

Equal pay review

1 April 2011 to 31 March 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 and Human Rights Commission (EHRC) recommends 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. This report identifies any pay gaps between men and women and, where possible, includes a similar statistical analysis on other protected characteristics as defined by the Equality Act 2010 - race, disability, age, religion/belief, sexual orientation and gender re-assignment status. We also look at pay gaps in relation to working arrangement (flexible versus standard).
2. The new Public Sector Equality Duty in Scotland outlines revised specific duties for organisations from May 2012. We now must publish gender pay gap information by April 2013 and every second year thereafter. Pay gap information is the percentage difference between men and women's average pay. Good practice guidance states, where information is available, a similar statistical analysis should be carried out on other protected characteristics.¹
3. A key assumption underpinning our analysis is that staff in the same grade/pay range are doing 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 main grade pay structure comprises seven grades.²
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 significant, 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.³
5. This report should be read in conjunction with our Single Equality Scheme progress report (2011-2012), which provides information on frequencies and percentages of staff by protected characteristic. It also includes an analysis of our 2012 overall performance appraisal scores by gender. This report can be found on Audit Scotland's website (About us/diversity and equality area).
6. Audit Scotland has carried out six equal pay reviews to date. This review covers the period 1 April 2011 to 31 March 2012 and uses average salary data as at 31 March 2012.⁴ We will conduct a further review during June 2014.

¹ During 2013, we will review whether we can expand our monitoring/reporting for our next review to include all protected characteristics covered by the Equality Act 2010.

² B (Administration), C (Specialists), D (Senior Specialists), E (Auditors), F (Managers), G (Senior Managers) and T (Trainee Auditors).

³ The EHRC suggests an 'effect size' of a five per cent difference in the pay of men and women doing equal work as significant and justifying further investigation. Where there is a pattern of differences favouring one sex or another, a three per cent difference would be significant.

⁴ Based on full time equivalent salaries.

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7. Our pay modernisation programme is now fully implemented.
 8. Audit Scotland's system for pay progression (main grade staff) is clearly defined and there is limited scope for discretion. The only area where managers have some discretion to offer higher salaries than the minimum of the grade is for new appointments or internal promotions. Starting salary guidance states that our policy is to appoint at the bottom of the grade in the majority of cases, unless justification can be provided.⁵
 9. The senior management (Leadership Group) pay process is underpinned by a performance appraisal system, which informs pay awards. Different remuneration arrangements apply to the leadership group. Therefore, they are considered separately in this report.
 10. 248 graded staff and 17 senior management employees (total 265) are considered in this report.
 11. Following consultation with Performance Audit Group this year and in line with Scottish Government reporting, pay gaps are reported differently this year. The statistical convention used within this report looks at female salaries are compared to male salaries. Female salary is taken as a percentage of the equivalent male salary. For example, a pay gap of 114% means the female salary is 114% of (or 14% higher than) the equivalent male salary. A pay gap of 98% means the female salary is 98% of (or 2% lower than) the equivalent male salary. This allows easy recognition of the direction of the pay gap. Any percentage differences greater than 100% mean that females receive on average higher salaries than males. The pay gap analysis for other protected characteristics is as follows:
 - Minority Ethnic Group employee pay as a percentage of White employee pay. Any percentage differences greater than 100% mean Minority Ethnic Group employees receive on average higher salaries.
 - Disabled employee pay as a percentage of those without a disability. Any percentage differences greater than 100% mean those with a disability receive on average higher salaries.
 - Oldest pay range employees as a percentage of those within the youngest pay range. Any percentage differences greater than 100% mean older employees receive on average higher salaries.
 - Those with flexible working patterns as a percentage of those with standard contracts. Any percentage differences greater than 100% mean those with a flexible working pattern receive on average higher salaries.
 - Those who have declared a religion/belief as a percentage of those who have declared their religion/belief as 'none/not applicable'. Any percentage differences greater than 100% mean those with a religion receive on average higher salaries.

⁵ Pay progression within our Trainee grade (T) is very prescriptive and there is no discretion for managers to appoint above scale minimum.

- Those who are gay or bisexual as a percentage of those who are heterosexual/straight. Any percentage differences greater than 100% mean those who are gay or bisexual receive on average higher salaries.
 - No analysis is provided by gender re-assignment status due to a lack of information.
12. The next equal pay review will examine length of time in grade. Within this report we look at length of service data where significant gaps are identified.
13. In order to maintain confidentiality, information is not reported where numbers of staff in a particular category are fewer than five.

Main grade staff

14. This section of the report looks at average salaries by grade for Audit Scotland's main grade staff. This represents 93.6 per cent (248/265 x 100) of all staff at 31 March 2012.

Gender

15. Exhibit 1 illustrates average salaries by grade and gender. It also includes the percentage pay gap as outlined in paragraph 11 above.

Exhibit 1

Average salaries - gender by grade 2011/12 and 2010/11

2011/12				2010/11			
Grade	Male (£)	Female (£)	% diff	Grade	Male (£)	Female (£)	% diff
T	20,878	20,885	100.0	T	21,163	22,191	104.9
B	n/a	20,755	n/a	B	nil	20,001	n/a
C	24,501	25,242	103.0	C	24,565	24,799	101.0
D	28,754	28,309	98.5	D	28,663	28,218	98.4
E	38,817	37,500	96.6	E	38,773	36,902	95.2
F	44,111	43,499	98.6	F	43,849	43,113	98.3
G	55,756	53,948	96.8	G	52,889	53,733	101.6

16. As Exhibit 1 shows, there are no significant pay gaps between male and female average salaries by grade (pay gaps range from a 1.4 per cent gap in favour of males at grade F to a 3.4 per cent gap in favour of males at grade E).

Race⁶

17. In reviewing the race of main grade staff, there are significant gaps between the average salary of white and minority ethnic group employees in two grades. The number of minority ethnic group staff is fewer than five in some categories. Therefore, details are not reported here. Further analysis does not indicate pay gaps are due to race.

Age

18. Exhibit 2 illustrates the average length of service for each age range. As was the case in previous years, there is a correlation between age and length of service.

Exhibit 2

Length of service by age range

Age range	Average length of service (years)		
	2011/12	2010/11	2009/10
16–24	0.7	1.2	0.9
25–34	4.6	4.7	4.1
35–49	10.0	9.4	8.9
50+	12.4	12.4	11.6

19. Exhibit 3 shows average salaries by age range and grade (including percentage pay gaps between the youngest and oldest age categories). Categories with fewer than five employees are marked showing '<5' in the table to maintain confidentiality.

Exhibit 3

Average salaries by age and grade

Grade					2011/12	2010/11
	16–24	25–34	35–49	50+	% gap	% gap
T	19,066	21,339	<5		114.1	109.4
B		19,712	<5	20,614	104.6	107.8
C		24,279	<5	<5	104.0	104.9
D		27,598	28,763	29,353	106.4	107.7
E		36,594	38,384	39,193	107.1	110.8
F		<5	43,623	44,514	104.7	108.5
G			53,332	56,255	105.5	105.7
				Average	106.6	107.8

⁶ In previous reports we have named this section Ethnicity. However, it is more accurate to define what we analyse in this report as race. Future reports will consider whether it is possible to analyse ethnicity/nationality information.

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20. As in previous years, staff in older age categories are in receipt of higher salaries. Across all grades apart from grade T, the pay gap between the average salary of the lowest and highest age banding has reduced. The pay gap is significant in grades T, D, E and G. We believe this is attributable to the growth in experience and competence required in a job over time. In grade T, the time it takes to gain the accountancy qualification is likely to be the primary factor.
21. Exhibit 3 shows that continued progress has been made in reducing the differential in pay between age brackets (reducing from 9.97 per cent in 2009/10 to 6.6 per cent in 2011/12). This is probably due to the shortening of pay ranges through pay modernisation.

Working Arrangement

22. Exhibit 4 displays average salaries by working arrangement and grade. Categories with fewer than five employees are not shown to maintain confidentiality.

Exhibit 4

Average salaries by working arrangement and grade

Grade	Flexible	Standard	2011/12	2010/11
			% pay gap	% pay gap
B	<5	20,953	94.7	94.0
C	<5	25,046	100.2	n/a
D	<5	28,580	99.6	102.0
E	38,612	37,944	101.8	103.3
F	43,806	43,804	100.0	99.7
G	54,123	55,167	98.1	95.1

23. In grade B, those with a standard contract receive on average 5.3 per cent more salary than those with a flexible working arrangement. In this grade, those on standard contracts have a slightly higher average length of service. Analysis shows that the pay gap at this grade relates to reasons other than working arrangement. The new pay system appears to be gradually reducing the pay gap at this grade.

Disability

24. As at 31 March 2012, seven members of staff declared themselves as having a disability (as defined under the social model of disability). Due to the numbers being fewer than five in some categories, details are not reported here.
25. There is a significant pay gap between disabled and non-disabled staff in two grades. In one grade disabled staff are paid significantly more. In the other grade, disabled staff are paid significantly less. Length of service is on average higher for those who are paid more in each case. No further conclusions can be drawn.

Religion and belief, sexual orientation and gender re-assignment

26. Again this year, a large proportion of staff have not disclosed their religion / belief, sexual orientation or gender re-assignment status. During July 2012 Audit Scotland's Diversity and Equality Steering Group (DESG) will be undertaking a communications exercise to encourage staff to share this information.
27. Due to the small numbers involved in some categories, details are not reported here. However, Human Resources have carried out an analysis of the average pay gap between a) those with and without a religion and b) those who are heterosexual/straight and those who have disclosed another sexual orientation.
28. The only grade where a significant pay gap was found (religion / belief) is grade T. The pay system at grade T is very prescriptive. Therefore, the pay gap is not due to religion/belief.
29. No significant pay gaps were found between those who were heterosexual/straight and those who have declared another sexual orientation by grade.
30. 64.9 per cent of employees have declared they have not changed their gender since birth. No further analysis can be provided.

New start salaries and promotions

31. 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.
32. A cautious approach is required when interpreting any trend or emerging pattern from the data on new start salaries/promotions as the population size is often small.
33. This section looks at new start salaries and internal promotions over the period 1 April 2011 to 31 March 2012. A total of 14 new starts joined the organisation externally during this period. 20 employees were internally promoted.
34. It continues to be the case that managers can only offer salaries above grade minimum on an exception basis. Where a salary above grade minimum is offered, managers must provide justification for this on the job offer form.

Gender

35. Six females and eight males were appointed externally during the period 1 April 2011 to 31 March 2012. The majority of new starts during the reporting period were at the trainee grade. All trainees were appointed at grade minimum. Three new starts were appointed above the minimum for the grade. An analysis of personnel files shows that justification was provided and reasons are not due to gender. Average starting salaries by grade is not shown here due to numbers being fewer than five in some categories. However, HR analysis found no significant pay gaps.

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36. 14 females and six males were internally promoted between 1 April 2011 and 31 March 2012. 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 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 and was not related to gender. This approach is consistent with reward policies contained in the staff handbook. HR analysis found no significant pay gaps.

Race and Disability

37. During the year April 2011 to March 2012, there were fewer than five new starts from a minority ethnic group and who declared themselves as having a disability. No further analysis is possible.
38. Analysis of the race and disability of internal promotions is not provided due to the numbers being fewer than five in some categories. HR analysis shows no significant pay gaps.

Age

39. In one grade (new starts), there was a significant pay gap between the oldest and youngest age categories, where the oldest individuals were paid more. Human Resources have analysed this, and the gap can be explained by reasons other than age.
40. No significant pay gaps were found for promotions.

Working arrangement

41. No analysis for working arrangement can be provided for new starts.
42. No significant pay gaps were found for promotions.

Religion and belief

43. No analysis or religion/belief can be provided for new starts.
44. No significant pay gaps were found for promotions.

Sexual orientation

45. No analysis of sexual orientation can be provided for new starts.
46. No significant pay gaps were found for promotions.

Leadership Group

47. Audit Scotland's Leadership Group comprises the chief operating officer, assistant auditor general, directors and assistant director employees.

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48. 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).
49. As at 31 March 2012, there were 17 employees in the Leadership Group⁷.
50. There was no scale uplift (i.e. 0% award) for pay ranges applicable to the Leadership Group. Contractual pay progression in accordance with the principles of the Contribution Based Pay system (CBP) did continue to apply for effective and highly effective performers.

Outline of this section

51. This section of the report will analyse Leadership Group salaries by gender, age, working pattern, religion / belief, sexual orientation and gender re-assignment status.
52. No analysis of race or disability is provided as numbers are fewer than five.
53. To create a meaningful analysis and maintain confidentiality, roles in the Leadership Group are analysed using a compa-ratio technique. The compa-ratio looks at salaries compared to the target rate for each role.

Gender

54. There are nine male and eight female members of the Leadership Group as at 31 March 2012. In analysing the results between males and females, no significant pay gaps were found.

Age

55. A significant pay gap between the oldest and youngest age categories was found in the leadership group. Analysis showed that employees in the oldest age category were significantly higher in the range relating 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.

⁷ This includes three grade G employees acting up to the leadership group.

Working arrangement

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

Religion and belief

57. No significant pay gaps were found between those who had indicated they had a religion and those who said they had none.

Sexual orientation/gender re-assignment status

58. As numbers are fewer than five, details are not provided in this report. HR will continue to monitor data in this area for any differential treatment.

Overall conclusions (main grade and leadership group)

59. Audit Scotland's pay, grading and performance management systems are designed to be non-discriminatory. While this review has identified some significant pay gaps, they can be explained by factors other than the characteristics covered in this review.
60. The introduction of the main grade pay modernisation project in 2009 has generally continued to show a reduction in pay gaps.
61. Very few employees joining Audit Scotland externally or internally promoted are offered salaries above the minimum for the grade. The implementation of a new start guidance document has continued to clarify the position on new start salaries for managers and is likely to have made an impact here.
62. 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 /belief, sexual orientation and gender re-assignment status. An increase in data we hold for these characteristics will enable us to more fully analyse and report on these areas in future.
63. This report was reviewed by members of the Diversity and Equality Steering Group and a PCS union representative in June 2012.
64. This report will be submitted to Audit Scotland's Management Team in July 2012 and Remuneration Committee in August 2012.
65. Our next equal pay review will be carried out during June 2014 and published in July 2014.