

Equal pay review

1 April 2013 to 31 March 2014

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.

Contents

Introduction 4

Graded staff 5

New start salaries and promotions 10

Leadership Group 11

Overall conclusions 12

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.
2. Audit Scotland supports the principle of equal pay for work of equal value and recognises that we should operate a pay system that is transparent, based on objective criteria, free from bias and follows Audit Scotland's commitment to equality and diversity.
3. 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 - ethnicity, 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) and marital status.
4. The Public Sector Equality Duty in Scotland outlines revised specific duties for organisations. We have been publishing information about gender pay gaps since 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.
5. 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.¹
6. 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.²
7. This report should be read in conjunction with our Equalities Update report 2013/14, which provides information on what Audit Scotland has been doing to promote, encourage and embed equalities in all that we do and contains 2013/14 diversity and equality information about our staff. [This report can be found on Audit Scotland's website.](#)
8. Audit Scotland has carried out seven equal pay reviews to date. This review covers the period 1 April 2013 to 31 March 2014 and uses average salary data as at 31 March 2013.³ We will conduct a further review during June 2016.

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

² 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.

³ Based on full time equivalent salaries.

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9. 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.⁴
 10. 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.
 11. 253 graded staff and 16 senior management employees (total 269) are considered in this report.
 12. The statistical convention used within this report looks at female salaries 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. This statistical convention is also used when analysing the other protected characteristics within this report (ethnicity, disability, age, marital status, working pattern, religion/belief, sexual orientation and gender re-assignment).
 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 94 per cent ($253/269 \times 100$) of all staff at 31 March 2014.

Gender

15. **Exhibit 1** illustrates average salaries by grade and gender. It also includes the percentage pay gap as outlined in paragraph 12 above.

⁴ Pay progression within our Trainee grade (T) is very prescriptive and there is no discretion for managers to appoint above scale minimum.

Exhibit 1

Average salaries - gender by grade 2013/14 and 2011/12

2013/14				2011/12			
Grade	Male (£)	Female (£)	%	Grade	Male (£)	Female (£)	%
T	20,756	20,634	99.4	T	20,878	20,885	100.0
B	<5	21,808	108.0	B	n/a	20,755	n/a
C	24,828	25,001	100.7	C	24,501	25,242	103.0
D	29,388	29,446	100.2	D	28,754	28,309	98.5
E	39,955	39,509	98.9	E	38,817	37,500	96.6
F	45,713	45,475	99.5	F	44,111	43,499	98.6
G	56,814	56,175	98.9	G	55,756	53,948	96.8

16. As [Exhibit 1](#) shows, there is a significant pay gap between male and female average salaries in grade B only. A small number of male members of staff joined Audit Scotland within grade B during 2013/14 with an average length of service of 1.2 years. The average length of service for female staff in grade B is 10.2 years, which would account for the difference in average salaries between males and females in this grade.

Ethnicity

17. In reviewing the ethnicity of main grade staff, there are significant gaps between the average salary of white and minority ethnic group employees in one grade. 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 ethnicity.

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)		
	2013/14	2011/12	2010/11
16–24	1.1	0.7	1.2
25–34	3.9	4.6	4.7
35–49	10.8	10	9.4
50+	14.4	12.4	12.4

Exhibit 3

Length of time in the same grade

2013/14				
Grade	0-2 years	2-5 years	5-10 years	10 + years
T	19	10	0	0
B	4	1	4	6
C	11	3	3	1
D	20	8	11	5
E	13	34	10	28
F	0	5	13	9
G	4	11	6	15

19. Exhibit 3 illustrates the average length of time members of staff have remained in their current grade as at 19 February 2014⁵, split into year categories. For example, for grade T it shows that 19 members of staff have spent 0-2 years in their grade and the remaining 10 staff in grade T have been in that grade for 2-5 years.
20. This table also shows that for grades C and D there is a large proportion of staff who have been in this grade for under two years and that the majority of grade F staff have been in this grade for over 5 years.
21. Exhibit 4 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.

⁵ This date was used when gathering data as part of the annual pay award process and was considered accurate for the purposes of this pay review.

Exhibit 4

Average salaries by age and grade

Grade					2013/14	2011/12
	16–24	25–34	35–49	50+	%	%
T	20,160	20,844	<5		110.2	114.1
B		<5	21,978	21,609	107.0	104.6
C		24,369	25,374	<5	109.9	104.0
D		28,492	29,633	30,517	107.1	106.4
E		38,152	40,005	40,533	106.2	107.1
F		<5	45,528	45,723	100.9	104.7
G			55,676	57,420	103.1	105.5
				Average	106.3	106.6

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22. As in previous years, staff in older age categories are in receipt of higher salaries. Across grades T, E, F and G, the pay gap between the average salary of the lowest and highest age banding has reduced from the previous years report. The pay gap is significant in grades T, B, C, D and E. 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.
23. Exhibit 4 shows that continued progress has been made in reducing the differential in pay between age brackets (reducing from 6.6 per cent in 2011/12 to 6.3 per cent in 2013/14). This is probably due to the shortening of pay ranges through pay modernisation.

Marital Status

24. 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 who declared themselves as married and b) those who declared other forms of marital status.
25. The only grade where a significant pay gap was found is T, however salaries in this grade is prescriptive and based on progress within the formal qualification scheme.

Working Arrangement

26. Exhibit 5 displays average salaries by working arrangement and grade. Categories with fewer than five employees are not shown to maintain confidentiality.

Exhibit 5

Average salaries by working arrangement and grade

Grade	Flexible	Standard	2013/14	2011/12
			%	%
B	<5	21,650	98.0	94.7
C	<5	24,986	99.5	100.2
D	<5	29,368	102.3	99.6
E	39,681	39,682	100.0	101.8
F	45,631	45,534	100.2	100.0
G	<5	56,663	98.2	98.1
T	n/a	20,727	n/a	n/a

27. Across all grades, there is no significant pay gap between staff on flexible working patterns to those on standard working patterns.

Disability

28. As at 31 March 2014, 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.
29. There is a significant pay gap between disabled and non-disabled staff across three grades. In two of these grades, disabled staff are paid significantly more. In the other remaining grade, disabled staff are paid significantly less. Length of service is much higher for those who are paid more in this case. No further conclusions can be drawn.

Religion and belief, sexual orientation and gender re-assignment

30. 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.
31. The only grade where a significant pay gap was found (religion / belief) is B, where those staff members with a religion or belief are paid significantly more than those with no religion. Length of service is higher in those staff members who have declared a religion or belief in this grade, which would account for the difference in average salaries.
32. No significant pay gaps were found between those who were heterosexual/straight and those who have declared another sexual orientation by grade.
33. 74.9% of employees have declared they have not changed their gender since birth. No further analysis can be provided.

New start salaries and promotions

- 34. 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.
- 35. 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.
- 36. This section looks at new start salaries and internal promotions over the period 1 April 2013 to 31 March 2014. A total of 22 new starts joined the organisation externally during this period. 15 employees were internally promoted.
- 37. 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

- 38. Ten females and twelve males were appointed externally during the period 1 April 2013 to 31 March 2014. Just under half of all 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.
- 39. Four females and eleven males were internally promoted between 1 April 2013 and 31 March 2014. 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.

Ethnicity and disability

- 40. During the year April 2013 to March 2014, there were fewer than five new starts from a minority ethnic group. Due to the small numbers involved in this category, details are not reported. Human Resources carried out analysis of new starter salaries and ethnicity and no significant pay gaps were found. All new starts declared themselves as not disabled; therefore analysis of new start salaries and disability was not possible.
- 41. Analysis of internal promotion salaries and ethnicity was not carried out as all internal promotions were not from an ethnic minority. Analysis of internal promotion salaries and disability was also not possible as all those promoted declared themselves as not disabled.

Age

- 42. No significant pay gaps were found for new starters.
- 43. No significant pay gaps were found for promotions.

Working arrangement

- 44. No analysis for working arrangement can be provided for new start because all new starters were on standard working patterns.
- 45. No significant pay gaps were found for promotions.

Religion and belief

- 46. No analysis or religion/belief can be provided for new starts due to the small numbers in each category.
- 47. No significant pay gaps were found for promotions.

Sexual orientation

- 48. No analysis of sexual orientation can be provided for new starts due to the small numbers in each category.
- 49. No significant pay gaps were found for promotions.

Leadership Group

- 50. Audit Scotland's Leadership Group comprises the chief operating officer, assistant auditor general, directors and assistant director employees.
- 51. Salaries in the Leadership Group are recommended and agreed between directors, Audit Scotland's Management Team and Audit Scotland's Remuneration and Human Resources 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).
- 52. As at 31 March 2014, there were 16 employees in the Leadership Group.
- 53. There was no scale uplift (i.e. 0% award) for pay ranges applicable to the Management Team. 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 across the whole of the Leadership Group.

Outline of this section

- 54. This section of the report will analyse Leadership Group salaries by gender, age, working pattern, religion / belief, sexual orientation and gender re-assignment status.
- 55. No analysis of ethnicity or disability is provided as numbers are fewer than five.
- 56. 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

- 57. There are nine male and seven female members of the Leadership Group as at 31 March 2014. In analysing the results between males and females, no significant pay gaps were found.

Age

- 58. There were no significant pay gaps found between the oldest and youngest age categories and percentage of the target rate for each role.

Working arrangement

- 59. 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

- 60. 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

- 61. 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)

- 62. The introduction of the main grade pay modernisation programme in 2009 has generally continued to deliver a reduction in pay gaps, in accordance with the design principles that underpinned that programme - i.e. shorter pay grades by length of service and a strategy to reduce legacy terms. Audit Scotland's Voluntary Early Release Arrangement (VERA) also appears to have contributed to a reduction in the level of pay gaps across our workforce.

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- 63. During the pay award negotiations with our Public and Commercial Services Union (PCS) in April 2014, it was agreed that the current pay and reward structure would be reviewed as an organisation. This review will take place during 2015/16. It is anticipated that the next equal pay report will review a different pay and reward structure.
 - 64. Very few employees joining Audit Scotland externally or internally promoted are offered salaries above the minimum for the grade. Our new start guidance document has continued to clarify the position on new start salaries for managers and staff.
 - 65. 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.
 - 66. This report was considered and approved by Audit Scotland's Management Team on 11 November 2014 and will be submitted to Audit Scotland's Remuneration & Human Resources Committee for the next scheduled meeting in February 2015.
 - 67. Our next equal pay review will be carried out during July 2016 and will be published once seen and approved by Audit Scotland's Management Team and the Remuneration and Human Resources Committee.