

**Equal Pay Review - Audit Scotland
Graded Staff**

June 2004

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Executive Summary

This Equal Pay Review is submitted to the Management Team at Audit Scotland for discussion. The review was conducted in consultation with PCS, HR and legal specialists and covers all graded staff (A – G) across Audit Scotland. As at 31st May 2004, Audit Scotland employed 232 employees, with a gender split of males 55% to females 44%.

This review begins by providing a brief explanation of Equal Pay. The first section examines relevant policies and procedures that drive pay and benefits practice for staff. The second section analyses and reports findings in relation to salaries within Audit Scotland and looks at the current frequencies and average salaries of males and females by grade in Audit Scotland. This leads to conclusions and recommendations.

The findings of this review are encouraging and give substantial assurance that there is no evidence of deliberate / direct gender discrimination. Differences found in salary can be explained for reasons other than the difference of sex. The three areas that were identified as requiring rectification are: travel allowance/car scheme, grade bars and starting pay on appointment. Audit Scotland should seek to address these issues as soon as possible.

A follow up to this review will be carried out during 2005.

1.0 INTRODUCTION

This Equal Pay Review is in response to the Government's request that all departments and agencies carry out a review of their reward systems, following the publication of the Equal Opportunities Commission's report, 'Just Pay', in 2001. It is submitted to the Management Team at Audit Scotland for discussion. The review was conducted in consultation with PCS and legal specialists and covers all graded staff (A – G) across Audit Scotland.

This review begins by providing a brief explanation of Equal Pay. The first section examines relevant policies and procedures that drive pay and benefits practice for staff. The second section analyses and reports findings in relation to salaries within Audit Scotland and looks at the current frequencies and average salaries of males and females by grade in Audit Scotland. This leads to conclusions and recommendations.

1.1 Equal Pay

The Equal Pay Act 1970 requires equal pay between men and women where they are employed on equal work. This comprises:

- Like Work i.e. the same or broadly similar.
- Work rated as equivalent i.e. rated as equivalent under a job evaluation scheme.
- Work of Equal Value i.e. different, but considered to be of equal worth.

The Act applies to men and women but does not give anyone the right to claim equal pay with another person of the same sex. A person is entitled to write to their employer asking for information that will help establish whether he or she has received equal pay, and if not, what the reasons are. The person can formally complain by completing an Equal Pay Act Questionnaire which asks various questions of the employer. The employer then has an opportunity to respond to say whether they agree with the complainant and if not, the reasons why. The focus of the questionnaire is to establish whether a person with an equal pay complaint is receiving less favourable pay and contractual terms and conditions than a colleague or colleagues of the opposite sex. It also asks whether the employer agrees that the people being compared are doing equal work.

If a person is receiving unequal pay with someone of the opposite sex who is doing equal work, the employer has to show that the difference is genuinely due to a material factor other than the difference in sex. It is for the employer to show that such a factor exists. A material factor might be experience, qualifications or preserved terms.

2.0 POLICY & PROCEDURE

The following remuneration and other policies/areas were reviewed for evidence of gender disparity:

Recruitment and selection
Starting Pay
Annual Pay Awards
Acting up Allowance
Additional Responsibility Allowance
Travel Allowance / Car Scheme
Maternity/Paternity Leave
Red Circling (protected terms)
Holidays
Pension Scheme
Promotion
Secondment
Annual Pay Awards
Grading system – length of grades
Grade Bars

The policy and application of each policy is considered to be sound or reinforce the principles of equal pay, except for the following:

- travel allowance / car scheme
- grade bars
- starting pay
- red circling

2.1 Travel Allowance/Car Scheme

The travel allowance/car scheme policy applies to employees working in Grade E and above. Travel Allowance of £2,643 per annum is available to staff in Performance Audit and Audit Strategy whereas a car is offered to those within Audit Services, unless it can be justified that it would be cost neutral to offer travel allowance in place of a car. This benefit applies to all directorates with the exception of Communications and Corporate Services.

Within these directorates there are 7 people (1 female, 6 males) who are not entitled to this benefit across two grades. Advice from our external remuneration advisers states that there is no material factor for these individuals not to receive a travel allowance/car. They also advise that travel allowance would be considered to be 'pay'. In the absence of a material factor Audit Scotland is in contravention of equal pay principles.

2.2 Grade Bars

Grade bars apply to 7 employees across 3 separate grades (2 females, 5 males). Audit Scotland has explained the business reasons for the application of the grade bar. In 5 cases, the bar exists to assess how new jobs evolve over time in practice whereupon the application of the bar is reviewed and either perpetuated or removed. In 1 case the bar was due to the professional qualification requirements of the role, and in the final case no clear explanation was available. Advice from our external adviser indicates that the grade bar in most cases is likely to contravene the principles of equal pay because the explanation provided does not constitute a material factor and valid defence to any claim that may be brought by an affected employee.

2.3 Starting salary

Generally, managers should appoint inexperienced recruits at the bottom of the grade. Managers have the discretion to appoint competent or very experienced recruits higher in the grade range. Appointment at the top of the range is generally discouraged because it leaves

little or no potential for future earnings growth. All recruiting managers are expected to provide limited justification for appointment salaries to Human Resources within the new start form.

In practice, after a final panel interview, the decision on starting salary is taken by one manager who has discretion to decide what the individual should receive. The more discretion available to the manager, the higher the risk of possible discrimination. In order to investigate this issue further, we examined the salaries of new staff on appointment. Graphs 10 to 16 (Appendix 2) show pay for new starts (overall and by grade) from June 2003 to May 2004 (excluding grade B, as only 1 female was appointed to the bottom of the scale). Table 3 below provides a summary of average salaries offered by sex.

Table 1: Starting salary by gender (June 2003 to May 2004)

Grade	Average	
	Males	Females
A		12658
B		14535
C	19572	19134
D	24107	24578
E	30233	29442
F	34141	32990
G	40264	
T	14663	14662
Overall	24742	19520

In those grades where comparisons can be made, there are no significant differences between male and female salaries over the last year¹. This would suggest that the discretion granted to recruiting managers to determine salary on appointment is not causing gender disparity.

Further investigation of a representative sample of new start personnel files revealed that managers had, in most cases, justified their reasons for offering a salary above the bottom of the grade. Common justifications included the skills the individual brought to the job and their level of experience. In some instances, the reason given was to match the applicants' previous salary. Some files did not contain justification for offering above the bottom spine point, although other information held on file indicated those with higher salaries may have had significant experience.

2.4 Red circling (protected terms)

Red circling refers to individuals who have protected pay levels following organisational change. For example, some staff are red circled due to their transfer from the NAO to Audit Scotland. Because this organisational change event was underpinned by a 'no less favourable terms and conditions' provision, Audit Scotland are able to provide a material factor explanation for this limited disparity in pay and benefits practice.

3.0 ANALYSIS AND FINDINGS OF GENERAL PAY PRACTICE

The following section will cover current frequencies of gender by grade within Audit Scotland and average salaries.

3.1 Current Frequencies

Table 1 shows the frequencies and percentages of males and females within each grade as at 31st May 2004.

¹ The Equal Opportunities Commission recommends that disparity in excess of 5% of salary as measured between males and females would merit further investigation.

Table 2: Frequencies by Grade

Grade	Males		Females	
	Number	%	Number	%
A	2	1.6	14	13.6
B	1	0.8	7	6.8
C	11	8.5	15	14.6
D	12	9.3	7	6.8
E	46	35.7	25	24.3
F	15	11.6	9	8.7
G	30	23.3	15	14.6
T	12	9.3	11	10.7
Total	129	100	103	100

3.2 Average salaries

One indicator that might reveal whether Audit Scotland has any equal pay problems is to look at the average salaries for men and women by grade. If our data suggests that there is a significant tendency for people from one group to be favoured over another, we need to look into why this is happening.

Graphs 1 to 9 (Appendix 1) show salaries for men and women (overall and by grade). Table 2 provides a summary of the average salaries for men and women by grade.

Table 3: Average and Median salaries by Grade

Grade	Average	
	Males	Females
A	11760	13788
B	19633	17841
C	21433	20024
D	23774	23358
E	32676	32162
F	38028	38386
G	45649	43536

The differences between the average salaries of men and women are as follows:

Grade A: males are being paid on average 5% less than females.
Grade B: females are being paid on average 10% less than males.
Grade C: females are being paid on average 7% less than males.
Grade D: females are being paid on average 2% less than males.
Grade E: females are being paid on average 2% less than males.
Grade F: males are being paid on average 1% less than females.
Grade G: females are being paid on average 5% less than males.

As is evident from this, there is only one significant difference between male and female salaries within grade B. However, the sample group is very small with just one male employee being compared to seven females.

Male and female disparity in salary can be explained for reasons other than the difference of sex e.g. length of service, the skills and experience of the job holder, protected terms. Policy and procedure on pay progression at Audit Scotland, as explained in the previous section, is set out clearly and gives little or no scope for discretion. The policy and the application of salary procedure is not gender bias and actually reinforces a compliant culture regarding pay parity between gender.

4.0 CONCLUSION

The findings of this review provide substantial assurance and there is no evidence of deliberate / direct gender discrimination. Differences found in salary can be explained for reasons generally other than the difference of sex.

The three areas that were identified as requiring rectification are:

- travel allowance/car scheme
- grade bars
- starting pay on appointment

Audit Scotland should seek to address these issues as soon as possible. A follow up to this review will be carried out during 2005. We hope to include race and disability in future equal pay reviews.

5.0 RECOMMENDATIONS

Audit Scotland may wish to consider the following recommendations.

5.1 Travel Allowance

A plan should be implemented to ensure the affected staff receive terms no less favourable than other staff based at George Street at grade E and above.

5.2 Grade Bars

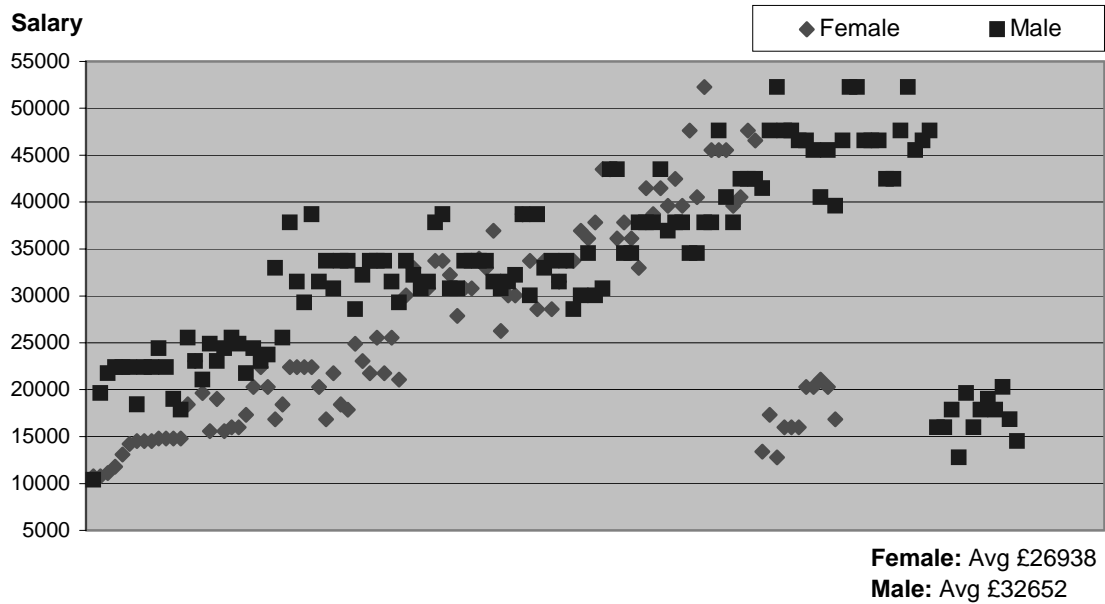
Audit Scotland should remove the grade bars from Grade B and G posts. The bar in these cases has either not yet affected the earnings of those concerned, or has done so from 1st April 2004. For the remaining post it is recommended that the job and person description is updated. The job should then be evaluated and given access to the full pay range for the appropriate grade.

5.3 Starting Pay

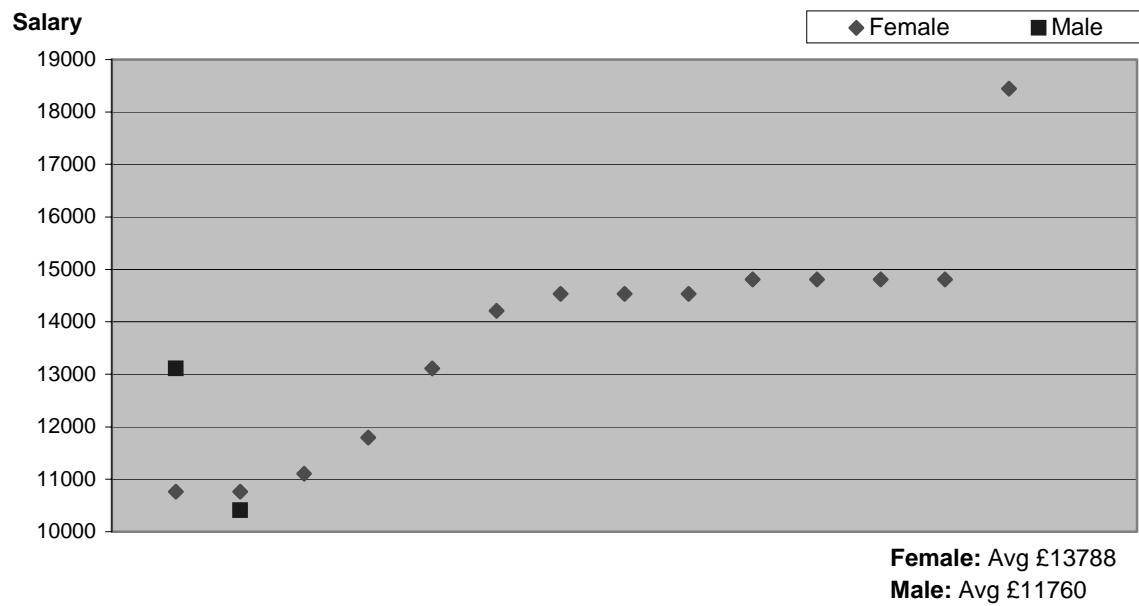
Clear guidance should be issued to Managers detailing the issues associated with equal pay. The guidance would make managers aware of the potential risks associated with starting salaries e.g. basing their starting salary decision purely upon the applicants' previous salary level. Factors such as experience and demonstrable competence as evidenced through the selection process are more significant as material factors in justifying enhanced salaries above the bottom of the grade. In addition, Audit Scotland should amend the job offer paperwork to enable managers to give a full explanation for starting salaries.

APPENDIX 1

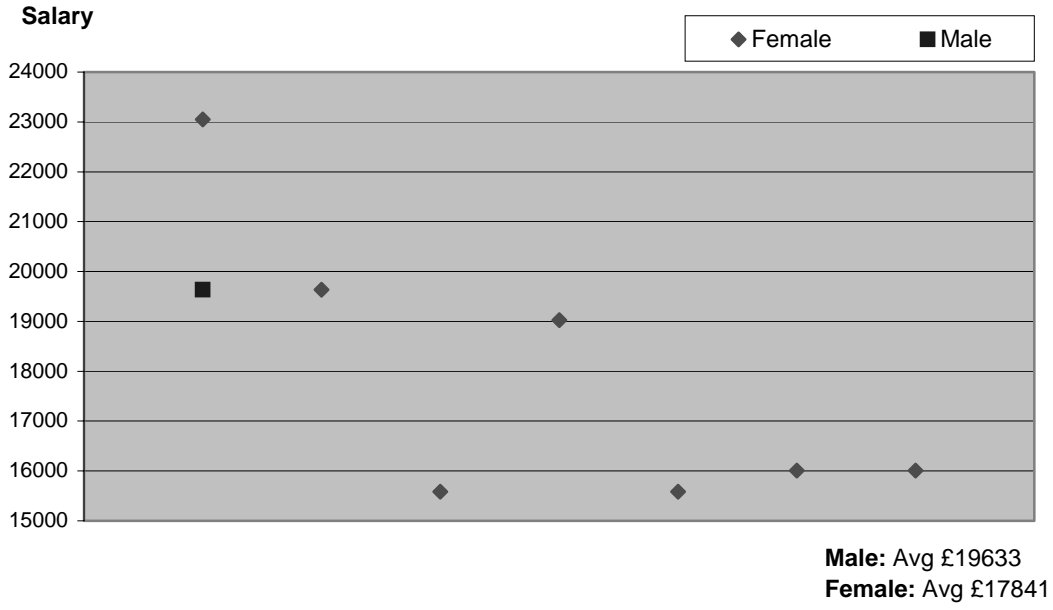
Graph 1: Overall Salaries



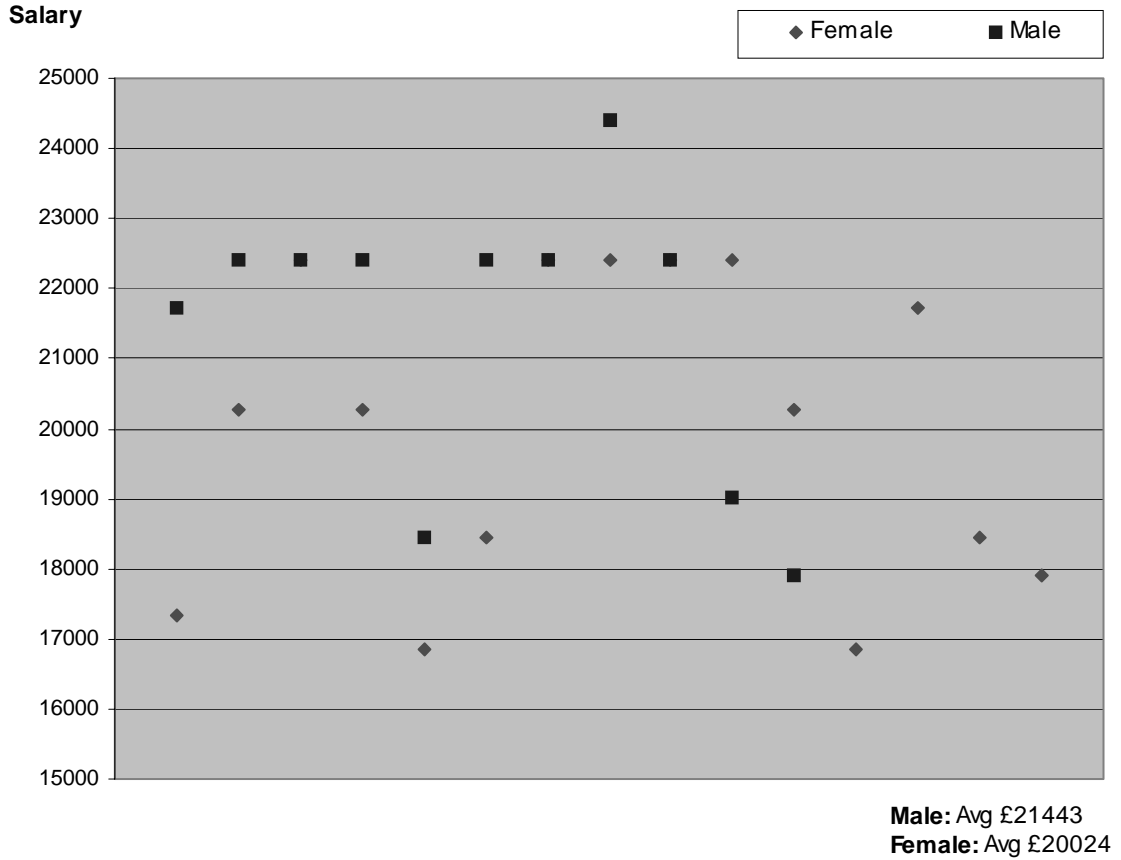
Graph 2: Grade A – salaries



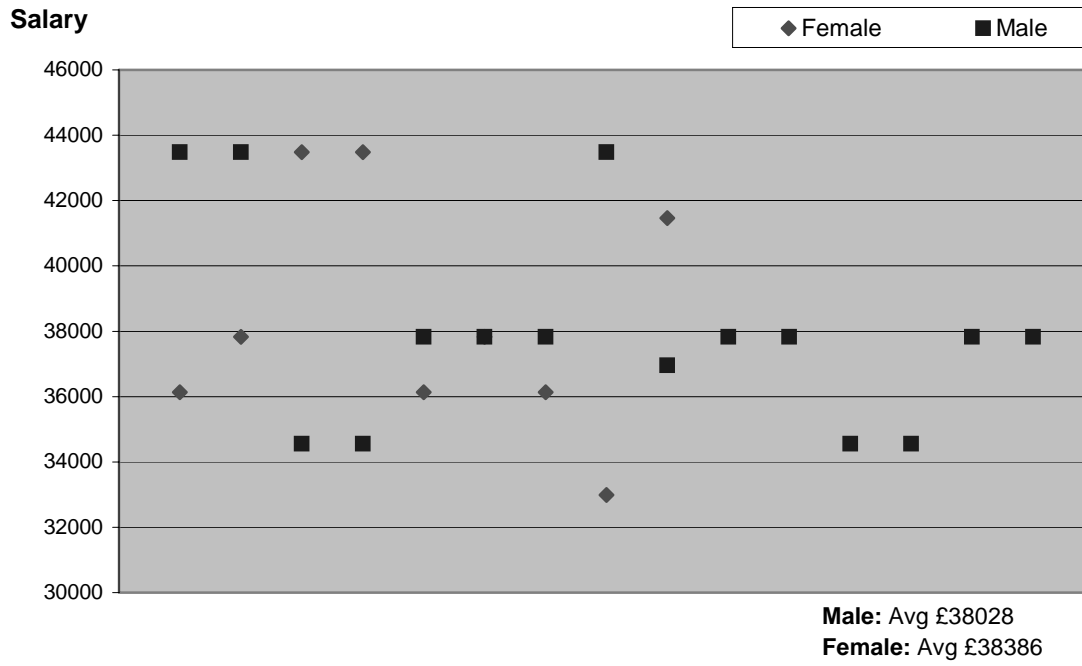
Graph 3: Grade B - Salaries



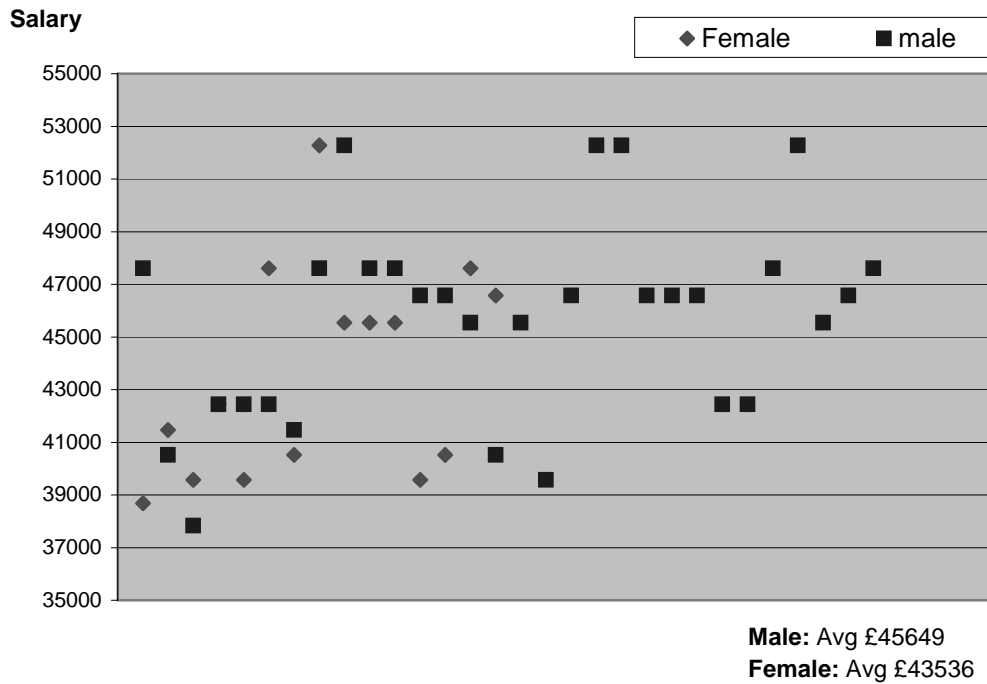
Graph 4: Grade C – Salaries



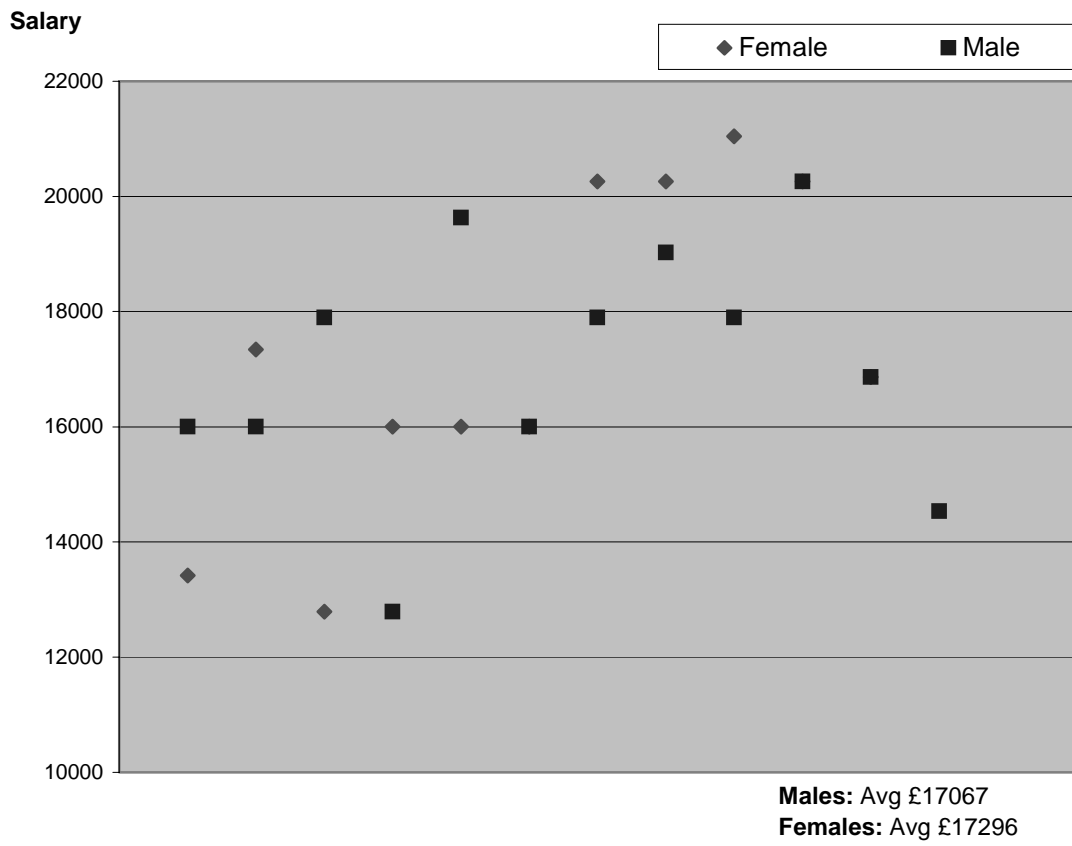
Graph 7 – Grade F – Salaries



Graph 8: Grade G – Salaries

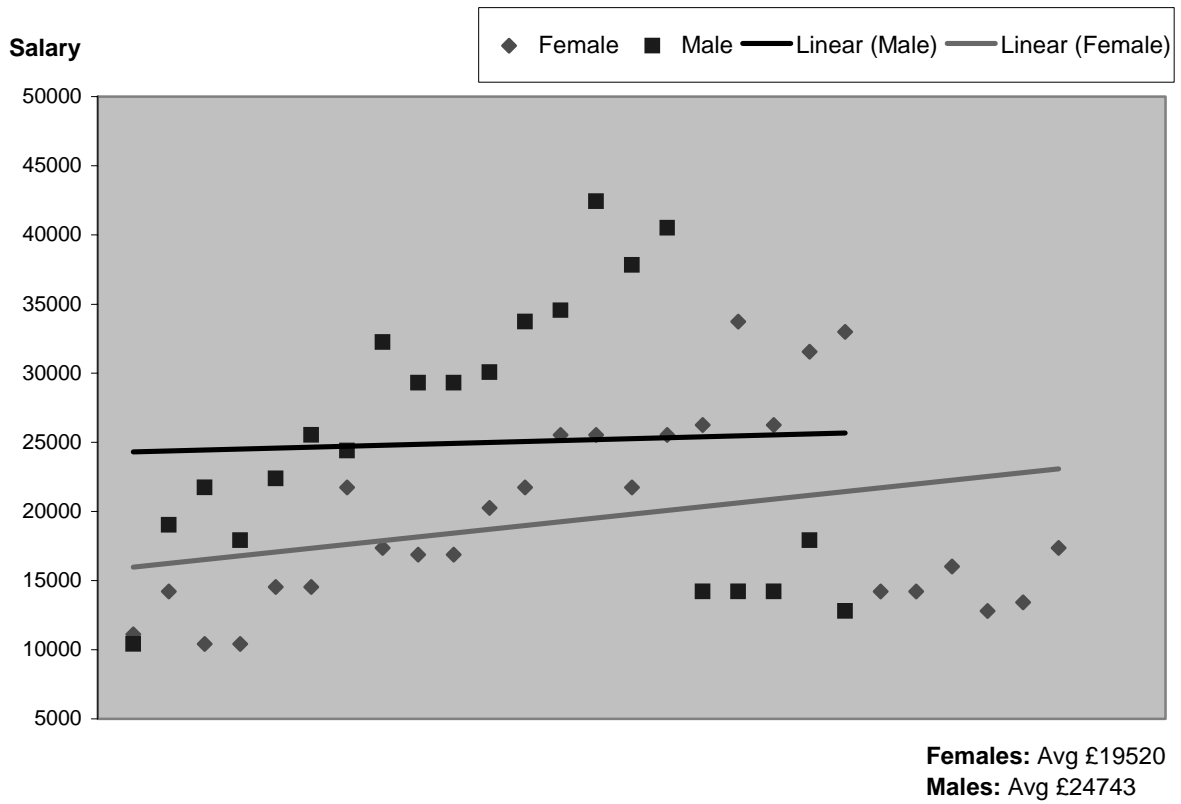


Graph 9: Trainee – Salaries

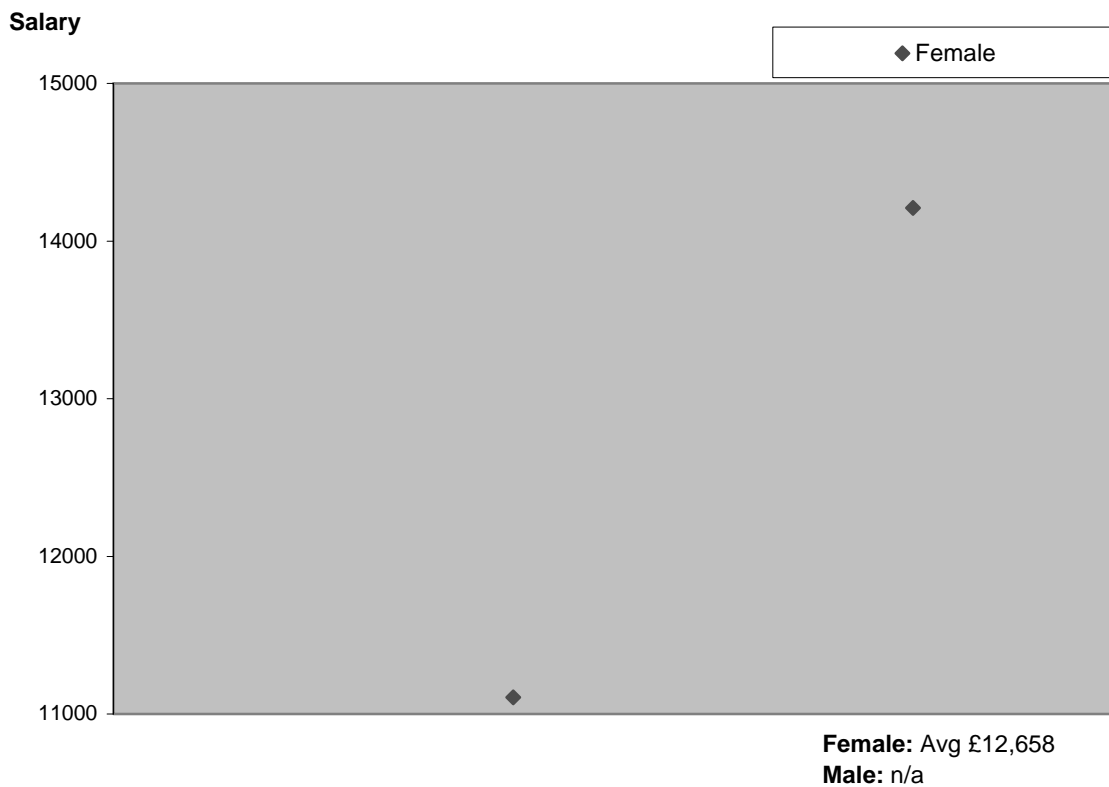


APPENDIX 2

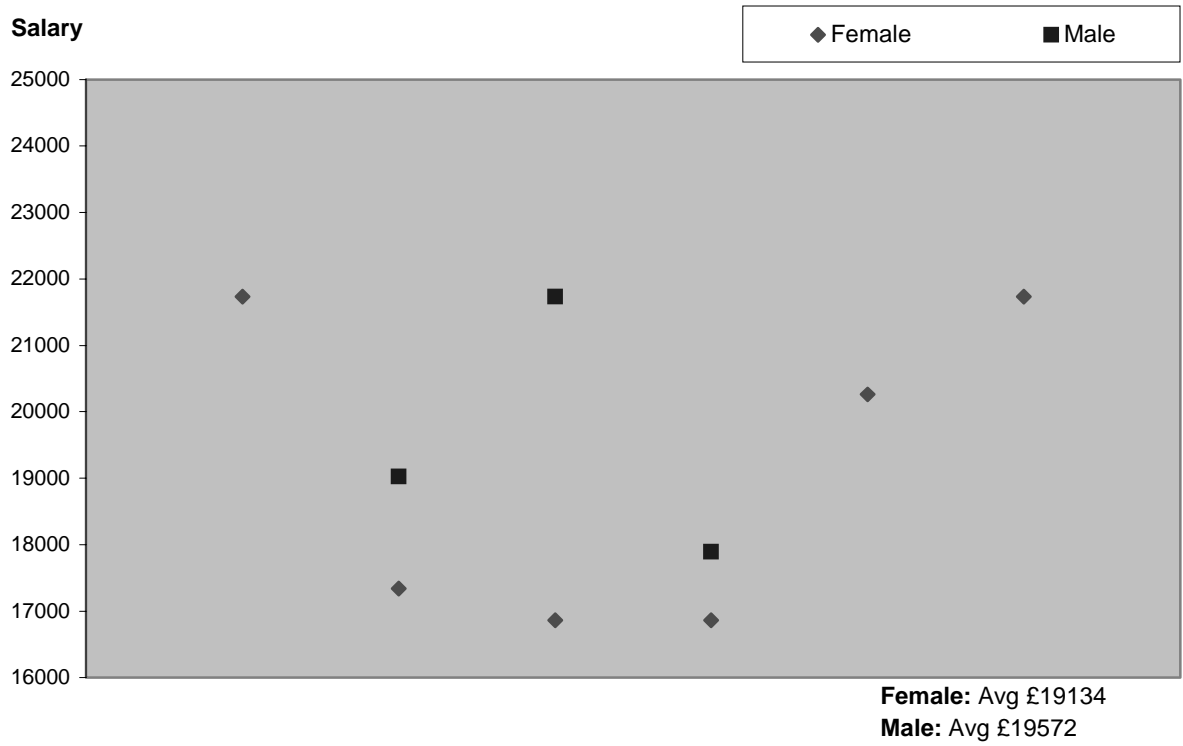
Graph 10: Pay on entry - Overall



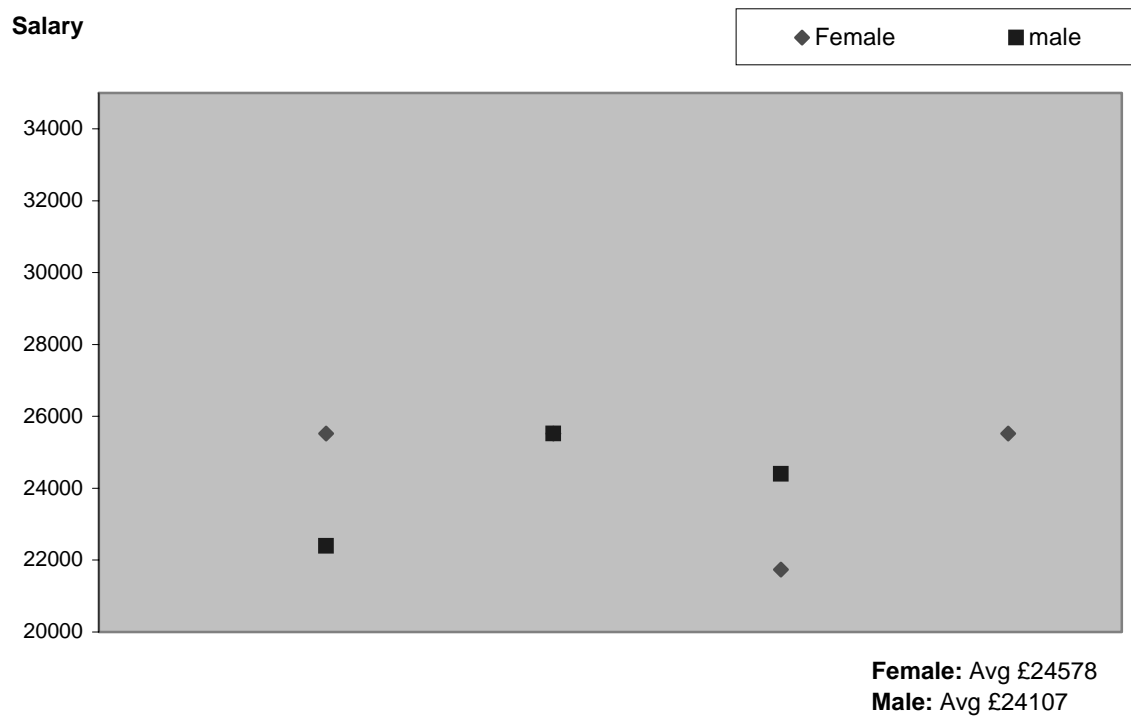
Graph 11: Grade A – Salary on Appointment



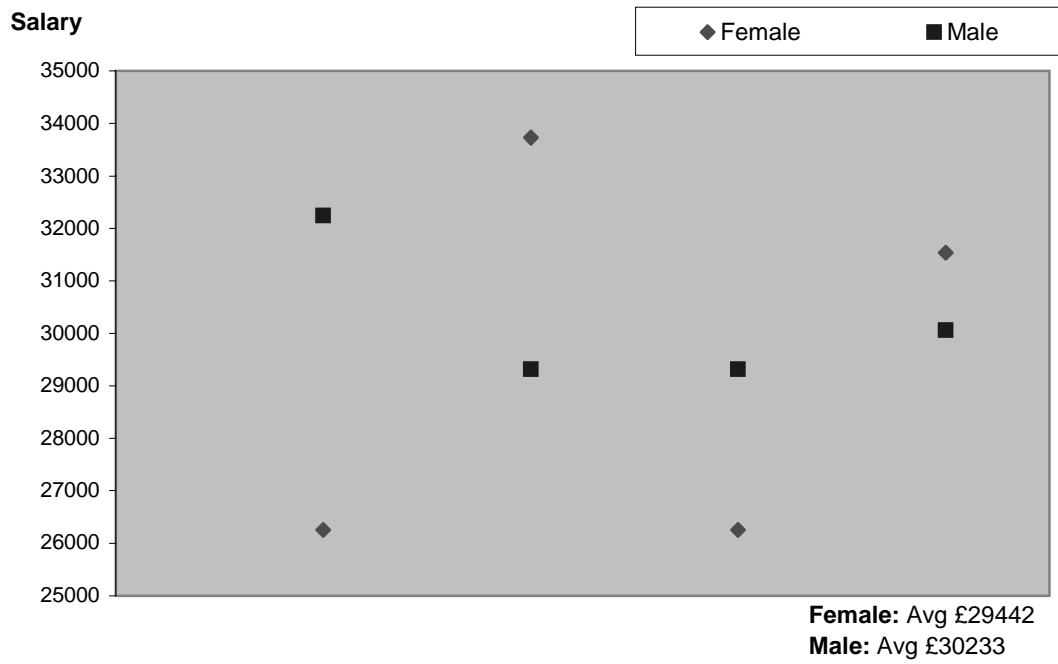
Graph 12: Pay on entry – Grade C



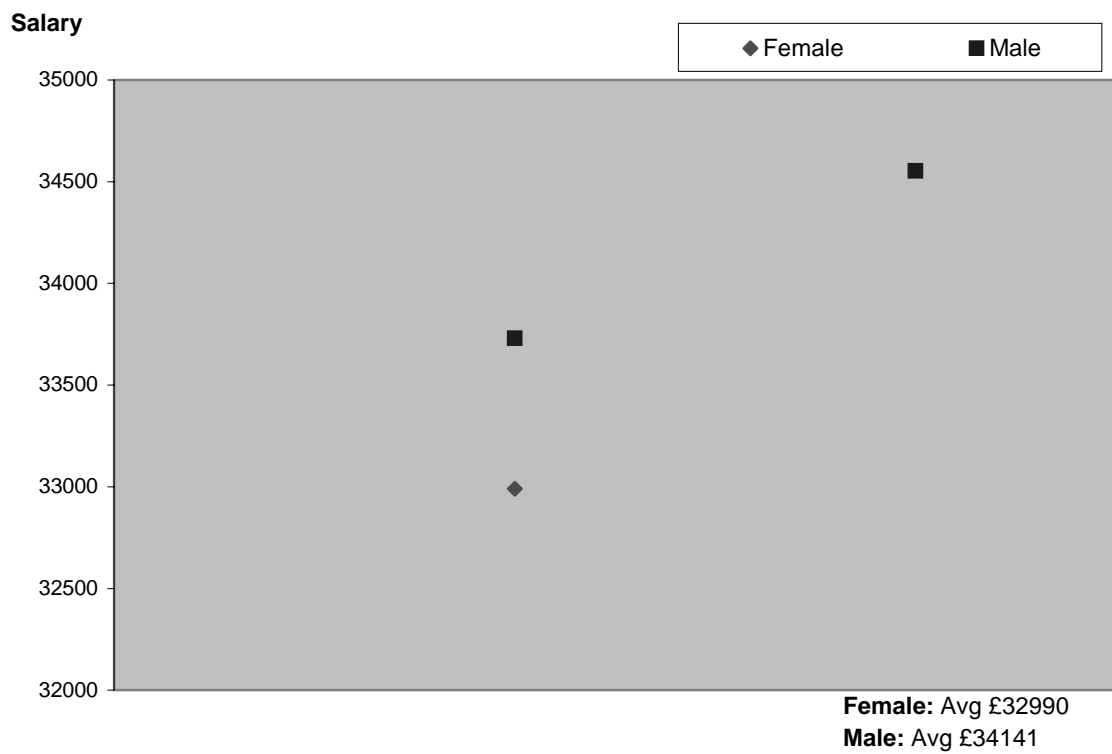
Grade 13: Pay on entry – Grade D



Grade 14: Pay on entry – Grade E



Grade 15: Pay on entry – Grade F



Graph 16: Pay on entry – Grade G

