

## **Taskforce on Pay and Employment Equity in the Public Service and Public Health and Education Sectors**

### **Questions and Answers**

#### **1. What is “Pay and Employment Equity”?**

The Taskforce report says:

**Employment equity** means the elimination of barriers to equality for women in employment. It involves implementing policies and practices:

- in access to employment opportunities, and
- In terms and conditions of employment, including pay that are not based on gendered assumptions.

**Pay equity** means women receiving the same pay as men for the same work and for work that is different, but of equal value. Where jobs undertaken by men and women are different, pay equity means equality of pay where skills, training and responsibility, effort and work conditions are assessed as comparable.

**Pay and employment equity** means taking a systematic approach to identifying and eliminating the causes of inequality and providing equity.

#### **2. Why was a Taskforce set up?**

A Taskforce was set up because the government recognises that there is a persistent gap between the pay rates of men and women. In 2003, the average hourly earnings from wages and salary for women in the labour force were 87.1% of those for men.

There are many factors that contribute to the gender pay gap, and the factors differ for different groups of employees. The size of the pay gap differs in different parts of the workforce, because the factors that contribute to it may be more or less significant. The Pay and Employment Equity Taskforce’s job was to recommend an action plan to address the factors affecting particular groups.

#### **3. Who was on the Taskforce?**

The Taskforce had an independent Chair, Diana Crossan. The members of the Taskforce were the Chief Executives of the Department of Labour, the Treasury, the State Services Commissions and the Ministry of Women's Affairs, and representatives from the New Zealand Council of Trade Unions. Subgroups from each of the public service, public health and public education sectors were established to assist the Taskforce. These were chaired by Joanna Beresford, who was also a member of the Taskforce.

#### **4. What was the Taskforce asked to do?**

The main job of the Taskforce was to advise the government on how the factors that contribute to the gender pay gap apply in particular parts of the public service and public health and public education sectors and secondly, on a five-year plan of action to address pay and employment equity with reference to those factors. The Taskforce was also asked to demonstrate the value of the policies it recommended and to provide a model for implementation in the private sector.

***The Taskforce's terms of references are attached.***

#### **5. What did the Taskforce find?**

The Taskforce found three key workforce factors that contribute to pay and employment equity. They are:

- The position of women in the workforce (occupation and position within it, also termed horizontal and vertical inequality);
- The valuing of jobs (undervaluing of female intensive occupations and unequal pay for the same job); and
- The relationship between the structure of paid work and women's job choices and progression (especially in relation to family responsibilities).

These factors were explored in more detail at national and sector level in terms of: occupational segregation, pay setting processes, low pay and the minimum wage, contracting out (outsourcing), career paths and management positions, part-time work, family responsibilities, and education and training.

#### **6. What did the Taskforce recommend?**

The Taskforce's recommendations were:

- The government should make a clear commitment to pay and employment equity in the public service, the public education and health sectors. This would mean developing a communications plan and policies to address inequity in pay and employment.
- Tools should be developed to help with assessing pay and employment equity. The tools would include an audit process to check that human resources policies and practices are free from gender bias, a gender-neutral job evaluation tool that would be used to assess job size, and a process for remedial settlement of pay equity claims.
- Existing processes such as collective bargaining and accountability mechanisms should be among those methods used to implement the recommendations;
- A unit should be set up within the public service to oversee the implementation of the action plan, with a tripartite steering group to provide leadership and advice on advancing pay and employment equity, and,

- The government set up a work programme to develop a second phase in the action plan, by December 2004.

## **7. What is the government doing in response to the Taskforce report?**

The government is committed to progressing pay and employment equity and has directed officials to carry out further policy work to develop the Taskforce's plan of action. This work includes establishing processes and mechanisms to give effect to the plan, the process for managing remedial settlements of pay equity claims, and development of audit and gender-neutral job evaluation tools. As part of this work an assessment of the costs and benefits will be undertaken.

The government has agreed to establish a pay and employment equity unit (within the Department of Labour) and a tripartite steering group will oversee the work of the unit.

## **8. Who will be affected by the plan of action?**

In 2003 there were nearly 200,000 employees across the three sectors. In February 2003, the average ordinary time hourly pay for women across the three sectors was \$22.84, compared with \$28.44 for men. Women therefore earned 80.3% of men's average hourly earnings. In the labour force generally women earn 87.1% of men's average hourly earnings. In the state sector however, women are a higher proportion of those employed than in the labour force generally and lower paid state sector jobs are concentrated in occupations that are female-intensive.

In the public service women make up 58% of employees and are spread across 38 agencies. In the public health sector employees are spread across 21 District Health Boards and the New Zealand Blood Service. The public education sector includes employees of the kindergarten associations in free kindergartens, state and state integrated schools, the Correspondence School, and employees of public sector tertiary education institutions. More than twice as many women as men are employed in the education sector.

## **9. How will today's announcement impact on pending or current pay claim negotiations, for example, the nurses' negotiations?**

Some claims for remedial pay equity settlements will come up for negotiations before the completion of the policy work. It would not be fair to fully determine pay settlements for these groups in the absence of the policy framework and tools. Such claims will be managed through existing industrial processes, with any settlements being taken into account in future remedial pay settlements.

## **10. Will changes to the law be necessary to deliver pay and employment equity in the public sector?**

Members of the Taskforce did not agree on this matter and further work will now be done to assess the best mechanisms to ensure achievement of the government's objectives. Meanwhile the government has committed to steadily progressing pay and employment equity through existing processes and clear policy leadership.

## **11. How much will it cost?**

An overall cost benefit analysis will be undertaken as part of the process of further developing the proposals in the plan of action. Proposals in the plan of action include the use of analytical tools (such as the gender neutral job evaluation tool). An important feature of this cost benefit analysis will be the assessment of the compliance costs.

To meet the costs of the new pay and employment equity unit, \$1.45 million (plus an initial \$60,000 capital costs) has been allocated in Budget 2004 for each year, from 2004/2005.

## **12. Why didn't the Taskforce look at pay equity in the private sector?**

The Taskforce was asked to focus on specific parts of the state sector where the government can lead change. The government is aware that there are likely to be flow-on effects to the private sector. For example, where similar occupations occur in both state and private sectors, private sector employees may compare their pay with that of similar employees in the state sector. For this reason, the government has been very clear that one of the purposes of the Taskforce was to demonstrate the value of pay and employment equity policies and to provide a model that could be followed by private sector employers.

## **13. When will the plan be put into action?**

The pay and employment equity unit and steering group will be in place from 1 July 2004.

A more developed plan of action will be considered by Ministers in July 2004, with Cabinet to consider progress in implementing the plan in December 2004.

## **14. Where do I go for more information?**

The full Taskforce report and the Cabinet paper relating to it, are available on [www.ers.dol.govt.nz/about/taskforce.html](http://www.ers.dol.govt.nz/about/taskforce.html)

The Taskforce commissioned research to assist in its work. This can also be obtained electronically from the website.

## 15. How does New Zealand compare internationally?

### The pay gap

Available data shows that, while the size of the gap may vary, the fact that men earn higher hourly rates of pay than women is common to all western economies. The table below set outs comparative data collected by the OECD for its 2002 Employment Outlook.

Female/Male Wage ratio for Selected OECD Countries			
	Year	Full-time wage and salaried employees	All wage and salaried employees
Australia	2000	92	90
Austria	1998	80	79
Belgium	1998	94	93
Canada	2000	81	78
Denmark	1998	93	92
Finland	1998	87	87
France	1998	93	93
Germany	1998	83	83
Greece	1998	80	82
Ireland	1998	81	76
Italy	1998	91	93
Netherlands	1998	86	87
<b>New Zealand</b>	<b>2001</b>	<b>91</b>	<b>87</b>
Portugal	1998	85	85
Spain	1998	93	88
Sweden	2000	90	88
Switzerland	2001	79	80
United Kingdom	1998	85	79
United States	1999	79	76
OECD Unweighted average		86	85

- The ratios are based on data on median hourly rates of pay;
- As with any use of cross-country data, national differences in data collection, definition and reporting make definitive comparisons difficult.

## **TERMS OF REFERENCE**

Taskforce on Pay and Employment Equity in the Public Service and Public Health and Education Sectors

### **Purpose of the Taskforce**

1. The Taskforce will advise the Government on how the factors that contribute to the gender pay gap apply in particular parts of the public service and public health and education sectors, and on a five year plan of action to address pay and employment equity with reference to those factors.
2. An important aspect of this purpose is to demonstrate the value of policies to address pay and employment equity and to provide a model for their implementation in the private sector.
3. The work of the Taskforce will involve:
  - i documentation of the nature and extent of pay and employment disparities currently existing in the public service and public health and education sectors;
  - ii identification (based on existing research) of the factors contributing to pay and employment inequity that apply in the public service and public health and education sectors as a whole and in each of these sectors, and in any specific parts of these sectors which may be identified;
  - iii research or further work on the way in which these factors apply within the identified parts of the public service and public health and education sectors;
  - iv development of a long-term plan of action to address each of these factors, within particular sectors if necessary, as a means to work towards pay and employment equity (based on a robust cost-benefit analysis); and
  - v recommendations on whether further work by the Taskforce is necessary to implement the plan of action, and if so, what that work should entail.

### **Principles**

4. The Taskforce will adopt the following principles in making recommendations to Government:
  - i The objective of pay and employment equity policies in the public service and public health and education sectors is to address the gender pay gap through a plan of action which addresses the wide range of social, employment, economic and other factors which contribute to the pay gap;
  - ii That the Taskforce should identify how the particular factors contributing to the pay gap apply in relation to each part of the public service and public health and education sectors, and where necessary, in relation to particular groups of employees within particular parts;

- iii That the plan of action should be capable of being implemented over five years in order that the necessary changes in practice and culture become embedded in the fabric of New Zealand society;
  - iv That the analysis of the influence of contributing factors and the plan of action for addressing them, while focusing on the public service and public health and education sectors, may be used as a model for private sector initiatives;
  - v That the plan of action should recognise current labour market arrangements (including legislative interventions) and management practices, and the impacts of proposed pay and employment equity policies on them;
  - vi That the plan of action should minimise compliance costs for both employers and employees/unions;
  - vii That any proposed options should be accompanied by a robust analysis of the costs and benefits of the options together with recommendations on how implementation of the options may be sequenced to spread those costs; and
  - viii That policy interventions should be consistent with the Government's comprehensive policy programme of increasing economic growth, reducing inequality and improving the social and economic well-being of New Zealanders and their families in an environmentally, socially and economically sustainable manner (Speech from the Throne Aug 2002).
5. In identifying contributing factors and developing a plan of action, the Taskforce will take into account the following background:
- i The history of pay and employment equity in New Zealand;
  - ii The Human Rights framework in New Zealand;
  - iii Information about the success or otherwise of existing policies (such as PPL, child care assistance, and work-life balance) in addressing any of the factors identified as contributing to the pay gap;
  - iv An awareness of the influence of the wider labour market, including Government policies on minimum wages;
  - v The Employment Relations Act 2000;
  - vi The work of the Human Rights Commission, the State Services Commission, the EEO Commissioner and the EEO Trust in raising awareness of pay and employment equity issues;
  - vii International experience in addressing pay and employment equity issues;
  - viii The Quality Partnership approach adopted in the core public service;
  - ix The tripartite initiatives in the public health sector; and
  - x Existing research on the nature of the gender pay gap in New Zealand and particularly in the public service and public health and education sectors.

## **Reporting**

6. The Chair will be responsible for ensuring that the Ministerial Reference Group is kept informed of the progress of the Taskforce. The Ministerial Reference Group is chaired by the Minister of Labour and includes the

Minister of Women's Affairs, the Minister of State Services, and the Minister of Finance, and draws in where appropriate the Minister of Health and the Minister of Education.

7. Within two months of being appointed, the Taskforce will meet to:
  - i Confirm their terms of reference;
  - ii Design a work programme, including identifying the areas of the public service and public health and education sectors that should be studied, establishing (if appropriate) sub-committees to analyse how contributing factors apply in those areas, and identifying any research work that may be required to assist the analysis or development of a plan of action;
  - iii Identify the resource implications of the immediate work programme proposed by the Taskforce, including the likely costs of that work programme;
  - iv Have the terms of reference and work programme approved by the Minister of Labour, the Minister of Women's Affairs, the Minister of State Services and the Minister of Finance; and
  - v Establish a programme of monthly reports to the Ministerial Reference Group on progress.
  
8. The Taskforce is required to report to the Ministerial Reference Group on its findings in relation to the factors contributing to the pay gap and recommendations for a five year plan of action to address these factors by 1 December 2003 (later amended to 1 March 2004).