

## **Equal Pay Review**

1 April 2007 to 31 March 2008

## Introduction

### Background

1. The Code of Practice on equal pay (Equality and Human Rights Commission) recommends equal pay reviews as the most appropriate method of ensuring that a pay system delivers equal pay free from sex bias. The aim of an equal pay review is to identify any pay gaps between men and women doing equal work or work of equal value. Within this report, a similar statistical analysis based on ethnicity, age and working arrangement is also provided.
2. It was not possible to complete an analysis based on disability due to insufficient information. It is strongly recommended that staff disability information is collected for future reporting purposes.
3. A key assumption underpinning this analysis is that staff in the same pay range are doing equal work or work of equal value. This is based on the fact that jobs have been allocated to pay grades using a job evaluation system. Audit Scotland's graded pay structure comprises seven pay grades<sup>1</sup>. This structure was devised following a full job evaluation exercise in 2001 using the Collinson Grant system - an analytical, bias-free job evaluation tool.
4. The general approach to the analysis was to compare average salaries in each pay grade to identify any pay gaps<sup>2</sup>. Following this, the approach was to drill down into these gaps, to identify possible contributory factors. Throughout the report we use the term significant to mean where gaps are in excess of five per cent.
5. Audit Scotland has carried out two equal pay reviews to date. This review was delayed due to the commencement of our reward project in 2007. We will conduct a further review during 2009.
6. Audit Scotland's current system for pay progression (graded staff) is very clearly defined and incremental and there is little or no scope for discretion. The only area where managers have discretion to offer higher salaries than the bottom of the grade is for new appointments.
7. The senior management pay process is underpinned by a performance appraisal system, which informs pay awards.

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<sup>1</sup> B (Administration), C (Specialists), D (Senior Specialists), E (Auditors), F (Managers, G (Senior Managers) and T (Audit Trainees).

<sup>2</sup> The Equality and Human Rights Commission recommends that disparity in excess of five per cent of salary would merit further investigation.

8. 271 graded staff and 22 senior management employees are considered within this report. As different remuneration arrangements apply, they will be considered separately.
9. The reporting period of this review is aligned with our financial year end and covers the period April 2007 to March 2008. Future reports will build on this to gather trend analysis data in future. This report should be read in conjunction with our annual diversity monitoring report covering the same period.
10. This report uses plus (+) and minus (-) symbols within tables to indicate the direction of any pay gaps as follows:
  - Gender: (+ where females are paid on average more than males; - where they are paid less).
  - Age: (+ where older staff are paid on average more than younger staff; - where they are paid less).
  - Working arrangement: (+ where staff with flexible arrangements are paid on average more than those with standard contracts; - where they are paid less).
11. It should be noted that some information cannot be included due to the small numbers involved in some categories.

#### **Reward project**

12. We are currently undergoing a reward project to support and sustain our organisational improvement agenda and ensure our reward arrangements are compliant with age discrimination legislation. The next equal pay review will comment on any changes to our reward systems and processes.

#### **Graded staff**

13. This section of the report looks at frequencies and average salaries for Audit Scotland's graded staff. This represents 92.5% (271/293 x 100) of all staff as at 31 March 2008.

#### **Gender**

14. Exhibit 1 below shows the frequencies and percentages of staff by gender and grade as at 31 March 2008. Audit Scotland's gender mix is 49% female, 51% male.

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**Exhibit 1 Gender frequencies by grade**

Grade	Male		Female	
	No	%	No	%
T	13	9.4	13	9.8
B	0	0.0	21	15.8
C	7	5.1	13	9.8
D	17	12.3	10	7.5
E	53	38.4	41	30.8
F	19	13.8	18	13.5
G	29	21.0	17	12.8
<b>Total</b>	<b>138</b>	<b>100</b>	<b>133</b>	<b>100</b>

15. More females are employed at lower grades (B and C) whereas more males are employed on grades D and above.
16. Our annual monitoring report showed that we received more job applications from men than women, but fewer males were subsequently appointed.
17. Exhibit 2 below shows average salaries by grade and gender. It also includes the percentage difference between the average salaries of men and women within each grade. There are 17 staff on legacy terms who receive a salary above the standard grade maximum. The majority of these individuals are male (12 males, 5 females) and 16 of these posts are at grade E or above. Appendix 1 includes a scatter chart of all salaries by gender.

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**Exhibit 2 Average salaries by gender and grade**

Grade	Male	Female	% diff
T	17532.7	17921.8	+ 2.22
B	n/a	18239.9	n/a
C	21679.7	22382.3	+ 3.24
D	26854.2	25548.9	- 5.11
E	35646.6	33109.6	- 7.66
F	42201.0	40622.7	- 3.89
G	51832.2	49523.1	- 4.66

18. Males are paid significantly more within grades D and E. To investigate whether any inequality exists, an analysis of starting salaries by gender is provided later in this report. It may be useful to note that length of service for male employees is 37% higher than for females (female average length of service = 5.58 years, male average length of service = 7.63 years). However, more females received promotions (11 female, 7 males) and acting up opportunities (7 females, 0 males).

## Ethnicity

19. As at 31 March 2008, Audit Scotland employs four staff from a minority ethnic group. This represents 1.4% (4/293 x 100) of all staff.
20. Exhibit 3 shows the frequencies and percentages of white and minority ethnic group employees by grade.

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**Exhibit 3 Ethnicity frequencies by grade**

Grade	White		Minority Ethnic	
	No	%	No	%
T	26	9.7	0	0.0
B	21	7.9	0	0.0
C	20	7.5	0	0.0
D	26	9.7	1	25.0
E	92	34.5	2	50.0
F	37	13.9	0	0.0
G	45	16.9	1	25.0
<b>Total</b>	<b>267</b>	<b>100</b>	<b>4</b>	<b>100</b>

21. HR have looked at the pay gaps in this area and will monitor this over time. However, no conclusions can be drawn due to the small numbers involved.
22. An analysis of new start salaries by ethnicity is not given in this report. During the year April 07 to March 08, no external appointments were made to minority ethnic group individuals.

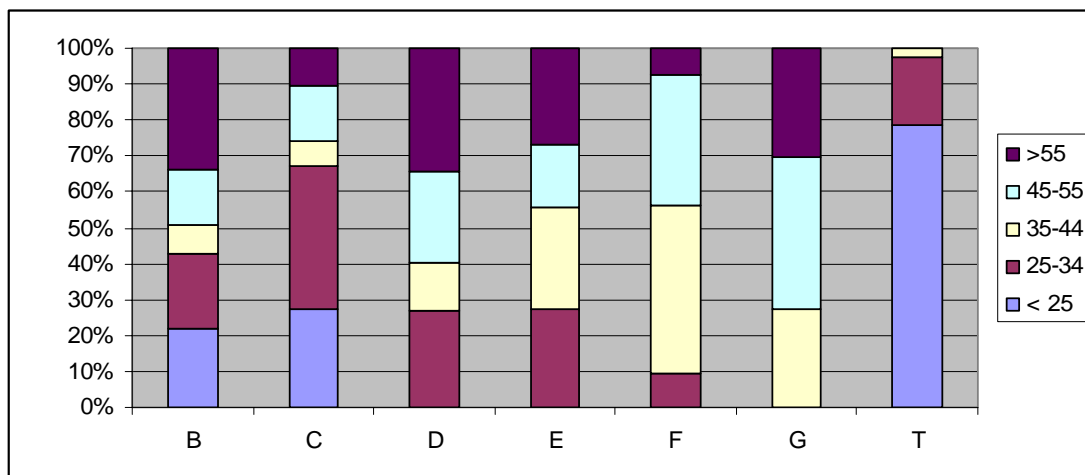
## Age

23. Exhibit 4 shows frequencies of different age groups<sup>3</sup> by grade. The majority of Audit Scotland staff fall within age brackets that cover the age range 25-55 years.

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<sup>3</sup> Age brackets used within this report correspond to those used within our recruitment process.

**Exhibit 4 Age frequencies by grade**



24. Exhibit 5 shows average salaries by age band and grade (including percentage differences between the youngest and oldest age categories). Categories with fewer than 5 employees are not shown to maintain confidentiality.

**Exhibit 5 Average salaries by age and grade**

Grade	<25	25-34	35-44	45-55	>55	% diff
T	15873	18797				+ 4.52
B		17042		18284		+ 9.84
C		21618				+ 10.56
D		25766	26785	26342		+ 6.43
E		31199	35390	36504	39227	+ 25.73
F			40422	42732		+ 20.24
G			47596	52924	53110	+ 11.59

25. Generally staff within older age brackets are in receipt of higher salaries. Across grades B to G, the difference between the average salary of the lowest and highest age banding is significant. This is likely to be due to the growth in experience and competence in a job over time.

26. HR have also looked at the percentage difference between average salaries of those under 35 years and over 45 years of age by grade. This reduces the pay gap by an average of 86%. HR will also monitor this data by gender to identify any trends. Appendix 2 contains graphs showing salaries by age and age band.

27. Trainee pay progression is linked to performance in the role and exam passes. Typically it takes 3 years from commencing the programme to qualification.

28. We are looking at the relationship between the length of each grade and the time taken to become an effective performer through our reward project.

29. An analysis of new start salaries by age is contained later in this report.

### Working Arrangements

30. Exhibit 6 shows the frequencies of staff with flexible working arrangements<sup>4</sup> and standard contracts.

**Exhibit 6 Working arrangement frequencies by grade**

Grade	Flexible Working Arrangement		Standard hours	
	No	%	No	%
T	1	3.1	25	10.5
B	6	18.8	15	6.3
C	1	3.1	19	7.9
D	2	6.3	25	10.5
E	11	34.4	83	34.7
F	6	18.8	31	13.0
G	5	15.6	41	17.2
<b>Total</b>	<b>32</b>	<b>100</b>	<b>239</b>	<b>100</b>

31. Exhibit 7 shows average salaries by working arrangement and grade. Due to small numbers, average salaries for grades C, D and T are not provided.

**Exhibit 7 Average salaries<sup>5</sup> by working arrangement and grade**

	Flexible Working Arrangement	Standard contract	% diff
B	17561.0	18511.4	- 5.41
E	36496.1	34280.8	+ 6.46
F	42551.0	41216.8	+ 3.24
G	50512.2	51035.8	- 1.04

32. Within grade B, those with a standard contract receive on average 5.41% more salary than those with flexible working arrangements. Within grade E, those with flexible working arrangements receive on average 6.46% more than those on standard hours.

33. Of the 32 people with flexible working arrangements, 4 are male and 28 are female.

<sup>4</sup> This includes e.g. those working part time hours, annualised hours, compressed hours, term time working, home working, etc.

<sup>5</sup> This is based on full time equivalent salaries. Staff who work part time would receive a salary pro-rata to the full time equivalent.

34. An analysis of starting salaries by working pattern is not provided in this report as only one flexible working arrangement appointment was made during the period April 2007 to March 2008.

### **New start salaries**

35. This report has identified some significant differences between the pay of men and women, those on standard and flexible working arrangements and different age groups. The only area where managers have discretion on salaries is on the appointment of new externally appointed staff. Therefore, it is important that we investigate what is happening in practice at this stage.

### **Outline of this section of the review**

36. This section looks at new start salaries by gender and age over the period 1 April 2007 to 31 March 2008. As stated earlier in this report, no analysis of working arrangements or ethnicity are given here due to small numbers. A total of 38 external appointments were made during this period.

### **Gender**

37. As stated earlier, on looking at salaries by grade, males are paid significantly more than females within grades D and E.
38. 21 females and 17 males were appointed externally during the period 1 April 07 to 31 March 08. Appendix 3 contains a chart of starting salaries by gender. Average starting salaries by grade cannot be shown due to small numbers within some categories.
39. There are significant differences between the average starting salaries of men and women in grades D, E and F where males are paid on average between 5.9% and 7.8% more than females on appointment. However, sometimes we are comparing the salaries of one or two individuals. Therefore, care should be taken when interpreting this information.
40. 10 females (47.6% of all females appointed) compared to 8 males (47% of all males appointed) were offered salaries above the grade minimum.
41. Further analysis of new start files shows that salaries offered above the grade minimum are for reasons other than gender e.g. breadth of experience and strong evidence of competence provided at interview.

## Age

42. Analysis of age data earlier in this report showed some significant differences between the average salaries of different age groups. Generally, older staff were paid at higher levels.
43. Exhibit 8 shows a breakdown of new start frequencies by age and grade. Exhibit 9 shows average starting salaries by age band, with the exception of those > 55 (sample size 2 people). Exhibit 10 shows the percentage of those within each age category who received salaries above the grade minimum.
44. On looking at new start average salaries by age band, grade and gender, there are some significant differences between the starting salaries of men and women. However, where this is the case, the sample sizes are very small (comparing one female with one male). Therefore, no conclusions can be drawn at this stage.

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**Exhibit 8 New starts by age and grade**

Grade	<25	25-34	35-44	45-55	>55
T	7	7	1		
B		1			
C	1	5	1	2	
D			1	2	
E		4	2	1	1
F		1			
G					1
<b>Total</b>	<b>8</b>	<b>18</b>	<b>5</b>	<b>5</b>	<b>2</b>

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**Exhibit 9 Average starting salaries by age band**

	Average Salary
<25	16670
25-34	22309
35-44	26539
45-55	26014

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**Exhibit 10 Appointments above grade minimum by age band**

	% above grade minimum
<25	12.5
25-34	33.3
35-44	80.0
45-55	100.0

45. This information suggests that older individuals are more likely to be offered above the grade minimum. This is supported by the fact that average starting salaries are generally higher for older individuals. As stated earlier in this report, this is likely to be due to the growth in experience and competence over time. This is not unexpected as these people may have deeper knowledge or provide more evidence of competence during the selection process, which would justify a higher starting salary.
46. An analysis of new start files shows that salaries offered above the grade minimum are for reasons other than age.

### **Fixed Point Salary Group (FPSG)**

47. Audit Scotland's FPSG comprises Director and Assistant Director employees. It also includes two stand alone posts (Deputy Auditor General and Secretary) which are not included for analysis purposes here. Salaries within the FPSG are agreed between Audit Scotland's Management Team and Remuneration Committee. Unlike graded staff, salary progression is based on performance contribution as evidenced through our Performance Development Scheme (PDS). There are salary ranges for groups of jobs that have been evaluated with similar job evaluation values. Each range has a salary midpoint fixed with reference to external market salary data, internal relativities and affordability factors.

Each range is divided into three zones:

- entry/developing
- competent
- advanced/expert

48. As at 31 March 2008, there were 22 employees in the FPSG<sup>6</sup>.

### **Outline of this section**

49. This section of the report will focus on an analysis of FPSG salaries by gender, age and working arrangement. No analysis of ethnicity is provided as all members of the FPSG are white. In addition, it will look at:

- percentage pay increase (pay growth from previous year)<sup>7</sup>
- percentage of the midpoint received.

50. No analysis of new start salaries can be provided, as no external appointments were made to the FPSG during the 2007-08 financial year. Additionally, as numbers are very small in some categories (1 or 2 people) we are unable to provide full details within this

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<sup>6</sup> This includes two males acting up to roles within the FPSG and the two stand alone roles.

<sup>7</sup> This does not include those who were not part of the FPSG during the previous year as no growth figures can be shown.

report. Human Resources will retain central records of analysis carried out and monitor trends over time.

51. To create a meaningful analysis, we need to compare roles that have been evaluated at the same level within the FPSG as follows:

- Assistant Director
- Director (Public Reporting and Audit Services)
- Director (Corporate Services and Audit Strategy)

### **Gender**

52. There are 10 male and 12 female members of the FPSG as at 31 March 08.

53. In looking at FPSG salaries within the above categories, there are no significant differences between male and female salaries.

54. With regards pay growth, average percentage increases for females were significantly higher than males in the Assistant Director and Director – Public Reporting and Audit Services categories. No significant differences were found between men and women in relation to the position against the midpoint.

### **Age**

55. The only significant difference between the oldest and youngest age categories is at the Assistant Director level (those in the oldest age category receive significantly more salary).

56. With regards pay growth, younger employees received higher awards within the Assistant Director and Director - Public Reporting and Audit Services categories. With regards position in relation to the midpoint, older staff (within the Assistant Director category) are significantly higher in the range than younger individuals. No conclusions can be drawn from this due to very small numbers in some categories.

### **Working Arrangements**

57. There are 5 members of the FPSG with flexible working arrangements (4 excluding one stand alone role). As numbers are very small in some categories we are unable to provide full details within this report. Human Resources will retain central records of analysis carried out and monitor trends over time.

## Conclusion

58. Audit Scotland's pay, grading and performance management systems are designed to be non-discriminatory. Whilst this review has identified some significant differences, they can be explained by factors other than gender, age, working arrangements or ethnicity. Where we have identified areas for further investigation, analysis will be carried out during 2009.

59. Our next equal pay report will be carried out during 2009. This review will confirm any changes to our pay system following our reward project.

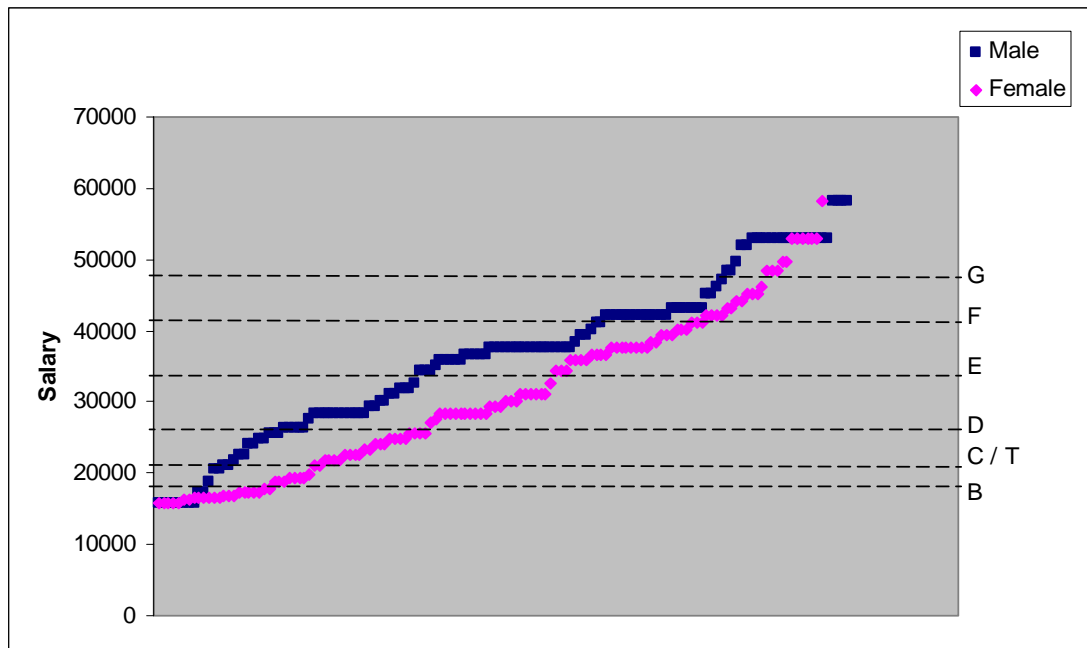
60. Following a review of this report with Diversity Steering Group representatives, the following recommendations are put forward for consideration:

- HR should investigate whether any accountancy/industry specific statistics are available for benchmarking in future reports (annual monitoring report).
- Consideration should be given to combining future equal pay and annual monitoring reports. This would avoid duplication across reports and streamline the process.
- HR should look at the reasons given for offering starting salaries above the grade minimum by business group. It may be that some business group managers are more generous than others. It may also be that we need to develop further guidance on providing justification for salaries above the grade minimum.
- HR should consider revising age banding to allow comparisons with external benchmarking data. This is being taken forward through our internal best value (BV) review of recruitment and selection.
- As part of the BV review of recruitment, we should explore how we advertise posts and whether consideration is given to flexible ways of working e.g. part time roles, job share, etc.
- HR should carry out some analysis to look at where staff with flexible working arrangements are located to identify any patterns. Also, is there a link between high performance and those who have flexible working arrangements?
- Audit Scotland should consider including a specific staff survey question around flexible working. For example, 'I would feel comfortable approaching my manager to request to work on a more flexible basis e.g. homeworking, part time working'.
- HR should ensure they discuss key monitoring requirements with the organisation managing the implementation of the new HR Management Information System. This will help with the speed and ease of future reporting.

- As the fixed point salary group appraisal system does not rely on scoring mechanisms, Management Team are asked to confirm that higher salary awards were given to higher performers.

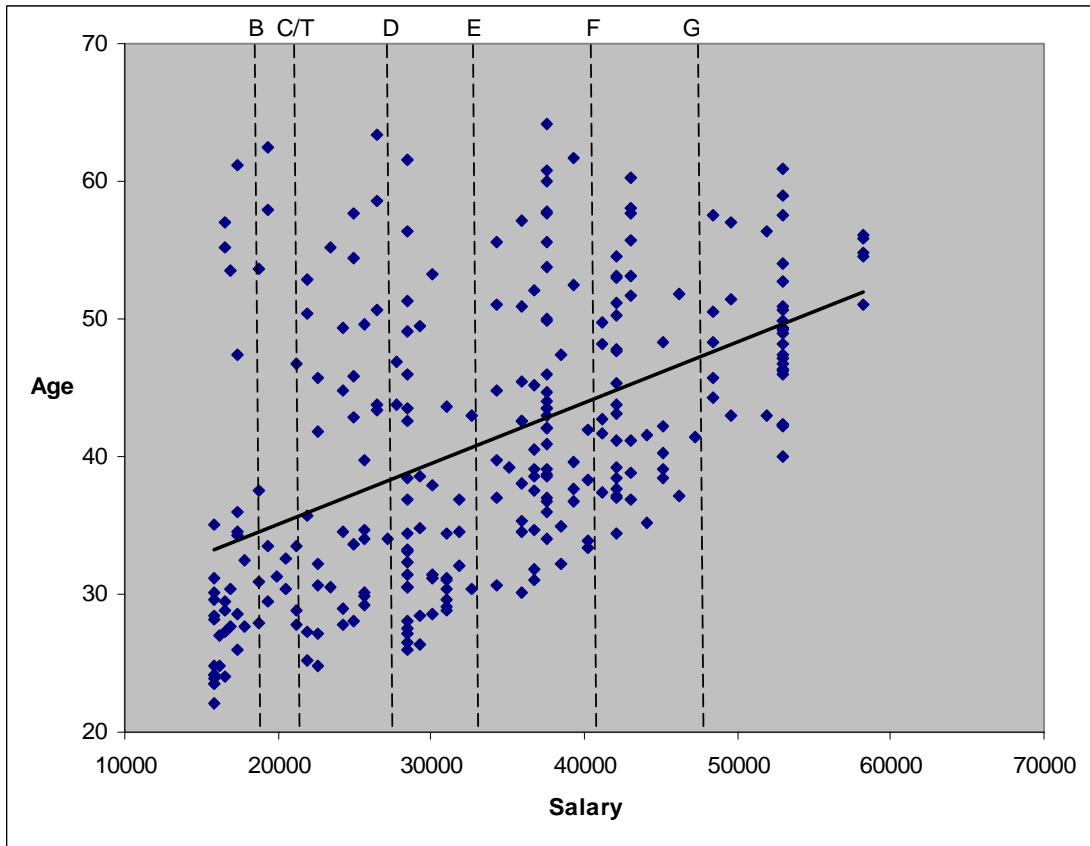
61. This report will be submitted to Audit Scotland's Management Team in January 2009.

Salary by gender – graded staff

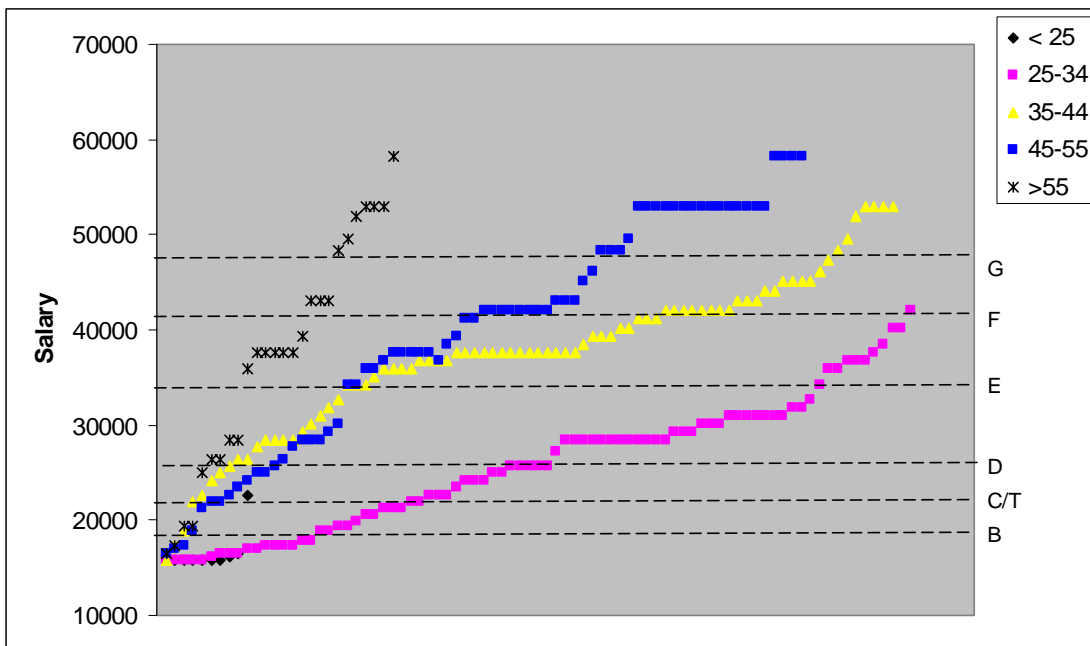


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= approx. midpoint for each grade

Salary by age – graded staff



Salary by age – graded staff



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= approx. midpoint for each grade

