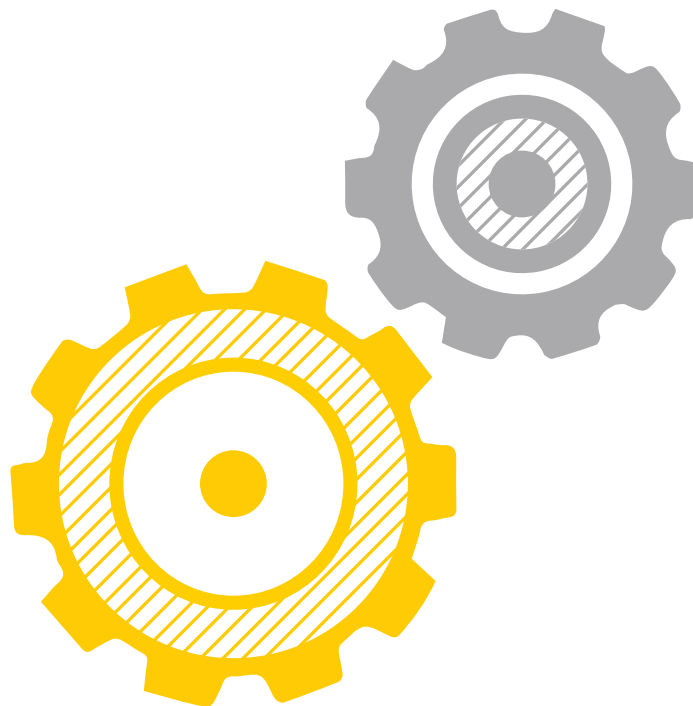


Case study

Research showcasing leading practice at the Commonwealth Bank



GENDER P  Y EQUITY

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Foreword



A handwritten signature in cursive script, appearing to read 'Louise'.

Louise McSorley
Workplace Gender
Equality Agency

Addressing pay equity issues is not a one-off exercise. As this case study with the Commonwealth Bank reveals, achieving pay equity requires a process of continuous improvement.

Pay equity is achieved when women and men performing the same role or roles of comparable value receive the same total remuneration. Unconscious bias can impact decisions in the pay setting process, such as commencement salary offered, performance review ratings, bonus payments and access to overtime, to create instances of women being paid less than men. Structural issues such as time taken for caring, can also create imbalances. The only way employers can know bias isn't unfairly impacting pay is if they regularly analyse their remuneration data and take action to address any issues uncovered.

The Commonwealth Bank's experience shows how leadership commitment and system interventions, such as performance reviews for employees on parental leave, can help reduce the risk of like-for-like gender pay gaps emerging. I urge all employers to learn from their story and consider how they can apply some of the lessons learned in their organisation.

Executive Summary

The Commonwealth Bank is committed to eliminating the gender pay gap as part of its holistic approach to diversity and inclusion. There is much discussion across the industry about the best course of action to achieve this objective, however success is not reliant on any single initiative. Instead it requires multi-faceted, sustained effort and action from every level of the organisation, backed by data analysis across the employee lifecycle to highlight areas in which pay gaps can occur and ensure they are not continued. This is essential, as once differences in pay for like roles occur, they typically continue throughout an employee's working life into retirement.

In brief

- » The Commonwealth Bank has a range of existing programs to raise awareness and understanding about gender equity issues such as its 35 per cent target (for women in senior leadership positions), manager awareness training and tools and applying a gender lens across people reviews, performance and pay outcomes.
- » During 2015 the Commonwealth Bank undertook a comprehensive gender pay equity review, guided by the Workplace Gender Equality Agency (WGEA) Pay Equity Toolkit. As a result, the organisation implemented several targeted solutions aimed at key 'hot spots' in an employee's lifecycle when pay gaps are more likely to occur.
- » An analytics-driven approach is important to identify gaps, however organisations must also work to understand and address the underlying causes of these disparities to be truly effective.
- » Equipping recruitment leadership and teams with the relevant data and metrics helps them objectively determine pay offers.

Context and history


Gender equality forms part of the Commonwealth Bank's approach to diversity and inclusion, which directly links to its vision and is an integral part of the organisation's culture and values. This commitment is guided by a board-endorsed three-year diversity and inclusion strategy, supported by a diversity council made up of the CEO and executives, employee network groups and embedded management processes, programs and policies.


During 2015 the organisation undertook a comprehensive gender pay equity review, guided by the WGEA's six step journey, which resulted in several learnings and targeted solutions that the organisation is implementing.

A snapshot of the Commonwealth Bank's workforce composition

- » Almost 58% of the overall workforce are women
- » 51% of the graduate intake during 2014 were women
- » 43% of management roles are held by women
- » 35% of senior leadership roles are held by women
- » 33% of non-executive board members are women


The six steps below are discussed in detail in the Agency's Pay Equity Toolkit:


1
 **Awareness and understanding:**
Develop a basic understanding of the key issues surrounding pay equity.

2
 **Build a business case:**
Articulate why pay equity is important for your organisation.

3
 **Gain leadership commitment:**
Secure buy-in from the leadership team to investigate and address pay equity issues.

4
 **Data analysis:**
Identify any gender pay gaps and investigate the causes.

5
 **Strategy and action:**
Build a clear set of goals and action plans to improve pay equity.

6
 **Review and refine:**
Monitor and review pay equity continuously.

“Organisations must have a simple principle of like pay for like work. We are committed to gender pay equity across our organisation. We monitor and analyse our talent management data, including pay, by gender and then take action.”

Ian Narev, Chief Executive Officer



Step 1: Awareness

Awareness of the organisation’s diversity and inclusion ambition and its importance is promoted at the highest levels of the Commonwealth Bank, including via CEO Ian Narev’s active role as a ‘Male Champion of Change’, Group Executive sponsorship of individual employee diversity networks, and through a public commitment to target a minimum representation of women in senior leadership positions of 35 per cent, achieved in July 2015.

Gender pay equity has always featured prominently in the Commonwealth Bank’s diversity and inclusion agenda, and is viewed as a litmus test of progress. The organisation has worked in partnership with the WGEA to highlight this issue at the national level as well as within the organisation. Commonwealth Bank CEO, Ian Narev, became a Gender Pay Equity Ambassador in 2014 and the Commonwealth Bank updated its remuneration policy to formalise its commitment to eliminate any identified gender pay gaps.

To this end, the Commonwealth Bank has put in place a range of programs to remove the gap while also raising manager awareness of gender pay equity through education and support tools, including unconscious bias training, pay education, and improved access to pay benchmarking information and insights.

“Action is vital to achieve pay equity. Otherwise organisations simply keep admiring the problem with more sophisticated tools.”

Melanie Laing, Group Executive Human Resources



Key insight: Connect commitment with positive action

Commitment cannot be fleeting and the right intent does not always translate to the right outcomes. The commitment of leaders must be converted into positive action through a practical approach, grounded in real experience. Knowledge, tools and information allows them to effectively channel their commitment and energies.



Step 2: The business case

The business case for realising diversity and pay equity at the Commonwealth Bank is grounded in its vision and values. As a major financial institution, it plays an important role in enabling economic and social development, supporting jobs, growth, innovation and opportunities for people and communities around Australia and overseas.

The Commonwealth Bank recognises that it is in a unique position to make a positive contribution to society and that ultimately a diverse, inclusive, and equitable workforce leads to tangible benefits for employees, customers, shareholders and the communities in which the organisation operates. These benefits include being more relevant to its diverse customer base, greater innovation through diverse thinking, more effective risk management and, importantly, attracting, building and retaining female talent, which is half of the available talent pool, to drive future business outcomes.

“Addressing the pay gap in isolation of a broader focus on diversity and inclusion is a losing battle. You need to take a holistic approach.”

Edyta Torpy, General Manager, Diversity & Inclusion



Step 3: Leadership commitment

Leaders are expected to relentlessly and consistently role model the right behaviours and values, to hold others to account, and to visibly champion the gender diversity and pay equity agenda. The Commonwealth Bank Board measures the effectiveness of its diversity initiatives, and regularly assesses plans for the future. The CEO, Ian Narev, is personally committed to addressing diversity issues such as pay equity, applying a gender lens to people reviews, performance, and pay outcomes. The management team members are actively involved through their sponsorship of various employee diversity networks including gender, LGBTI, disability, flexibility, cultural identity and age.

The Commonwealth Bank recognises that leadership exists formally and informally throughout the organisation, so a key strategy in addressing gender pay equity has been to engage directly with all leaders and employees across the Group. It employs diversity targets across levels of leadership, raising consciousness and commitment using data and analytics and providing leaders with the information, tools and education to support quality decisions about their people.

Like-for-like pay analysis did not identify a significant gender pay gap, however detailed analysis across the employee lifecycle illuminated potential pointers of bias such as new hires, employees on extended leave, and performance rating distribution.



Step 4: Data analysis

Data is a powerful tool that provides the organisation with a reality check to spur action. It also provides clarity for future effort. The Commonwealth Bank adopts a 'test, learn and act' approach to data analysis which, through a gender filter, examines the outcomes of pay decisions during an employee's lifecycle. Annual performance and pay cycles always warrant meticulous attention and data analysis is increasingly being used to better identify points of potential pay bias.

The Commonwealth Bank examines the extent of any gender bias, the key reasons for any gaps and assesses possible solutions. The organisation's experience is that high-level analysis can often leave systemic issues undetected; it may increase awareness, but it will not drive specific action or identify the underlying cause.

The value and power of deeper data insights became evident following a comprehensive gender pay equity review across the Commonwealth Bank. Aggregate like-for-like pay analysis did not identify a significant gender pay gap, however detailed analysis across the employee lifecycle highlighted potential pointers of bias such as new hires, employees on extended leave, and performance rating distribution. Data analysis also ruled out biases in areas such as performance and pay linkages, thereby furthering the development of a targeted strategy and more effective solutions.

"We discovered there are key 'hot spots' in an employee's career where gender pay bias is more likely to occur."





David Abusah, General Manager, Group Strategic Reward & Performance

Quantitative analysis helps identify where gender pay gaps occur, but the role of qualitative research in understanding why these gaps occur is equally important. Upon identifying a possible pay gap for new hires to the organisation, the Commonwealth Bank conducted workshops to uncover potential causes. These were invaluable in understanding the respective roles recruiters and direct managers play in formulating pay offers. They also helped outline causal factors such as biases in pay recommendations, insufficient manager / recruiter education and information on pay, gender differences in pay negotiation, as well as candidates bringing their pay history from previous organisations.



Key insight: Test, learn and act

Waiting for data to be perfect is a recipe for non-action. Analysing pay gap areas and their causes is complex, so an iterative approach can make the task more manageable and efficient. Improving data models is core to any effective pay equity strategy, however if organisations fail to act on the data, they simply continue to admire the problem with more sophisticated tools.

 Leadership and education	 Information and reporting	 Systems and processes	 Governance and policy
CEO video	Talent acquisition dashboards	Automated triggers for out-of-cycle performance reviews	Board and executive committee reporting
Pay education for managers, recruiters and HR	Diversity and inclusion metrics	Market pay range tool for recruiters	Remuneration policy review
Leader pay guide	Pre and post pay review reporting	System flags for pay anomalies during annual pay review	Targeted governance (for employees on extended leave)
E-learning pay module	WGEA reporting	Unconscious bias filters in performance calibration process	Annual pay review approval includes gender pay sign-off



Step 5: Strategy and action

A good pay equity strategy starts with understanding the unique challenges an organisation faces, and creating solutions that are guided by a focused, measurable and realistic action plan. At the Commonwealth Bank, gaining senior leadership commitment was not a challenge. The action plan therefore specifically targeted areas with the most potential to impact pay gaps, with measures of success defined for each area.

The Commonwealth Bank’s analysis identified the moments in the employee lifecycle that were the largest contributors to current and future pay gaps. The intent was to firstly ‘draw a line in the sand’ to ensure any gaps were not widened in future, and to then take actions to close and ultimately remove current gaps.

There are four broad areas of action:

- » Leadership and education
- » Information and reporting
- » Systems and processes
- » Governance and policy

Most pay decisions are made through the annual review process, so the Commonwealth Bank worked to enhance process governance by incorporating gender gaps into pay budget modelling, procedures to prevent misalignment across roles, and detailed pre and post annual review reporting.

If women enter an organisation with a pay gap, research suggests that on average, it is unlikely to close during their tenure. The Commonwealth Bank put in place actions to raise awareness of the issue with internal recruitment teams, equipped them with relevant data and metrics, and educated them in how to objectively determine pay offers.

Using advanced modelling and segmentation techniques the Commonwealth Bank also looked at employee sub-segments that were known precursors in overall female pay gaps. For example, to ensure that female employees on extended leave were fully considered in annual performance and pay reviews, the organisation adopted automated manager triggers to prompt the completion of out-of-cycle performance reviews before employees went on leave. This resulted in 96 per cent (almost double) of employees on extended leave receiving a performance review. Performance calibration tools were also improved to empower managers at calibration sessions to review initial rating distributions by applying gender, age, part/full time, and career level filters before beginning any individual employee discussions.

The Commonwealth Bank recognises that smoothing the current distribution of males and females across all occupations will be pivotal in reducing the overall gender pay gap in the long term. Designing flexible roles, creating an inclusive culture, and ensuring talent sourcing strategies increase the female talent pipeline are just some of the ways the organisation is looking to balance traditionally male-dominated job families.

Top actions to address pay equity

- » Create initial momentum through a dedicated project team and leadership sponsorship.
- » Establish a formal action plan and measures of success to guide efforts.
- » Target and engage all pay decision points within the organisation (hiring managers, recruiters) as well as managers involved in annual reviews.
- » Design and provide sustainable solutions such as on-boarding programs, access to market data and reporting to reduce future administrative activities.
- » Monitor effectiveness of any interventions and adopt learnings in the future.



Key insight: Embed throughout management practices

To maintain momentum and achieve sustainable change in the gender pay gap, action plans cannot end when the project team disbands. While 'big bang' approaches can be effective, ensuring solutions are embedded in business-as-usual workflows, processes and tools remains critical for long term, meaningful change.



Step 6: Review, report and refine

Pay equity needs to move beyond the 'issue of the day'. Success in achieving gender pay equity is not measured by the number of initiatives or by the noise generated; rather it is through careful and consistent evaluation of pay decision outcomes throughout the employee lifecycle. In addition to regular monitoring of metrics on gender pay and continually improved analytical models for early and targeted intervention, the Commonwealth Bank is also focused on providing tools to build awareness and commitment of all managers. The objective is to empower managers to act through the provision of personalised online dashboards on key gender pay equity indicators.

Gender pay equity is a complex issue, but one that the Commonwealth Bank remains committed to solving within the organisation and continuing to support nationally. The organisation uses a continuous improvement mindset of 'test, learn and act' in its approach to removing the gender pay gap. Ultimately, however, persistence across multiple areas will be the key to success, so that people are empowered to realise their personal ambitions and achieve sustainable long term change.



About the Commonwealth Bank

The Commonwealth Bank is Australia's leading provider of integrated financial services including retail banking, premium banking, business banking, institutional banking, funds management, superannuation, insurance, investment and sharebroking products and services.

The company has a proud corporate history, having commenced operations more than 100 years ago in 1912 as a Government-owned organisation. Today, as a public company, the Commonwealth Bank employs more than 52,000 diverse people and serves more than 11 million customers across Australia, New Zealand, Europe, North America, South Africa and the Asia-Pacific region.

Hot spots for gender pay equity during the employee lifecycle:



NEW HIRES

EXTENDED LEAVE

JOB CHANGES

Potential causal factors in new hire pay gaps:



Unconscious bias in pay offer by hiring manager or recruiter



Insufficient knowledge to support quality pay decisions (eg market pay information)



Gender differences in approach to pay negotiations



New hire pay history from previous organisation