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| GUIDE |

Pay audit analysis

This booklet explains how to conduct a pay audit in four easy steps:

It should take no more than half a day to analyse a 20‑person organisation with five different pay levels. It may take less time than this if you know the jobs well and have easy access to payroll and personnel records.

1. Determine comparable work.
2. Collect your data.
3. Analyse the data.
4. Assess and address.

Read through the [‘Complete an equal pay audit’](https://www.humanrights.vic.gov.au/education/equal-pay-matters/pay-equality-toolkit/audit/) page on our website to learn more about these steps.

In addition to this guide, you will need to download the [pay gap calculator](https://cms.humanrights.vic.gov.au/wp-content/uploads/2024/03/Download-Pay_equality_toolkit-Pay_gap_calculator-Mar2024-1.xlsx).

Tips:

* The pay gap calculator is an Excel spreadsheet and is best viewed on a desktop or laptop computer.
* This booklet is a Word document to allow you to add your findings and analysis. It will need to be used alongside the pay gap calculator so it might be easier to print this booklet.
* Once downloaded, these documents are your own and not accessible by the Commission.

Open your pay gap calculator. At the bottom of the screen choose the first sheet called, ‘1. Comparable work’. Fill in the table for each role in your organisation. Consider the requirements of the role, not the performance of the person currently in the role.

For each of the role demands listed, rate how important they are to the role using the following scale:

0 – this is not required in this role.

1 – there is very limited requirement in this role

2 – there is a low requirement in this role

3 – there is a medium requirement in this role

4 – there is a high requirement in this role

The Australian Government’s [Australian Skills Classification](https://www.jobsandskills.gov.au/australian-skills-classification#home) can help you determine your rating.

Role demands

* Leadership – is there a requirement of this role to contribute strategically to the whole organisation?
* Knowledge and skills – is there a requirement of this role to have technical and specialist know-how and/or knowledge of your business and your processes? One useful indicator of knowledge and skill is the qualifications and training needed for the job and the length of time experience needed to do the job fully.
* People management – is there a requirement of this role to manage or supervise others?
* Service – is there a requirement of this role to provide care or service to customers, clients or colleagues?
* Complexity of work – is there a requirement of this role to make complex decisions, deal with multiple stakeholders, produce or hold essential information and/or have responsibility over financial resources?
* Physical effort – is there a requirement of this role to engage in tasks that lead to physical tiredness beyond what everyone experiences through ‘normal’ working? For example, does it require any lengthy periods of standing and walking, working in awkward positions, maintaining a particularly high sustained pace of work, or heavy lifting?
* Working conditions– is there a requirement of this role to be exposed to stressful situations, abuse from people, extreme weather, noise and/or fumes, which are unavoidable, assuming all health and safety precautions are in place?

The tool will allow you to group the roles in your organisation into levels so that you may more easily compare the remuneration of similar roles. Use these level classifications in the next step.

In your pay gap calculator, go to the bottom of the screen and choose the second sheet called, ‘2. Pay data’. Add your information into this sheet.

Before you start, read the information about the categories below to ensure you have the data for all your employees:

* Employee name or ID number – depending on the size of your business and how your payroll is set up, you may like to include your employee’s names for ease of reference or just their ID number for privacy.

Role specific data

* Pay level– This must be a number. Use the information from the previous step to assign each employee a pay level.
* Employment type – choose full-time, part-time or casual from the drop-down menu.
* Hours worked – the hours the employee works in a typical week. This will be used to work out an hourly rate to make comparisons easier. This must be a number.
* Qualifications – the highest level of qualification the employee has obtained (if applicable to current role).
* Experience – the number of years of experience the employee has achieved (if applicable to current role).

Remuneration data

* Base salary – the base salary the employee received last financial year (excluding superannuation, leave, bonuses and entitlements). You could copy and paste this information from your payroll. This must be in $AUD.
* Superannuation – the amount of superannuation the employee received last financial year. This will be calculated for you.
* Benefits – the monetary value of benefits the employee received over the year. This may include items such as stock options, gym membership, etc. Put the value of this over the financial year. This must be in $AUD. This can be left blank if not applicable.
* Leave – the monetary value of the employee’s leave over the year. This must be in $AUD. This can be left blank if not applicable.
* Allowances – the monetary value of any allowances received over the year. This may include car/travel allowances, clothing allowance, etc. This must be in $AUD. This can be left blank if not applicable.
* Bonuses – the monetary value of all bonuses the employee received over the year. This may include Christmas cash bonus, gift cards, milestone bonuses. This must be in $AUD. This can be left blank if not applicable.

Demographic data

* Gender – identifying employees’ gender will help you determine whether a pay gap is due to gender biases in your organisation. For each employee choose the appropriate gender from the drop-down menu (female, male, gender diverse).
* Age – identifying which age group your employees are part of will help you determine whether a pay gap is due to age biases in your organisation. For each employee choose their relevant age bracket from the drop-down menu (15–24, 25–54, 55–64, 65+).
* Background– identifying employees’ cultural background will help you determine whether a pay gap is due to racial biases in your organisation. For each employee name their background, e.g. First Nations, Australian, Italian, Vietnamese, etc.
* Disability – identifying employees with disability will help you determine whether a pay gap is due to disability biases in your organisation. For each employee choose the appropriate selection from the drop-down menu. If they have need for assistance with, or moderation of, core activities – choose Yes, if they do not have need of assistance with, or moderation of, core activities – choose No.

When you have completed all your data, ensure you save the document.

**It is important to note that this step requires an examination of the data without judgement.**

In your pay gap calculator, go to the bottom of the screen and choose the third sheet called, ‘3. Analysis’. This sheet of the calculator provides a total remuneration amount and hourly rate of each employee to make it easy to compare. Total remuneration is the base salary plus superannuation, benefits, allowances, bonuses and monetary value of additional leave.

Follow the instructions on the *Analysis sheet* to find out the lowest and highest base salary, total remuneration and hourly rates of each of your pay levels. of This will give you a salary range for each pay level in your organisation which can inform your equal pay analysis. This is also useful when creating a [capability matrix](https://www.humanrights.vic.gov.au/education/equal-pay-matters/pay-equality-toolkit/capability-matrix/).

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Pay level | Base salary range | | Total remuneration range | | Hourly rate range | |
|  | Lowest | Highest | Lowest | Highest | Lowest | Highest |
| 1 |  |  |  |  |  |  |
| 2 |  |  |  |  |  |  |
| 3 |  |  |  |  |  |  |
| 4 |  |  |  |  |  |  |
| 5 |  |  |  |  |  |  |
| 6 |  |  |  |  |  |  |

Note for Pay level 1: You might like to remove the pay data of the business owner, CEO or company director as this is likely to skew the ranges.

Check that the information in the table above is reflective of any industry award rates and/or market rates of the roles in that pay level. If there are differences this should be noted in your answers below.

Use the table above and the analysis sheet in your *Pay Gap Calculator* to analyse your own data to answer to the following questions. Fill in your answers in the Pay Audit and Assessment table at the end of this document. The [pay audit tool](https://www.humanrights.vic.gov.au/education/equal-pay-matters/pay-equality-toolkit/audit/) has sample answers that could be helpful.

| Question | Find out by … |
| --- | --- |
| Are men, women and gender diverse people receiving the same base salary in each level? | * Comparing the average base salary of men and women in the same pay level. * Use the drop-down menu in the gender column to view the data for men, clear it and then choose the data for women. * Remember to clear the filter in the drop-down menu when you have finished. |
| Are men, women and gender diverse people receiving the same total remuneration in each level? | * Comparing the average total remunerations of men and women in the same pay level. * Use the drop-down menu in the gender column to view the data for men, clear it and then choose the data for women. * Remember to clear the filter in the drop-down menu when you have finished. |
| Is there a gendered difference between the number of people in each level? | * Comparing the number of men and the number of women in each pay level. |
| Is there a gendered difference between the employment types at each level? | * Comparing the number of men and the number of women working full-time, part-time and casually in each pay level. |
| Are people of different ages being paid equally? | * Comparing the hourly rate of people in different age ranges in the same pay level. |
| Are people with different backgrounds being paid equally in each level? | * Comparing the number of men and the number of women at each pay level. |
| Are people with differing abilities being paid equally? | * Comparing the number of men and the number of women at each pay level. |

Assess and address

For each answer to the questions above, provide possible explanations – these may come from considering other elements of the data or from other parts of your business plan/strategy. This step is best completed with colleagues – other senior staff members – who can help to provide explanations and action items.

Go to the [pay audit tool](https://www.humanrights.vic.gov.au/education/equal-pay-matters/pay-equality-toolkit/audit/) for examples.

Add your assessment in the “Possible explanation” column of the Pay Audit and Assessment table at the end of this document.

Create a list of action items

Identify what you could change in your business to address the inequalities found in your pay audit. Add your ideas in the “Actions” column of the Pay Audit and Assessment table at the end of this document.

Articulate why the change matters and consider what information/help you may need to make the change. For example:

* Do you need further information about the law?
* Does the business owner understand the benefits of pay equality?
* Are you able to correctly identify jobs of equal value?

These can become priorities for your [action plan](https://www.humanrights.vic.gov.au/education/equal-pay-matters/pay-equality-toolkit/action-plan/).

Ensure that the results of your pay audit are communicated to all staff and are referenced in your [equal pay policy](https://www.humanrights.vic.gov.au/education/equal-pay-matters/pay-equality-toolkit/policy/%20‎) and [pay equality action plan](https://www.humanrights.vic.gov.au/education/equal-pay-matters/pay-equality-toolkit/action-plan/).

**Pay Audit Analysis and Assessment**

| Question | Your answer | Possible explanation | Actions |
| --- | --- | --- | --- |
| Are men, women and gender diverse people receiving the same base salary in each level? |  |  |  |
| Are men, women and gender diverse people receiving the same total remuneration in each level? |  |  |  |
| Is there a gendered difference between the number of people in each level? |  |  |  |
| Is there a gendered difference between the employment types in each level? |  |  |  |
| Are people of different ages being paid equally in each level? |  |  |  |
| Are people with different backgrounds being paid equally in each level? |  |  |  |
| Are people with differing abilities being paid equally in each level? |  |  |  |