

Equal pay review

1 April 2010 to 31 March 2011



Prepared for Audit Scotland
April 2012

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Introduction

Background

1. The Equality Act became law in October 2010 and replaced the Equal Pay Act 1970. The Equality Act 2010 encourages public sector bodies to publish relevant information regarding the gender pay gap and pay equality issues.
2. The Equality and Human Rights Commission (EHRC) recommends that an equal pay audit as the most effective way of establishing whether an organisation is providing equal pay, rewarding employees fairly in practice and promoting 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 several other protected characteristics as defined in the Equality Act 2010.
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.¹ This structure was devised following a full job evaluation exercise in 2001 using the Collinson Grant system – an analytical job evaluation tool.
4. The approach taken for this review was to compare average salaries in each pay grade to identify any pay gaps. If pay gaps were identified, analysis was carried out to identify possible contributory factors. Throughout the report, the term significant is used to mean gaps in excess of five per cent.²
5. This report should be read in conjunction with our Single Equality Scheme progress report, which provides information on frequencies and percentages of staff by each protected characteristic. This report can be found on the Audit Scotland website under 'About us'.
6. Audit Scotland has carried out five equal pay reviews to date. This review covers the period 1 April 2010 to 31 March 2011 and uses average salary data as at 31 March 2011.³ We will conduct a further review and report this to Management Team by the end of June 2012.
7. Audit Scotland's system for pay progression (graded staff) is clearly defined and there is limited scope for discretion. The only area where managers have discretion to offer higher salaries than the minimum of the grade is for new appointments or internal promotions. See section 12 below for more details regarding the pay modernisation project.
8. The senior management (Leadership Group) pay process is underpinned by a performance appraisal system, which informs pay awards.

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 is significant and therefore merits further investigation.

³ This is based on full time equivalent salaries. Staff who work part time would receive a salary pro-rata to the full time equivalent.

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9. All 265 graded staff and 18 senior management employees are considered in this report. As different remuneration arrangements apply to the latter, they will be considered separately.
 10. This report uses plus (+) and minus (-) symbols in 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
 - Flexible working:
 - + Where staff with flexible arrangements are paid on average more than those with standard contracts
 - Where they are paid less
 - Ethnicity:
 - + Where minority ethnic staff are paid on average more than white staff
 - Where they are paid less
 - Disability:
 - + Where disabled staff are paid on average more than those that are not disabled
 - Where they are paid less
 11. It should be noted that some information cannot be included due to very low numbers of staff in certain categories. Generally, this will apply where numbers are fewer than five.

Reward project

12. During 2009, we commenced the implementation of 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.
13. The second phase of our modernisation programme (during 2010) included the following changes to our pay system:
 - Narrowing of pay ranges for a second year, for grades B-G and adjustments for trainees (grade T). For grades B-G, an employees salary was classified into two zones (target zone and entry zone) reflecting their position in the pay range. The new pay system is designed to shorten pay ranges, allowing for faster pay progression to the Target Rate for the grade (for consistently effective performers).
 - Temporary transitional protection to compensate some employees who, under our old pay system, would have received a slightly lower award than the new contribution-based pay matrix provided (for an effective performer).
 - Phased assimilation awards for some employees who were below the new grade minimum. The purpose of these awards was to close the pay gap over a three-year

period. Employees in this instance were moved to an absolute minimum pay for the grade.

- Employees on legacy terms who had base salaries above the target rate for the role received awards equivalent to scale uplift.

Graded staff

14. This section of the report looks at average salaries for Audit Scotland's graded staff. This represents 94 per cent (265/283 x 100) of all staff as at 31 March 2011.

Gender

15. **Exhibit 1** illustrates average salaries by grade and gender. It also includes the percentage difference between the average salaries of men and women in each grade.

Exhibit 1

Average salaries by gender and grade

2010/11				2009/10			
Grade	Male (£)	Female (£)	% diff	Grade	Male (£)	Female (£)	% diff
T	21,163	22,191	+4.86	T	19,695	21,020	+6.73
B	nil	20,001	n/a	B	nil	19,662	n/a
C	24,565	24,799	+0.95	C	23,399	24,417	+4.35
D	28,663	28,218	-1.55	D	28,147	28,183	+0.13
E	38,773	36,902	-5.07	E	38,245	35,500	-7.73
F	43,849	43,113	-1.71	F	43,884	42,742	-2.67
G	52,889	53,733	+1.57	G	55,011	53,140	-3.39

16. As **Exhibit 1** shows, males are paid significantly more than females in grade E during this reporting period. This difference in average salaries has been analysed further, and length of service in grade E supports this finding. It shows that the average length of service for males is higher than females.
17. **Exhibit 1** confirms an improved result on the 2009/10 and 2008/09 data, showing a reduction in the differences in average salaries by gender and grade due to the implementation of the pay modernisation project. We anticipate a further improvement in these results during the next reporting period once the pay modernisation project is fully implemented during 2011/12.
18. Length of service for male employees is 31.7 per cent higher (24.8 per cent higher in 2009/10) than for females (female average length of service is 7.8 years, male average length of service is 10.5 years).

Ethnicity

19. In reviewing the ethnicity of main grade staff, there is a significant difference between the average salary of white and ethnic minority employees in one of our grades. As the number of minority ethnic staff in this grade is less than 5, conclusions cannot be accurately drawn. However, further analysis does not indicate that this difference is due to ethnicity. Length of service in this grade is the same for both minority ethnic and white staff, at four years.
20. The average length of service for minority ethnic group employees across all main grade staff is 4.8 years compared to 8.9 years for white employees.

Age

21. Exhibit 2 illustrates the average length of service for each age band. It highlights a correlation between age and length of service. The figures from this reporting period indicate a slightly higher length of service across all age bands compared to 2009/10.

Exhibit 2

Length of service by age band

Age	Average length of service (years)	
	2010/11	2009/10
16–24	1.16	0.91
25–34	4.68	4.05
35–49	9.44	8.86
50+	12.43	11.64

22. 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 marked showing '<5' in the table to maintain confidentiality and categories with no staff are marked as 'nil'.

Exhibit 3

Average salaries by age and grade

Grade					2010/11	2009/10
	16–24	25–34	35–49	50+	% difference	% difference
T	18,977	22,627	<5	nil	+9.36	+10.64
B	18,722	19,019	<5	<5	+7.81	+9.52
C	nil	23,940	25,378	<5	+4.95	+8.12
D	nil	27,110	28,892	29,191	+7.68	+9.08
E	nil	35,873	37,987	39,761	+10.84	+15.04
F	nil	40,932	43,794	44,394	+8.46	+10.74
G	nil	nil	53,540	56,576	+5.67	+6.67
				Average	+7.82	+9.97

23. In general, staff in older age categories are in receipt of higher salaries. Across all grades apart from grade C, the difference between the average salary of the lowest and highest age banding is significant. We believe that this is attributable to the growth in experience and competence in a job over time. In grade T, the time it takes to gain the accountancy qualification will be the primary factor.
24. Exhibit 3 shows that continued 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 7.82 per cent compared to 9.97 per cent in 2009/10). Compared to the 2009/10 figures, the difference in average pay continues to decrease across all grades. We anticipate that these figures will improve further once the pay modernisation project is fully completed during 2011/12.

Flexible Working

25. Exhibit 4 displays average salaries by working arrangement and grade. Categories with fewer than five employees are marked showing '<5' in the table to maintain confidentiality, and categories with no staff are marked as 'nil'.

Exhibit 4

Average salaries by working arrangement and grade

Grade			2010/11	2009/10
	Flexible	Standard	% difference	% difference
B	19,059	20,278	-6.40	-7.80
C	nil	24,673	n/a	n/a
D	<5	28,435	n/a	+0.01
E	38,918	37,662	+3.33	+3.38
F	43,354	43,464	-0.25	-0.99
G	52,770	55,474	-5.12	-4.29
T	<5	21,357	n/a	+22.76

26. In grade B, those with a standard contract receive on average 6.40 per cent more salary than those with flexible working arrangements. In this grade, those on flexible working arrangements have a slightly higher average length of service, similar to the findings of the previous year. Analysis was carried out by Human Resources (HR) to identify the reasons for the difference in average pay by working arrangement. It showed that they relate to reasons other than working arrangement, such as a restructuring of grade B during 2005 and a small number of staff in the grade on legacy terms. The new pay system seeks to address and reduce the difference in average pay in each pay grade for reasons such as those described above.
27. There were also significant differences in grade G during 2010/11, where those on flexible working arrangements receive significantly less average salary than those on standard contracts. Analysis of length of service in grade G reveals that staff on standard contracts have a higher length of service (14.9 years service) than those on flexible working arrangements (8.3 years service), which correlates with this finding.
28. Of the 47 graded staff with flexible working arrangements, eight are male and 39 are female. The number of employees on flexible working arrangements has increased slightly on 2009/10 figures.
29. The average length of service for employees with a flexible working arrangement is 8.9 years, compared to 8.7 years for employees with a standard working arrangement.

Disability

30. Fifteen members of staff declared themselves as having a disability (as defined under the social model of disability) during this reporting period. Due to the small numbers involved, information by grade cannot be provided here.

31. There is a difference between the salaries of disabled and non-disabled staff in one grade, where on average, disabled employees are paid significantly more than non-disabled staff. In this case, disabled employees have on average significantly longer service than those without a disability.

Religion and belief

32. Exhibit 5 illustrates the number and percentage of staff that have declared their religion/belief, stated no religion or have preferred not to say. As the table shows, a large proportion of staff have not confirmed their religion and belief. Categories with fewer than five employees are marked showing '<5' in the table to maintain confidentiality, and categories with no staff are marked as 'nil'.
33. Following analysis of the differences in average salaries and grade across all religion and belief categories, no conclusions can be drawn due to the low numbers involved. HR will continue to monitor trends on an annual basis.

Exhibit 5

Number and percentage of staff in religion and belief categories

Religion/Belief	Number	Percentage
Church of Scotland	39	14.7
Roman Catholic	27	10.2
Other Christian	8	3.0
Buddhist	nil	n/a
Hindu	nil	n/a
Muslim	nil	n/a
Jewish	<5	n/a
Sikh	<5	n/a
Another Religion	<5	n/a
Not applicable/no religion	65	24.5
Prefer not to say	11	4.2
Did not answer	110	41.5

Sexual orientation/transgender

34. No conclusions can be drawn from the analysis of sexual orientation and transgender data as the numbers in each category are very low. HR will continue to monitor trends on an annual basis.

New start salaries

35. The only area where managers have discretion on salaries is on the appointment of new staff or the promotion of existing staff. This section of the report examines what is happening in practice in these areas.
36. A cautious approach is required when interpreting any trend or emerging pattern from the data of the new start salaries as the population size is low.
37. This section looks at new start salaries and internal promotions by gender, age and ethnicity over the period 1 April 2010 to 31 March 2011. A total of eight new starts joined the organisation (main grade roles) externally during this period. Five employees were internally promoted over this reporting period which included main grade and Leadership Group employees.

Gender

38. Four females and four males were appointed externally during the period 1 April 2010 to 31 March 2011. The majority of new starts during the reporting period were at the trainee grade. New start salaries in this grade are prescriptive, and employees can only be appointed above the grade minimum if they have exemptions at certificate level of the Chartered Institute of Public Finance and Accountancy (CIPFA) course. Average starting salaries by grade cannot be shown due to small numbers in some categories, however no other new starts (other than that of the trainee grade) were appointed above the minimum for the grade.
39. Three females and two were males were internally promoted between 1 April 2010 and 31 March 2011. A small number of employees (under five) were offered salaries above the minimum for the promoted post. Having analysed this further, salaries were offered above the minimum in these instances because the employees had been acting up to the same grade or above for a period of time prior to the permanent promotion taking place. Their acting up allowance at the time of permanent promotion was taken into consideration when deciding upon the promoted salary. Full justification was provided to HR at the time. This approach is consistent with our reward policies contained in the staff handbook.
40. During 2010, we published guidance for managers on factors to consider when agreeing a starting salary. This followed from a recommendation contained in the previous equal pay review report. 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 and Disability

41. During the year April 2010 to March 2011, there were no external appointments made to minority ethnic group individuals and no new starts declared themselves as having a disability. Analysis of the ethnicity and disability of internal promotions is not provided due to the low numbers involved. HR will retain central records of analysis carried out and monitor trends over time.

Age

42. As there were no appointments above the minimum for the grade, apart from in the trainee grade, there is no requirement to analyse average new start salaries and age. Analysis of age categories and internal promotions is not provided due to the low numbers involved. HR will retain central records of analysis carried out and monitor trends over time.

Flexible working

43. An analysis of starting salaries by working pattern is not provided in this report as there were no individuals on flexible working arrangements appointed externally or internally promoted during the period April 2010 to March 2011.

Religion and belief/transgender/sexual orientation

44. Due to the low number of new starts and internal promotions over the reporting period, it is not possible to draw any conclusions regarding average salaries and religion and belief, transgender status or sexual orientation. HR will continue to analyse data across these protected characteristics and monitor trends on an annual basis.

Leadership Group

45. Audit Scotland's Leadership Group comprises of director and assistant director employees.
46. Salaries in the Leadership Group are recommended and agreed between directors, Audit Scotland's Management Team and Audit Scotland's 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 (below the target rate).
 - Competent (on or around the target rate).
 - Advanced/expert (above the target rate).
47. As at 31 March 2011, there were 18 employees in the Leadership Group.
48. For reference purposes, the only pay progression in the Leadership Group was for a small number of individuals who delivered effective or highly effective performance, and were earning less than the target rate for their role. This award ensured compliance with the principles of age equality legislation and contractual pay progression through the salary range.

Outline of this section

49. This section of the report will analyse Leadership Group salaries by gender, age, flexible working, disability, ethnicity, religion and belief, transgender and sexual orientation.

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50. No analysis of ethnicity or disability is provided as all members of the Leadership Group are white and have no declared disabilities.
 51. To create a meaningful analysis and maintain confidentiality, we need to compare roles in the Leadership Group using a compa-ratio analysis technique. The compa-ratio is based upon salaries compared to the target rate for each role.

Gender

52. There are ten male and eight female members of the Leadership Group as at 31 March 2011. In analysing the results between males and females, there were no significant differences found when comparing employees average position in relation to the target rate for the role. This was a similar finding to the previous reporting periods.

Age

53. There were no significant differences between the oldest and youngest age categories at director level. However, a difference was found at assistant director level. Analysis showed that employees in the oldest age category were in receipt of higher percentage awards in relation to the target rate for the role. This finding is supported by length of service data, where employees in the oldest age category have the longest length of service (a difference of six years between age categories).

Flexible working

54. There are less than five members of the Leadership Group with flexible working arrangements. To maintain confidentiality, we are unable to provide full details in this report. HR will retain central records of analysis carried out and monitor trends over time.

Religion and belief/transgender/sexual orientation

55. Due to the low numbers involved, it is not possible to draw any conclusions regarding average salaries of Leadership Group staff and religion/belief, transgender status or sexual orientation. HR will continue to analyse data across these protected characteristics and monitor any trends on an annual basis.

Overall conclusions (main grade and leadership group)

56. Audit Scotland's pay, grading and performance management systems are designed to be non-discriminatory. While this review has identified some significant differences in average pay, they can be explained by factors other than gender, age, flexible working, disability, ethnicity, religion/belief, sexual orientation and transgender status.
57. The introduction of the main grade pay modernisation project during 2009 has resulted in a reduction in the differences in average salaries of graded staff relating to gender, age, ethnicity, flexible working and disability.

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58. Moreover, there has been a reduction in the number of employees joining Audit Scotland externally being offered salaries above the minimum for the grade. The implementation of a new start guidance document during 2010 clarified the position on new start salaries for managers and is likely to have made an impact here.
 59. Our next equal pay report will be carried out during the first half of 2012 following implementation of the third and final phase of the pay modernisation project. We anticipate that the analysis will demonstrate a continued improvement in reducing the differences in pay for graded staff.
 60. Audit Scotland will continue to ask staff to review and update their diversity information in the electronic HR system on an annual basis. This includes asking for information regarding their religion and belief, sexual orientation and transgender. An increase in data we hold in these particular protected characteristics will enable us to analyse and report on these in future.
 61. This report has been reviewed by Diversity and Equality Steering Group and the PCS union.
 62. This report has been submitted and approved by Audit Scotland's Management Team and Remuneration Committee.