

Equal Pay Review

1 April 2009 to 31 March 2010

Introduction

Background

1. The Equalities Act became law in October 2010, and replaces the Equal Pay Act 1970. Under the equalities framework, employers are responsible for ensuring that their pay systems are free from gender bias. The Equality and Human Rights Commission recommends that employers carry out an equal pay audit as the most effective way of establishing whether an organisation is providing equal pay and rewarding employees fairly in practice and that is an effective demonstration of action to promote equal pay under the terms of the equality duties. This report identifies any gaps between men and women doing equal work or work of equal value and includes a similar statistical analysis based on ethnicity, age, working pattern and disability.
2. 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 grades¹. This structure was devised following a full job evaluation exercise in 2001 using the Collinson Grant system – an analytical job evaluation tool.
3. The general approach to the analysis was to compare average salaries in each pay grade to identify any pay gaps². Following this, the approach was to drill down into these gaps, to identify possible contributory factors. Throughout the report we use the term significant³ to mean where gaps are in excess of five per cent.
4. This report should be read in conjunction with our diversity monitoring report, which provides information on frequencies and percentages of staff by diversity category.
5. Audit Scotland has carried out four equal pay reviews to date. This review covers the period 1 April 09 to 31 March 10. Average salary data used is as at 31 March 2010. We will conduct a further review during 2011.
6. Audit Scotland's system for pay progression as at 31 March 2010 (for graded staff) is very clearly defined and incremental and there is little or no scope for discretion.

¹ B (Administration), C (Specialists), D (Senior Specialists), E (Auditors), F (Managers), G (Senior Managers) and T (Trainee Auditors).

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

³ The Equality and Human Rights Commission recommend that, where pay differences are in excess of five per cent, further analysis is carried out.

The only area where managers have discretion to offer higher salaries than the bottom of the grade is for new appointments. See section 12 for more details regarding the pay modernisation project.

7. The senior management (fixed point salary group) pay process is underpinned by a performance appraisal system, which informs pay awards.
8. 281 graded staff and 20 senior management employees are considered within this report. As different remuneration arrangements apply, they will be considered separately.
9. 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).
10. It should be noted that some information cannot be included due to the small numbers involved in some categories.

Reward project

11. We are implementing a pay modernisation programme to support and sustain our organisational improvement agenda and ensure our reward arrangements are compliant with equalities legislation. A contribution based pay system was introduced on a phased basis from 1 April 2009 over a three year period. The first phase took place during 2009 and included the following changes to the current pay system:
 - A narrowing of pay ranges for grades B-G and adjustments for trainees on grade T. For grades B-G an employee's salary will be classified into two zones (target zone and entry zone) depending on the position in the pay range. The shorter pay ranges results in pay progression over a five year period (for consistently effective performers) to reach the target rate of pay for the role.
 - Temporary transitional protection to compensate employees from having a slightly lower award than the competency-based pay matrix delivers compared to the old salary scale system for an effective performer.

- Some phased assimilation awards for employees affected by shorter pay ranges. The purpose being to close the pay gap through assimilation awards over a three year period. Employees in this instance will be moved to the absolute minimum pay for the grade.
- Employees on legacy terms who have base salaries above the target rate for their role will receive an award only equivalent to scale uplift.

Graded staff

12. This section of the report looks at average salaries for Audit Scotland's graded staff. This represents 93% (281/301 x 100) of all staff as at 31 March 2010.

Gender

13. Exhibit 1 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. Appendix 1 shows a chart of male and female salaries.

Exhibit 1 Average salaries by gender and grade

2009/10				2008/09			
Grade	Male	Female	% diff	Grade	Male	Female	% diff
T	19,695	21,020	+6.73	T	17,463	18,370	+ 5.19
B	n/a	19,662	n/a	B	n/a	18,930	n/a
C	23,399	24,417	+4.35	C	21,879	23,095	+ 5.56
D	28,147	28,183	+0.13	D	26,822	26,375	- 1.69
E	38,245	35,500	-7.73	E	36,872	33,655	- 9.56
F	43,884	42,742	-2.67	F	43,866	41,785	- 4.98
G	55,011	53,140	-3.39	G	53,703	51,084	- 5.13

14. Males are paid significantly more within grades E and females are paid significantly more in grade T. The Trainee (T) grade is prescriptive and individuals only receive higher salaries if they have module exemptions or successfully complete key stages of the course. Length of service within grade E supports this finding, i.e. where males are paid significantly more, male length of service is also longer in that grade. This shows an improved result on the 2008/09 data, showing a reduction in the differences in average salaries by gender and grade due to the pay modernisation project.
15. Length of service for male employees is 24.8% higher (31.2% higher in 2008/09) than for females (female average length of service = 7.02 years, male average length of service = 8.76 years).

Ethnicity

16. Looking at the ethnicity of main grade staff, the only grade which has a statistical significance between the average salary of white and ethnic minority employees is within grade T. Within this grade, individuals only receive higher salaries if they have passed each stage of the qualification. Therefore, starting salaries offered above the minimum are for reasons other than ethnicity.
17. The average length of service for minority ethnic group employees is 3.82 years compared to 7.96 years for white employees. The number of minority ethnic group employees is significantly lower.

Age

18. Exhibit 2 shows the average length of service for each age band. It shows a correlation between age and length of service. The figures from this reporting period show a slightly higher length of service across all age bands compared to 2008/09.

Exhibit 2 Length of service by age band

Age	Average length of service (years) 2009/10	Average length of service (years) 2008/09
16-24	0.91	0.56
25-34	4.05	3.75
35-49	8.86	8.66
50+	11.64	10.61

19. Exhibit 3 shows average salaries by age band and grade (including percentage differences between the youngest and oldest age categories). Categories with fewer than five employees are not shown to maintain confidentiality.

Exhibit 3 Average salaries by age and grade**2009/10****2008/09**

Grade	16-24	25-34	35-49	50+	% diff	% diff
T	18,309	21,028			+ 14.85%	+ 15.69
B		18,807	20,899	20,076	+ 14.02%	+ 23.11
C		23,382			+ 8.12%	+ 18.67
D		26,473	28,828	28,877	+ 9.08%	+ 12.83
E		34,318	37,294	39,478	+ 15.04%	+ 21.21
F		40,130	43,542	44,438	+ 10.74%	+ 9.92
G			52,852	56,378	+ 6.67%	+ 22.98
				Average	11.22%	17.77%

20. Generally, staff within older age brackets are in receipt of higher salaries. Across all grades, 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. Within the T grade, the time it takes to gain the accountancy qualification will be a contributory factor. Our pay modernisation project shortened pay scales from 1 April 2009 in order to meet equalities legislation. This means that once it is fully implemented in 2011, employees will be able to progress from the bottom to the top of a pay range typically within five years. Exhibit 3 shows that progress has been made in reducing the differential in pay between salary grades and age brackets through the pay modernisation project (average difference in pay being 11.22% compared to 17.77% in 2008/09). We anticipate that this should improve further once the pay modernisation project is fully completed.

21. Looking at Exhibit 3, the only grade which has seen an increase in the difference in pay between the lowest and highest age bandings compared to the 2008/09 figures is grade F. This is likely due to an increase in employees joining the bottom of the grade F band during 2009/10 who are in the 25-34 or 35-49 age brackets, either as a new employee or through a promotion. This has made the difference between salaries in the lowest and highest age bands greater. In addition to this, two employees in grade F have moved into the 50+ age category since 2008/09, which has increased the average salary in this age band. Appendix 2 contains graphs showing salaries by age and age band, which graphically represents the distribution of salaries and age across the organisation.

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

Working Arrangements

22. Exhibit 4 shows average salaries by working arrangement and grade. Due to small numbers, average salaries for grades C, D and T are not provided.

Exhibit 4 Average salaries⁴ by working arrangement and grade

2009/10

	Flexible	Standard	% diff
B	18,650	20,104	-7.80%
E	37,956	36,716	+3.38%
F	43,587	43,160	+0.99%
G	52,364	54,613	-4.29%

23. Within grade B, those with a standard contract receive on average 7.8% more salary than those with flexible working arrangements. However, within this grade, those on flexible working arrangements have a slightly higher average length of service. An analysis was carried out within HR and this can be explained for reasons other than working pattern. There were also significant differences within grades C, D and T during 2008/09, where those on flexible working arrangements receive significantly more salary than those on standard contracts. This however this is not the case during 2009/10, highlighting the impact of the pay modernisation project, reducing the differences in salary between employees within the same grade.
24. Of the 45 graded staff with flexible working arrangements, 7 are male and 38 are female. The number of employees on flexible working arrangements has increased on previous years. This is due to the way in which flexible working is recorded within the e-HR system; any employee that is not on the standard working pattern is recorded to be working flexibly.
25. The average length of service for employees with a flexible working arrangement is 8.34 years, compared to 7.79 years for employees with a standard working arrangement.
26. An analysis of starting salaries by working pattern is not provided in this report as no individuals on flexible working arrangements were appointed during the period April 2009 to March 2010.

⁴ This is based on full time equivalent salaries. Staff who work part time would receive a salary pro-rata to the full time equivalent.

Disability

27. As part of our annual update or personal details process, 14 members of staff declared themselves as having a disability (as defined under the social model of disability). Due to the small numbers involved, information by grade cannot be provided here. There are significant differences between the salaries of disabled and non disabled staff across two grades, where some disabled employees within these grades are paid significantly more. In both cases, disabled employees have on average significantly longer service than those without a disability. Looking at the comparison to 2008/09 data, the differences in salary between disabled and non disabled staff have decreased for the majority of pay bands. It is likely the pay modernisation project has helped to reduce the differences in salary between employees who have/have not declared themselves as being disabled.

New start salaries

28. This report has identified some significant differences in average pay by gender, ethnicity, age, working arrangement and disability. The only area where managers have discretion on salaries is on the appointment of new staff. Therefore, it is important that we investigate what is happening in practice at this stage.
29. It should be noted that care should be taken when interpreting the data of the new start salaries as the population size is very small. Any trend or pattern emerging from the data should be treated with caution.
30. This section looks at new start salaries by gender, age and ethnicity over the period 1 April 2009 to 31 March 2010. A total of 20 new starts joined the organisation during this period⁵.

Gender

31. Nine females (13 in 2008/09) females and 11 Males (13 in 2008/09) were appointed externally during the period 1 April 09 to 31 March 10. 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. Looking at the average new start salaries by gender, there is a significant difference between male and female salaries. Excluding trainee new starts (due to the prescriptive nature of their salaries); male new starts are being paid on average 9% more than females.

⁵ Please note this excludes two student placements.

32. It is difficult to draw conclusions as the only grade (excluding the T grade) which has both male and female new starts is grade F. There were three new starts in grade B, which has likely had a negative impact on the average salary of females (no males joined within the grade B band). Looking at the new start salaries within grade F, there is a significant difference between the average starting salaries of men and women, where females are paid on average 6.7% more than males. It however should be noted that we are comparing the salaries of one or two individuals, therefore care should be taken when interpreting this information.
33. With the exception of appointments to the trainee grade, 1 female (14% of all females appointed, excluding trainees) and 1 male (20% of all males appointed, excluding trainees) were offered salaries above the grade minimum. Appointing above the grade minimum has reduced significantly from the previous year, which had 62.5% of all females appointed being offered above the grade minimum and 57% all males appointed, excluding trainees.
34. 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, strong evidence of competence provided through the recruitment process. Only in one instance, the employee's previous salary and bonus were also taken into consideration. During 2010 we published guidance for managers on factors to take in to account when agreeing a starting salary. Only on an exception basis are managers authorised to offer salaries above the minimum for the grade. This guidance has supported our efforts to reduce pay gaps with new starter salaries.

Ethnicity

35. During the year April 09 to March 10, only one external appointment was made to our minority ethnic group. Therefore analysis of new starts and ethnicity cannot be provided due to the small number involved.

Age

36. Analysis of age data earlier in this report showed some significant differences between the average salaries of the youngest and oldest age groups. Generally, older staff were paid at higher levels.
37. Exhibit 5 shows a breakdown of new start frequencies by age and grade. Looking at the average new starter salaries by age, there are significant differences between the youngest and oldest age groups.

Looking at the data, there are seven appointments within grades T and B within age band 16-24, however only two appointments at these grades within age group 35-49, which is impacting on the average new start salaries.

Exhibit 5 New starts by age and grade

Grade	16-24	25-34	35-49	50+
T	5	2	1	
B	2		1	
C		1		
D	1		1	
E		1		
F		3	1	
G			1	
Total	8	7	5	0

38. On looking at information on the number of individuals by age being offered salaries above the grade minimum, there are two individuals offered above the minimum for the grade. These employees fall within the age bandings 25-34 and 35-49. Further analysis of new start files shows that salaries offered above the grade minimum are for reasons other than age e.g. skills, experience and evidence of competence provided through the recruitment process.

Disability

39. As of 2010, we gather disability information from all our staff, including new starts. During the period April 2009 to March 2010 we have had no new starts that have declared themselves as having a disability. Therefore, an analysis of new start salaries and disability cannot be provided for this reporting period.

Fixed Point Salary Group (FPSG)

40. Audit Scotland's FPSG comprises Director and Assistant Director employees. It also includes one stand alone post, Deputy Auditor General, which is not included for analysis purposes here. Salaries within the FPSG are agreed between Audit Scotland's Management Team and Remuneration Committee. Salary progression is based on performance contribution as evidenced through our Performance Appraisal and Development (PAD) Scheme. There are salary ranges for groups of jobs that have been evaluated with similar job evaluation values. Each range has a salary target rate 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

41. As at 31 March 2010, there were 21 employees in the FPSG⁶.

Outline of this section

42. 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:

- a. percentage pay increase (pay growth from previous year)
- b. percentage of the midpoint received.

43. No analysis of new start salaries can be provided, as no external appointments were made to the FPSG during the 2009-2010 financial year. Additionally, as numbers are very small in some categories (1 or 2 people) 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.

44. 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

45. There are 10 male and 11 female members of the FPSG as at 31 March 10.

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

47. As was the case in the previous year, average pay growth (percentage increases) for females were significantly higher than males in the Assistant Director category.

⁶ This includes two males acting up to roles within the FPSG and the one stand alone role.

During the last equal pay reporting period, there was also a significant difference in the Director – Public Reporting and Audit Services category. This was not the case for this reporting round. No significant differences were found between men and women in relation to the position against the midpoint (as was the case in the previous year).

Age

48. 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). This is supported by length of service information. This is the same as the previous year.

49. With regards pay growth (as was the case for 2008/2009), 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 and Director – Public Reporting and Audit Services categories) are significantly higher in the range than younger individuals.

50. Analysis has shown that younger staff within the Assistant Director and Director roles have been appointed more recently (in the last 5 years or so), whereas older staff within these roles have been in post for approximately ten or more years. Older staff have already reached or exceeded the target rate for the job, which is how the pay system has been designed to operate.

Working Arrangements

51. There are less than five members of the FPSG with flexible working arrangements. 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.

Disability

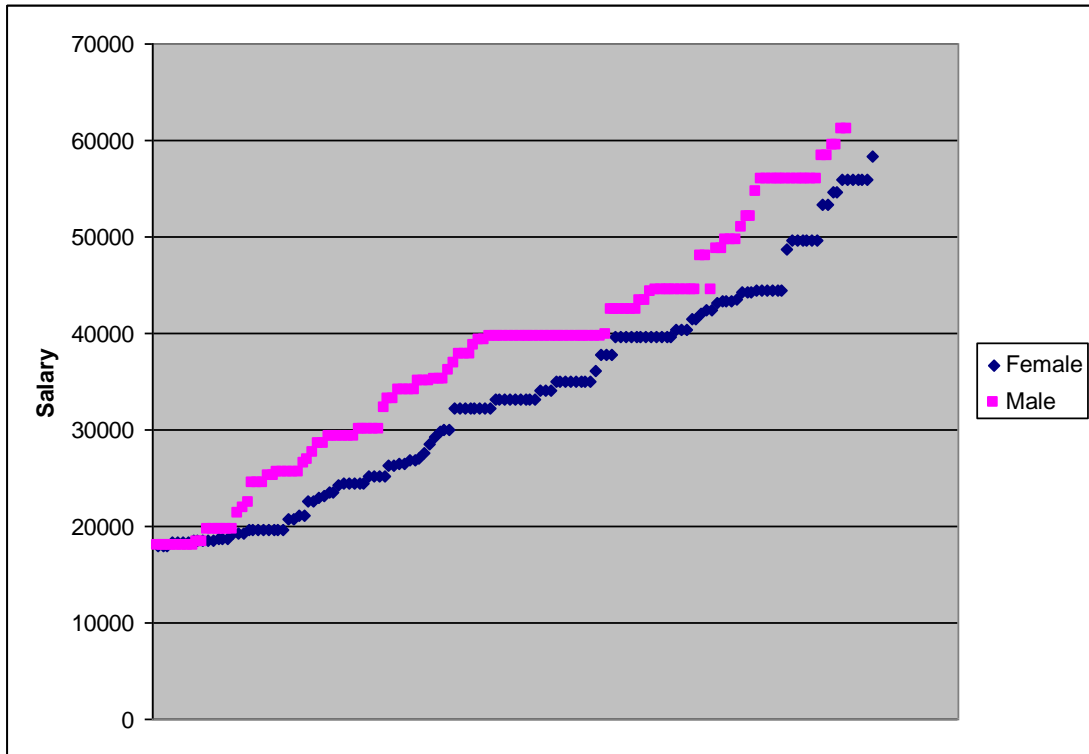
52. No members of our fixed point salary group have declared a disability.

Conclusions

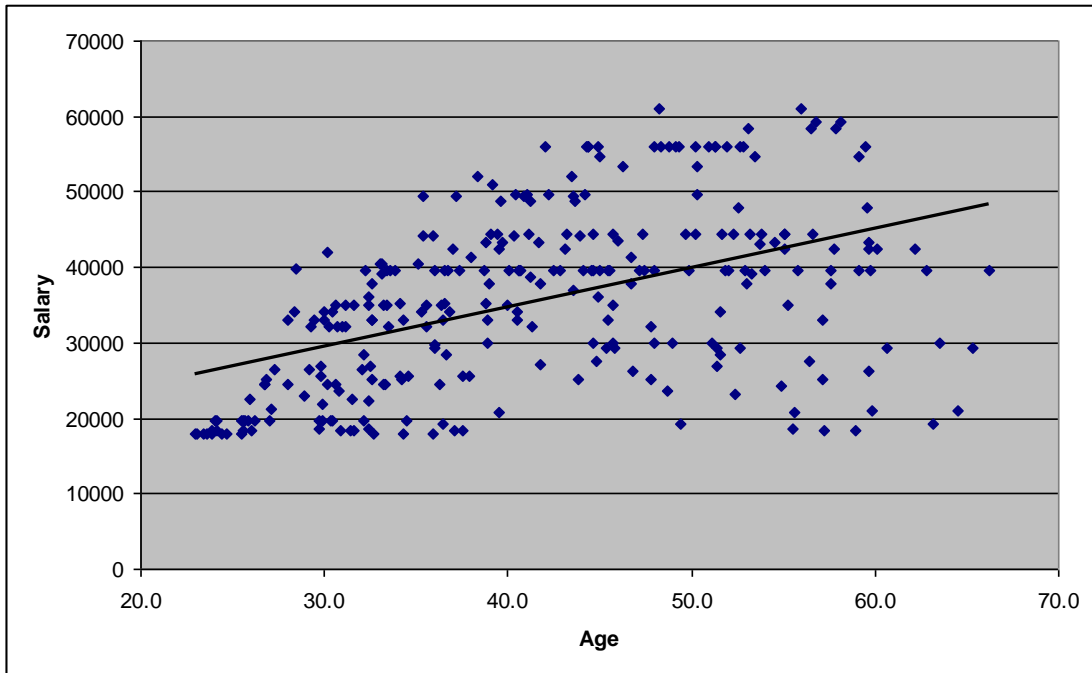
53. Audit Scotland's pay, grading and performance management systems are designed to be non-discriminatory. Whilst this review has identified some significant differences, they can be explained by factors other than gender, age, working arrangements, disability or ethnicity.

54. The introduction of the pay modernisation project during 2009 has begun to have a positive impact on the differences in salaries of graded staff relating to gender, age, working arrangement and disability. In all these categories there have been significant reductions in the differences of pay between graded staff.
55. There has been a significant reduction in the number of employees joining Audit Scotland being offered salaries above the minimum for the grade. The implementation of a new start guidance document during 2010 has had a positive impact on this result.
56. Our next equal pay report will be carried out during 2011. The second phase of the pay modernisation project will have been implemented. It is hopeful that the analysis will show a continued improvement in reducing the differences in pay for graded staff in relation to age, gender, ethnicity, working pattern and disability.
57. Audit Scotland is seeking additional diversity data from staff regarding religion and belief, sexual orientation and transgender early 2011. It is hopeful that we will be able to report on these diversity characteristics in future equal pay reports.
58. This report has been reviewed by Diversity Steering Group representatives and PCS.
59. This report has been submitted and approved by the Audit Scotland's Management Team and Remuneration Committee.

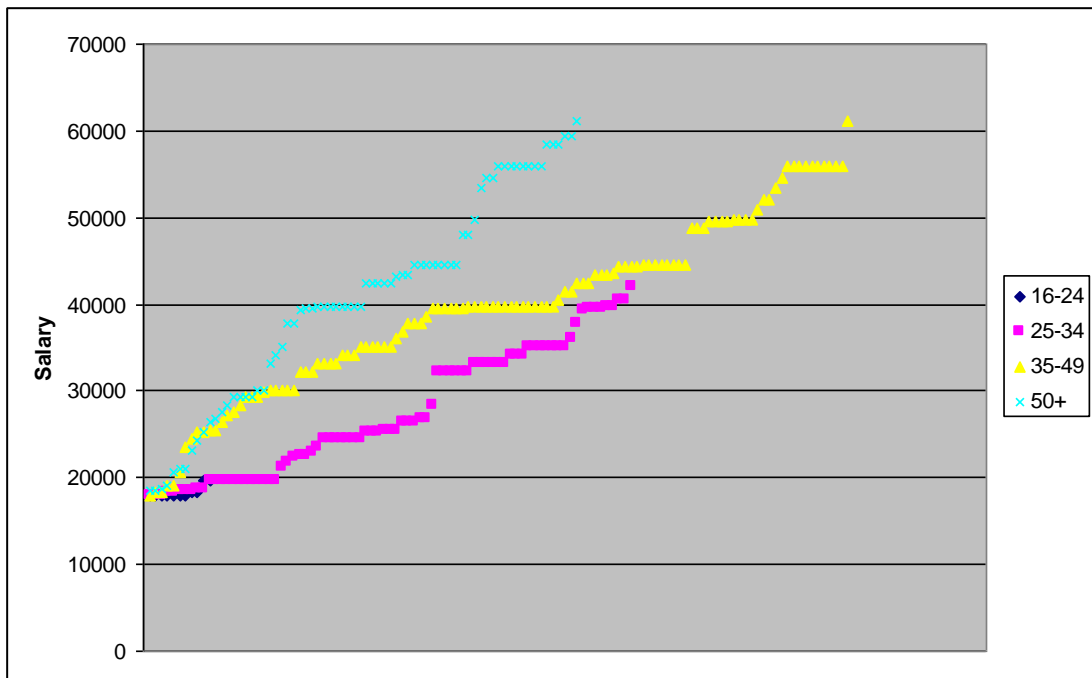
Salary by gender – graded staff 2009/10



Salary by age – graded staff 2009/10



Salary by age – graded staff 2009/10



Starting Salaries by gender

