# Graphical user interface, text  Description automatically generatedTake on Board Podcast – Episode 249

Transcript – Dr Emma Rae has thoughts and research on the gender pay gap and what boards need to know

Helga Svendsen 0:00

Today on the take on board podcast I'm speaking with Emma Rae about what boards need to know about the gender pay gap.

Before we start the podcast today I'd like to acknowledge the traditional custodians of the land on which we record. For me I'm on the unseeded lands of the Wurundjeri people of the Kulin nation and I pay my respects to elder's past and present any First Nations people who may be listening today. I acknowledge their continuing connection to land waters, Sky, culture and country. I support voice treaty and truth for Aboriginal and Torres Strait Islander people. And I stand in solidarity with First Nations people for reconciliation, and I encourage others in the take on board community to do the same.

Now, let me tell you about Emma. Emma is a Diversity Equity and Inclusion consultant with a PhD in DI that's diversity, equity inclusion. She works with business leaders and boards to understand their dei data, leverage insights and cultivate inclusive high performing cultures. Originally starting her career in accounting, she is a qualified CPA. She is a mum to be and passionate about health and well being. She enjoys cooking dad's and has recently taken up pedal and pickleball. Hmm, might need to know about that as well. Emma recently completed a seven year term as a non executive director on the board of wire. Welcome to the take on board podcast, Emma,

Emma Rae 1:18

thanks, Helga. It's great to be here.

Helga Svendsen 1:20

It is so awesome to have you, we will dig into a bit about how we met. But who would have thunk it that 10 years ago, having that cup of tea wherever it was. But anyway, so Emma, before we dig into the gender pay gap and what boards need to know, as always, I'd love to dig a little bit deeper about you. So tell me a little about you.

Emma Rae 1:42

Starting out, I guess in childhood, I grew up in Newcastle in New South Wales and I had a sister I was the eldest of the two I always find there's something similar about eldest child, funnily enough, a lot of my friends were also the eldest child within their families. So I really had this deep care, and still do and around people and deeply care about how other people feel. And was really always thinking about how can I make other people's lives better, and the world's a better place. So they're things less still think about to the stay. Also growing up, I think, in some ways, my childhood was quite difficult and challenging, there was a lot of tension and conflict in the house. So that was a lot to navigate. And so I had to work out a lot of things on my own. It also had privileged childhood, in many ways, in terms of I did a lot of extracurricular activities, and music and sports. And so I had some really great experiences. So one of the things I guess that was something that I did growing up and still to this day was sharing knowledge with others. So I was always wanting to help people, whether that be helping them prepare for a test at school, or just really wanting to collaborate with others. And I was always very helpful and kind and caring. So very hard working as well, I was often recognized for my application to studies and being conscientious students, and that sort of a thing as well.

Helga Svendsen 3:25

So Emma, when you're at school, I imagine you didn't say when I grow up, I want to be a diversity, equity and inclusion consultant. So what did you want to do when you grew up? When you're at school talking to the careers teacher? Why did you want to be?

Emma Rae 3:40

Such an interesting question, because so many jobs that exists now didn't at the time when we were at school, so at the time, I said that I wanted to be an actress. So I guess that's a job that I knew that existed, that was also happened to be that drama was my favorite subject at school. So I think sometimes we happen to pick that career based on what our favorite subject at school was. So I really enjoyed drama classes. And I think back now what was it that you know, actually enjoyed so much about them? And it was really the opportunity to collaborate with others and the way the class was structured, like getting into groups with other people and coming up with ideas, how are we going to actually perform this script way of being given and how are we going to make decisions and bounce ideas off one another. And the whole process behind coming up with the actual performance was something I enjoyed?

Helga Svendsen 4:41

I think when I was younger, one of the things that I thought about doing probably not at school, but at Uni because I was involved in some of the student theatre staff was being a theatre producer. And it was partly the same I think the organization of it not necessarily being upfront on stage, but the organization and the vibe of theatre is amazing. So tell me about your first board you joined the board of WIRE seven or eight years ago. Tell us about that and how that came about. And just a little bit about that experience, then I promise we will turn to the gender pay gap. And what boards need to know. But yeah, it'd be great to just hear a little bit about your board experience.

Emma Rae 5:14

Yeah, absolutely. Well, actually, Helga, I'm quite grateful for you, because you were the one that actually pointed me in the direction of this opportunity. I actually didn't know that WIRE existed back at the time that I applied for the boards that we've had conversations before. And you knew that boards was something that I was interested in. And looking at the organization and you know, looks like an absolutely fabulous organization. And in terms of what they were looking for, I've ticked the boxes. And they were looking for someone that was a CPA qualified, feminist had the shared values, and also 30. And under, so looking for that age diversity, and I thought, this is a great opportunity, I'm going to give it a shot and so interviewed for the role and learn more about the organization and decided that yeah, this was an experience I really wanted to have. And I was on there for seven years. So certainly learnt a lot and developed many different skills along the way.

Helga Svendsen 6:21

We now know a little bit about you, Mr. About your boardroom experience. Let's turn to the gender pay gap. Let's start what is the gender pay gap, talk us through what it is.

Emma Rae 6:32

The gender pay gap measures the difference between the average earnings of men and women in the organization and as expressed as a percentage of men's earnings. So those figures are based on averages and their annualized for part time workers. So in Australia, it was recently released that that number sits at 21.7%, the total remuneration, including bonuses, and overtime, all those discretionary payments as well as the base pay. So that data does indicate that there is a gap, there is a difference. And it's something that we can all play a role in looking to address and reduce.

Helga Svendsen 7:17

Is it all organizations, I'm guessing it's over a particular size. So organizations in Australia report their data to the WGEA, the Workplace Gender Equality agency, which organizations need to report?

Emma Rae 7:29

So it's organizations with over 100 employees, private sector entities, reports to the WGEA. And so I'll have some links down there. So you can actually go and have a look to say what gender pay gaps are in your organizations or ones that you're interested in.

Helga Svendsen 7:47

It is fascinating. As soon as it came out on the day, I had it marked because I'm a nerd about this sort of stuff. I had it marked in my diary, the day the data was coming out and went and had all sorts of fun looking at different organizations and where they line up. And I think the board of a public sector organisations in Victoria in Australia, and we don't report quite in the same way as we do to the WGEA. But we have to have gender equality action plans that we report through to the Gender Equality Commissioner, which includes some of this data as well. So lots of organizations need to capture their data in this way. Absolutely. So it captures that pay gap, the gender pay gap. As we know from the data that was released recently, there is a gender pay gap, some organizations larger than others, but on an average of about 20 bit over 20%. What the boards need to think about what's good for boards to know in this?

Emma Rae 8:37

So boards really need to understand what is it that's driving the gender pay gap in their organization. So there's lots of research that's been done on what some of the drivers are at that overall national level, but every organization is unique. And so you need to consider what is happening within your organization and what the context is and reasons for that. So that it can then be addressed. So we should note too that this is looking at overall differences in pay it's this base number isn't looking at like for like differences or equal pay, that's something that board should absolutely ensure that their organization is on top of being something that will organizations must comply with that being the law around equal pay.

Helga Svendsen 9:27

I'm just gonna slow you down a little bit there so we can all understand because my brain is catching up on some of this stuff as well. So the gender pay gap is you throw all of the men's pay into or bucket all of the women's pay into the bucket added up divided by see what the difference is. When you talked about like for like that is somebody who is a I don't know a business analyst or an accountant from your former career or a facilitator or a shop assistant or a human resources assistant or whatever it may be. They need to be paid the same within their classification, there can't be a gender pay gap. That's what you're saying in terms of like for like?

Emma Rae 10:05

Yeah, broadly, there is a lot of nuance to it when it comes to doing these calculations. And a lot of organizations are making adjustments when they're coming up with their feeders, for example, you'd know that in many organizations, were saying it was less than 1%. There, like the life gap, that that's adjusting for things like experience, or the department, or location. And also taking into account that that doesn't show us many different aspects that contribute to that organizational wide gap, such as bias in performance ratings, which might impact promotion. So there are limitations to that measure, but it is a very good measure to include, when we're wanting to look at the big picture.

Helga Svendsen 10:52

Interesting, okay, because I did, like I say, I saw a number of organizations that had quite a large gender pay gap, say, oh, but like for like, it's okay. And it's like, I don't know that you can just rely on like for like roles. In particular, I noticed in retail, for example, a number of retail organizations had a very large gender pay gap, which says to me, you will know the data much better than me, but says to me that their senior levels, more likely to be male, and getting paid bucket loads and their shop assistants basically, are probably women on much closer to the minimum wage. And that needs to be looked at as well. Is that broadly how it works?

Emma Rae 11:31

Yeah, so in a lot of those organizations, if men and women shop assistants, you'd expect the organization's complying with the law would be any the same amount, based on position. But overall, I think that that's an interesting example, really, when it comes to retail, because in order to address the gap, you would need to get more men into those retail positions, as well as looking at having more women in the senior positions. So the organization also needs to consider is that something that they're actually wanting to do, like, take an example such as Lorna Jane, being a an organization store focused on on women's retail, the shop assistants, they're almost 100% women, and that's something that their customers might like. And that might be, you know, it's a decision that the business needs to take. So I think you really got to look at these numbers within context, and think, why is this gap occurring? And does it make sense for the business? And what are the equity issues here that that need to be addressed? Because there's many different ways that you can go about closing the gap? And you just need to think about how are we actually going to achieve this goal? And what do we want to focus on what's actually going to make a difference to gender equality?

Helga Svendsen 12:51

Well, let's go there, then, like there is all of this data about the gender pay gap, the gender pay gap is part of gender equality, but it's not all of gender equality, what the boards need to think about in either I guess, interrogating the data or understanding the data, and what that means within the broader picture of gender equality.

Emma Rae 13:11

So what's needed to ensure that they've allocated budget and resources to enable this deep analysis to occur, because it's actually a lot more complicated and complex than what people realize. So ensuring that their teams are skilled in the area or bringing in experts to be able to assist with this type of analysis. And boards really need to focus on to the interpretation of that data. So when that data is presented, understanding what does it actually mean. So data literacy for boards is, is really important there, just as financial literacy for boards is really important. But before I get into the detail around the gender pay gap, and the interpretation of that just wanted to start out with a few high level considerations and things that boards should be thinking about. So first is just to remember that that boards really set that tone at the top when it comes to inclusion. So thinking about how D is embedded into your governance practices, and the way you conduct your board meetings is really important. And that includes creating a psychologically safe environment so that you can have these in depth discussions and really open to discussing complex topics that that do. Sometimes you discussing what seems to be bad news, and sometimes we don't actually like to, to hear bad news or what the problems are, but we do need to make those visible and expose them so that we can think about how we're going to go about addressing them. And also you can make sure that D is a regular topic on the board agenda. So as a director, you can be making sure that you are asking for that data on Dei, which includes pay gap data, if that isn't already being presented at your board meetings, and when it comes to that pay gap data, you'll also want to ensure that that data has been analyzed. So looked at in different ways, looking at the mean and the median, and like for, like, why level and that's the drivers of those gaps have been considered. And there's that understanding as to why the number is the way that it is. So that's really important, because that should inform our action plans. So that's the key to doing this whole analysis is really to be able to make decisions and understand the data so that you're coming up with action plans that will help you get to where you want to be. And not only supports improved gender equality within your organization, but also will help you achieve business objectives, and contribute to gender equality as well more broadly in society. So thinking about it through that ESG. lens. So also, as a director, you want to make sure that you're asking questions about the data and the action plan. So it is front of mind when it comes to the CEO, and the leadership team. And they know that that is a priority. So to be able to ask those questions and really understand any action plans or strategies in relation to DEI that's presented to you, you need to have some literacy around that data and understanding of what some of the issues are, and some of the things to look out for so that you can ask those great questions. But another thing to consider is, do you want to go beyond compliance and lead the way in this area? So you know, what is it that you want to commit to? In terms of you know, does your organization already had some commitments?

Helga Svendsen 16:51

Okay, so with those broad things for boards to think about, talk us through maybe some of the parallels that you see about the financial position, or the financial performance of an organization, and an organization's understanding of gender equality? What are your thoughts there?

Emma Rae 17:06

Yeah, so this is something that I've been spending a bit of time thinking about, with my background, as a CPA, and looking at how to go about analysing financial information. When it comes to analysing gender pay gaps, there's certainly a lot of similarities and those skills can transfer. So just wanted to leave your listeners with a few things to ponder when it comes to that interpretation of the data and the parallels. So the first one is, when we're looking at gender pay gap, it's important to remember that it's just one particular metric, or measure of gender equality. So there's many other different metrics that can be used and, and should also be reported to the boards if they're wanting to understand this topic in more depth, and that are a little bit with accounting information is if you're wanting to understand the financial health and performance of a company, you need to look beyond just the profit figure. So yes, profit is very important. You want to know what is the profit for this year. But that doesn't tell us the full picture, we also need to understand what's happening with our cash flows, and what's happening with our short term debts and obligations, and so forth to really understand what the position the organization is in. So secondly, it's understanding that there are many different factors that drive the gender pay gap, similar to profits. So when we're looking at profits, again, that's an aggregated figure. So there's many different factors that go into that just because profits have increased doesn't mean to say that sales have increased, for example, it might be that your expenses have actually reduced and gone down from the previous year. So thinking about all of the different things that make up that particular figure you're looking at. So when it comes to gender pay gap, as an example, representation throughout the organization, and the structure of the organization can really impact those overall figures. So that means you need to be looking at some of the things that drive that such as your recruitment statistics or promotions. What about career development opportunities, how merits to find performance ratings, learning and developments, your exits and the employee experience people are having along the way, which can impact things like the exits, number of people leaving the organization. So you're really wanting to look at what's driving some of those metrics as well. So the next thing is that sometimes changes in the gender pay gap from one year to the next. Oh, actually due to improvements or otherwise in actual gender equality performance, but they could be due to different business reasons. So for example, thinking about the composition of your workforce that could change if there's been any mergers or acquisitions or a safe, you outsource your administrative function. And that which is usually performed by women in lower paid roles, then you would no longer be including those employees in your data set. And so that would actually increase the average pay for women, reducing the gender pay gap at an overall level. So those types of factors can really have an impact. The other one is the size of executive bonuses, you know, they vary from year to year, and, and here's where the bonuses high, you're going to find that the gender pay gap is likely to be higher in those years as well if mainly, if those positions are going to higher concentration of men in that senior leadership level that is entitled to bonuses. So the other thing to think about is when it comes to addressing the gap is really that needs to focus on the long term, not just the short term. So very similar to when it comes to thinking about how do we improve profits? How do we improve the bottom line is there are a number of things that you can do in the short term, but you've got to ensure that that's not at the expense of long term performance. So think of things like if you're delaying repairs and maintenance expenses, or you're reducing wages, or you're not investing in that critical infrastructure to support long term growth, there can be implications down the track. So you do need to ensure that with your action plan, you are thinking about long term pull through. And the interesting one is that you might find that as an example, the pay gap improves. But it may not actually be because of a desirable reason. For example, it could be that more women at junior levels, leaving the organization, and those women are on lower pay grades. So that therefore increases the average pay for women, making the pay gap look smaller. But that's not going to be sustainable, because you want to make sure that you're retaining women in the organization and that they've been developed and able to progress to those senior levels. Similarly, sometimes you actually need to go backwards before you can go forwards. So an organization might find that one of the actions they wanted to focus on was a grant program or an apprenticeship program, and getting more women into those roles, those roles are going to be lower paid. So that would reduce average pay for women, making the gender pay gap look bigger, in the short term. So that's why it's really important to understand, what is it that's driving the numbers,

Helga Svendsen 23:05

Emma, there is so much in there about interrogating or understanding the data and what boards need to do there. And also about getting beyond just the data into what's actually happening in terms of gender equality in the organization, not just the gender pay gap, which is just one, one slice of it, but not all of the picture. I say to mix my metaphors, so much in here. What are the key things you want people to take away from the conversation that we've had today?

Emma Rae 23:32

I guess being a little bit more informed about the gender pay gap, and really thinking about what it means and how it is really just that starting point to a conversation and to thinking about why it is the way it is and developing action plans rather than immediately jumping into thinking this is good or bad. So it's not really such a thing as a good or a bad result. When you just focus on that one number, you've really got to look at all the variables that that go into that and why things are the way they are. So really want to encourage people to ask questions as well about their organization's gender pay gap. And really question that action plan. So is the action plan, going to actually achieve the desired outcome and focus on that long term, as well as just what the organization can be doing in the short term, also ensuring that you're able to free up some budget and resources so that that in depth analysis can occur. So as a board member, you won't be the one doing all the analysis of the data and looking at all the recruitment and representation, stats and so forth. But you need to ensure that a team is set up and that you've got the systems around data capture collection and analysis in place. And that does it's quite resource intensive. And I mean, if you think about it in terms of preparing a set of financial accounts, just what goes into that, and then think about through how you can help the organization you're organized. session in terms of promoting accountability. So we really need to ensure that there is accountability around actions that we commit to and then think about whether you can tie that into the CEOs objectives, or even remuneration for that regular reporting. And following up on progress and trends over time is important. Also, just as a reminder to not make assumptions based on that high level, or aggregated data, but you've really got to drill down to understand what the drivers are. And the action plan is going to address the key areas that really need to be focused on. So I guess to sum up, it's important to not take your eye off the ball as well. Even if you do have a low gender pay gap figure for your organization, it can very easily go backwards. And also just because the number is low in your organization, for example, it doesn't mean to say gender equality has been achieved. There's many different things that that need to be considered. So you're not alone in this, that there is help out there. There's many consultants that do work in this space and can provide support to boards, and C suite as well as diversity, equity inclusion practitioners to be able to really upskill and uplift capabilities in these areas, myself included. So we would encourage you to reach out and to to have a conversation.

Helga Svendsen 26:28

Excellent. And we will make sure we've got a link to your LinkedIn in the show notes as well as a whole host of other resources that you've provided for us. We'll make sure that's all in the show notes. I might also link in the show notes. Oh, gosh, it was a while ago now. But maybe a year ago, maybe 18 months ago, I did an interview with Niki Vincent, the Victorian Gender Equality Commissioner about the gender equality action plans that are required for Victorian organizations. And there's, there might be some things in there for people to consider as well about how these things fit together. So I'll make sure I've got a link to that in the show notes as well. Ah, Emma, thank you. Thank you so much for taking the time. Who would have thought it that 10 years ago when we met up at that Australian facilitators Network Conference up in Sydney, I think it was talking World Cafe techniques that he would be so thank you for taking the time today to share some of your wisdom about the gender pay gap and what boards need to think about. And we look forward to perhaps catching up with you when this year's data is released. And we might take a bit of a deep dive into this year's data when that happens. So thank you for joining us here today.

Emma Rae 27:33

Thanks for having me.

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