

# Equal pay matters

**ACHIEVING GENDER PAY EQUALITY  
IN SMALL-TO-MEDIUM ENTERPRISES**

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### Acknowledgements

We acknowledge and extend our deepest thanks to all the participants, workplaces and stakeholders who generously shared their stories and expertise to inform the development of this report.

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# Equal pay matters

Achieving gender pay equality in  
small-to-medium enterprises

August 2021

# Foreword



Equal pay for work of equal or comparable value is a basic human right. Regardless of where we work – or our sex, gender, race or age – we are all entitled to be paid and treated fairly at work.

About two in three employed Victorians work in small and medium enterprises (SMEs). As such, the findings and recommendations in this report address the day-to-day reality, financial security, dignity and future of millions of Victorians, particularly women.

Over the past 18 months, the COVID-19 pandemic has highlighted how SMEs are the lifeblood of our community and our economy, but also how vulnerable SMEs are to external forces and the profound hardship this can cause for workers.

Our research – conducted through interviews, consultations, a workforce survey and a literature review – focused on the arts, finance, and health care and social assistance sectors, but many of its learnings can be applied to other sectors.

We found that the biggest barrier to gender pay equality in SMEs was limited understanding of the concept of equal pay and how it affects SME workplaces. We also identified a range of internal structural and cultural drivers of gender pay inequality in SMEs, as well as external drivers, such as persistent harmful gender stereotypes and social norms, limited industry standards and benchmarking frameworks, limited unionisation and external economic and social forces such as the COVID-19 pandemic.

The gender pay gap is an insidious problem plaguing not only Victoria, but Australia and the globe. It speaks to broader issues of inequality in our workforce and discriminatory attitudes of gender around the role of women, men, trans and gender diverse people in our community.

The findings and recommendations in this report highlight the need for tailored education and targeted strategies that respond to the unique characteristics and needs of SMEs. Our report provides a framework for achieving pay equality in SMEs and paves the way for policy makers, business, industry bodies, unions and regulatory bodies to work collaboratively to improve gender pay equality in SMEs.

The Commission looks forward to continuing to work with SMEs and the Victorian Government to support pay equality in this critical setting, and to advance equality within our community more broadly.

**Ro Allen**  
Victorian Equal Opportunity and Human Rights Commissioner

On 31 March 2021, Victoria took a nation-leading step towards achieving gender equality in our workplaces, with the commencement of the *Gender Equality Act 2020*.

This was a significant milestone towards achieving gender equality across workplaces in the public sector and set a clear pathway to progressing the Government's reform agenda.

The Act requires Victorian public sector, local government and university employers to report on and improve gender equality in their workplace.

Public sector workers make up 11 per cent of the Victorian workforce, which makes this Government one of the state's largest employers. We intend to lead by example and show how gender equality can benefit everyone.

Equitable workplaces are more productive, have less staff turnover, higher morale and are more profitable.

It's only fair to make sure smaller businesses can access these benefits too. However, until now, research and policy on gender pay inequality has focused on large employers.

Small and medium-sized organisations make up a significant proportion of the Victorian workforce and economy. They face their own particular and unique barriers to equitable pay. Understanding these barriers and helping enterprises to overcome them will make a big difference in reducing the gender pay gap.

That is why Industrial Relations Victoria commissioned and funded this report. The Victorian Equal Opportunity and Human Rights Commission, with its impressive track record of protecting and promoting human rights in Victoria, was the obvious choice to carry out this research.

I would like to thank all of the people from small and medium-sized organisations that took time out to help with this research, sharing their views and experiences with us to make this project such a success.

The findings of this important report will inform our work with industry to achieve gender pay equality, helping smaller enterprises to tap into the benefits of greater diversity in their workforces.

The Victorian Government has promised to close the gender pay gap. We will continue to drive gender equality in Victoria's businesses, workplaces and communities.

**Tim Pallas MP**  
**Minister for Industrial Relations**



# Acknowledgements

The Commission wishes to acknowledge the small-to-medium enterprise owners and managers who participated in this research. By providing their input in our interviews and survey, these owners and managers have shed invaluable insight into the steps needed to achieve gender pay equality in small-to-medium enterprises. We particularly recognise their generosity in participating in our research during the monumental challenges of the COVID-19 pandemic.

The Commission is grateful to Industrial Relations Victoria for funding this research. We especially thank Executive Director Lissa Zass and Senior Policy Adviser Sarah Turberville for their leadership, guidance and support. We would also like to recognise the Equal Workplaces Advisory Council for overseeing this project and providing considerable support and advice throughout its duration. And we extend our thanks to Small Business Victoria for its help and support, particularly in recruiting research participants.

The Commission acknowledges the government agencies, industry and funding bodies, and private organisations that generously shared their expertise and experience during consultations. These include the Workplace Gender Equality Agency, the Commission for Gender Equality in the Public Sector, the Office for Women, the Victorian Chamber of Commerce and Industry, Public Galleries Association, Regional Arts Victoria, Creative Victoria, Arts Industry Council of Victoria, Jane Counsel & Associates, Women in Banking and Finance, Women in Super, Australian Nursing and Midwifery Federation (Victorian Branch) and the Victorian Council of Social Service.

We would also like to recognise Professor Sara Charlesworth for sharing her expert knowledge with us.

Finally, the Commission pays tribute to our research team – Amy Rogers, Rohini Thomas, Sebastian Sharp and Gregory Frank – as well as all Commission staff who contributed to this report and its publication, including Catherine Dixon, Simone Cusack, Laura Vines, Jill Beale and Peter Davies.

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# Executive summary

Being paid fairly and equally for work of equal or comparable value – equal pay<sup>1</sup> – is a basic human right.<sup>2</sup> It applies irrespective of a person’s sex or race or, for example, their age, and is not contingent on where they work or the size or other characteristics of the organisation that engages them to carry out that work.

Yet, every year, Victorian, national and international data confirm that some workers are not paid equally for their work.<sup>3</sup> For women, the problem of unequal pay is firmly established.<sup>4</sup> Pay inequality for women arises not just from individual instances of pay disparity, but also from historical and structural disadvantage, including the persistent undervaluing of work traditionally associated with women. This undermines women’s careers and economic security. And it manifests at every stage of the employment lifecycle, including before a woman starts employment, as well as periods in and out of the workforce.<sup>5</sup>

Such is the extent of recognition of the gendered dimensions of pay inequality that, each year, Equal Pay Day symbolically marks the additional time from the end of the previous financial year that women, on average, need to work to earn the same as men earned that year.

Much of the available research on gender pay inequality has focused on large organisations,<sup>6</sup> with comparatively less known about the nature, scale or drivers of pay inequality in small or medium-sized enterprises (SMEs), despite these organisations being required by Victorian, national and international law to pay workers equally for work of equal or comparable value.<sup>7</sup>

Furthermore, the absence of any comprehensive data set on SME remuneration in Australia – partly due to the absence of any reporting requirements for SMEs under the *Workplace Gender Equality Act 2012* (Cth) or the *Gender Equality Act 2020* (Vic) – means that a clear assessment of the pay gap is not presently possible and we “really don’t know”<sup>8</sup> how the gap in SMEs compares to the national average.<sup>9</sup>



What is known, however, is that SMEs have unique organisational characteristics and can face particular challenges in relation to achieving gender pay equality. We also know that if properly supported, SMEs – organisations that make up a significant proportion of the Australian workforce<sup>10</sup> and economy<sup>11</sup> – can play an integral role in reducing the gender pay gap and achieving gender pay equality. And this can deliver wide-ranging benefits to SME employees and SMEs themselves, as well as to the broader community. It would mean that more women are paid fairly and have more financial security, businesses would attract more diverse and talented staff and operate more productively, and the Australian economy would be stronger.

That is why the Victorian Equal Opportunity and Human Rights Commission (Commission)<sup>12</sup> decided to examine the drivers of gender pay inequality in SMEs and the factors that are likely to influence SMEs to achieve equal pay.<sup>13</sup> Our role at the Commission is to protect and promote human rights and eliminate discrimination, sexual harassment and victimisation, to the greatest extent possible – with a reduction in the gender pay gap being a key outcome that we are seeking.<sup>14</sup>

The Commission was engaged by Industrial Relations Victoria to carry out this research, which delivers on key objectives of the Equal Workplaces Advisory Council (EWAC)<sup>15</sup>. Industrial Relations Victoria funded the research and, together with Small Business Victoria, provided ‘in-kind’ support. The research focused on SMEs from three sectors – the arts, finance and healthcare and social assistance – chosen having regard to such factors as the reported pay gaps in those sectors, their sex/gender composition, the proportion of SMEs in each sector, geographical distribution across Victoria and the similarity of industry structures.

The key objective of the research was to inform the development of educational resources for SMEs on equal pay, by shedding light on the key barriers to pay equality in these organisations and the factors likely to motivate them to achieve equal pay.

The Commission conducted 28 in-depth interviews with SME owners and senior managers. In addition, we conducted an online survey, receiving 71 responses, including the 28 owners and senior managers who participated in interviews. We also conducted 11 consultations with industry and funding bodies, private organisations and key government agencies with expertise on broader systemic issues related to gender pay equality, including sector specific challenges in addressing unequal pay. The Commission completed a review of local and international literature on gender pay equality in SMEs. We also conducted further secondary research on the impacts of COVID-19 on SMEs and gender pay equality.

**If properly supported, SMEs – organisations that make up a significant proportion of the Australian workforce and economy – can play an integral role in reducing the gender pay gap and achieving gender pay equality.**

While some challenges related to equal pay are universal, regardless of organisational size, our research showed that SMEs face particular barriers to achieving pay equality aligned with their distinctive business characteristics, as well as particular operating priorities, risks and challenges. Many such barriers have been exacerbated during the pandemic, which has drawn out and intensified operational vulnerabilities and structural inequalities that were already embedded within SMEs.

The Commission's research identified the widespread lack of understanding of equal pay in SMEs and the limited recognition that this issue affects SMEs as the biggest barriers to achieving equal pay. This points to the importance of building foundational awareness of the problem, including the concept of equal pay for work of comparable value. These and other barriers identified through the research are summarised below.

<p><b>Limited understanding and application of the concept of equal pay</b></p>	<ul style="list-style-type: none"> <li>• Limited understanding in SMEs of the concept of equal pay</li> <li>• Lack of recognition that unequal pay is an issue for SMEs</li> <li>• Equal pay is not embedded in organisational culture</li> <li>• Challenges applying the concept of comparable value</li> <li>• Limited understanding of obligations to ensure equal pay</li> </ul>
<p><b>Internal structural and cultural drivers</b></p>	<ul style="list-style-type: none"> <li>• Lack of formal classification structures and specialised resources</li> <li>• Lack of policies on equal pay</li> <li>• Limited pay transparency</li> <li>• Lack of commitment to pay audits</li> <li>• Limited promotional pathways and professional development</li> <li>• Limited flexibility and support for working parents or carers</li> </ul>
<p><b>External drivers</b></p>	<ul style="list-style-type: none"> <li>• Persistent harmful gender stereotypes and social norms</li> <li>• Limited industry standards and benchmarking frameworks</li> <li>• Limited unionisation</li> <li>• The COVID-19 pandemic (see Section 3.2)</li> </ul>

The Commission's research underscores the importance of developing and implementing tailored responses to pay inequality that address SMEs' distinctive characteristics and the barriers outlined above, and that enable them to take appropriate and achievable measures to advance equal pay. Here, it will be key to leverage those factors that our research tells us will enable SMEs to achieve change – factors like a supportive, rather than onerous, approach to compliance, the leveraging of public and private sector relationships and supply chains, and direct investment in gender equality initiatives in SMEs.

The Commission concludes that there are three key steps that will support SMEs in achieving gender pay equality. First, we must educate and train SMEs so they can better understand gender pay inequality, its drivers and why it matters. Second, we must support SMEs with tailored resources that guide them through practical steps towards gender pay equality, such as conducting a pay audit, implementing equal pay policies and conducting gender neutral job evaluations. Third, we must foster an external environment that encourages and supports SMEs to take action on equal pay. This includes direct investment to support recovery from the COVID-19 pandemic, while also exploring the feasibility of initiatives such as voluntary reporting.

This pathway forward emphasises the importance of building conceptual and practical knowledge about gender pay equality within SMEs, while also recognising the need to complement this education and training with other incentives to achieve meaningful change.

**Many such barriers have been exacerbated during the pandemic, which has drawn out and intensified operational vulnerabilities and structural inequalities that were already embedded within SMEs.**

# Recommendations

## Recommendation 1

The Victorian Government should resource an appropriate education provider to co-design and deliver education, training and resources on gender pay equality for SMEs, in consultation with SME representatives, industry bodies and other key stakeholders.

## Recommendation 2

The selected education provider should ensure that, at a minimum, the education, training and resources provide practical guidance on:

- (a) the concept of gender pay (in)equality and how to apply it in an SME, including the concept of equal work for comparable value
- (b) common drivers of gender pay inequality in SMEs across the employment lifecycle, including the compounded barriers faced by different cohorts of workers
- (c) the benefits of gender pay equality in SMEs
- (d) the legal obligations of SMEs to ensure equal pay
- (e) how gender pay equality may be advanced within SMEs during the COVID-19 survival and recovery and other causes of significant workforce and salary contraction.

## Recommendation 3

The selected education provider should ensure that the education and training can be delivered:

- (a) in person and online, including via digital platforms
- (b) in modules of varied duration and frequency
- (c) in modules that target different levels of knowledge from beginners to advanced
- (d) via structured learning pathways that prioritise foundational knowledge of the concept of equal pay
- (e) in conjunction with a trusted agency or influencer to drive participation and engagement.

#### Recommendation 4

The Victorian Government should resource an appropriate body to monitor and evaluate the education, training and resources developed on gender pay equality for SMEs. This body should:

- (a) conduct reviews against a monitoring evaluation framework (to be developed) every three years, for a minimum of two reviews
- (b) provide a written report at the end of each review to be made available to the education provider and the Victorian Government.

#### Recommendation 5

The Victorian Government should resource an appropriate education provider to develop tailored action-oriented resources to support SMEs to achieve equal pay in practice, including:

- (a) a capability matrix that SMEs can use to develop position descriptions
- (b) a simple tool to guide gender pay audits in SMEs
- (c) a model policy on gender pay equality in SMEs and guidance on how to increase visibility and engagement with this policy and related procedures
- (d) a step-by-step guide to conducting gender neutral job evaluations in SMEs
- (e) a step-by-step guide on how to set up a complaints procedure regarding unequal pay
- (f) a step-by-step guide on how to complete action plans to advance equal pay
- (g) a guide on how to ensure equitable access to professional development
- (h) a simple monitoring and evaluation template that supports SMEs to continuously strive to achieve equal pay across a scale of beginner, intermediate and advanced level progress and includes provision for workers to provide feedback.

### Recommendation 6

The Victorian Government should ensure that SMEs are a strategic priority for COVID-19 survival and recovery efforts.

### Recommendation 7

The Victorian Government should ensure that the following foundational principles inform COVID-19 survival and recovery efforts:

- (a) measures to close the gender pay gap should be prioritised
- (b) stimulus measures, including new jobs and re-skilling opportunities, should target sectors that benefit women and not be limited to male-dominated sectors
- (c) flexible work should be embedded as business-as-usual, enabling more equal sharing of caring responsibilities and women's greater workforce participation
- (d) opportunities for free, accessible and properly funded childcare should be explored to support women's workforce participation
- (e) women and gender equality experts should have an equal role in recovery decision-making
- (f) policies, budgeting and recovery planning should be informed by disaggregated data on the gendered impacts of COVID-19.

### Recommendation 8

The Victorian Government should resource an appropriate education provider to co-design and deliver education and training to state-based grant and funding bodies to equip them to develop and implement funding programs that support the achievement of equal pay. At a minimum, this education and training should ensure alignment with education developed under section 48 of the *Gender Equality Act 2020* and explore:

- (a) how funding impacts the drivers of equal pay in SMEs
- (b) options for indexing funding against benchmarking frameworks
- (c) opportunities to encourage SMEs to report to funding bodies on how they have used funding to promote equal pay.

### **Recommendation 9**

The Victorian Government should provide targeted information, centralised hands-on support and a consistent and transparent process for SMEs to benefit from Victoria's Social Procurement Framework in relation to gender equality.

### **Recommendation 10**

The Victorian Government should complete a feasibility study on a pilot program for SMEs to engage in simple voluntary reporting under the Gender Equality Act 2020, and other initiatives suggested in this report to incentivise SMEs to achieve equal pay.





# 1

# Introduction

Chapter 1 of this report sets out the purpose and scope of the Commission's research into gender pay equality in SMEs. It outlines our research methodology and key information arising from our research.

# 1.1 About this research

## 1.1.1 Objectives

Existing research, educational resources, training and other initiatives provide critical information that are somewhat useful for SMEs in addressing gender pay inequality. However, broadly speaking, they fail to address the particular workplace cultures, organisational structures and resources of SMEs, and are therefore of limited utility in guiding them on how best to achieve pay equality.

Noting this gap, at the first meeting of the Equal Workplaces Advisory Council's SME working group, held on 17 July 2019, council members agreed to facilitate the development of gender pay equality education resources for SMEs. The Commission's research seeks to inform the development of these resources, in line with the following objectives:

- 1 Improve understanding of gender pay (in)equality in SMEs
- 2 Understand the characteristics of SMEs and the drivers of unequal pay in SMEs, including how the coronavirus pandemic (COVID-19) has affected equal pay in SMEs
- 3 Understand what factors are likely to motivate SMEs to achieve equal pay and inform the development of tailored educational resources and other measures to advance equal pay in SMEs.

## 1.1.2 Scope

### Small-to-medium enterprises

The Commission's research focused on small-to-medium enterprises, or SMEs.<sup>16</sup>

#### **How we define small-to-medium enterprises**

*The research focused on organisations with between two and 50 workers (except where otherwise stated). It did not focus on sole traders, although industry consultations provided some insights into the pay equality issues in those SMEs. While the term 'enterprise' is commonly associated with a 'business' or 'company', our research includes not-for-profit organisations, noting their particular significance in the social assistance sector.*

SMEs are not simply smaller versions of large organisations “shrunk in size”.<sup>17</sup> They have distinctive business characteristics and particular operating priorities, risks and challenges.

## Common characteristics of SMEs

Few workers	Highly visible leadership
Limited bureaucracy	Direct and informal communication
Aggregate turnover of less than \$10m <sup>18</sup>	Short-term strategic and workforce planning
Flat organisational structure	Informal systems and practices
Flexible and responsive to changes	Fewer and more limited income streams
High vulnerability to risk	Disproportionately impacted by external changes <sup>19</sup>

## Nominated sectors

The Commission’s research focuses on SMEs in the diverse and multifaceted arts, finance, and healthcare and social assistance sectors, while acknowledging that SMEs in all sectors experience their own challenges in achieving gender pay equality.

These sectors were selected for this research having regard to such factors as:

- the reported pay gaps in those sectors<sup>20</sup>
- their sex/gender composition
- the proportion of SMEs in each sector
- geographical distribution across Victoria
- the similarity of industry structures.

A broader range of sectors was originally included in the research. However, the sectors examined were ultimately narrowed following the emergence of COVID-19, which brought with it unparalleled challenges for SMEs and underscored the value of an in-depth examination of equal pay in certain sectors.

## The arts

The arts sector covers both cultural production, such as music, performing and visual arts, publishing, media production and broadcasting; and creative services such as writing, design, production and advertising for consumer and corporate clients.

**2%**

*of Victorians work in the arts and recreation sectors*

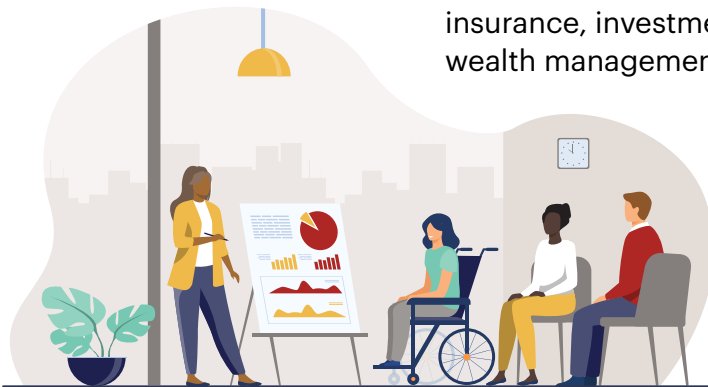
**42%**

*of employees in these sectors are women<sup>21</sup>*



## Financial services

The finance sector provides services that manage capital for organisations and individuals. This sector includes services related to banking and credit, superannuation, insurance, investment advice, mortgage broking and wealth management, among others.



**5%**

*of Victorians work in financial services*

**46%**

*of employees in this sector are women<sup>22</sup>*

## Healthcare and social assistance

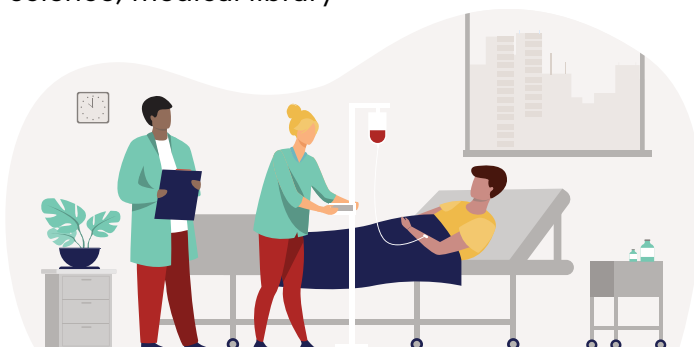
The healthcare and social assistance sector provides care to individuals for health and social reasons. It covers healthcare, allied health, residential care, childcare and personal care, social work, disability support, aged care, psychology, physiotherapy, occupational therapy, podiatry, medical science, medical library services and pharmacy.

**14.7%**

*of Victorians work in healthcare and social assistance*

**77%**

*of employees in this sector are women<sup>23</sup>*



Illustrations: pch.vector / Freepik.com.

# 1.2 How we conducted our research

The Commission conducted this research between December 2019 and October 2020, culminating in the delivery of this final report to Industrial Relations Victoria and the Equal Workplaces Advisory Council in December 2020. We adopted a human rights-based approach to the research, applying the 'PANEL' principles of participation, accountability, non-discrimination and equality, empowerment and legality.<sup>24</sup> We also aligned the research with the International Labour Organization's principle of 'tripartism',<sup>25</sup> which recognises the importance of gaining the perspectives of employers and workers (as well as of government and independent organisations), when examining labour issues.

## 1.2.1 Methodology

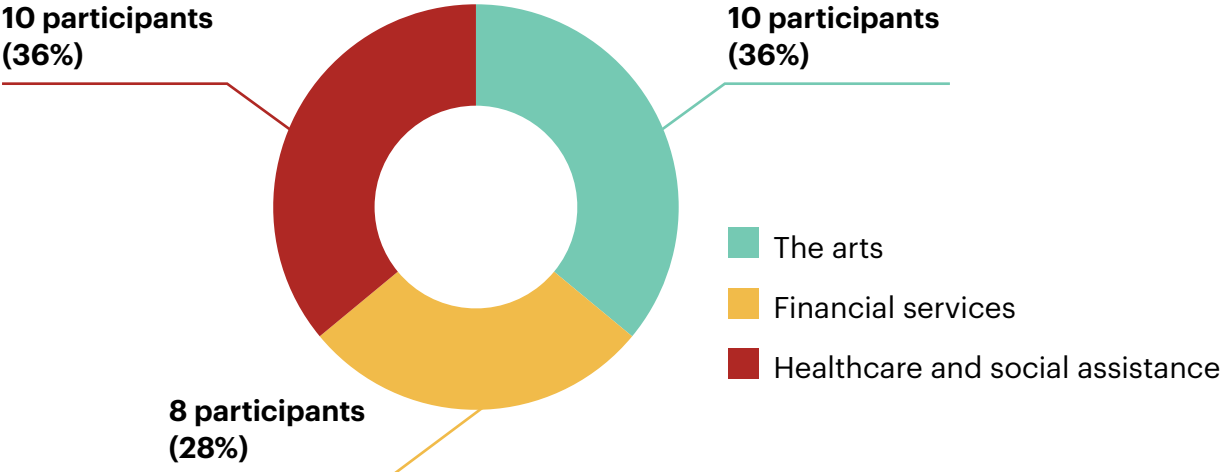
This report is informed by primary and secondary research.



### Interviews

The Commission conducted 28 in-depth telephone interviews with SME owners and senior managers, between 13 August 2020 and 4 September 2020.

#### Interview participants



The Commission recruited interview participants via a public call to participate and directly approaching eligible persons. In addition, the Equal Workplaces Advisory Council, Industrial Relations Victoria and Small Business Victoria, as well as other key stakeholders, referred interested eligible persons to the Commission.

Interviews were semi-structured and asked about the participant's understanding of the concept of gender pay equality, the nature and operation of the participant's SME with a focus on policies, practices and procedures related to equal pay, the SME's approach to learning and development and the impact of COVID-19. Participation was voluntary and interviews were recorded and transcribed.

## Survey

All 28 interview participants completed an online survey between 11 August 2020 and 4 September 2020 (see Appendix A), in addition to participating in an interview. The data gained through the survey responses gave us a more in-depth picture about pay practices in participants' SMEs, as well as participants' understanding of, and attitudes towards, equal pay.

The Commission also opened up the survey publicly via our website and social media channels, with the intention of seeking the perspective of mid-level and junior workers in SMEs in the nominated sectors. The small number of responses we received from those workers<sup>26</sup> prevents us from reporting the results here, although they have informed our broader understanding of the issues affecting SMEs in respect of equal pay. Further responses were excluded due to ineligibility, for example because the respondent worked at an organisation outside of Victoria or for a large organisation.<sup>27</sup> The survey was voluntary and anonymous, with interview participants completing the survey using a deidentified participant code that preserved their anonymity.

## Consultations

We conducted 11 consultations between 31 August 2020 and 6 October 2020. Building on the perspectives gained through the interviews and survey responses, the consultations focused on broader systemic issues relating to gender pay equality, including sector-specific challenges in addressing unequal pay, whether and how industry and other bodies provide education on pay equality and policy measures and other initiatives to achieve equal pay.

We identified consultation participants with relevant expertise, in consultation with Industrial Relations Victoria and Small Business Victoria. These included participants from industry and funding bodies, private organisations and key government agencies. For a list of consultation participants, see Appendix B.

## Literature review

The Commission completed a review of local and international literature on barriers to gender pay equality in SMEs. Provided to the Equal Workplaces Advisory Council in January 2020, the review informed our research methodology, as well as the findings and recommendations in this report. The review also informed further secondary research, including into the impacts of COVID-19 on SMEs.

## 1.2.2 Research limitations

The COVID-19 pandemic created significant challenges for SMEs and, in turn, for the conduct of this research. For some, like SMEs in the arts sector, these included wide-scale business closures and shutdowns, and supply chain disruption. For others, like in the finance and healthcare and social assistance sectors, they included unprecedented demand, while operating in high risk environments and often with limited supplies and other resources.

The Commission adapted our timeframes and methodology to accommodate the changing external environment and the intense pressures brought to bear on SMEs. To maximise the participation of SMEs and other stakeholders, we conducted in-depth telephone interviews, instead of in-person focus groups, and ran our consultations online. These changes enabled the research to continue, with only minimal impact on participation rates.

The Commission acknowledges the relatively low number of participants in interviews and the survey. Furthermore, participants who engaged in interviews and the survey were self-selected, which means they are not representative of SMEs and given their voluntary engagement with our research, are likely to be more aware of and responsive to gender equality issues than the average SME. This project sought to mitigate this risk by conducting industry consultations and secondary research, in addition to the interviews.

## 1.2.3 Governance

The Equal Workplaces Advisory Council and Industrial Relations Victoria provided expert guidance throughout the research. In addition, we engaged several experts to advise on key aspects of the research, including to ensure a best practice research methodology, including, among others, council member Distinguished Professor Sara Charlesworth of the School of Management at RMIT University.

# 1.3 About this report

This report is comprised of four chapters.

<b>Chapter 1</b>	<p>Chapter 1 sets out the purpose and scope of the Commission’s research into gender pay equality in SMEs.</p> <p>It outlines our research methodology and key information about this report.</p>
<b>Chapter 2</b>	<p>Chapter 2 outlines the concept of ‘equal pay’, also referred to here as ‘gender pay equality’.</p> <p>It explains why equal pay matters and details the legal obligations to pay workers equally.</p>
<b>Chapter 3</b>	<p>Chapter 3 details what the Commission learned about the key drivers of unequal pay in SMEs.</p> <p>It also details emerging research into how COVID-19 has affected gender pay equality in small and medium-sized organisations, which we know have been disproportionately affected by the pandemic.</p>
<b>Chapter 4</b>	<p>Chapter 4 examines how SMEs can be supported to achieve equal pay.</p> <p>It sets out a framework for achieving equal pay in SMEs and details the outcomes needed and the indicators that identify what must change to reach them (reflecting the key drivers of unequal pay in SMEs). It then outlines the foundational steps that need to be taken to enable SMEs to achieve equal pay, focusing on the development of tailored equal pay educational resources for SMEs, consistent with the stated objectives of this research.</p>





# **About equal pay**

**Chapter 2 outlines the concept of 'equal pay', also referred to in this report as 'gender pay equality', why it matters and employers' legal obligations to pay workers equally.**

## KEY POINTS

- The term 'equal pay', or 'gender pay equality', refers to work of 'equal or comparable value', meaning 'work valued as equal in terms of skill, effort, responsibility and working conditions. This includes work of different types'.<sup>28</sup>
- Unequal pay is driven by sex discrimination, the historical and systemic undervaluing of work traditionally associated with women and the widespread segregation of women into low paid industries and jobs, among other factors. This means that women – especially those with parenting or caring responsibilities or from culturally and linguistically diverse backgrounds – are not being recognised and remunerated equally, with significant consequences for their lifetime economic security. Men are also affected, including when they are denied access to parental leave or flexible work so that they can take on caring responsibilities.
- Gender pay inequality occurs at multiple points across the employment lifecycle. This lifecycle begins before a worker starts employment and extends through to retirement; it also includes periods in and out of the workforce. Key points of the employment lifecycle include recruitment, remuneration, training and development opportunities, career progression, leave and flexible and part-time working arrangements. To achieve equal pay, SMEs and other key stakeholders must take proactive steps to address policy, decision-making and practice related to pay at each point of the employment lifecycle.
- Equal pay delivers broad-ranging benefits. It ensures that individual workers are remunerated fairly for their skills, effort, responsibility and working conditions. It contributes to a fair and equal society, one that values and respects their workers. And it makes good business sense, both for SMEs and other employers alike. Equal pay helps employers to achieve fairness and respect in their workplaces, attract and retain diverse and talented staff, comply with their legal obligations, attract business opportunities, improve workforce morale and productivity, and reduce risks to reputation and brand.
- All employers, including SMEs, are required by Victorian, national and international law to pay workers equally for work of equal or comparable value.

# 2.1 Understanding equal pay



## 2.1.1 About equal pay

The term 'equal pay' or 'gender pay equality' means that all workers, regardless of their sex or gender, are rewarded equally for performing the same work or work of comparable value. This includes work of different types.<sup>29</sup>

### Determining comparable value

Comparable value can be assessed by employers by evaluating the skills, responsibilities and working conditions in each job or job type, even where the work itself is different.<sup>30</sup>

Consider these examples of roles from different industries that could be of comparable value but are often not paid the same.

#### Factors to consider when determining comparable value

- Level of responsibility (including number of people supervised)
- Exposure to risk
- Contribution to project outputs
- Complexity of work
- Rates of pay under industrial instruments
- Size of the organisation

Illustrations: pch.vector / Freepik.com.

#### The arts

General manager compared to Artistic director



#### Financial services

In-house legal counsel compared to Accountant



#### Healthcare and social assistance

Personal care assistant compared to Hospital orderly



## 2.1.2 Who is affected by unequal pay?

Gender pay inequality mainly affects women, with unequal pay having significant consequences for their lifetime economic security – evidenced, for example, by the fact that women tend to retire with less savings in their superannuation accounts than men.<sup>31</sup> Gender pay inequality negatively impacts men as well as women, for example if they are denied opportunities for flexible work or parental or carer's leave, or if their career progression is hindered when they attempt to access those opportunities.<sup>32</sup>

### **A note on terminology: Gender pay equality v gender pay equity**

*This report purposively uses the terms 'equal' and 'equality' in recognition of their meaning under international and domestic law and their inclusive focus on addressing historical and structural disadvantage, rather than aiming for the same treatment or parity. Where the report uses the term 'equity', it is in reference to existing literature, resources or case law that adopts this language.*

Gender pay inequality affects certain groups of women more than others. Women with parental or caring responsibilities are particularly affected by unequal pay. These women tend to take time out of the workforce (in some cases, due to a lack of workplace flexibility or other supportive workplace practices), with these interruptions negatively affecting their career progression.<sup>33</sup> Employers, including prospective employers, may also treat these women unfairly in anticipation of their need to take leave from work.<sup>34</sup>

### **A working mother accepts lower pay to balance her work and parenting responsibilities**

The female manager of an arts organisation shared with the Commission that she had recently negotiated a salary rise with her director. Ultimately, she settled for a rise that was less than she had hoped for and reasoned that her compromise would allow her to retain her 'family time' and weekends off work. Her story reflects a perception that higher salaries are inevitably attached to hours that are not family friendly – a view that impedes the ability of working women with parental responsibilities to access well-paid positions.

In Australia, people who identify as Aboriginal and/or Torres Strait Islander face barriers that can exacerbate unequal pay.<sup>35</sup> Furthermore, recent international research indicates that women from culturally and linguistically diverse backgrounds and recent migrants face greater barriers to gender pay equality than other women due to systemic race discrimination in the workplace.<sup>36</sup> This body of research canvasses the need to further consider the compounded impacts of other forms of discrimination, such as those experienced by women with disabilities or members of the lesbian, gay, bisexual, trans and gender diverse, intersex and queer community.

# 2.1.3 Unequal pay across the employment lifecycle

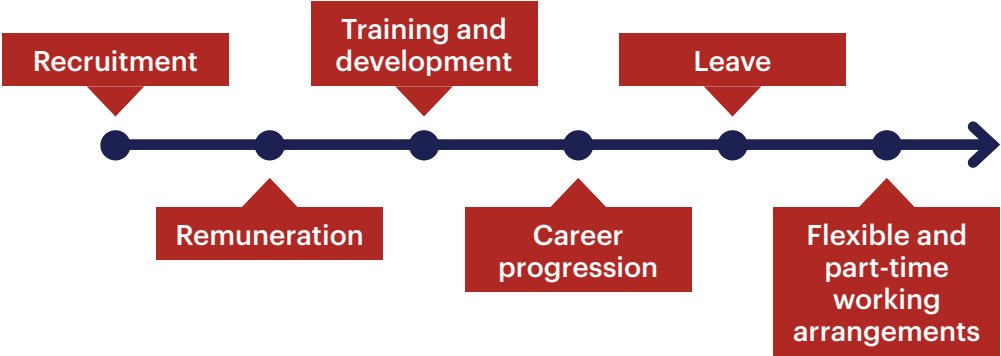
Unequal pay does not result from the individual choices of workers, a point many participants echoed. Rather, it is driven by gender bias and sex discrimination, the historical and systemic undervaluing of work traditionally associated with women and the widespread industry and occupational segregation, which sees high concentrations of women in low paid jobs.

For example, factors relating to the gendered impact of family and caring responsibilities – commonly referred to as the ‘motherhood penalty’ – are thought to account for 39 per cent of the gender pay gap in Australia.<sup>37</sup>

Unequal pay occurs at multiple points during the employment cycle, beginning before a worker starts employment through to retirement and including periods in and out of the workforce.<sup>38</sup>

 **Historically, I think, people have tended to promote people who are like them, and [where] you’ve got a male dominated industry people have typically promoted men, because they feel like they understand them.**

—Participant



To achieve equal pay, SMEs, large employers and other key stakeholders, including government and industry bodies, must therefore take proactive steps to address policy, decision-making and practice related to pay at each point of the employment lifecycle.<sup>39</sup>

# 2.2 Why equal pay matters

Gender pay inequality has a profoundly negative impact on individuals, businesses and society. Unequal pay means that women earn considerably less than men across their careers,<sup>40</sup> with older women far more likely than older men to live in poverty and be reliant on social assistance.<sup>41</sup> Businesses who do not pay their workers fairly and equally may struggle, among other things, to attract and retain diverse and talented staff. Lower labour force participation from women, in part occasioned by unequal pay, also weakens the Australian economy overall.<sup>42</sup>

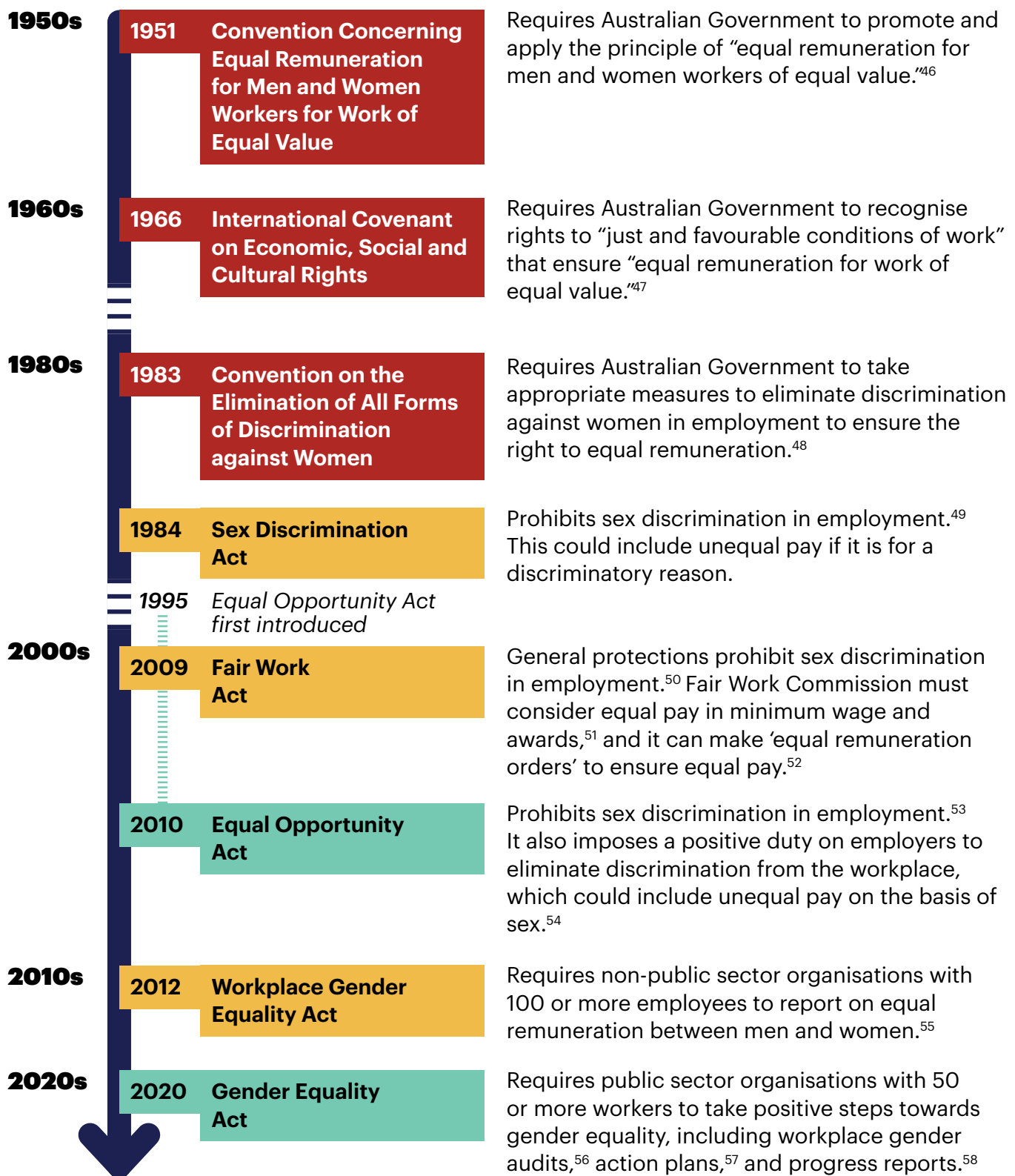
By contrast, equal pay delivers broad-ranging benefits, including to SMEs. It ensures that individual workers are remunerated fairly for their skills, effort, responsibility and working conditions. It contributes to a fair, respectful and equal society. And it makes good business sense, both for SMEs and other employers alike.

<b>Benefits<sup>43</sup></b>	<b>What equal pay delivers for all businesses</b>	<b>What equal pay delivers for SMEs</b>
<b>Attracting and retaining diverse and talented staff</b>	<ul style="list-style-type: none"> <li>• Equal pay helps to attract diverse and talented staff, which in turn delivers greater innovation, enhanced decision-making and better strategy development<sup>44</sup></li> <li>• Equal pay reduces the likelihood that staff will leave for a job with better pay</li> <li>• Less turnover leads to stability, knowledge retention and reduced recruitment costs</li> </ul>	<ul style="list-style-type: none"> <li>• As SMEs often have limited and/or outsourced human resources, it is vital that they minimise costs and disruption associated with high staff turnovers</li> <li>• People are a key source of competitive advantage for SMEs and effective people management can give SMEs an edge</li> </ul>
<b>Compliance with legal obligations</b>	<ul style="list-style-type: none"> <li>• Equal pay shows legal obligations are taken seriously</li> <li>• Equal pay reduces the risk of costly and resource-intensive legal claims</li> </ul>	<ul style="list-style-type: none"> <li>• SMEs are particularly vulnerable to costly and resource-intensive legal claims due to their more limited resources and fewer staff</li> </ul>
<b>Attracting business opportunities</b>	<ul style="list-style-type: none"> <li>• Equal pay can contribute to consumer confidence</li> <li>• Equal pay can attract government contracting opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• SMEs often have more direct and bespoke relationships with consumers, presenting opportunities to grow their business as more consumers value responsible and ethical workplace conduct</li> </ul>
<b>Improved morale and productivity among workforce</b>	<ul style="list-style-type: none"> <li>• Equal pay contributes to staff feeling valued, fairly treated and respected in the workplace</li> <li>• Equal pay positively influences staff morale and, in turn, workforce productivity</li> </ul>	<ul style="list-style-type: none"> <li>• Given the smaller teams working within SMEs, it is critical to their success that each worker is encouraged to contribute to their best potential</li> </ul>
<b>Reduced risks to reputation and brand</b>	<ul style="list-style-type: none"> <li>• Equal pay can enhance a business reputation as an employer of choice and ethical operator<sup>45</sup></li> </ul>	<ul style="list-style-type: none"> <li>• SMEs need to establish and maintain a reputation of integrity, particularly when they have limited resources for managing reputation and brand risks</li> </ul>

## 2.3 Understanding the law on equal pay

The regulatory framework around gender pay equality is shaped by Victorian, national and international law.

Jurisdiction: ■ International ■ Commonwealth ■ Victorian







# 3

## **Drivers of unequal pay in SMEs**

Chapter 3 details what the Commission learned about the key drivers of unequal pay in SMEs. It also details emerging research into how COVID-19 has affected gender pay equality in small and medium-sized organisations, which we know have been disproportionately affected by the pandemic.

## KEY POINTS

- There is presently limited understanding of the nature and scale of pay inequality in SMEs, and how to address this issue. This is largely due to the available research on pay inequality focusing mainly on large organisations and SMEs not being required to report publicly on this issue.
- Some challenges related to equal pay are universal, regardless of organisational size. Nevertheless, SMEs are not simply smaller versions of large organisations; they have distinctive business characteristics, as well as particular operating priorities, risks and challenges.
- The widespread lack of understanding of equal pay in SMEs and the limited recognition that this issue affects SMEs are perhaps the biggest barriers to achieving equal pay. Although the Commission's research suggests that there is now greater recognition than in the past that this issue affects SMEs. This finding shows that efforts to tackle unequal pay in SMEs, especially in the arts, finance and healthcare and social assistance sectors, must begin by building foundational awareness of the problem and helping SMEs to understand it, including the concept of equal pay for work of comparable value.
- Other related barriers include the fact that equal pay is often not embedded into the organisational culture of SMEs, the limited understanding of how to apply the concept of comparable value (especially in smaller organisations) and the lack of knowledge of SMEs' legal obligations to ensure equal pay.
- Further key internal structural and cultural barriers include: the lack of formal classification structures and specialised resources; the limited number of SMEs with equal pay policies; the limited transparency around pay in SMEs, particularly in sectors like the arts where Enterprise Bargaining Agreements have less coverage; the infrequent use of pay audits by SMEs; the limited promotional pathways and professional development opportunities inside small organisations; and the limited support for flexible work or parenting and carer responsibilities in many SMEs.
- Among the key external drivers of unequal pay in SMEs are the persistence of harmful gender stereotypes and social norms, the limited industry standards and benchmarking frameworks and the limited unionisation in the sectors examined. The emergence of COVID-19, which has decimated large numbers of SMEs, presents a major challenge to equal pay going forward.

# 3.1 Key drivers of unequal pay in SMEs

Little is known about the drivers of gender pay inequality in the SME context, or about how to address this issue effectively in small and medium-sized organisations.

With some notable exceptions, much of the available research on the drivers of unequal pay focuses on large organisations.<sup>59</sup> Also contributing to the knowledge gap is the fact that only large organisations are required to report on equal pay (and other gender equality issues) under the federal Workplace Gender Equality Act and the Victorian Gender Equality Act (see Section 2.3 above).

Some pay equality challenges are universal,<sup>60</sup> regardless of organisational size (for example, occupational segregation and the undervaluing of work typically associated with women), meaning that the available research and reporting data do provide some insights into effective strategies to achieve equal pay in SMEs. However, as explained earlier, SMEs are not simply smaller versions of large organisations; they have distinctive business characteristics and face particular barriers in achieving gender pay equality.

The Commission’s research sought to shed light on some of the common barriers that SMEs face in this area based on the assumption that understanding these barriers will assist in developing effective strategies to achieve equal pay in SMEs. Section 3.1 details our findings, taking care to highlight any significant differences between the three sectors examined. Much of what we learned about the unique barriers and challenges for SMEs is derived from the primary research, with the literature review revealing limited relevant research.

<p><b>Limited understanding and application of the concept of equal pay</b></p>	<ul style="list-style-type: none"> <li>• Limited understanding in SMEs of the concept of equal pay</li> <li>• Lack of recognition that unequal pay is an issue for SMEs</li> <li>• Equal pay is not embedded in organisational culture</li> <li>• Challenges applying the concept of comparable value</li> <li>• Limited understanding of obligations to ensure equal pay</li> </ul>
<p><b>Internal structural and cultural drivers</b></p>	<ul style="list-style-type: none"> <li>• Lack of formal classification structures and specialised resources</li> <li>• Lack of policies on equal pay</li> <li>• Limited pay transparency</li> <li>• Lack of commitment to pay audits</li> <li>• Limited promotional pathways and professional development</li> <li>• Limited flexibility and support for working parents or carers</li> </ul>
<p><b>External drivers</b></p>	<ul style="list-style-type: none"> <li>• Persistent harmful gender stereotypes and social norms</li> <li>• Limited industry standards and benchmarking frameworks</li> <li>• Limited unionisation</li> <li>• The COVID-19 pandemic (see Section 3.2)</li> </ul>

## 3.1.1 Limited understanding and application

### Limited understanding in SMEs of the concept of equal pay

Understanding of the concept of 'equal pay' varied between individuals who participated in the Commission's interviews and survey, but overall, it was limited in each of the three sectors examined.

Although the majority of participants (n=24 of 28) across the sectors examined initially indicated when completing our survey that they were familiar with the concept of equal pay, when prompted further during interviews, most participants conveyed an understanding limited to equal pay for the same work. Their understanding of the concept did not extend to equal pay for work of comparable value or other relevant factors, such as support for flexible working arrangements.



**[T]here are two parts to [gender pay equality], in my understanding: one is like for like payments, so jobs being done by male and female are paid the same; that's the first simple concept. And secondly, what are the actual outcomes of salaries for different genders, which there are other factors involved around opportunities to work, opportunities for promotion, those sorts of things.**

— Participant

Out of the 28 owners and senior managers interviewed, only one participant cited a range of relevant factors beyond the concept of equal pay for equal work, when asked to define gender pay equality.

Our finding that most interview participants across all sectors tended to only cite 'like for like' pay issues aligns with a 2012 study on attitudes to gender pay equality in small businesses (mainly in Western Australia), which concluded that understanding of equal pay for work of comparable value was limited in SMEs.<sup>61</sup> It also underscores the need to ensure that efforts to achieve gender pay equality in SMEs prioritise the building of foundational knowledge about the concept

of equal pay beyond equal pay for equal work, as applied to small and medium organisations, particularly the concept of equal pay for work of comparable value.

### Lack of recognition that unequal pay is an issue for SMEs

Some research and experts suggest that SME owners and senior managers do not always recognise that pay equality is an issue that affects their organisations.

Australian Small Business and Family Enterprise Ombudsman Kate Carnell has, for instance, reflected that '[w]e've often found CEOs

[of small businesses and family enterprises] are incredibly surprised when they sit down and look at all the salaries of various people in their organisation. They just didn't realise there was a gender pay gap'.<sup>62</sup>

In our interviews, owners and senior managers across all three sectors noted that the absence of equal pay complaints in their SMEs contributed to them not turning their minds to the issue of gender pay equality. More than the other sectors, however, managers from the finance sector did not identify pay inequality as an issue that affected them.

Although one Australian study found in 2012 that most owner managers of SMEs considered gender pay equality to be a "thing of the past",<sup>63</sup> our survey revealed that most owners and senior managers across all sectors strongly disagreed that pay inequality is an historical issue (with a mean average score of 4.1, where strong disagreement was coded as five and strong agreement as one). Most owners and senior managers surveyed by the Commission also strongly disagreed that unequal pay reflects the choices of individual workers. This suggests that across the sectors examined, there is an acceptance that this issue is driven by internal structural and organisational cultural issues (also with a mean average score of 4.1, where strong disagreement was coded as five and strong agreement as one). Data from the interviews and survey did not suggest there was a difference in views across the sectors examined, pointing to a consistent regard for pay equality as a current and relevant issue.

This finding suggests that there may have been a shift over time in the views of SME owners and senior managers, with greater recognition in 2020 than in the past that equal pay is an issue that affects workplaces. However, it could also be reflective of the people who elected to participate in our research, with the possibility that they may have already been sympathetic to equality.

## Equal pay is not embedded in organisational culture

Research suggests a general lack of awareness and understanding of gender pay inequality in SMEs. In line with this research, our interviews and survey found that equal pay is not routinely or openly discussed in the sectors we examined or embedded into the organisational culture of individual SMEs.



**To be honest, it's never been an issue, and in reality, probably never really been brought up.**

—Participant



**I've been around the company for 34 years. I've never had an incidence in our organisation [where gender pay inequality] was ever an issue raised against our business.**

—Participant



**I've worked in this clinic for nearly 4.5 years and I've never had a conversation about gender pay equity.**

—Participant



Gender equity in our organisation [a trans- and gender-diverse-specific organisation] is so much taken as a given because of what we strive for ... that we don't have to talk about it. ... [F]or our own organisation, it would just be totally counter-intuitive to even think that we would pay someone more or less because of their gender.

—Participant



Yes, [equal pay] is discussed ... possibly because ... we have union directors on our board and ... probably where some of the staff come from ... so they're used to the concept, I think. We have a couple of people ... who like me, have worked small stints in the public service.

—Participant

We heard during interviews that SME owners and senior managers, as well as board members, directors and franchisors, typically do not take proactive steps to foster a culture in which workers feel they can safely raise concerns about unequal pay and have confidence that their employers will address those concerns.

By contrast, one owner attributed regular discussions about equal pay in their SME in the finance sector to workers' familiarity with the concept from previous workplaces (for example, in the public sector) and board directors who were also union members. One participant from the social service sector said that gender equality is not discussed in their organisation because it is taken "as a given" as the goals of the organisation are centred on equality, suggesting that even in SMEs that value gender equality, equal pay may not be discussed openly.

When considered against our findings that indicated most SME owners and senior managers had a limited understanding of the drivers of unequal pay, there is a real need to support SMEs to foster a culture that discusses issues of equal pay, to ensure the drivers of gender pay inequality do not go undetected, even in organisations that value gender equality.

## Challenges applying the concept of comparable value

During interviews, participants referred to one or more of the following factors when asked about determinants of comparable value in SMEs:

- level of responsibility (including number of people supervised and risk)
- complexity of work
- income or profit generating capacity
- rates of pay under an industrial agreement
- outcomes achieved
- contribution to a project
- leadership outputs.

Notwithstanding recognition of these determinants, the interviews and survey we conducted identified countless examples of SMEs across each sector remunerating work of comparable value differently.



*In the arts sector, marketing managers, program managers, project managers, artistic directors and general managers were cited by participants as comparable roles that are often remunerated differently.*



*In the healthcare and social assistance sector, supervising clinicians and clinical mentors were cited by participants as comparable roles, notwithstanding that the former are generally paid more than the latter.*

We heard about challenges that SMEs can face when they try to apply the concept of equal pay for work of comparable value, with many participants critically reflecting on the ‘blurred lines’ in valuing different roles and questioning the accuracy of these assessments in determining roles of comparable value.

One of the challenges most commonly cited by the interview and survey participants was the absence or limited number of comparator roles in small organisations with flat or unclear structures, although this challenge appeared to lessen somewhat in larger SMEs.

We also heard about the challenges of assessing comparable value in smaller SMEs, where, in an ‘all hands-on deck’ operational context, workers perform multiple roles with unclear boundaries and responsibilities, or where workers’ roles and responsibilities evolve during periods of organisational growth.

The lack of differentiated roles and formal classification structures in SMEs is further explored in Section 3.1.2 below.



**Now, I've been an advocate of this for a long time, that our reception staff are as valuable to the practice in many ways – and I probably think in particular that our practice manager, who works as hard, and her value to the clinic is probably as important as others, but her pay grade would be a lot less ...**

—Participant



**So, this definition of value can come from what income you're producing, which is how it's typically being done, versus the way we're starting to view it now more and more, is you can't have one without the other [comparing brokering roles that are income generating with operational roles that are not].**

—Participant



**It is perceived as easier to manage a project than it is to manage a program and I don't know how confident I am in my experience that that's actually the case based on when I've had to work with somebody who's managing a project.**

—Participant

## Limited understanding of obligations to ensure equal pay

In addition to the barriers identified in the research, participants in the Commission's interviews and survey revealed a limited understanding of their legal obligations to ensure equal pay in their organisations. Most SME owners and senior managers said when interviewed that they know they have legal obligations to ensure equal pay (see Section 2.3). Yet, our survey results indicated that they are only 'somewhat familiar' with the equal remuneration provisions of the Fair Work Act, as well as their other related obligations, including the Equal Opportunity Act.

Half (n=5) of the healthcare and social assistance sector survey participants were aware of the Fair Work Act's equal remuneration provisions, compared to only one fifth (n=2) of arts sector survey participants and three of the eight finance sector survey participants.

One interview participant suggested that the Fair Work Commission's 2012 community and social services equal remuneration order and the publicity surrounding the case, may partially explain why more SME owners and senior managers in the healthcare and social assistance sector reported a higher level of familiarity with these provisions.

Some research suggests the absence of dedicated human resource functions in SMEs could be connected to their limited understanding of their legal obligations.<sup>64</sup> Yet, most of the SMEs that the Commission spoke to as part of this research indicated that they did not outsource human resource functions: only two out of 28 survey participants said they outsourced these functions. As noted in the research, however, it may be relevant that SMEs are time poor and often are only able to engage with issues in response to an immediate problem.<sup>65</sup>

Regardless of the reasons, the research clearly shows that SMEs' legal obligations in relation to equal pay should be a key component of tailored education and training going forward and that SMEs should be encouraged to consider these obligations more proactively and not only in response to issues as they arise.



**Now we are aware of the equal remuneration order, and we're aware that [the order is] vulnerable or compromised at the moment, and we see that more as a gender pay equity issue.**

—Participant




# 3.1.2 Structural and cultural drivers

## Lack of formal classification structures and specialised resources

Some research indicates that SMEs may be less likely to use job descriptions than larger organisations.<sup>66</sup> By contrast, our interviews indicated that most SMEs in the sectors examined do have well-defined job descriptions but found that the lack of structured job evaluation processes creates blind spots within SMEs that limit their ability to identify and assess pay discrepancies.

SME owners and senior managers from the arts and social assistance sectors conveyed during interviews that operating under limited and short-term funding makes it challenging for them to consistently ensure position descriptions are in place for all of their roles, with supporting assessments undertaken of comparable value.



**Well, my reaction to comparable is how are you measuring comparable? ... And what are you basing it on, really?**

—Participant

This highlights a need to proactively consider resourcing limitations when developing tailored education and resources for SMEs on how to identify roles of comparable value, particularly in sectors that depend on funding, such as the arts and social assistance sectors. It also highlights a need to ensure that funding bodies are attuned to this issue to better support SMEs to achieve equal pay.

SMEs’ approach to reviewing and updating position descriptions, including using such reviews as an opportunity to re-assess comparable value, varied across SMEs in the sectors examined.



*SME owners and senior managers in the arts sector advised that position descriptions are typically only reviewed when a role becomes vacant and needs to be advertised.*



*Most SME owners and senior managers in the finance sector advised that position descriptions are reviewed when recruiting for a new role and during performance reviews.*



*Many SME owners and senior managers in the healthcare and social assistance sector confirmed that position descriptions are reviewed every 12 months or every three to four years when an applicable Enterprise Bargaining Agreement is negotiated.*

Interviews with SME owners and senior managers suggest that reviews of position descriptions do not typically follow a formal or a structured process. Participants who advised that they regularly review position descriptions noted that the basis of the review was to ensure the description still adequately reflected the duties being carried out. We did not receive information indicating that role descriptions were specifically reviewed from a gender perspective, where issues such as discrimination and bias are proactively considered as part of the review. This suggests that there is a need to support SMEs across all sectors, with varying resource levels, to carry out effective gender-neutral job evaluations that reveal issues of unequal pay, including the failure to pay workers equally for work of comparable value.

One owner-manager from a franchised organisation in the healthcare and social assistance sector confirmed that while position



**[Position descriptions are reviewed every 12 months] to make sure that the role that they're performing still reflects the position description. And if it doesn't, we amend the position description. And if that amendment is more than the required amount, then we have to make that position redundant and the new role comes into effect.**

—Participant

descriptions are regularly reviewed in their SME, the evaluations are undertaken by the HR unit in their franchisor's head office, rather than by the practice itself. While such an approach may be useful in SMEs with limited HR resources, it highlights the need to consider how franchisees and other senior managers – with their detailed understanding of the roles in their SME – can inform evaluations of comparable value and ensure issues of gender discrimination and bias are factored.



**[Are position descriptions reviewed?] Probably not just for the sake of sitting down and looking at them, but more when that person comes on in the first place, and then possibly if there's a review situation. If everyone's happy with each other, probably don't get looked at, to be honest.**

—Participant

Finally, research tells us that the extent of formality in organisational structures and processes increases with organisational size.<sup>67</sup> Generally, the larger the SME, the more formal its structures. Similarly, the larger an organisation, the more likely it is to have specialised HR support available to assist with conducting pay audits and reviewing comparable roles. Further, the literature review revealed that some SMEs have quite sophisticated HR practices – contrary to the prevailing view that SMEs lack HR support.<sup>68</sup> This highlights the need for any education or resources to be cognisant of differences in organisational size, priorities and support functions.

## Lack of policies on equal pay

Only one quarter (n=7) of survey respondents reported that their SME has policies in place related to equal pay. By contrast, participants across all sectors examined are significantly more likely to have policies in place to address other (related) issues as sex discrimination, flexible work and parental leave.



*Of the 10 arts sector participants, only one reported having an equal pay policy.*



*Of the eight finance sector participants, two indicated their SME had such policies.*



*Of the 10 healthcare and social assistance sector participants, four said their SME had structured policies on gender pay equality.*

A study of 80 SMEs in the UK found that generally, sophisticated equal opportunity practices increase with organisational size.

In particular, medium-sized businesses are more likely to have formal equal opportunity policies.<sup>69</sup> The researchers found that some SMEs lack formal equal opportunity policies because they prefer informality and flexibility. Other factors include the desire of the owner-manager to retain authority and control, a lack of specialist equal opportunity advice and a lack of awareness of the benefits of equal opportunity initiatives.<sup>70</sup>

During our interviews with Victorian SMEs, we heard from one participant from the healthcare and social assistance sector, who told us that their SME does not feel the need to have a written policy on every issue and might apply a common 'pub test' to define issues as they arise.

We also heard from smaller SMEs that they tended to adopt human resource policies that they felt were 'appropriate for the size'. This suggests a need to educate SMEs on the benefits of establishing policies within small workplace contexts, including the provision



**Well, the challenge in organisations like mine is that we are relatively small and relatively unstructured. So, we don't come with solid HR policies, we do the best we can, and it's appropriate for the size.**

—Participant



**I think, we're pretty fair minded, and we want to acknowledge we've never had an issue with any of that [unequal pay or issues of sexual harassment], and we haven't felt the need to put that into a policy document.**

—Participant

of clear examples of the type of outcomes that can be realised by implementing policies in small organisations. Such outcomes might include a clear framework to guide decision-making in relation to pay, leading to more consistent determinations of rates of pay, and ensuring staff confidence in these processes.

Some owners and senior managers also cited the fact that workers have never raised issues of unequal pay and other issues such as sexual harassment as a justification for not needing formal policies.

These insights provide a useful starting point towards understanding why SMEs may be resistant to developing formal policies. It is important to consider these views in light of our research that confirmed SMEs also have a limited understanding of gender pay equality and its drivers. This suggests a real need to support SMEs not only to understand equal pay and its drivers, but also to demonstrate how the implementation of transparent policies in the workplace can address the drivers of unequal pay.

Of concern, the small number of owners and senior managers who confirmed that their SME has a policy on equal pay were unaware of the detail of these policies. This suggests that it is unlikely that they are taking proactive steps to lead the implementation of those policies or, worse still, that they are not always acting consistently with them when making decisions related to pay or seeking to create and maintain an organisational culture that embeds equal pay.

The research undertaken by the Commission suggests that there are opportunities to support SMEs to develop policies on equal pay, for example by making available a model policy or guidance materials. Interestingly, we learned that policies in many medical practices and franchised allied health practices are already using templates provided by insurers and franchisors, respectively. While the provision of templates is an important step towards supporting SMEs to build strong policies to achieve equal pay, there is an opportunity to ground them in a strong conceptual understanding of equal pay and its drivers to encourage proactive engagement with policies across all levels of the workplace and across both small and medium sized organisations.

## Limited pay transparency

Pay transparency is essential to the sustainable elimination of unequal pay.<sup>71</sup>



**[W]e've tried [to have bonuses and commissions] ..., but I don't know whether it's been well administered ... it's probably not as fixed in terms of the [performance] reviews as we would like ...**

—Participant

Research tells us that smaller organisations sometimes have limited transparency regarding pay practices.<sup>72</sup> It shows that the preference of SMEs for informality can lead to discretionary, arbitrary decisions regarding pay – typically determined by the owner's or senior manager's views on the value of the employee's contribution.<sup>73</sup> It also points to a lack of formal internal structures (see above) and adequate benchmarking to determine pay.

In line with this broader research, the Commission's research showed that there is a lack of transparency surrounding pay in most SMEs examined, but especially those in the arts and finance sectors. Finance sector participants noted that decisions around commissions and bonuses are largely hidden – driven by subjectivity, rather than structured, transparent processes.

Participants from the finance and healthcare and social assistance sectors did, however, report higher levels of transparency, in part due to the positive impact of several Enterprise Bargaining Agreements and Industrial Awards such as the Banking and Finance Award 2020. Although they shared that there continues to be limited transparency around commissions, which make up a significant proportion of pay.

The lack of transparency around pay practices in SMEs is concerning given that subjective decisions on pay are made with little or no understanding of the way gendered thinking can inform ideas about merit. Our industry consultations confirmed this, with participants reporting that bonuses, entitlements and 'add-ons' (for example, car parks and extra annual leave) are often not included in published pay rates, despite contributing significantly to unequal pay.



*Industry representatives reflected on how a lack of transparency around bonus payments, coupled with widespread gender bias, in the finance sector undermined equal pay for women. We heard that SMEs in this sector tend to reward employees who work full-time (usually men) with higher bonuses than those who work part-time or casual (usually women), based on a prejudicial assumption that they work harder and are therefore more deserving of a bonus.*

Through interviews and the survey, the Commission heard that various factors have contributed to limited transparency around pay practices in SMEs, including:

- the absence of equal pay policies (see above)
- confidentiality and privacy concerns, suggesting that SMEs could have less knowledge than larger organisations of ways to promote pay transparency without compromising workers' privacy



**[T]here's no rigour and logic behind the selection of what pay will be offered.**

—Participant

### **Talking about it together: One SME's response to concerns about pay**

In one finance SME where rates of pay had been private and confidential, several workers started talking informally about what each other earned. The SME owner manager felt it was important to ensure that, as part of these discussions, each worker understood the basis upon which decisions about rates of pay were made and to address the 'misinformation' that had occurred around this decision-making process. She told us, "I said if we're going to talk about this, we all need to sit in a room and talk about it together". She reflected that the conversation had gone "really well", resulting in workers gaining a better understanding of how the Banking and Finance Award 2020 is used as the basis to determine rates of pay.

- limited funding, for example in the arts sector (and, as revealed by the literature review, in the social assistance sector<sup>74</sup>), resulting in decisions about pay rates being driven largely by the amount of funding available at a particular point in time, which in turn means they tend to be ad hoc and the process for setting pay rates is less transparent
- the limited coverage of Enterprise Bargaining Agreements and Industrial awards, especially outside of the healthcare and social assistance and finance sectors.

Pay transparency is a complex concept and there are different components to consider across the sectors examined, emphasising the need for a tailored approach to support SMEs. At a foundational level, there is a need to support SMEs to establish remuneration policies and procedures that cover all types of pay, including bonuses and commissions.

There is a need to think critically about what support would be most useful for SMEs to promote greater pay transparency and avoid ‘cutting and pasting’ processes from larger organisations. For example, while structured KPIs may be used to determine commissions and bonus payments in large organisations, there may be options to improve pay transparency without requiring SMEs to develop detailed and lengthy KPI frameworks. Equally, there is a need to think about how to achieve transparency where salary banding is not a common practice.

Sector specific guidance and frameworks that highlight key points to consider when determining rates of pay, as well as education on the bias and discrimination in decision-making related to pay are examples of resourceful ways to advance pay transparency in SMEs.

## **Lack of commitment to pay audits**

Pay audits or reviews can be effective mechanisms for organisations to identify disparities they may have otherwise been unaware of.

While there is research to suggest larger organisations are increasingly using pay audits,<sup>75</sup> SMEs may be less familiar with these processes.<sup>76</sup> The Commission’s research revealed that only two of the 28 SMEs examined had previously conducted pay audits.

One Australian study, conducted in 2012, described a “non-committal (generally negative) attitude of managers or owners of SMEs to applying a gender pay audit within their organisations”.<sup>77</sup> The literature review identified a number of reasons for SMEs not conducting pay audits, including:

- limited understanding of the concept of gender pay equality (see Section 3.1.1)
- not understanding the benefits<sup>78</sup> of an audit
- a desire for audits that were simpler and more practicable for SMEs<sup>79</sup>

- a perception that pay audits will increase costs for SMEs<sup>80</sup> and a lack of confidence that SMEs would be able to address the issues they might reveal.<sup>81</sup>

In addition to the reasons identified through the literature review, participants in the Commission's research noted that there is:

- a perception in the arts and social assistance sectors that it is challenging for SMEs to resource a pay audit due to those sectors' heavy reliance on funding
- a perception in the healthcare sector that pay audits are not necessary in SMEs due to pay rates being set by an award or collective agreement (even though other forms of remuneration, including bonuses and commissions are not similarly covered)
- concerns about how to rectify unequal pay uncovered in a pay audit, particularly in organisations that have limited funding available to offer immediate pay rises.

While SMEs experience their own unique challenges and points of resistance towards conducting pay audits, we gained insight from one SME that had completed a pay audit, showcasing that it is possible for SMEs to complete pay audits despite the challenges faced.

The literature has revealed that some SMEs pride themselves on being flexible and anti-bureaucratic,<sup>82</sup> and that they may be reluctant to implement more formal employment procedures to address gender inequality in the workplace.<sup>83</sup>

Other research has determined that SMEs generally agree that conducting a pay audit would be helpful but that they would need a simple process to follow.<sup>84</sup> This suggests a real need to support SMEs to identify the core benefits of carrying out a pay audit within their organisation in order to drive meaningful engagement and to ensure audit processes can be carried out across varying resource levels. Guidance and support for SMEs on these issues will be critical in encouraging wider use of pay audits.

### **A non-profit SME's journey to uncover unequal pay**

A regional not-for-profit organisation in the arts sector felt compelled to undertake a pay audit around five years ago after the CEO observed that there were several workers in similar roles receiving very different rates of pay. In the most extreme instance, a young woman worker was paid \$10,000 less than a colleague in an extremely similar role. This observation caused concern and a genuine interest to uncover the reasons behind the pay discrepancies.

What lay ahead, however, was not an easy or straightforward journey.

The organisation found that decisions related to pay fluctuated significantly depending on funding availability and / or security. Workers hired when the organisation had just received confirmation of renewed funding received a higher rate of pay than those hired in similar roles when funding was less secure. The CEO reflected to the Commission that:

*I think often what happens is they end up getting paid what we can afford at the time and that kind of sets the rate rather than the actual tasks that they're performing, and so if somebody comes along later on where we've got the funding for a particular project or program.... the pay was increased to attract a different kind of candidate.*

For this organisation, the prospect of immediately offering pay rises to rectify discrepancies in workers' pay was not an option, once again due to challenges associated with its available funding. Still, a commitment from the organisation and its CEO saw the discrepancies rectified through sustained, incremental changes over a four-year period.

## Limited promotional pathways and professional development

Research shows that the advancement of women to senior positions in the workforce is an important driver of gender pay equality.<sup>85</sup> It also suggests the following regarding the sectors of focus for this research.

- While women are underrepresented in every level within the finance sector, they are especially underrepresented in managerial roles.<sup>86</sup>
- In the finance sector, highly qualified men are valued over similarly qualified women.<sup>87</sup>
- Within the healthcare sector, although there is little difference between women doctors' and men doctors' starting salaries just after graduation, a disparity arises as their careers advance. While some of this can be explained by women tending towards lower paid specialties,<sup>88</sup> there is evidence of gender pay gaps within most medical specialities and amongst general practitioners.<sup>89</sup>
- There is evidence that women are underrepresented in senior roles in the arts sector. For example, one 2017 report indicated that women hold 28 per cent of senior and strategic roles in the Australian music industry.<sup>90</sup>

Through the survey and interviews, the Commission explored this barrier further, and examined the scope to expand promotional pathways and opportunities.

Line of enquiry	• What we learned
<b>Promotional pathways across the employment lifecycle</b>	<ul style="list-style-type: none"> <li>• In small organisations, there are few opportunities to progress to senior roles and promotional pathways are not rigid or hierarchical.</li> <li>• Promotions may involve a transition from non-ongoing to ongoing, an increase in hours or a transition from a volunteer to a paid position.</li> <li>• Often, roles do not have an upward pathway because they require a specialised skill and there is only one role within the organisation.</li> <li>• Many owner managers acknowledged that promotions often do not involve a drastic change in roles but may involve increasing competency levels within the same role. This suggests that within SMEs, there is a greater emphasis on competency within roles, rather than structured promotional pathways.</li> <li>• One participant from the arts sector advised that women who take parental leave tend to be disadvantaged upon returning to work; these women are left to play 'catch up' as other workers have progressed in their careers.</li> </ul>



Line of enquiry	• What we learned
<b>Sector-specific promotion pathways</b>	<ul style="list-style-type: none"> <li>• Non-profit arts organisations have a smaller scope for promotional pathways and the possibility of a promotion usually only occurs if someone leaves the organisation.</li> <li>• Some participants discussed ownership and/or business equity as a key stage in career advancement and noted the dearth of women in business ownership roles within financial service firms.</li> <li>• Participants from physiotherapy clinics indicated there are strong promotional pathways in their organisations outlined to workers at the outset.</li> </ul>
<b>How promotions are decided</b>	<ul style="list-style-type: none"> <li>• Most SMEs do not have a formal structure for performance reviews.</li> <li>• A common starting point is to ask a worker how they would like to progress and explore options to build experience within the organisation.</li> <li>• One participant from the finance sector noted that the Banking, Finance and Insurance Award 2020 sets out considered progression pathways that enable managers to have constructive discussions with workers.</li> </ul>
<b>Women in senior and executive level roles</b>	<ul style="list-style-type: none"> <li>• Participants across all sectors observed that there are a higher proportion of women in administrative roles and men in leadership roles.</li> <li>• Some participants from feminised sectors, like the social assistance sector, perceived an even spread of women, including in leadership and senior management roles.</li> </ul>
<b>Accessibility of professional development opportunities</b>	<ul style="list-style-type: none"> <li>• While most of the SMEs examined do not have structured KPIs or performance indicators, many owner and senior managers wanted to support workers to expand their skills and level of experience, driven mainly by the interest in retaining staff.</li> <li>• Low or reduced budgets inhibit SMEs' ability to facilitate learning and development opportunities for workers, particularly in the arts sector. In contrast, franchised healthcare clinics said they have a sizeable budget for such opportunities.</li> <li>• Most participants said their SME does not have a formal learning and development plan for workers.</li> <li>• Nurses must complete 20 hours of Continued Professional Development (CPD) annually to renew their registration. In small and medium medical practices, paid professional development leave is not the norm. This creates additional barriers for practice nurses in ensuring they complete the 20 hours of CPD (all on unpaid time) and is a key contributing structural contributor to unequal pay in the health care sector.</li> </ul>



**I would say it might be a stretch to say there's an obvious pathway for everyone. I think if they get promoted, it's largely because a vacancy has opened up ... It's not necessarily true that you're able to go ... from administrator through to manager, in an obvious and sequential way.**

—Participant



**It's a pretty flat structure. They all just do their job, and they just do it to the best of their abilities. We're just an awkward size, I think. It's not like, "If I do well I'm going to be manager of this department", because there's not a department to manage.**

—Participant



**There's limited options with the reception team. There really only [are] two positions in the reception pathway, so there's the receptionist and then there's the practice manager, who is the senior of those.... [M]ost of the career progression pathways exist for the physios and clinical staff.**

—Participant

It was evident from the data obtained during interviews that there is often a lack of clear promotional pathways for all roles within SMEs. While some SMEs highlighted promotion pathways for particular roles, it was apparent in certain practices, such as medical or allied health, that roles typically filled by women (e.g. reception or administration) often had very limited promotional pathways. This suggests a need to support SMEs to better understand the impact of occupational segregation in their workplace and take steps towards ensuring opportunities to develop skills across the whole organisation.

Our data also confirmed that women with parental or caring responsibilities are disadvantaged in their opportunities for career progression. This speaks to the need to educate SMEs on how to implement proactive policies that address this driver of inequality. Such education could take its cue from 'Stop the Clock' policies that are used widely in academia, to the extent that they can be adapted to the needs and characteristics of SMEs.<sup>91</sup>

It is critical that employees have access to professional development opportunities in order to develop the capabilities to advance, whether within or beyond their current organisation. The lack of access to professional development opportunities identified above is concerning as it may ultimately impact on promotional outcomes for women.

The fact that many SMEs do not have formal or structured processes to guide promotional pathways is also concerning, given the correlation it has with higher pay.

Research on gender pay inequality identifies

discriminatory practices within organisations as a key driver of unequal pay, including unintended discrimination that causes disparity in access to promotion opportunities.<sup>92</sup> This suggests an opportunity to ensure that SMEs are made aware of unconscious bias and unintended discrimination when making decisions about promotional pathways as well as professional development

opportunities, transforming what may typically be informal or ad hoc discussions about professional development into more structured conversations on goals across key points in the employment lifecycle.

## Limited flexibility and support for working parents or carers

Our research showed that across the SME sectors examined, broader structural forms of discrimination are undermining efforts to achieve gender pay equality, particularly discrimination related to sex/gender, pregnancy and family or caring responsibilities.

The Workplace Gender Equality Agency has recognised that small businesses face a higher impact of parental leave costs and challenges in accommodating flexible working arrangements.<sup>93</sup>

Interview participants from across the three nominated sectors remarked that there are negative organisational attitudes to flexible work – arrangements that are recognised as critical to the achievement of gender equality, including because they support the attraction, retention and promotion of women workers.<sup>94</sup>

We heard from interview participants that SME owners and senior managers – especially those in the arts sector – often perceive flexible working arrangements as incompatible with the characteristics of an SME. They noted, for example, the especially heavy workloads of smaller organisations, and expressed apprehension that flexible work arrangements in this environment could result in workers doing unpaid hours. Some participants from the arts sector also advised that the prevalence of project-based work can lead to rigid work structures that only accommodate full-time roles, depending on the approach of the SME.

By contrast, we heard from two SME owner managers from the finance sector who viewed their ability to provide flexible work as an important strategy in attracting and maintaining strong talent, particularly in contrast to larger organisations, which often offer staff higher pay but less flexibility. SMEs from the health care sector also noted the increasing prevalence of flexible work arrangements in private practice.



**Being a small business, sometimes you just can't be as flexible as you'd like to be.**

—Participant



**We can offer work from home or very flexible hours. ... So that's where we try and get a ... competitive advantage, where we don't probably pay as much ...**

—Participant

Meanwhile, interview participants in allied health practices shared observations that underscored the importance of conceptualising flexible work in relation to their organisation's specific pay structure, as demonstrated in the example below.

### **Flexible work in an SME allied health practice: Highlighting the opportunity loss on commission earnings**

A senior manager from an SME physiotherapist practice reflected on the flexible work arrangements in her workplace and the benefits of clinical practitioners being able to select shifts flexibly to best support caring and other responsibilities. She noted that flexible work arrangements can, however, disadvantage how workers are paid in the practice when commission earnings, which are based on the number of clients that a practitioner sees, are factored into the mix. She reflected that the busiest period for their practice is well known to be after school hours when most people with caring responsibilities – many of whom are women – are not on shift, resulting in opportunity loss.



**Look, we're willing to discuss anything with the right candidate. But normally we advertise the role based on what we think the amount of hours it will actually take, because we've come up against it in the past where we've had a three day a week role, for example, and, if anything, the difficulty has been ensuring that the person only works three days, but they end up just doing additional hours that they're not getting paid for.**

—Participant

The case study at left highlights a need for SMEs to ensure that practices related to pay (e.g. commissions) do not disadvantage those workers who require flexible working arrangements to accommodate their family and/or caring responsibilities.

Despite some encouraging signs, overall, the findings suggest a strong need to support SMEs to better understand flexible work, particularly around these key points:

- access to flexible working arrangements is important for workers of all genders
- flexible work is about more than accommodating workers' childcare responsibilities; it enables them to balance their personal and working responsibilities throughout their careers
- many workers are seeking only small changes to their working arrangements to give them greater flexibility (for instance, around attending medical and other personal appointments)
- workers who desire flexible work outstrip those who formally request it
- employers have legal obligations to seriously consider requests for flexible work arrangements by employees returning from injury or pregnancy, and employees with parenting or caring responsibilities.<sup>95</sup>

It is also vital for SMEs to absorb these lessons in order to remain competitive as larger employers increasingly embrace flexible work in the wake of COVID-19 (see Section 3.2). However, it is important to balance this with an acknowledgement of the particular challenges that accommodating flexible work requests can pose for small operators.

## 3.1.3 External drivers

### Rigid gender stereotypes and social norms

The literature review revealed that there are lingering perceptions of the value of traditionally male and female roles within SMEs.<sup>96</sup>

Occupational segregation is also a predominant issue within the sectors of focus for our research. There is significant occupational segregation in the healthcare and social assistance sector, and pervasive gender stereotypes. International research indicates there is a persistent 'gendered-culture' in the finance sector, including ongoing occupational segregation, the 'old boys' network, the rewarding of long hours and presenteeism, and celebration of the 'alpha male'.<sup>97</sup>

Key industry bodies shared insights with the Commission about the need to proactively dismantle social perceptions that undervalue women's work in the sectors examined by ensuring that skills are recognised via accredited educational and vocational pathways, as well as continued public campaigning to change perceptions. In the arts sector, industry and funding bodies noted current and emerging opportunities to better promote the importance of the arts sector and its contribution to maintaining good levels of mental health in the community, a point only emphasised by the COVID-19 pandemic.

During interviews, the Commission gained further insight into the prevalence of rigid gender stereotypes and social norms across the sectors of focus. Set out below are examples of common attitudes and gender norms that were cited by participants as continuing to exist within SMEs.



**Our industry is still ... running on that societal conditioning. ... [I]n commercial finance, you are ... dealing with other business sectors that still have quite strong gender imbalance in them ... one of the large sectors that we deal with is ... civil construction. And you can tell ... the response to one of our staff [when they] will make a phone call ..., and how that impacts on the perception of them. And that is something that you're constantly having to overcome.**

—Participant



*'You can't be a working mother in arts festivals.'*

*'Higher paid positions necessitate working hours that aren't family friendly or involve similar compromises.'*

*'Parental leave is viewed as an opportunity to save money by paying a lower rate of pay to backfill roles.'*



*'Administration and support roles are seen as women's work and the brokering and work on credit decisions is seen as men's work.'*

*'Income generating roles are more valuable than non-income generating roles.'*

*'Men are more suited to principal roles in financial firms compared to women.'*



*'Men are more suited to sport-related allied health roles, whereas women are more suited to other allied health roles.'*

*'Work should be driven by personal fulfilment or altruistic interest rather than pay.'*

*'Caring labour is innate for women and should not be remunerated highly because it is based on an innate skill.'*

While existing research identifies the prevalence of rigid gender stereotypes and social norms and the way in which they drive gender pay inequality, the Commission's engagement with Victorian SMEs and industry bodies provides useful insight on how these stereotypes and norms play out within SMEs. Given the universality of this driver across larger organisations and SMEs, there is an opportunity to take better collective action across industry, governmental and organisational levels towards changing perceptions and stereotypes, by directly addressing and providing alternative messages that dismantle the spotlighted attitudes cited from our research above.

## Limited industry standards or benchmarking frameworks

Benchmarking frameworks and industry standards provide an important source of information to inform decisions on rates of pay. Such frameworks provide a source of transparency around pay rates, creating objective standards for determining pay, which are instrumental in avoiding large discrepancies in how individual organisations set their pay rates.<sup>98</sup>



**The reason we've gone to the wage price index and CPIs is because there's nothing that seems to exist for our sector.**

—Participant

Participants from the arts sector noted the limited industry standards or benchmarking frameworks in their sector. While some areas of the sector have established benchmarking frameworks, such as the Public Galleries Association of Victoria, which completes benchmarking every two years, overall, there appears to be limited standards or frameworks that apply to the whole sector, undermining pay equality across the sector.



*During industry consultations, youth and circus arts organisations were cited as examples that typically pay less across comparable roles. We heard that assessments of comparable value are typically made in small pockets of the sector and without reference to a broader cross-section of the sector. As a result, roles in the low paying parts of the sector perpetually remain in a cycle of being paid at lower rates than comparable roles in other parts of the arts sector.*

Arts sector participants told us that it would be beneficial to have broader sector-based benchmarking frameworks that covered different roles and pay rates for organisations that are non-profit, private, partly funded and small, medium and large in size. This suggests a need to consider options for extending existing benchmarking frameworks across the sector and better support for SMEs to help them identify a broader range of comparable roles across the whole sector.

During interviews and consultations, industry bodies and SME owners and senior managers also noted the challenge of receiving funding that is not indexed against benchmarking frameworks and the difficulty in ensuring workers continue to receive pay rises to ensure rates of pay are in alignment with industry standards. This suggests a need to integrate benchmarking frameworks into funding arrangements to better support SMEs to achieve equal pay.

Participants from the other sectors examined did not report the same concerns, although research suggests that SMEs often do not have the same level of access to benchmarking or market research.<sup>99</sup> A US study on pay equality in SMEs made an encouraging finding that about a quarter of SMEs use benchmarking data to determine wages, but noted that there is still a reliance on inaccurate and inappropriate means on deciding salary (for example, asking how much a potential incumbent is earning).<sup>100</sup> Notwithstanding the limited evidence we heard from these other sectors, a similar approach towards considering options to streamline existing frameworks could be considered as part of further research.

## **A lack of unionisation**

While our interview questions did not directly enquire about unionisation, it nevertheless arose as a key gender pay equality issue for several participants.

There were clear differences in levels of unionisation across the sectors examined. During interviews, managers from the arts sector stated that a lack of unionisation keeps the arts sector from progressing towards better pay. In the community services sector, it was perceived that unions play a more active role in progressing advocacy on wage justice.

While not an issue identified through the literature review, trade unions in Australia play a critical role in closing the gender pay gap, including through the promotion of collective bargaining processes, supporting individual bargaining and in advocating for structural and systemic changes to advance equal pay.<sup>101</sup> Unions also play an important role in changing social perceptions about the value and importance of particular work, often leading campaigns to change social perceptions that ultimately lead to more gender inclusive labour markets.



**[I]f you're an operationally funded organisation or multi-year funded organisation, the amount that you receive for your funding is often not indexed, so it's a fixed rate over a number of years. And that's basically the amount of money that you've got to play with and mostly that will need to go towards [a] ... core staff base, and then everything else that you do on top of that in terms of projects and programs is dependent on finding additional support.**

—Participant

The International Labour Organization Bureau for Workers' Activities working paper *Closing the Gender pay Gap: What role for Trade Unions?* outlines a framework for trade union action in closing the gender pay gap and is a useful resource to consider in relation to advancing equal pay.<sup>102</sup> The report not only concludes that trade unions contribute to reducing wage inequality, but it also specifically points to the valuable role they play in raising pay in female-dominated occupations and industries, the establishment of gender-sensitive job grading and the implementation of action plans to remedy gaps revealed by gender pay audits.<sup>103</sup> These findings underscore the significant contribution of unions in progress towards equal pay.

## 3.2 The impact of COVID-19

Our research highlights the profound and complex ways in which the COVID-19 pandemic has endangered SMEs and their ability to provide equal pay. Although the pandemic is an external force that has delivered profound shocks to all sectors, it has also drawn out and intensified operational vulnerabilities and structural inequalities that were already imbedded within SMEs.

### The impact of COVID-19 on SMEs

The pandemic has brought unparalleled challenges on multiple fronts, both here in Victoria and across the rest of the nation and the world.

As case numbers skyrocketed, governments closed their economies, industries and businesses shut en masse and non-essential workers



were sent home – some temporarily, but a great many losing their jobs permanently. Retail, hospitality, tourism and the arts have been among those industries and sectors hardest hit.

At the same time, demand in some industries and sectors, including especially the healthcare and social assistance sector, has risen sharply. While governments have provided additional funding and support to address increased demand, many businesses have nevertheless experienced a significant decline in revenue and/or funding.

SMEs have been particularly hard-hit by COVID-19. SMEs are especially vulnerable to the prolonged interruptions in business demand that COVID-19 has posed, generally operating on more limited income streams and financial reserves than larger organisations. Their smaller workforces may also leave them more affected by staff shortages due to increased care and parental responsibilities during the pandemic and, as noted in Section 3.1.2, our research suggests that many SMEs perceive challenges in accommodating flexible work, leaving them less prepared to respond to fluctuations in staff availability. It has also been suggested that SMEs are particularly vulnerable to COVID-19 due to a lack of digital infrastructures that facilitate remote work from home.<sup>104</sup>

The Commission's research has confirmed that SMEs in the arts, finance and healthcare and social assistance sectors have been demonstrably affected by COVID-19.



*Many participants from the arts described their sector as 'decimated' and in 'survival' mode, forcing SMEs to terminate staff and/or cut salaries. Participants also noted the particular vulnerability of the sector's highly feminised casual workforce.*



*One participant from the finance sector told us that their clients are less able to pay fees during the pandemic, which has reduced revenue for the firm. Another told us that casual workers in accounting tend to be female and are most likely to have lost hours or been let go during COVID-19.*



**We made some redundancies ... because ... we weren't going to have events ... for more than 12 months ... but that also meant ... people had to pick up additional work to help cover some of those elements of the roles. So, people have worked longer and harder.**

—Participant



**[M]ost people in the arts, you just go from job to job. ... It's just so hard. I really feel for performers, in particular, because if you're a painter, you can paint in your studio by yourself. But performance is generally a collaborative work. So, it's very, very hard on many levels for anyone involved in performing arts.**

—Participant



*Many participants from the healthcare and social assistance sector noted the considerable increased demand on SMEs during COVID-19, at the same time as they have experienced a significant decline in revenue and/or funding. For example, one participant from a community service advised their organisation had seen a 50 per cent increase in demand overnight, while at the same time the philanthropic sponsorship they rely upon has dropped off.*

SMEs have always had to do more with less, and these findings confirm the momentous challenge involved when contending with the unprecedented crisis of the pandemic. The precariousness of their situation further accentuates the need to provide SMEs with support on how to achieve equal pay. As SMEs contend with revenue losses, layoffs and fluctuations in demand, their priorities are to remain afloat, and this comes at a time when improving gender pay equality is more urgent than ever.

## How COVID-19 has exacerbated unequal pay

SMEs are more exposed to the upheavals of COVID-19, and this vulnerability has significant implications when considering the gendered impact of the pandemic. COVID-19 has magnified deep structural gendered inequalities in the workplace, as well as in other areas of public and private life. Inequalities in relation to pay and entitlements and in how labour is valued, are just some of those exposed by the pandemic

More women than men have lost their jobs because of COVID-19, and this has had significant consequences for their pay and economic security. Research found that the rate of job loss for Victorian

women in the initial stages of the pandemic was almost five times that for Victorian men.<sup>105</sup> And, according to the Australian Bureau of Statistics' monthly labour force data, this means we are now seeing the highest number of Victorian women facing unemployment ever.<sup>106</sup> In addition, more women than men have had their hours drastically reduced because of COVID-19, which has further undermined women's economic security.

The Commission surveyed 1504 people between June and July 2020 regarding the impact of COVID-19 on work.<sup>107</sup> While more men than women reported a pay reduction during the pandemic (29 per cent compared to 22 per cent), the women who did report

### The impact of COVID-19 on education and training in SMEs

The managing director of an arts organisation advised that COVID-19 has changed attitudes towards education and training, noting that in the past, people were "rad keen" for learning opportunities, but now they were "rad keen to just keep hours". She explained that education was not a priority when business is in survival mode, further remarking that she had noticed this trend across the industry as a whole.

lost income lost much more – women’s pay was cut by 46 per cent on average, compared to 30 per cent for men. Part-time workers experienced a 39 per cent reduction in pay, rising to 65 per cent for casual employees.<sup>108</sup>

Victorian female small business owners were less impacted during the state’s first lockdown (April – May), but they became increasingly disadvantaged during its second lockdown (July – September).<sup>109</sup> This marks a distinct contrast to the experience of male small business owners, for whom the impact of the pandemic appears to have declined over time.

There are a range of reasons that COVID-19 has exacerbated unequal pay, including:

- industrial and occupational segregation that has seen women working in positions particularly affected by the pandemic<sup>110</sup>
- the high representation of women in precarious employment, which makes them especially vulnerable to the pandemic<sup>111</sup>
- women shouldering extra caring responsibilities due to disruptions to school and care arrangements, which affected their ability to work and their economic security.<sup>112</sup>

Our interviews confirmed that COVID-19’s threats to equal pay are very much at play in SMEs.



**Recreation and hospitality and the arts have been hit very hard. And because of women being in those roles, obviously women have been hit really hard. ... [T]hey’re talking about the roadmap ... and it’s looking like men are predominantly going back to work first.**

—Participant



*One participant from the healthcare and social assistance sector advised that their entirely female administrative staff have had the most hours cut in their organisation due to COVID-19. They also told us that these staff members were already the lowest paid prior to the pandemic.*



*One participant from the arts sector told us that workers most affected by COVID-19 included independent artists, front-of-house staff, and technicians who do not work on a regular basis and do not qualify for pay supplements. They reflected that most of these workers are women.*



*Several participants across all sectors advised that the pandemic had disproportionately affected female workers with school-age children, who in some cases, reduced their work hours to accommodate additional parenting responsibilities.*

The disproportionate negative impacts of COVID-19 for women's workforce participation and economic security will likely be lifelong and exacerbate gender pay inequality. This threat coincides with the pandemic's enormous impact upon SMEs, where existing challenges in achieving equal pay have now been magnified. These compounding factors emphasise the importance of government investing in SMEs during COVID-19 survival and recovery, while also taking the opportunity to promote equal pay and other gender equality initiatives. They also underscore the need to support and educate SMEs on how to respond to the gendered impacts of the pandemic, as well how to embed gender equality into their responses to other periods of revenue or funding contraction, such as those arising due to unprecedented events, including bushfires and global and local financial crises.

The Commission notes that the 2020–21 and 2021–22 Victorian Budgets explicitly recognise and aim to address the disproportionate impact of COVID-19 on women.<sup>113</sup> The 2021–22 Budget includes initiatives that aim to address women's unemployment (through

**The disproportionate negative impacts of COVID-19 for women's workforce participation and economic security will likely be lifelong and exacerbate gender pay inequality.**

funding economic security programs to support migrant and refugee women into employment, including in small business) and embedding gender impact analysis within government (through the establishment of a Gender Responsive Budgeting Unit). This builds on initiatives from 2020–21 that strove to ameliorate several problems this report has identified, including women's predominance in insecure work (the 'Secure Work Pilot Scheme'), industrial segregation (the

'Women in Construction Program') and women's increased caregiving responsibilities (with funding announced to make kindergarten free and increase the availability of before and after school care).

This budget also includes support for small businesses recovering from the pandemic.<sup>114</sup> This includes initiatives such as the Small Business Support Toolkit, which funds best practice workshops to mentoring and coaching workshops to help small businesses innovate and enhance their digital capabilities.

Such initiatives are positive steps towards responding to the impact of COVID-19 on SMEs and gender pay equality. They would be well complemented by education for SMEs that equips them to understand and take action on equal pay in the specific context of the pandemic.

# 4 Supporting SMEs to achieve equal pay

Chapter 4 examines how SMEs can be supported to achieve equal pay. It sets out a framework for achieving equal pay in SMEs and details the outcomes needed and the indicators that identify what must change to reach them (reflecting the key drivers of unequal pay in SMEs). It then outlines the foundational steps that need to be taken to enable SMEs to achieve equal pay, focusing on the development of tailored educational resources, consistent with the stated objectives of this research.

## KEY POINTS

- Achieving gender pay equality in SMEs requires a tailored response that addresses their distinctive characteristics and the barriers they face to equal pay, avoiding a ‘watered-down’ or ‘simpler’ approach of what is expected of large organisations.
- Such an approach should enable SMEs to take appropriate and achievable measures to advance equal pay and reflect considerations likely to persuade them to deliver on this vision.
- Enabling factors may include: building foundational awareness of the concept of equal pay and related legal obligations; personal motivation; a supportive, rather than onerous, approach to compliance; funding and franchise agreements that prioritise equal pay; the leveraging of public and private sector relationships and supply chains; social procurement frameworks that encourage equal pay in SMEs; voluntary reporting on equal pay; public recognition and reward of leading practice; and direct investment in gender equality initiatives in SMEs.
- Achieving gender pay equality in SMEs requires SMEs to take action in five key areas:
  - leadership
  - transparency and accessibility
  - freedom from bias and discrimination
  - the resolution of grievances and complaints
  - monitoring and evaluation.It also requires an enabling external environment that supports action across those areas.
- There are three key steps that will progress SMEs towards gender pay equality.
  - First, we must educate and train SMEs so they can better understand gender pay inequality, its drivers and why it matters.
  - Second, we must support SMEs with tailored resources that guide them through practical steps towards gender pay equality, such as conducting a pay audit, implementing equal pay policies and conducting gender neutral job evaluations.
  - Third, we must foster an external environment that encourages and supports SMEs to take action on equal pay. This includes direct investment to support recovery from the COVID-19 pandemic, while also exploring the feasibility of initiatives such as voluntary reporting.
- This pathway underscores the importance of building conceptual and practical knowledge within SMEs, while also recognising the need to complement this education and training with other incentives to achieve meaningful change.

# 4.1 Enabling factors

The distinctive characteristics of small and medium-sized organisations and the particular barriers they face to achieving equal pay highlight the need for tailored responses.

A tailored approach should enable SMEs to take appropriate and achievable measures to advance equal pay. It should have regard to SMEs' distinctive business characteristics and operating priorities, risks and challenges, and the complexity of the SME market and sector-specific contexts. It should also seek to leverage the unique strengths and interests of SMEs, recognising the opportunities for them to meaningfully improve gender pay equality outcomes.

## 4.1.1 Effective cultural change and education initiatives in SMEs

The Commission explored the available research on facilitating change and developing effective learning resources for SMEs. Some of the key findings are set out below.

- SMEs tend to favour informal hands-on training over formal, structured learning.<sup>115</sup> In particular, learning collaboratively from other business people (other SME owners, clients etc.) through social networks has been found to be particularly effective for SMEs, especially when accompanied by technical and administrative support.<sup>116</sup>
- Government regulation is sometimes not welcomed in SMEs because it challenges traditions of informality<sup>117</sup> and is seen as an imposition on resource-poor organisations and a distraction from business-as-usual.
- Time and resources are often a barrier to an effective education program for SMEs.<sup>118</sup> Effective interventions must be respectful of cost and time.
- Owner-managers play a pivotal role in setting the culture and priorities of SMEs.<sup>119</sup> Therefore, owner-manager support is vital to driving cultural change and the implementation of an effective education program.
- SMEs are more likely to engage in an initiative if the link between business needs, cost and benefit is clear<sup>120</sup> and it is driven by business imperatives (rather than government agendas).<sup>121</sup>
- Success will be optimised if interventions are facilitated through a recognised business service organisation that SMEs regularly engage with.<sup>122</sup>

In short, educational interventions need to demonstrate empathy with the SME sector. To be effective, they should be tailored and specific, taking into consideration the context of the business, the resources available to the SME, and the current operating environment for SMEs. Where possible, interventions should focus on using existing mechanisms, rather than introducing additional requirements. The literature encourages designers of interventions to work collaboratively with SMEs to design initiatives that are fit-for-purpose.

The literature identified the following as potentially effective interventions:

- develop and publish supporting resources specifically designed for SMEs that focus on priority and high-impact areas
- develop an informal online peer-to-peer learning support network comprised of SME owners and senior managers (moderated by an expert) to share experiences and facilitate learning
- develop 'bite-sized' learning modules delivered in short chunks (and coupled with flexible and convenient delivery).

## **4.1.2 Enabling factors to incentivise SMEs to embrace equal pay initiatives**

A tailored approach needs to take into account considerations likely to incentivise or influence SMEs to deliver on the goal of gender pay equality, while also avoiding those considerations that are likely to demotivate them.

Through the Commission's interviews and survey, we identified a range of factors likely to enable or influence SMEs to progress towards equal pay.

### **Enabling factors**

#### **Knowledge**

Our research across all of the sectors examined highlights that building foundational awareness of the concept of equal pay and related legal obligations is a key factor for SMEs to progress towards the goal of equal pay.



## **Personal motivation**

Several participants shared that their experiences motivated them to take action in respect of equal pay in their SME. While personal motivation is a potential point of influence for achieving equal pay, this factor may not be present in all SMEs. This aligns with the research, which points to the individual experiences of owners and managers as a contributing factor to SME priorities.

## **Supportive approach to compliance**

Our interviews and survey confirmed what the research tells us regarding SME reticence regarding new regulation as a means to influence organisational behaviour,<sup>123</sup> and suggested that SMEs may be more persuaded to act by a facilitative approach to compliance over the employment lifecycle, including through education and engagement.

## **Supportive funding and franchise agreements**

Our research highlighted the potential influence that the design and implementation of funding, franchise and other agreements can bring to bear on SMEs' approach to equal pay, when funders and franchisors work collaboratively with SMEs to support equality outcomes. It is critical that funders and franchisors are also supported to promote equal pay.

## **Leveraging public and private sector relationships and supply chains**

SMEs operate in global supply chains, often supplying large public and private organisations that have formalised governance systems for monitoring and reporting on human rights (including equal pay). The United Nations Guiding Principles on Business and Human Rights require all organisations to consider how they can use their leverage to positively influence other organisations to ensure human rights,<sup>124</sup> including rights related to equal pay.

## **Supportive procurement frameworks**

While participants reported limited knowledge of social procurement frameworks and challenges with their complexity, such frameworks have been a lever to advance a range of social issues and could, with further consideration, support equal pay in SMEs.

## **Voluntary reporting**

We heard that options for voluntary reporting on equal pay outcomes encourage greater accountability for SMEs and gives them an opportunity to build reputations as gender equality leaders, helping them attract more clients and opportunities.

## Public recognition and reward of leading practice

Initiatives that recognise and reward SMEs for taking measurable steps towards equal pay (i.e. participation in education programs, implementation of action plans, voluntary reporting) may encourage them to establish best practice.

## Direct investment

Government investment to support recovery from the COVID-19 pandemic offers an important lever to support SMEs to identify and implement initiatives aimed at achieving equal pay, with such initiatives likely to facilitate equality and economic development outcomes.

A tailored approach to equal pay should avoid a ‘watered-down’ version of what is expected of larger organisations. It must also not burden these organisations with unachievable measures, not fit for their size or resources, or result in a superficial ‘checklist’ of ‘to-do’ actions. Any intervention should be simple and meaningful.

# 4.2 A framework

Recognising the need for tailored responses to gender pay equality in SMEs and reflecting the primary and secondary research undertaken for this report, Section 4.2 sets out a framework<sup>125</sup> for achieving gender pay equality in SMEs and a roadmap for achieving this vision going forward. The framework outlines key domains (for example, leadership) that must be present in order to achieve this vision. Each domain in the framework contains an outcome that states what success looks like, together with several indicators that specify what needs to change to achieve the particular outcome.

The framework has been informed by the Equal Workplaces Advisory Council’s 2018 Gender pay equity principles for the Victorian public service and sector, but it is distinct in a number of important respects. Critically, the framework focuses on SMEs, rather than the public service and sector, and reflects the particular drivers and influences of pay (in)equality in SMEs, as identified through the Commission’s research.

# A framework for achieving gender pay equality in small-to-medium enterprises

<p><b>Leadership</b></p> <p>Leaders in SMEs maintain a strong and consistent commitment towards advancing equal pay across all levels of the workplace</p>	<ul style="list-style-type: none"> <li>• SME owners and senior managers and other SME decision-makers (eg boards and franchisors):             <ul style="list-style-type: none"> <li>— understand the concept of equal pay, including its drivers and their legal obligations to provide equal remuneration</li> <li>— foster a workplace culture in which workers feel supported to raise concerns and provide feedback about unequal pay</li> <li>— prioritise equal pay and take proactive steps to achieve it across all stages of the employment lifecycle</li> <li>— are accountable for achieving equal pay</li> </ul> </li> </ul>
<p><b>Transparency and accessibility</b></p> <p>SMEs operate in an environment where decisions and practices are transparent and where relevant information about equal pay is accessible to workers across all levels</p>	<ul style="list-style-type: none"> <li>• SMEs ensure pay practices and systems are transparent</li> <li>• SME workers can readily access and understand information about pay practices and systems</li> <li>• SME workers can readily access and understand policies and procedures affecting pay across the employment lifecycle, including on remuneration, flexible work, parental leave, recruitment, promotion, performance reviews and professional development</li> <li>• SME workers are aware of their legal rights and protections in relation to equal pay</li> </ul>
<p><b>Freedom from bias and discrimination</b></p> <p>SMEs have a strong conceptual understanding of bias and discrimination (including how they impede equal pay) and proactively take steps to eliminate them from the workplace</p>	<ul style="list-style-type: none"> <li>• SME workers receive equal pay for work of equal or comparable value</li> <li>• SMEs routinely undertake gender-neutral job evaluations</li> <li>• SME workers are supported to work flexibly</li> <li>• SMEs support pregnant workers, and working parents and carers</li> <li>• SMEs’ recruitment, professional development and promotion policies and practices are free from bias and discrimination</li> <li>• SMEs support workers who face significant barriers in receiving equal pay</li> </ul>

### **Resolving grievances and complaints**

SMEs operate in environments where issues about equal pay are raised regularly and responded to under fair, transparent and accessible processes

- SMEs have fair, transparent and accessible processes for resolving workers' grievances and complaints about unequal pay and other forms of gender inequality across the employment lifecycle
- SME workers are aware of their legal right to complain about discriminatory treatment resulting in unequal pay, and their ability to assert this right without being subject to any detriment
- SME workers trust that reporting and complaints processes related to equal pay are fair
- SMEs' responses to reports and complaints about unequal pay are timely, thorough and consistent

### **Monitor and evaluate**

SMEs regularly monitor and evaluate their capacity and capability to advance equal pay through the collection and analysis of relevant data and inclusion of worker participation and feedback

- SMEs build their capacity and capability to regularly collect and analyse data on equal pay across the employment lifecycle, including complaints and responses to issues of unequal pay
- SME workers participate in and engage with inclusive processes that allow workers from all levels in the organisation to provide feedback and enable collective ownership of solutions related to equal pay
- SMEs report to grant and other funding bodies on how they have used funds to support equal pay

### **Enabling external environment**

Governments, industry bodies, unions, larger organisations and funding bodies dedicate resources and collective input towards establishing an enabling environment that supports and encourages SMEs to advance equal pay

- Governments, industry bodies, unions and workplaces collectively strive to change social perceptions that undervalue feminised work
- Large organisations positively support SMEs to achieve equal pay through supply chains
- Grants and other funding agreements support equal pay in SMEs
- Social procurement guidelines and policies support equal pay in SMEs
- SMEs have access to sector-based benchmarking frameworks and industry standards on pay
- SMEs are enabled to participate in voluntary reporting under the Gender Equality Act 2020
- Workers, unions and employers work collaboratively to identify and address barriers to equal pay
- The Victorian Government makes educational resources available to SMEs to enable them to identify, understand and address gender pay inequality

# 4.3 Steps to achieve equal pay in SMEs

The framework above sets out clear outcomes to be realised for achieving gender pay equality in SMEs. Section 4.3 identifies three steps that need to be prioritised in order to achieve these outcomes, in furtherance of the stated objective of this research to support the development of gender pay equality education resources for SMEs.

First, SMES must be supported to understand equal pay and why it matters. Second, we must support SMEs to take action to achieve equal pay. Third, we must ensure the external environment enables SMEs to take action on equal pay. While these steps have a strong potential to forge long lasting change, many can be actioned immediately and in the short-term future.



## 4.3.1 SMEs are supported to understand equal pay and why it matters

Our research clearly showed that SMEs across the sectors examined generally do not understand the concept of gender pay equality or its drivers, nor do they consider it relevant or beneficial for their organisation. This suggests that these SMEs are comparatively early in their journey towards gender pay equality.

Building foundational awareness of the concept of equal pay and related legal obligations is therefore a critical first step in supporting SMEs to achieve gender pay equality. Education can support SMEs to develop, adopt and drive leading practice around gender pay equality in a way that builds confidence levels, encourages curiosity and embeds life-long learning strategies. It is the bedrock of any

behavioural change initiatives that may be required. However, it can only be rolled out effectively once the conceptual understanding of equal pay is stronger across small and medium-sized organisations.

The Workplace Gender Equality Agency has previously developed limited guidance on equal pay for small business. This includes a four-page guide for small business to address pay inequality, published in collaboration with 'economic Security4Women'.<sup>126</sup> This guide encourages small business to understand the issues, find the causes and take action. The guide provides a useful starting point for SMEs and it will soon be supplemented by a further resource for SMEs that the agency is developing with the Australian Chamber of Commerce and Industry. Even so, the Commission understands that these resources are intended to be brief and represent only a small part of the education and training needed for SMEs.

**The Commission's research suggests education and training needs to target all workers within SMEs in order to build foundational knowledge of equal pay across entire workplaces.**

For these reasons, the Victorian Government should resource an appropriate education provider to co-design and deliver tailored, bite-sized education and training modules on equal pay, which, where possible, can be integrated into existing initiatives. The literature review and our consultations with industry bodies confirmed that consultation with SME representatives, industry bodies and other key stakeholders is key to ensuring the education and training is fit-for-purpose,

tested against industry-based contexts and complements (rather than duplicates) existing available resources.

The Commission's research suggests education and training needs to target all workers within SMEs in order to build foundational knowledge of equal pay across entire workplaces. It should also outline specific steps to support equal pay outcomes that should be taken by those within SMEs with decision-making authority, including SME owners and senior managers, practice managers, board members, directors and franchisors.

Our research suggests education and training is more likely to motivate SMEs to take action on equal pay if they take into account their particular operating environments and are not simply a watered-down version of that which is available for large organisations. A focus on high impact areas would also be beneficial. Circumstances that should be considered include, among others:

- how to advance equal pay in a small workplace with limited promotional pathways
- the limited resources available to SMEs to for gender pay equality reviews and other initiatives to promote equal pay

- the absence of a dedicated human resources manager and/or reliance on outsourced human resource services
- informal recruitment practices
- workforces composed mainly of independent contractors and/or casual workers
- navigating equal pay in the context of reliance on external grants and funding or where rates of pay and workforce planning are highly influenced by client and customer demand
- use of structured and unstructured commission schemes
- how to advance equal pay, including conducting equal pay reviews, in highly feminised workplaces.

In selecting an appropriate education provider to codesign and deliver education, training and resources on gender pay equality in SMEs, it is important to consider the value in investing in an organisation that can maintain strong institutional memory so the resources resulting from this work have longevity, and as such, maximise public benefit. The development and continued application of such resources is particularly critical given the limited resources, time and finances SMEs have to participate in education and training.

### Recommendation 1

The Victorian Government should resource an appropriate education provider to co-design and deliver education, training and resources on gender pay equality for SMEs, in consultation with SME representatives, industry bodies and other key stakeholders.

Consistent with the research detailed in Chapter 3 regarding the particular barriers to equal pay in SMEs, the education provider should ensure that, at a minimum, the education and training addresses the following high impact areas:

- the concept of gender pay (in)equality and how to apply this concept, especially equal pay for work of comparable value, in SMEs
- common drivers of unequal pay across the employment lifecycle, including the compounded barriers faced by different cohorts of workers
- the benefits of equal pay in SMEs
- the legal obligations of SMEs to provide equal pay
- the impact of COVID-19 on equal pay and how SMEs can identify opportunities to improve equal pay during pandemic survival and recovery and other causes of significant workforce and salary contraction.

## Recommendation 2

The selected education provider should ensure that, at a minimum, the education, training and resources provide practical guidance on:

- (a) the concept of gender pay (in)equality and how to apply it in an SME, including the concept of equal work for comparable value
- (b) common drivers of gender pay inequality in SMEs across the employment lifecycle, including the compounded barriers faced by different cohorts of workers
- (c) the benefits of gender pay equality in SMEs
- (d) the legal obligations of SMEs to ensure equal pay
- (e) how gender pay equality may be advanced within SMEs during the COVID-19 survival and recovery and other causes of significant workforce and salary contraction.

Participants in the Commission's research emphasised the need for education on gender pay equality for SMEs to be delivered in multiple formats (for example, online and in-person and via digital platforms such as chatbots and YouTube) and for it to be scalable, so that it can be delivered in modules of varied duration and frequency and targeted at different levels of knowledge, from beginners to advanced. There was also interest in leveraging existing forums, such as industry events, to connect SMEs to education in forums that they are already accessing. The inherent flexibility afforded by such choice was considered important for maximising the engagement of SMEs due to their particular resourcing and time challenges and for those in regional areas who may face challenges accessing face-to-face training offered in metro areas.

The Commission's research underscored the importance of a structured learning pathway for SMEs, whereby education is offered in a sequential order that incrementally builds SMEs' capacity and capability to achieve equal pay. SMEs should first be provided with a strong conceptual understanding of the key concepts (see Recommendation 2), prior to engaging with tools designed to support them to apply those concepts (see Section 4.3.2). For instance, conducting a gender-neutral job evaluation first requires a conceptual understanding of discrimination and bias, while completing an effective pay review requires a conceptual understanding of the concept of equal pay for comparable value.



A similar learning pathway is used in the ILO Sustaining Competitive and Responsible Enterprises (SCORE) program.<sup>127</sup> Although not exclusively dedicated to gender equality, it is a global program that aims to improve working conditions in SMEs. It encompasses a blended learning pathway across different training modules that includes a combination of theoretical classroom learning and practical in-factory application to 'ensure that learning can translate into action and continuous improvement'.<sup>128</sup>

### Recommendation 3

The selected education provider should ensure that the education and training can be delivered:

- (a) in person and online, including via digital platforms
- (b) in modules of varied duration and frequency
- (c) in modules that target different levels of knowledge from beginners to advanced
- (d) via structured learning pathways that prioritise foundational knowledge of the concept of equal pay
- (e) in conjunction with a trusted agency or influencer to drive participation and engagement.

Given this is the first time that education on equal pay is being proposed specifically for SMEs, it is important to ensure there are opportunities to evaluate and continuously improve on content and delivery. This will foster collective ownership and accountability towards supporting SMEs to achieve equal pay. In addition, ensuring that a clear evaluative pathway is established at the outset of educational design will optimise the investment of resources dedicated to this goal.

### Recommendation 4

The Victorian Government should resource an appropriate body to monitor and evaluate the education, training and resources developed on gender pay equality for SMEs. This body should:

- (a) conduct reviews against a monitoring evaluation framework (to be developed) every three years, for a minimum of two reviews
- (b) provide a written report at the end of each review to be made available to the education provider and the Victorian Government.

## 4.3.2 SMEs are supported to take action to achieve equal pay

The Commission's research highlights that most SMEs do not have policies and practices on determining pay, have limited understanding and experience with gender pay reviews and rarely review job descriptions outside the context of recruitment needs. While many SMEs we interviewed conveyed positive attitudes towards equal pay, they also articulated common points of resistance towards taking action. These included the presumption that there is no pay inequality in their organisation, as well as concerns about limited resources to carry out a gender pay review and subsequently rectify any pay disparities identified.

Once SMEs gain a strong conceptual understanding of equal pay, its drivers and why it matters, further action-oriented education and resources are needed to support them to translate this knowledge into practical and actionable steps.

One such resource is a capability matrix that SMEs can use to develop position descriptions and that would support greater transparency around pay and assessments of comparable work. Subject to complexity, this matrix could include industry benchmarking to ensure an even greater extent of transparency.

Another priority is the development of a simple pay audit tool that takes into consideration the inherent limitations of a small workforce. Such a tool might enable even a basic analysis involving job title and salary, with the ability to add other variables (for example, reporting lines) that enable more sophisticated analyses over time.

Both resources would benefit from incorporating the principle of achievement relative to opportunity to ensure part-time and flexible workers, as well as those in roles that don't generate a financial outcome (but contribute to operational value) are not unfairly disadvantaged in promotion and pay decisions.<sup>129</sup>

Other key forms of guidance include a model policy on equal pay, a step-by-step guide to completing gender neutral job evaluations and action plans to advance equal pay in SMEs.

It is vital that the provider tailors these resources to SMEs, as outlined in Section 4.3.1. For instance, it will be important that the resources are developed having regard to common contexts, including, among others, SMEs:

- without job descriptions in place for all roles and limited prior experience in undertaking structured reviews of job descriptions
- with limited gender equality policies and/or minimal levels of worker engagement with them
- with limited prior experience in handling grievances/complaints raised by workers about unequal pay
- without systems in place to collect or analyse data on gender pay equality
- that have not previously completed a gender pay review.

In order to imbed positive and enduring change in SMEs, the selected education provider should also include guidance on monitoring and evaluation processes on equal pay.

### Recommendation 5

The Victorian Government should resource an appropriate education provider to develop tailored, action-oriented resources to support SMEs to achieve equal pay in practice, including:

- (a) a capability matrix that SMEs can use to develop position descriptions
- (b) a simple tool to guide gender pay audits in SMEs
- (c) a model policy on gender pay equality in SMEs and guidance on how to increase visibility and engagement with this policy and related procedures
- (d) a step-by-step guide to conducting gender neutral job evaluations in SMEs
- (e) a step-by-step guide on how to set up a complaints procedure regarding unequal pay
- (f) a step-by-step guide on how to complete action plans to advance equal pay
- (g) a guide on how to ensure equitable access to professional development
- (h) a simple monitoring and evaluation template that supports SMEs to continuously strive to achieve equal pay across a scale of beginner, intermediate and advanced level progress and includes provision for workers to provide feedback.

### 4.3.3 The external environment enables SMEs to take action on equal pay

The provision of education and training is critical to addressing unequal pay in SMEs, but this alone cannot adequately respond to its multiple and complex drivers. This is because many of the drivers are external to the SME workplace, including the social perceptions that undervalue women's work, especially in healthcare and social services, and the arts (see Section 3.1). In addition, our research reinforced that SMEs do not operate in silos, but regularly engage with the public sector, larger organisations and funding/grant bodies. It is therefore critical that there is an enabling external environment that supports SMEs to achieve gender pay equality – an environment that brings together government agencies, industry bodies, unions, supply chain actors and funders, to collectively achieve solutions to unequal pay.

The global spread of COVID-19 has created some immediate and unique considerations for the external enabling environment. As outlined in Section 3.2, research demonstrates that SMEs have been particularly hard-hit by the impact of the pandemic due to limited income streams, financial reserves and digital infrastructures for remote work. COVID-19 has also exacerbated gender pay inequality due to its disproportionate impact on female-dominated industries, the high representation of women in precarious employment and women assuming additional caring responsibilities during the pandemic impacting upon their ability to work.

SMEs therefore require targeted support during COVID-19 survival and recovery to ensure they are positioned to take action on equal pay. It is therefore vital that the Victorian Government prioritises SMEs and efforts to close the gender pay gap as part of pandemic survival and recovery efforts.

#### Recommendation 6

The Victorian Government should ensure that SMEs are a strategic priority for COVID-19 survival and recovery efforts.

## Recommendation 7

The Victorian Government should ensure that the following foundational principles inform COVID-19 survival and recovery efforts:

- (a) measures to close the gender pay gap should be prioritised
- (b) stimulus measures, including new jobs and re-skilling opportunities, should target sectors that benefit women and not be limited to male-dominated sectors
- (c) flexible work should be embedded as business-as-usual, enabling more equal sharing of caring responsibilities and women's greater workforce participation
- (d) opportunities for free, accessible and properly funded childcare should be explored to support women's workforce participation
- (e) women and gender equality experts should have an equal role in recovery decision-making
- (f) policies, budgeting and recovery planning should be informed by disaggregated data on the gendered impacts of COVID-19.

The Commission's engagement with SMEs in the arts and social services sectors indicated the significant role that funding and grants programs have on SMEs' ability to make decisions on determining pay, as well as how work is organised across short and long-term arrangements.

Based on our research with SMEs, we consider that there would be considerable value in an education provider developing and delivering training on gender pay equality to Victorian funding providers and exploring ways that these arrangements can better support SMEs to advance equal pay. In sectors like the arts and social assistance that rely heavily on funding and grants to operate their workforces, it is critical to consider ways that programs may be better designed to enable consistent pay rises as this is a key driver for women's economic participation.

## Recommendation 8

The Victorian Government should resource an appropriate education provider to co-design and deliver education and training to state-based grant and funding bodies to equip them to develop and implement funding programs that support the achievement of equal pay. At a minimum, this education and training should ensure alignment with education developed under section 48 of the Gender Equality Act 2020 and explore:

- (a) how funding impacts the drivers of equal pay in SMEs
- (b) options for indexing funding against benchmarking frameworks
- (c) opportunities to encourage SMEs to report to funding bodies on how they have used funding to promote equal pay.

During consultations with industry bodies, we learned that SMEs' engagement with social procurement criteria may be a useful lever for encouraging them to advance equal pay. However, it was stressed that social procurement criteria must be clear and accessible to SMEs' needs. We also heard that SMEs are often unclear about the process of tendering for government work (with difficulty, for example, discerning whether it will involve a direct procurement or if it is going to market). Furthermore, if SMEs are not successful, they often do not receive constructive feedback that would allow for improvement in future tenders.

In our interviews with SMEs, very few participants indicated that they had previous experience addressing social procurement criteria, suggesting a need for more guidance on this framework targeted at SME audiences. Industry bodies we consulted advocated a 'hands-on' approach to supporting SMEs regarding social procurement that would assist SMEs to:

- identify opportunities for tenders (for example, through briefings and webinars directly targeted at SMEs, or by bringing SMEs together with Tier 1 or Tier 2 contractors)
- complete tender documentation (for example, through free advice-lines and access to professional help to implement pay audits, reporting processes and plans in a format that would meet tender requirements).

Ideally, this support would be provided from a centralised location and linked to other government procurement services (such as the Industry Capability Network) to prevent further confusion in the marketplace.

The Commission notes the important work that the Office for Women is currently undertaking to update the guidance materials for the 'Women's Equality and Safety Objective' of the Victorian Social Procurement Framework, to ensure better alignment with the Gender Equality Act. We note the opportunity available to the office to ensure these guidelines are user-friendly for an SME audience that has limited:

- understanding of equal pay and its drivers
- experience in taking action on equal pay through action plans, strategies and policies
- experience collecting and analysing data related to equal pay
- familiarity with procurement criteria.

### Recommendation 9

The Victorian Government should provide targeted information, centralised hands-on support and a consistent and transparent process for SMEs to benefit from Victoria's Social Procurement Framework in relation to gender equality.

It is recommended that the Victorian Government undertake a feasibility assessment of a pilot program for SMEs to engage in simple voluntary reporting under the Gender Equality Act, and other initiatives suggested in this report to incentivise SMEs to achieve equal pay.

During our research, we also identified several initiatives from other jurisdictions that warrant consideration in relation to SMEs and gender pay equality.

- Pilot program for SMEs: A select number of SMEs and supply chain actors, including larger organisations, voluntarily participating in a pilot program that incorporates education, voluntary reporting and data capture.
- Roundtable dialogue: Large organisations, suppliers and contractors coming together to discuss how to advance equal pay within SMEs.
- Public register to reward leading practice: Building on the SME pledge concept, a public register would publicly recognise SMEs that have taken steps towards advancing equal pay and may include categories of recognition or awards that include a financial or other appropriate reward
- Supplier questionnaire: Develop a sample questionnaire that might be used within supply chains to positively influence equal pay across all supply chain actors. The questionnaire would comprise a series of short questions that is informally promoted through a supply chain to increase accountability and transparency on practices regarding equal pay.

While some of these initiatives are sourced internationally and intersect with laws unrelated to equal pay, they nonetheless forge innovative approaches to engaging with SMEs and should be considered carefully in a further feasibility study.

#### **Recommendation 10**

The Victorian Government should complete a feasibility study on a pilot program for SMEs to engage in simple voluntary reporting under the Gender Equality Act 2020, and other initiatives suggested in this report to incentivise SMEs achieve equal pay.



# Appendix A

## Survey questionnaire

### Participant and organisation details

The Victorian Equal Opportunity and Human Rights Commission is conducting research on gender pay equity in small and medium sized organisations. This research is being conducted on behalf of the Equal Workplaces Advisory Council (EWAC) that advises the Minister for Industrial Relations Victoria on initiatives to tackle the gap in women's pay and encourage increased participation in the workforce.

We would like to hear from you about your experience and understanding of equal pay within the Arts, Financial, and Health Care and Social Assistance sectors in Victoria. The survey should only take about 10 minutes, and your responses will be anonymous. All data obtained will be deidentified to ensure anonymity and confidentiality, meaning your business or organisation name will not be used. If you have any questions about the survey, please email us: [email address provided].

We really appreciate your input on this important issue.

1. **If you have a participant ID, please record it here. If you don't have one, you can just skip this question.**

\_\_\_\_\_

2. **In terms of gender, how do you identify?**

Woman  Man  Non-binary  Self-described \_\_\_\_\_  Prefer not to say

3. **Are you an owner or senior manager (including Human Resources Manager) at your organisation?**

Yes  No

4. **What is the name and ABN of your organisation? If you don't know the ABN, you can look it up here.**

*\*\*\* Please note: The details of your organisation will be kept confidential and will not be used in any public reporting. The purpose of this question is to identify where we receive multiple responses from the same organisation. If you still prefer not to respond, you can skip this question.*

Name \_\_\_\_\_  ABN \_\_\_\_\_

5. **How many people work at your organisation (including employees and regular contractors)?**

1-4  5-10  11-20  21-50  More than 50  I don't know

6. **Do you have parental or caring responsibilities?**  
 Yes  No  Prefer not to say
7. **Are you working part-time and/or job-share and/or have a reduced hour work arrangement?**  
 Yes  No  Prefer not to say
8. **What sector do you work in?**  
 Financial services  Arts  Health care and social assistance
9. **My organisation pays the following kinds of non-salary benefits (select all that apply or 'None' if your organisation doesn't pay non-salary benefits):**  
 Bonuses  Commissions  Other non-salary benefits  None
10. **What is the corporate structure of your organisation?**  
 Family owned  Board of directors  Private ownership  Don't know  
 Other – please describe \_\_\_\_\_
11. **My organisation has a good gender balance on the board and/or governance structure.**  
 Yes  No  Don't know
12. **Does your organisation have any of the following gender equality policies? Please check all that apply.**  
 Sexual harassment  Parental leave  Sex discrimination  Victimisation  
 Flexible work  Gender pay equity  Other – Please describe \_\_\_\_  
 None of the above

## Questions for owners and senior managers

13. **My organisation has structured processes for the following (select all that apply):**  
 HR  Payroll  Recruitment  Other - please describe \_\_\_\_  None of the above
14. **Are any of these processes outsourced (select all that apply)?**  
 HR  Payroll  Recruitment  Other - please describe \_\_\_\_  None of the above
15. **What percentage of managers at your organisation work part-time or job share?**  
 None of them  Less than 25%  25% to 50%  51% to 75%  76% to 100%  
 Don't know
16. **My organisation engages / has engaged with the Victorian government's social procurement framework.**  
 Yes  No  Don't know

17. Please indicate the number of people at your organisation who work in the following ways (you can estimate if unsure):
- Permanent full-time  Permanent part-time
  - Contract full-time  Contract part-time
  - Casual full-time  Casual part-time  Independent contractor  Other
18. Please indicate the number of workers at your organisation covered by the following types of agreements (you can estimate if unsure):
- Awards  Enterprise agreements  Individual flexibility arrangements  Other

## Initial thoughts on gender pay equity

19. Governments and industry bodies should do more work to promote gender pay equity in Australia.
- Strongly disagree  Disagree  Neutral  Agree  Strongly agree
20. Gender pay equity is important because it is the right thing to do.
- Strongly disagree  Disagree  Neutral  Agree  Strongly agree
21. Gender pay equity is important for economic recovery and growth.
- Strongly disagree  Disagree  Neutral  Agree  Strongly agree
22. Gender discrimination is mostly a thing of the past in Australia.
- Strongly disagree  Disagree  Neutral  Agree  Strongly agree
23. The benefits of achieving gender pay equity within your organisation outweigh the costs.
- Strongly disagree  Disagree  Neutral  Agree  Strongly agree
24. Gender pay inequity mostly reflects choices that individuals make rather than systemic discrimination.
- Strongly disagree  Disagree  Neutral  Agree  Strongly agree

## Current knowledge of gender pay equity

25. I am familiar with the concept of gender pay equity.
- Yes  No  Somewhat
26. I am familiar with the equal remuneration provisions in the Fair Work Act.
- Yes  No  Somewhat

**27. I am familiar with the positive duty in the Equal Opportunity Act that requires employers to take 'reasonable and proportionate measures to eliminate discrimination, sexual harassment or victimisation as far as possible.'**

Yes  No  Somewhat

**28. I am familiar with the rights and obligations against sex discrimination in Victoria's Equal Opportunity Act.**

Yes  No  Somewhat

**29. I believe that my organisation has an obligation to ensure gender pay equity.**

Yes  No  Somewhat

## Questions about your organisation

**30. My organisation values a gender diverse workforce.**

Strongly disagree  Disagree  Neutral  Agree  Strongly agree

**31. Management at my organisation are committed to gender pay equity.**

Strongly disagree  Disagree  Neutral  Agree  Strongly agree

**32. Gender pay equity is not discussed at my organisation.**

Strongly disagree  Disagree  Neutral  Agree  Strongly agree

**33. All employees are equally supported at my organisation.**

Strongly disagree  Disagree  Neutral  Agree  Strongly agree

**34. The leaders at my organisation are mostly men.**

Strongly disagree  Disagree  Neutral  Agree  Strongly agree

**35. People who take parental leave tend to progress more slowly at my organisation.**

Strongly disagree  Disagree  Neutral  Agree  Strongly agree

**36. People who work full-time tend to be more senior and/or get paid more (pro-rata) than people who work part-time at my organisation.**

Strongly disagree  Disagree  Neutral  Agree  Strongly agree

**37. It is hard to work flexible hours at my organisation.**

Strongly disagree  Disagree  Neutral  Agree  Strongly agree

**38. There are senior employees at my organisation who have flexible work arrangements.**

Strongly disagree  Disagree  Neutral  Agree  Strongly agree

**39. Working part-time is not a barrier to progression at my organisation.**

Strongly disagree  Disagree  Neutral  Agree  Strongly agree

- 40. People doing work of the same or comparable value are paid the same rate at my organisation.**  
 Strongly disagree  Disagree  Neutral  Agree  Strongly agree
- 41. My organisation makes decisions about remuneration in a fair and transparent way.**  
 Strongly disagree  Disagree  Neutral  Agree  Strongly agree
- 42. Pay rises are negotiated in an ad-hoc way at my organisation.**  
 Strongly disagree  Disagree  Neutral  Agree  Strongly agree
- 43. It's hard to have discussions about salary at my organisation.**  
 Strongly disagree  Disagree  Neutral  Agree  Strongly agree
- 44. Information about pay scales is freely available at my organisation.**  
 Strongly disagree  Disagree  Neutral  Agree  Strongly agree
- 45. There are gender-specific barriers to reaching senior management positions at my organisation.**  
 Strongly disagree  Disagree  Neutral  Agree  Strongly agree
- 46. Working long hours and being available as needed is important to getting promoted at my organisation.**  
 Strongly disagree  Disagree  Neutral  Agree  Strongly agree
- 47. Staff at my organisation progress at the same rate regardless of their gender.**  
 Strongly disagree  Disagree  Neutral  Agree  Strongly agree
- 48. There are structured and clear pathways for promotion for all roles at my organisation.**  
 Strongly disagree  Disagree  Neutral  Agree  Strongly agree
- 49. It can be hard to find mentors for advice on career progression at my organisation.**  
 Strongly disagree  Disagree  Neutral  Agree  Strongly agree
- 50. All employees (including part-time employees) have access to training and personal development opportunities at my organisation.**  
 Strongly disagree  Disagree  Neutral  Agree  Strongly agree
- 51. Training is presented in multiple formats (e.g. online, in-person, self-paced) at my organisation.**  
 Strongly disagree  Disagree  Neutral  Agree  Strongly agree
- 52. Workers usually have to do training in their own time, without pay, at my organisation.**  
 Strongly disagree  Disagree  Neutral  Agree  Strongly agree

**53. Some people at my organisation find it hard to access training and professional development courses.**

Strongly disagree  Disagree  Neutral  Agree  Strongly agree

**54. Training and professional development is encouraged by senior management at my organisation.**

Strongly disagree  Disagree  Neutral  Agree  Strongly agree

**55. People are paid fairly in my industry.**

Strongly disagree  Disagree  Neutral  Agree  Strongly agree

**56. If you have any thoughts or comments on this survey (e.g. questions that you found confusing) please let us know here.**

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# Appendix B

## List of consultation participants

The Commission consulted with the following bodies and individuals to supplement the information we gained through conducting 28 in-depth interviews with owners and senior managers of SMEs, as well as an online survey and literature review. The purpose of these consultations was to seek expertise on broader systemic issues related to gender pay equality, including sector specific challenges in addressing unequal pay.

For further information on our methodology and these consultations, see pages 21–23 of the report.

<b>The arts</b>	
Creative Victoria	Karen Sovitslis, Senior Manager, Organisation and Investment Christabel Harvey, Senior Manager, Arts Development
Arts Industry Council of Victoria	Various representatives (including some listed in this table)
Public Galleries Association	Anne Robertson, Executive Officer
Regional Arts Victoria	Joe Toohey, Executive Director / Chief Executive Officer
<b>Financial services</b>	
Jane Counsel & Associates	Jane Counsel, Principal Consultant
Women in Banking and Finance	Jen Dalitz, Chief Executive Officer
Women in Super	Sandra Buckley, Chief Executive Officer
<b>Healthcare and social assistance</b>	
Australian Nursing and Midwifery Federation, Victorian Branch	Megan Reeve, Senior Industrial Officer Leonie Kelly, Industrial Officer
Victorian Council of Social Service	Emma King, Chief Executive Officer

## Gender equality

<p>Equal Workplaces Advisory Council</p>	<p>Liberty Sanger, Chair</p> <p>Simone Alesich, Senior Policy Adviser, Social and Economic Inclusion, Department of Jobs, Precincts and Regions</p> <p>Karen Batt, Victorian Branch Secretary, Community and Public Sector Union</p> <p>Dr Andrea Carson, Associate Professor, La Trobe University</p> <p>Dr Sara Charlesworth, Distinguished Professor, Centre for People, Organisation and Work, Royal Melbourne Institute of Technology</p> <p>Catherine Dixon, Executive Director, Victorian Equal Opportunity and Human Rights Commission</p> <p>Nanette Fitzgerald, Executive Director, Industry Development and Participation, Department of Jobs, Precincts and Regions</p> <p>Emma King, Chief Executive Officer, Victorian Council of Social Services</p> <p>Vasuki Paul, National Manager, Construction Utilities and Mining, Australian Industry Group</p> <p>Louise Perry, (formerly) Executive Director, Office for Women, Department of Families, Fairness and Housing</p> <p>Katherine Smith, Manager, Industry Policy, Victorian Chamber of Commerce and Industry</p> <p>Wilhelmina Stracke, Assistant Secretary, Victorian Trades Hall Council</p> <p>Lissa Zass, Executive Director, Industrial Relations Victoria, Department of Premier and Cabinet</p>
<p>Workplace Gender Equality Agency</p>	<p>Kate Lee, Engagement and Executive Manager</p>
<p>Commission for Gender Equality in the Public Sector</p>	<p>Various representatives</p>
<p>Office for Women</p>	<p>Various representatives</p>
<p>Victorian Chamber of Commerce and Industry</p>	<p>Katherine Smith, Manager, Industry Policy</p>



# Notes

- 1** Equal Workplaces Advisory Council, *Gender Pay Equity Principles for the Victorian Public Service and Sector* (2018) 2.
- 2** See Chapter 2.
- 3** All OECD countries report a gender pay gap. An OECD Report in 2017 found that in many countries, “the gender pay gap has changed little in recent years.” Organisation for Economic Co-operation and Development, *Gender Recommendations – Some Progress on Gender Equality but Much Left to Do* (Report on the Implementation of the OECD, June 2017) 28.  
In Australia, the Workplace Gender Equality Agency has calculated that the national pay gap is 13.9% and Victoria’s pay gap is 9.6%. Workplace Gender Equality Agency, *Fact Sheet Series: Australia’s Gender Pay Gap Statistics* (February 2020) 1–4.
- 4** See Section 2.1.2.
- 5** Equal Workplaces Advisory Council (n 1) 2.
- 6** While there is a significant body of research that explores causes of unequal pay and why it persists, there are very few studies that directly consider the barriers and challenges to pay equality in SMEs. Professor Rowena Barrett conducted one such study in relation to SMEs in Western Australia, and her report specifically refers to the dearth of research on this issue. See Rowena Barrett, ‘Attitudes to Gender Pay Equity in Smaller Firms: A study of firms predominately based in Western Australia’ (Economic Security4Women, January 2012) 6.
- 7** See Section 2.3.
- 8** In 2019, Kate Lee, Executive Manager of Engagement at the Workplace Gender Equality Agency, commented on the difficulty of ascertaining the gender pay gap in SMEs, as they are not required or voluntarily able to report to the agency. Matthew Elmas, ‘The Missing 40%: Why Pay Parity Suffers When Small Business is Excluded’ (Smart Company, 5 March 2019) <<https://www.smartcompany.com.au/people-human-resources/pay-parity-small-business-wgea/>>.
- 9** *Workplace Gender Equality Act 2012* (Cth) s 13; *Gender Equality Act 2020* (Vic) pt 5.
- 10** Parliament of Australia published a research paper indicating that, as of June 2017, small businesses (0–19 employees) employed 44 per cent of the workforce in selected private industry sectors. Medium sized businesses (20–199 employees) accounted for 24 per cent of employment in the same selected sectors. Geoff Gilfillan, *Small Business Sector Contribution to the Australian Economy* (Parliament of Australia Report, 15 October 2018) 1–4.
- 11** The Australian Small Business and Family Enterprise Ombudsman estimates that, from 2017–2018, small businesses (0–19 employees) contributed 34 per cent to gross domestic profit (GDP). Medium sized businesses (20–199 employees) contributed 22 per cent to gross domestic profit. Small Business and Family Enterprise Ombudsman, *Small Business Counts: Small Business in the Australian Economy* (July 2019) 10–11.
- 12** The Commission is an independent statutory agency with responsibilities under three laws, namely the: *Equal Opportunity Act 2010* (Vic); *Charter of Human Rights and Responsibilities Act 2006* (Vic); and *Racial and Religious Tolerance Act 2001* (Vic).
- 13** The Commission completed this project using our research and education functions under the Equal Opportunity Act. These functions allow us to undertake research and educate the public on the systemic causes of discrimination and human rights breaches. See *Equal Opportunity Act 2010* (Vic) ss 156, 157.
- 14** Victorian Equal Opportunity and Human Rights Commission, *Upholding human rights close to home: Strategic plan* (2017) 13.
- 15** The Equal Workplaces Advisory Council aims to promote gender pay equality in Victorian workplaces. Comprised of 12 experts from the public and private sectors, including the Commission’s Executive Director Catherine Dixon, the council advises the Minister for Industrial Relations on initiatives to tackle the gap in women’s pay and workforce participation. In July 2019, the council set up a working group on SMEs to oversee elements of its 2019–22 Strategy and Detailed Action Plan related to SMEs. Its responsibilities included engaging a provider(s) to research the barriers to pay equality in SMEs. For more information on the council, see Victorian Government, Equal Workplaces Advisory Council (Web Page) <<https://www.vic.gov.au/equal-workplaces-advisory-council>>.
- 16** The Australian Bureau of Statistics defines small business as a business employing less than 20 people. It defines medium business as a business that employs 20 or more people but fewer than 200 people. Australian Bureau of Statistics, *Small Business in Australia* (Catalogue No. 1321.0, October 2002).
- 17** Nigel Culkin and David Smith, ‘An Emotional Business: A Guide to Understanding the Motivations of Small Business Decision Makers’ (2000) 3(3) *Qualitative Market Research: An International Journal*, 145.
- 18** In determining eligibility for small business entity concessions, the Australian Taxation Office defines a small business as a business with less than \$10 million aggregated turnover. Australian Taxation Office, *Small Business Entity Concessions: Eligibility* (Web Page) <<https://www.ato.gov.au/Business/Small-business-entity-concessions/Eligibility/>>.

- 19** During our consultations with the industry representatives from the finance sector, we heard that many SMEs need to dedicate additional resources and time towards understanding and applying new lending standards arising from the Royal Commission into Misconduct in the Banking, Superannuation and Financial services Industry (which submitted its final report on 1 February 2019).
- 20** The term 'reported' is used here to refer to data reported to the Workplace Gender Equality Agency.
- 21** Our research focuses on the arts sector and not the recreation sector. The Australian Bureau of Statistics pairs these sectors for purposes of its data collection; we include these statistics to provide a broad (rather than precise) sense of the size and gender/sex composition of the arts sector. Australian Bureau of Statistics, 2020, Employed Person by Greater Capital City and Rest of State (ASGS), *Industry Division of Main Job (ANZSIC) and Sex, November 1984 Onwards, Table 1: EQ03* (Catalogue no. 6291.0.55.003) October 2020.
- 22** Ibid.
- 23** Ibid.
- 24** Australian Human Rights Commission, *Human Rights Based Approaches* (Web Page) <<https://humanrights.gov.au/our-work/rights-and-freedoms/human-rights-based-approaches>>.
- 25** International Labour Organization, *International Labour Standards on Tripartite Consultation* (Web Page) <<https://www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/tripartite-consultation/lang--en/index.htm>>.
- 26** The Commission received seven survey responses from mid-level and junior workers in SMEs in the nominated sectors, four in the arts sector and three in the healthcare and social assistance sector.
- 27** For the purposes of the survey, a large organisation was defined as one with more than 100 workers. This meant that survey responses from workers from organisations with up to 100 workers were considered as part of this research, notwithstanding that this report limits the definition of SMEs to organisations with fewer than 50 workers. This deviation was made to address the significant challenges involved in identifying individuals from SMEs to participate in surveys.
- 28** Equal Workplaces Advisory Council, *Gender Pay Equity Principles for the Victorian Public Service and Sector* (2018) 2. See also Fair Work Ombudsman, *Gender Pay Equity Best Practice Guide* (2020) <<https://www.fairwork.gov.au/tools-and-resources/best-practice-guides/gender-pay-equity>>.
- 29** This description accords with the Equal Workplaces Advisory Council's definition of equal or comparable value. Equal Workplaces Advisory Council (n 1) 2.
- 30** Fair Work Ombudsman, *Best Practice Guide: Gender Pay Equity* (2019) 2.
- 31** Between 2016 and 2017, for those aged 60–64, women's median superannuation counts were 20.5 per cent lower than those of men. Workplace Gender Equality Agency, *Women's Economic Security in Retirement: Insight Paper* (February 2020) 6.
- 32** The Australian Human Rights Commission published a report in which over a quarter (27 per cent) of fathers and partners surveyed reported experiences of discrimination when requesting parental leave or when they returned to work. Australian Human Rights Commission, *Supporting Working Parents: Pregnancy and Return to Work, National Review Report* (Report, 2014) 8.
- 33** KPMG et al, *She's Price(d)less: The Economics of the Gender Pay Gap – Summary Report* (Report, 22 August 2019) 10.
- 34** Ibid 10.
- 35** For example, the NSW Council of Social Services has found that Aboriginal and Torres Strait Islander women are more likely to be carers than non-indigenous women, leaving them with lower rates of paid workforce participation and significantly lower earnings. NSW Council of Social Services, Submission No.26 to Finance and Public Administration References Committee, *Inquiry into Gender Segregation in the Workplace and its Impact on Women's Economic Equality* (February 2017) 20.
- 36** Roopkiran Kohout and Parbudyal Singh, 'Pay Equity and Marginalized Women' (2018) 33(2) *Gender in Management: An International Journal* 132–134.
- 37** KPMG (n 32) 7.
- 38** Equal Workplaces Advisory Council (n 1) 2.
- 39** Ibid.
- 40** Workplace Gender Equality Agency, *Women's Economic Security in Retirement: Insight Paper* (February 2020) 3.
- 41** Ibid.
- 42** KPMG estimates that halving the labour force participation gap between men and women would increase Australia's annual GDP by \$60 billion within 20 years. KPMG, *Ending Workforce Discrimination Against Women* (Report, 2018) 2.
- 43** This illustrative list of benefits is adapted from the following sources: Workplace Gender Equality Agency, *Guide to Gender Pay Equity* (2016) 10; and Fair Work Ombudsman, *Best Practice Guide: Gender Pay Equity* (2019) 3.
- 44** McKinsey's study of 1,000 companies in 12 countries found that "companies in the top-quartile for gender diversity on executive teams were 21% more likely to outperform on profitability and 27% more likely to have superior value creation." McKinsey & Company, *Delivering Through Diversity* (January 2018) 8.
- 45** Marie-Thérèse Chicha, International Labour Office, *A Comparative Analysis of Promoting Pay Equity: Models and Impacts* (September 2006) 47.
- 46** *Convention Concerning Equal Remuneration for Men and Women Workers for Work of Equal Value, opened for signature 29 June 1951, 165 UNTS 303 (entered into force May 23, 1953).*

- 47** *International Covenant on Economic, Social and Cultural Rights*, opened for signature 19 December 1966, 993 UNTS 3 (entered into force 3 January 1976), art. 7(a)(i).
- 48** *Convention on the Elimination of All Forms of Discrimination Against Women*, opened for signature 1 March 1980, 1249 UNTS 13 (entered into force 3 September 1981), art. 11(1)(d).
- 49** *Sex Discrimination Act 1984* (Cth) s 14(1).
- 50** *Fair Work Act 2009* (Cth) s 351(1).
- 51** *Fair Work Act 2009* (Cth) ss 134(1)(e), 284(1)(d).
- 52** *Fair Work Act 2009* (Cth) s 302 (1), (5).
- 53** *Equal Opportunity Act 2010* (Vic) ss 6(o), 16, 18, 21.
- 54** *Equal Opportunity Act 2010* (Vic) s 15(2).
- 55** *Workplace Gender Equality Act 2012* (Cth) s 13.
- 56** *Gender Equality Act 2020* (Vic) s 11.
- 57** *Gender Equality Act 2020* (Vic) s 10.
- 58** *Gender Equality Act 2020* (Vic) s 19.
- 59** Barrett (n 6) 2.
- 60** Economic Security4Women [ES4W], *Report on National Pay Equity Forum* (Report, 2013) 4.
- 61** Barrett (n 6) 2.
- 62** Matthew Elmas, 'The Missing 40%: Why Pay Parity Suffers When Small Business is Excluded' *Smart Company* (Article, 5 March 2019) <<https://www.smartcompany.com.au/people-human-resources/pay-parity-small-business-wgea/>>.
- 63** Barrett (n 6) 2.
- 64** Rowena Barrett and Susan Mayson have found that the formalisation of human resource management in small firms is dependent on their awareness of legislation and legal requirements on human resource management and employment matters. Rowena Barrett and Susan Mayson, 'Human Resource Management in Growing Small Firms' (2007) 14 (2) *Journal of Small Business and Enterprise Development* 311.
- 65** Research on education in small businesses, for example, has found that their resource poverty (relating not only to time, but also expertise and finance) results in a focus on short-term needs and the "day-to-day demands of running their business". Felicity Kelliher and Joan Bernadette Henderson, 'A Learning Framework for the Small Business Environment' (2006) 30 (7) *Journal of European Industrial Training* 521.
- 66** Carol Woodhams and Ben Lupton, 'Does Size Matter? Gender-Based Equal Opportunity in UK Small and Medium Enterprises' (2006) 21 (2) *Women in Management Review* 145.
- 67** Rowena Barrett and Susan Mayson have found that growing small firms are more likely than non-growing small firms to have formal human resource management practices. Rowena Barrett and Susan Mayson, 'Human Resource Management in Growing Small Firms' (2007) 14 (2) *Journal of Small Business and Enterprise Development* 315.
- 68** Ibid 309.
- 69** Carol Woodhams and Ben Lupton, 'Does Size Matter? Gender-Based Equal Opportunity in UK Small and Medium Enterprises' (2006) 21 (2) *Women in Management Review* 145, 163.
- 70** Ibid 164.
- 71** Equal Workplaces Advisory Council (n 1) 2.
- 72** Barrett (n 6) 15.
- 73** Ibid. 15, 30.
- 74** For example, in a 2009 Queensland pay equity decision, government funding was seen to contribute to the gendered undervaluation of social and community services work. *Queensland Services, Industrial Union of Employees v Queensland Chamber of Commerce and Industry Ltd, Industrial Organisation of Employers and Others* [2009] QIRC 80.
- 75** A recent report focusing on data reported to the Workplace Gender Equality Agency (from organisations with over 100 workers) found that more Australian businesses undertook pay equity audits in 2017 than ever before. Bankwest Curtin Economics Centre and Workplace Gender Equality Agency, *Gender Equity Insights: Inside Australia's Gender Pay Gap* (Report, 2018) 56.
- 76** Suzanne MacKeith et al, *Security4Women, What Business Wants: A Project Assessing SME's Attitudes and Approach to Gender Equity in the Workplace and Female Participation in the Workforce, A Report for Security for Women* (Report, March 2010) 16.
- 77** Barrett (n 6) 36.
- 78** Ibid 33.
- 79** Suzanne MacKeith et al (n 75) 13.
- 80** Ibid 16.
- 81** Barrett (n 6) 33–34.
- 82** Melissa Cardon and Christopher Stevens, 'Managing Human Resources in Small Organizations: What Do We Know?' (2004) 14 *Human Resources Management Review* 303.
- 83** Carol Woodhams and Ben Lupton, 'Does Size Matter? Gender-Based Equal Opportunity in UK Small and Medium Enterprises' (2006) 21 (2) *Women in Management Review* 145.
- 84** Suzanne MacKeith et al (n 75) 13.
- 85** Ibid 2.
- 86** Erica French and Glenda Strachan, 'Equal Opportunity Outcomes for Women in the Finance Industry in Australia: Evaluating the Merit of EEO Plans' (2007) 45 (3) *Asia Pacific Journal of Human Resources* 315.
- 87** Geraldine Healy and M. Mostak Ahamed, 'Gender Pay Gap, Voluntary Interventions and Recession: The Case of the British Financial Services Sector' (2019) 57(2) *British Journal of Industrial Relations* 321.
- 88** Tejas Desai et al, 'Equal Work for Unequal Pay: the Gender Reimbursement Gap for Healthcare Providers in the United States' (2016) 92 *Postgrad Medical Journal* 572.
- 89** Brita Roy, 'Gender Pay Gaps in Medicine: Moving from Explanations to Action' (2018) 33 (9) *Journal of General Internal Medicine* 1413–1414.
- 90** Rae Cooper et al, The University of Sydney Business School, *Skipping a Beat: Assessing the State of Gender Equality in the Australian Music Industry* (2017) 8.

- 91** Stop-the-clock policies aim to increase the number of women in academia by allowing for breaks in research productivity, typically because of childbirth, childcare, medical illness, family care, or other extenuating circumstances. These absences no longer interrupt the period of early-career faculty that is required before obtaining tenure. Colleen Manchester et al, 'Stop the Clock Policies and Career Success in Academia' (2010) 100 (2) *American Economic Review* 219–223.
- 92** Sebawit Bishu and Mohamed Alkadry, 'A Systematic Review of the Gender Pay Gap and the Factors that Predict it' (2017) 49 (1) *Administration & Society* 72–73.
- 93** Workplace Gender Equality Agency and Economic Security4Women, *Pay Equity for Small Business: Three Step Guide to Fairer Pay in Your Organisation* (Toolkit) <[https://www.wgea.gov.au/sites/default/files/documents/small-business-guidance\\_website\\_0.pdf](https://www.wgea.gov.au/sites/default/files/documents/small-business-guidance_website_0.pdf)>.
- 94** Workplace Gender Equality Agency, *Flexibility Business Case* (Toolkit) <<https://www.wgea.gov.au/sites/default/files/documents/flexibility-business-case%20%281%29.pdf>>.
- 95** Victorian Equal Opportunity and Human Rights Commission, *Rebuilding flexible workplaces: Lessons for the post-COVID workplace* (Report, 2021).
- 96** Suzanne MacKeith et al (n 75) 14.
- 97** Geraldine Healy and M. Mostak Ahamed, 'Gender Pay Gap, Voluntary Interventions and Recession: The Case of the British Financial Services Sector' (2019) 57(2) *British Journal of Industrial Relations* 309, 321, 322–324.
- 98** Workplace Gender Equality Agency, *Gender Equality: Competitor Analysis Benchmark Reports, Insights Guide* (Report, November 2017) <[https://www.wgea.gov.au/sites/default/files/documents/CABR\\_Insights\\_Guide.pdf](https://www.wgea.gov.au/sites/default/files/documents/CABR_Insights_Guide.pdf)>.
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