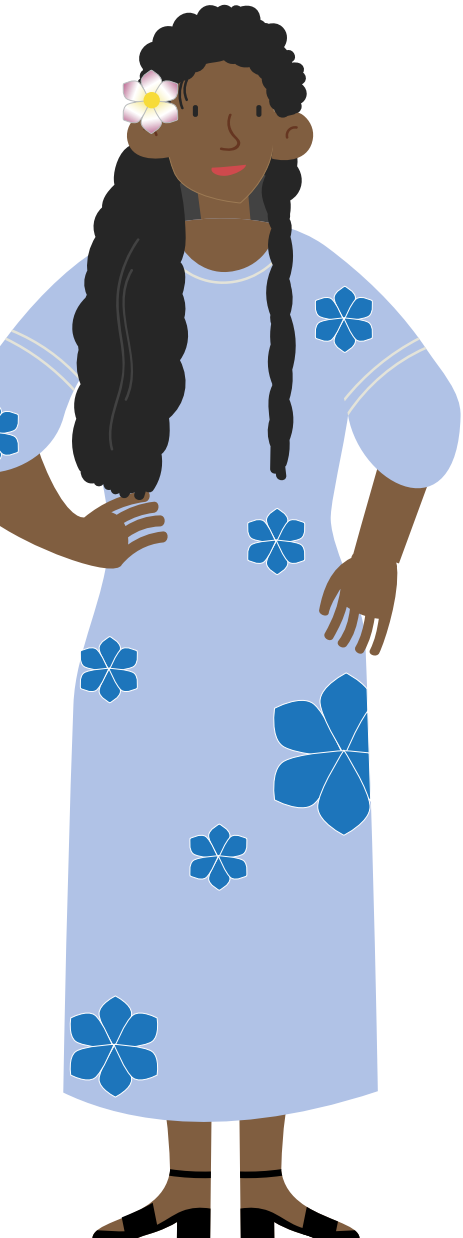




2021 – 2022 GENDER & ETHNIC PAY GAP ACTION PLAN

2021 GENDER & ETHNIC PAY GAP ACTION PLAN

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

Key insights from 2020 – 2021

- Because our GPG is driven by representation, the overall reported GPG figure is not a useful data point for IR. The volume of entry level roles in IR (where we have the greatest diversity) potentially masks business areas and roles with very low representation. While these may be small in scale, they could have a greater impact in terms of the work they deliver. We need to develop more tailored data points and insights to help address this.
- Our people experience research shows people leaders have a significant impact on an employee's work experiences and have the potential to be a single point of failure with bias in certain areas. (Our review of processes and inclusive leader work under Papa Pounamu will help to address this).

Our plan for 2021 – 2022

- Move from organisational level insights and interventions, to tailored and targeted ones. We want to explore how we can deliver targeted insights to leaders, business segments and affected groups to understand the drivers of their representation gaps (gender and ethnic), develop interventions; and inform their Talent Practices (sourcing, recruitment and talent development).
- The targeted insights, along with insights about tenure and attrition rates across roles and business groups will help us establish what good looks like and thus help us measure progress in a more meaningful way.
- We will continue to evolve our existing measurement and insights processes (e.g. Active Listening, Moments that Matter, Public Census Survey) to deliver valuable insight in support of our action plan.

2021 GENDER & ETHNIC PAY GAP ACTION PLAN

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.
Key insights from 2020 – 2021	<ul style="list-style-type: none">• Diversify our sourcing channels results in a more diverse applicant pool, however this has not often enough translated into hiring decisions, reflecting the potential role of bias in decision making.• Explore the best ways to capture diversity data at applicant stage and track progress from applicant pool to shortlist to hire, in order to support insights around intervention success.
Our plan for 2021 – 2022	<ul style="list-style-type: none">• Embed our coaching, development, talent management practices and enable workforce planning to support a more proactive approach to sourcing diverse talent - particularly from our customer-facing roles.• Continue work on IR's employee value proposition (EVP) to understand how this aligns to the diverse perspectives and needs of current and prospective employees.• Use people experience insights about what people value about working at IR (at an organisational and role level) to attract and retain diverse candidates (e.g. through targeted sourcing channels and strategies, Early Career Programme etc.)• Analyse our brand in the marketplace so that we can more proactively manage this• Continue job advert design improvements (language, career site imagery etc).

2021 GENDER & ETHNIC PAY GAP ACTION PLAN

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.

Key insights from 2020 – 2021

- Diversify our sourcing channels results in a more diverse applicant pool, however this has not often enough translated into hiring decisions, reflecting the potential role of bias in decision making.
- Explore the best ways to capture diversity data at applicant stage and track progress from applicant pool to shortlist to hire, in order to support insights around intervention success.

Our plan for 2021 – 2022

- Continue to embed learning on unconscious bias and cultural competence (under Papa Pounamu) to help hiring leaders understand the role of gender or cultural differences in career choice and expression so they can make more inclusive hiring decisions.
- Ensure our technology enables us to support D&I outcomes e.g. we are able to capture diversity data and our externally facing tools and information are accessible to all people
- Improve our recruitment and selection processes to be people centric and accommodating of diverse needs (from shortlisting, interviewing, to onboarding) both for the hiring manager and the candidates
- Utilise key insights (noted under People Analytics and Insights) to support selection decision making e.g. selecting for cultural awareness/capability if needed.



2021 GENDER & ETHNIC PAY GAP ACTION PLAN

ACTION AREA: CAREER & PAY – Supporting our people’s career development

What we want to achieve

An environment where everyone can maximise their potential, and develop their careers regardless of background.

Key insights from 2020 – 2021

- Internal appointees have generally been hired at lower starting salaries than external appointments. Historically, more of our internal hires identify as female, while more of our external hires were male.

Our plan for 2021 – 2022

- Investigate mechanisms to support equitable pay decision-making when hiring (for both internal and external candidates)
- Explore how we can support our Graded Remuneration Structure pay moderation conversations with tools that show impact on the gender and ethnic pay gaps, as input for decision making.
- Continue to identify the barriers that may disproportionately deter women or specific ethnic groups from advancing their careers by role/segment (linked to People Analytics & Insights)
- Support the adoption and embedding of capability-based role understanding and use to support career moves through transferrable skills.
- Increase the visibility and emphasis on gender and ethnicity within the talent pipeline through our talent management practices.



2021 GENDER & ETHNIC PAY GAP ACTION PLAN

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 all people and do not undermine career development or pay.

Key insights from 2020 – 2021

- As at 01/06/2021 we have 3120 approved flexible work arrangement. Of the approved arrangements:
 - 94% (3078) are for informal (office based) arrangements
 - 2.5% (67) are informal short-term arrangements (less than 12 weeks)
 - 3.5% (114) are formal arrangements
- Our people tell us that whānau is important to them and whānau responsibilities can sometimes hold them back from applying or higher-paying roles which are deemed to have higher time demands e.g. 97% of people leaders are full time and of the 3% who are part time, 86% are female. If we then break that down further, 100% of our senior leader roles are full time.
- We still have some constraints on the types of flexibility for customer-facing roles, based on technological and customer requirements..

Our plan for 2021 – 2022

- Continue to embed our approach to flexible working and being a whānau friendly workplace.
- Complete the review of our flexible practices (which we launched in March 2021) . Based on feedback, we will review the need for further actions.
- Continue to build flexibility for our customer-facing people via technology.
- Finish developing our Future Workplace strategy, which is about building a modern, agile, appealing and collaborative environment for all our people. It is based on inclusive design principles that align with our IR culture anchors.
- Our work on inclusive leadership (under Papa Pounamu) supports a leader's role in enabling flexible working.



PROGRESS AGAINST SECTOR MILESTONES

PROGRESS AGAINST SECTOR MILESTONES

Date	Milestone	Progress
End of 2019	Equal Pay	<ul style="list-style-type: none"> Completed a deep dive analysis and confirmed that gender is not a factor in salaries for same or similar roles in IR.
End of 2019	Gender Balanced Leadership	<ul style="list-style-type: none"> Achieved our 5-year goal (set in 2017, in support of closing the gender pay gap) by achieving and maintaining a 40%-20%-40% gender balance in senior leadership roles. Senior management is currently 48% women, an increase from 22% in June 2016.
Mid-2020	There is no bias or discrimination in remuneration systems and Human Resource practices	<ul style="list-style-type: none"> 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. 3000+ people have completed the Unconscious Bias training (including all of our people leaders). In addition, cultural competence learning was rolled out in May 2021, and have Rainbow training lined up for later in the year. Completed a full review of HR procedures to understand where decisions are susceptible to bias. Identified high risk areas for review in 2021-2022. A policy review process is planned for 2021-2022.
End of 2020	Flexible by default	<ul style="list-style-type: none"> We developed the Flexible by default policy, guidelines and launched those along with support materials in March 2021. We have 3120 approved cases of flexible working arrangements, of those: <ul style="list-style-type: none"> 94% (3078) are for informal (office based) arrangements 2.5% (67) are informal short-term arrangements (less than 12 weeks) 3.5% (114) are formal arrangements

APPENDIX

For the analysis:

- We have included all active employees included (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.

