Questions about assessing remuneration

Te Kāwanatanga o Aotearoa
New Zealand Government

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What does remuneration actually mean?

Once you have comparators established as comparable to your claimant[1] occupation or role the next step is to assess and compare the remuneration each receives in order to understand whether there is any inequity present. The underlying objective of the Equal Pay Act 1972 (the Act) is that work that operates at the same or similar level of skill responsibility and effort should be paid similarly unless there is a clear and compelling reason that that difference is not based on gender.

In the Equal Pay Act the definition of remuneration is very broadly defined as:

remuneration, *in relation to any employee, means the salary or wages actually and legally payable to that employee; and includes—*

(a) time and piece wages and overtime and bonus and other special payments:

(b) allowances, fees, commission, and every other emolument, whether in 1 sum or several sums, and whether paid in money or not.

In simple terms this means that all aspects of remuneration must be considered as part of any assessment. We often refer to this as 'total remuneration'. Total remuneration is an important concept to understand, both in a pay equity process, and also more broadly to establish equitable remuneration for equal work. While it may be instinctive to look at base salary only, this will not provide the information necessary to eliminate gender and ethnic pay gaps. Base salary is what people earn separate from things such as kiwisaver or other superannuation payments, bonuses, penal rates, use of a car and so on. If we look at base salary only, we may miss identifying and understanding key remuneration differences between female and male dominated occupations when their total earning ability is considered. Therefore, your starting point for analysis should be total remuneration. We address the question later in this document about whether there are aspects of remuneration that can be then removed.

Principle: *Remuneration is broadly defined, and all aspects of remuneration must be identified and analysed to quantify equitable remuneration.*

Can we get all the remuneration information we need from employment agreements?

Most collective agreements contain a good amount of detail about remuneration and terms and conditions of employment. You will often here the term 'paid and printed rates' used to mean the rates of pay as listed in an employment agreement. This information can be used to compare remuneration and is useful. However, for the kind of detailed remuneration analysis needed to identify and quantify any sex-based undervaluation the richer the data the better. For example, organisations can have policies that cover additional remunerative benefits which are may not detailed in the employment agreement, but rather in policy, such as wellbeing allowances, professional development funds etc.

[1] We use the term 'claimant' for simplicity here, but the guidance equally relates to a job evaluation process which is using a comparator method for identifying where to place a new role or size an existing one.

There are no differences in starting rates between claimant and comparators, so how can there be undervaluation?

When looking to understand whether there is any undervaluation, an important tip is to look at earning over time and consider remuneration data in a range of ways. This is because if you are to look at a single point in time, or without any understanding of the remuneration systems and practices, the data may be misleading about whether a pay gap exists and how significant this may be over time.

There are three interrelated areas that you will need to understand to help you undertake good remuneration analysis in line with the Act.

- The range of the remuneration system- ie the difference between the top and the bottom of the pay scale or band. Some will have a big dollar difference between the bottom and the top, (or entry and exit point) while others will have a much smaller difference.
- The number of steps or points within a remuneration system, ie does the pay scale or band have 10 steps between bottom and top or only 5?
- The progression criteria and practice - ie is movement up the pay scale at the discretion of the manager or based on tenure? How does this work in practice?

These elements help you understand not only what people within a role can earn, but how quickly they can earn that and what that means for their earnings over time. A hypothetical example is as below:

> The claimant has a top step of $150,000. This is the highest step available when looking at the rates of pay across all comparators. On the face of it, parties consider that there is no undervaluation because the claimant can, on paper, earn a higher rate than those with comparable work.
>
> Parties go on to consider the data about the number of steps and identify that there are 15 steps in the pay system of our claimant. The top five steps are accessed by manager discretion only with no employee to date having accessed the top steps.
>
> All of this data together shows us a different story of total earnings than any of the pieces on their own.

Principle: *Looking at remuneration at a single point in time, or without context of the operation of the remuneration system, will provide incomplete or misleading information about remuneration and what, if any, inequities may exist. Inequality can arise in how a remuneration system operates as well as in the rates of pay offered.*

Some visual examples:

Figure a) shows us that if you were to take your remuneration data from a particular point in time, the result changes depending on the point you are looking at. If you look at remuneration at entry level (red circle), this gives you a different picture to that shown in the purple circle (year 3) or black circle (year 7).

Figure b) shows us a picture of total earning potential over a 10-year period (assuming annual progression for all). Looking at earnings over time can provide a better indication of what overall pay gaps exist.

Figure c) shows us a comparison of average and median earnings. This was calculated on paid and printed rates, but obtaining payroll data for this can be very useful if you can access it. Payroll data can provide more granular information about what is actually being paid.

Figure a) wage differences over a 10-year time period

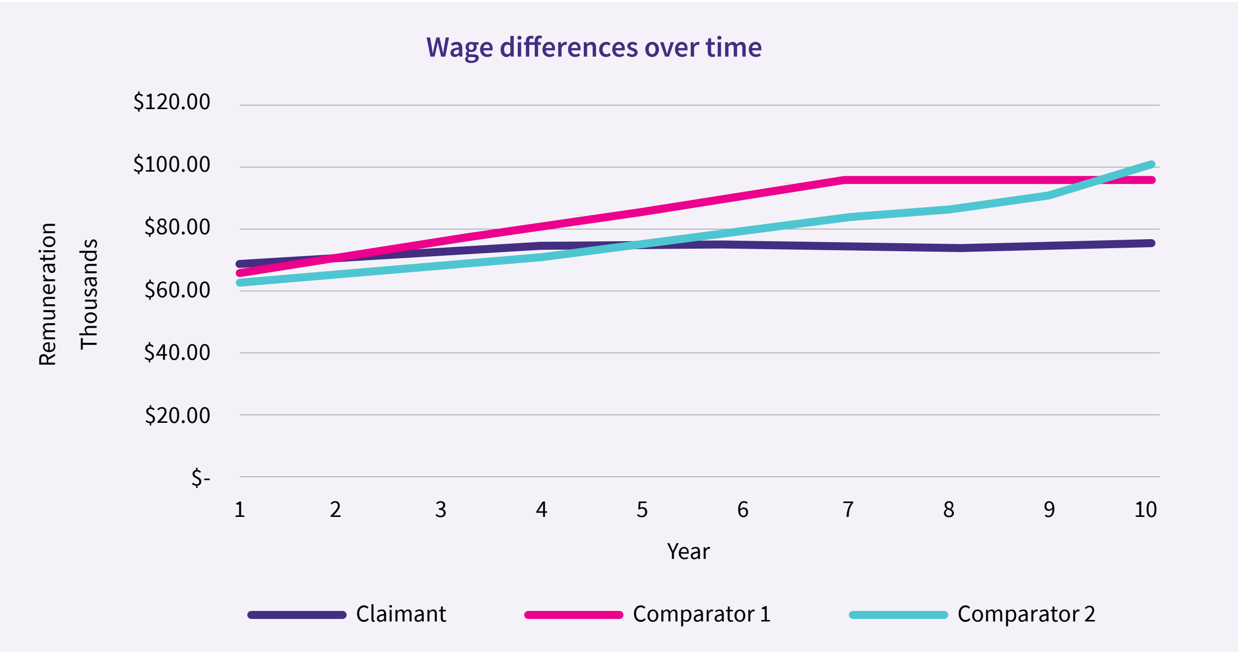


Figure b) 10 year total gross earnings (excluding kiwisaver/superannuation)

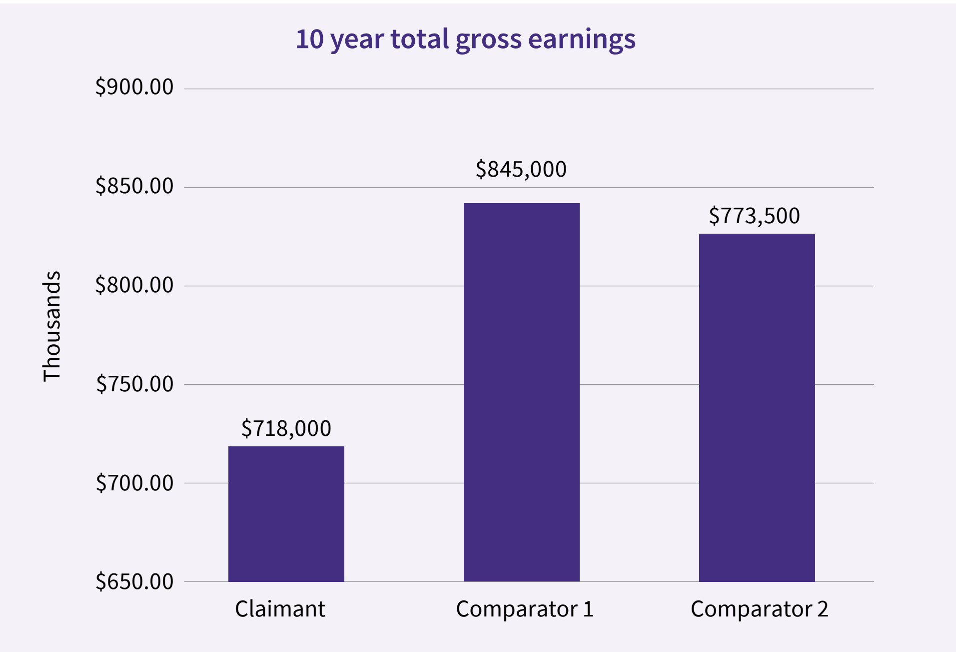
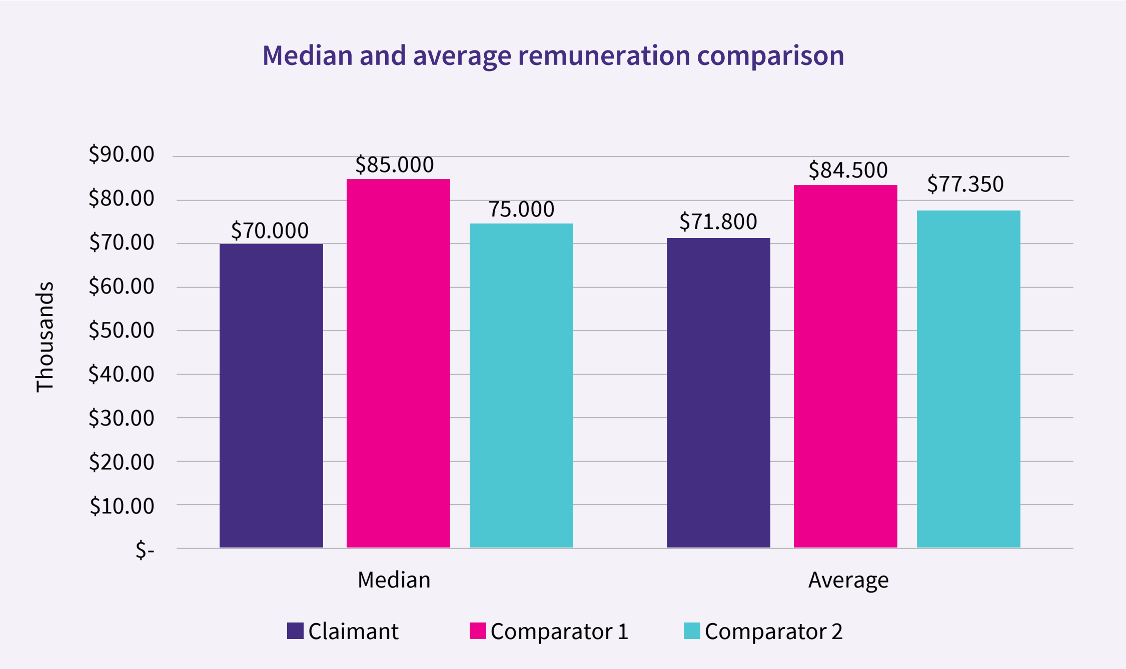


Figure c) Median and average remuneration comparison



Averages are useful because they are easy to calculate and include everyone. However, they can be skewed higher or lower by outliers' incomes at either end. Medians are useful because in arranging incomes from lowest to highest, they identify the middlemost income where an equal number of incomes fall above and below. This eliminates the disproportionate influence of outliers.

Do we need to think about superannuation and how it may contribute to any pay gap?

While there are legislative minimums for the employer contribution to KiwiSaver[2] there can be:

- differences in the way that KiwiSaver employer contributions are operationalised by employers
- differences in the level of employer contribution
- inequality in KiwiSaver funds due to wage gaps.

Therefore, it is important that superannuation is carefully considered as part of remuneration.

What are the differences in the way KiwiSaver contributions are operationalised?

Research by Te Ara Ahunga Ora Retirement Commission, conducted in 2023, found a net 45 percent of employers used a total remuneration approach to KiwiSaver for at least some employees. What this means is that rather than paying an extra 3 percent (minimum) on top of the advertised salary, the employer requires the employee to agree that their salary includes the employer contribution. Twenty-one percent of employers surveyed by the Retirement Commission who used the 'total remuneration' approach stated they took this approach because it was cheaper.

This analysis tells us how important it is to understand superannuation, and how it is paid, in any study of remuneration because it will impact total earnings.

[2] We use KiwiSaver for simplicity here but there may be other superannuation systems on offer within organisations, as a different/additional benefit. The same principles apply to these.

What are the possible differences in employer contribution to KiwiSaver?

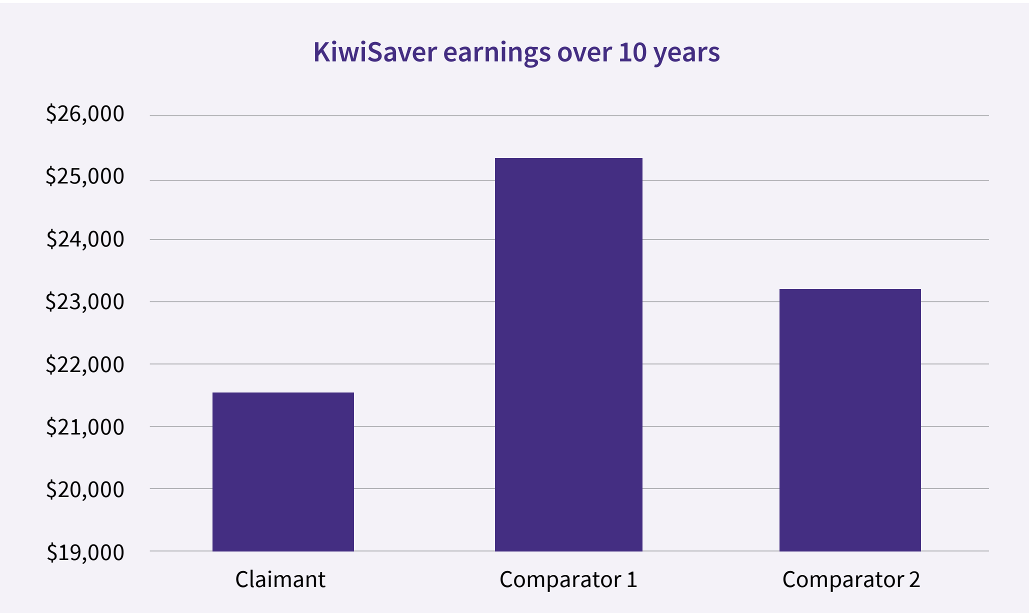
Some employers will have offered or agreed in collective bargaining to a higher rate of employer contribution than the legislative minimum. There are many reasons why this may be done. It may have been negotiated as an alternative solution to conclude bargaining where there were restrictions on moving pay bands or steps. It may be offered as a 'value proposition' to make themselves more attractive as an employer. There may be historical reasons why payments were higher, for example the work was seen as dangerous or your working life in the occupation was shorter. It is important to explore any differences in employer contribution and how they may contribute to any gendered pay gap.

Why would there be inequality in superannuation savings if employer contributions are the same and made in the same way?

As KiwiSaver accumulates as a proportion of your earnings, (ie you are saving a minimum 3 percent of what you earn), it is logical that if you are earning less, then you will save less over time. Therefore, if there is any gender pay gap present in salary, this inequality will lead to disparity in retirement. The Retirement Commission found in 2024 there was a gender gap in KiwiSaver savings of 36 percent. The research indicates that this 36 percent gap is primarily caused by the gender pay gap, rather than a difference in contribution rates, as women and men on average contribute the same percentage of their salaries to KiwiSaver. This evidence is included here to show the importance of equitable wages to help reduce the inequity we currently see in retirement.

Figure d) identifies what the gap in retirement savings is over a 10-year period, even without any difference in employer contribution. (This gap may be increased if employer contribution to KiwiSaver/ Superannuation is considered part of total remuneration- ie not paid as an additional 3 percent on top of wages).

Figure d) KiwiSaver/Superannuation earnings over 10 years (modelled at legislative minimum 3 percent employer contribution for all three roles)



How can we approach understanding the value of all remunerative terms and conditions?

This can feel like a daunting task, particularly as we are not used to looking across employment agreements and policies to understand the true value of all the terms and conditions of employment. Here are some ideas that can help make it easier for you

- Create a couple of tables outlining terms and conditions, depending on the level of data you have access to. A detailed record of what type of bonuses, allowances, annual leave, superannuation, overtime, and other remunerative benefits each occupation has access to, is a good place to start. This supports a good overarching visual look at what makes up the total remuneration package. A colour code can then be applied to quickly identify which elements of remuneration are equal, inequitable, or not applicable across claimant and comparator data. (See appendix 1 for an example). The second table can help quantify the remuneration actually paid out (often called 'actuals') that are paid supporting a more granular analysis (see appendix 2 for an example). If you have created the first table, you will be able to target which terms and conditions need to be examined further, and to exclude terms and conditions that are already equitable or not applicable.
- If you can, obtain payroll data on the median and average remuneration for each occupation. While looking at paid and printed rates within a collective agreement can provide useful data there are also aspects of payroll data that can tell you important information. For example, you may see that the average remuneration sits right at the top of the pay scale, rather than the average of paid and printed rates which is more likely to sit around the midpoint of the scale. This may indicate that the pay scale has not been updated for some time, leading to a clustering of employees at the top, due to the bottom steps not being utilised.
- If you can, talk to Human Resources (HR) or payroll people for the occupations you are examining. People in these roles are often well-informed about what is and is not paid and how pay systems operate. For example, there can be legacy allowances in employment agreements which are never actually utilised or paid, and this is important context.

Things to think about

√ Some organisations will report median or average remuneration inclusive of overtime. If overtime is a frequent feature of a role (ie most workers will do more than 40 hours per week or 80 per fortnight) this may distort earnings to appear higher than they are if compared to a standard week. This could inadvertently lead to you comparing claimant remuneration inclusive of overtime to a comparator remuneration which does not include overtime (or vice versa). This could create further inequities as you could be, for example, comparing average remuneration earnt by working a 50 hour a week with the average of a 40-hour week without factoring in the extra hours worked.

Principle: *The entitlement to overtime payments should be equitable for comparable occupations (if overtime is ever required or undertaken), but the amount earnt in overtime should not be included in assessing median or average remuneration.*

√ Some organisations will have wrapped up historical allowances (or allowances in lieu of other entitlements) into base pay. Police are a good example of this. It can be really useful to have some understanding of the history of remuneration in the occupation and the components of what it is made up of to better understand how and why remuneration looks like it does and what it is meant to cover. This can help parties do a more effective 'like for like' analysis.

Principle: *Remuneration is often made up of multiple components which have been built, adjusted and developed over time. Having some understanding of the 'why' of remuneration supports a robust analysis of the 'what'.*

Are there any aspects of remuneration that may not be relevant in a pay equity process?

There can be elements of remuneration that are particular to an occupation and therefore it does not make sense to include them in an analysis. However, to exclude any element of remuneration you must have clear and compelling evidence to remove it. A hypothetical example is as follows:

If the comparators you are assessing have an on-call allowance because they must be on call at certain times, this could, on the face of it, look like a remunerative benefit to be included in total remuneration. However, if your claimant is not required to be on call, or anything that could be equivalent, on call may then be able to be excluded from the comparison as there is clear and compelling evidence that this is a difference that is not based on sex.

Each allowance or remunerative benefit needs to be carefully analysed on a case-by-case basis before it can be excluded. It is not as simple as removing anything that remunerates for a task or duty that is not shared by the claimant and comparator/s. There can be remunerative benefits that are attached to certain tasks because they have been historically seen as valuable, perhaps because they were dangerous or technical. This is particularly evident in male dominated occupations. However female dominated occupations may have tasks or duties which are different but require similar levels of risk or technical knowledge. The question then becomes ‘would this occupation/role have attracted any comparable allowance/s had it been male dominated?”

Principle: *Some remunerative benefits can be excluded from a comparison of total remuneration if there is clear and compelling evidence that there is no differentiation based on sex. Case-by-case analysis is needed before agreeing to exclude any aspect of remuneration from comparison.*

Can we add new allowances/remuneration benefits as a part of establishing equitable remuneration?

Alongside the consideration of whether to exclude an allowance that comparators have access to, you will need to analyse of whether new allowances/remunerative benefits may be needed for your claimant occupation to achieve equitable remuneration. This process takes you from the question you asked earlier “would this occupation have attracted comparable allowance/s had it been male dominated?” to the next step which is to ask, “would this occupation/role have attracted specific allowances or benefits would this occupation/role had it been male dominated?”

A hypothetical example of this is as follows:

It has emerged in assessment that your claimant occupation undertakes work with hazardous material, in this case human waste. They receive no remuneration for this work neither in how their base salary is constructed nor as an allowance. While your comparators do not have an equivalent responsibility, we can identify that they do attract allowances for different work which is strenuous, hazardous or otherwise impactful. This tells us that your claimant may have attracted an allowance for this work, had the work been male dominated.

Principle: *Female dominated roles must be analysed free from bias and prevailing assumptions about the value of the work. Case-by-case analysis is needed to establish what remunerative benefits the occupation/role may have been paid had it never been subject to sex-based undervaluation.*

The exclusion and inclusion of allowances may seem like difficult questions to answer but are important to think through carefully before you include or exclude any aspect of remuneration.

The Equal Pay Act 1972 in section 13ZD(2) tells us that we:

(a) must consider matters objectively and without assumptions based on sex (and prevailing views as to the value of work must not be assumed to be free of assumptions based on sex); and

(b) must recognise the importance of skills, responsibilities, effort, and conditions that are or have been commonly overlooked or undervalued in female-dominated work (for example, social and communication skills, taking responsibility for the well-being of others, cultural knowledge, and sensitivity);

c) must consider the list of factors in section 13F(3).

A particularly important section 13F factor here is the following:

(iv) the failure by the parties to properly assess or consider the remuneration that should have been paid to properly account for the nature of the work, the levels of responsibility associated with the work, the conditions under which the work is performed, and the degree of effort required to perform the work.

Do we need to consider grand-parented terms and conditions when comparing remuneration?

Grand-parented terms and conditions in a collective employment agreement are terms and conditions which no longer apply to the entire cohort of employees under coverage of that agreement. This is usually time bound, meaning that employees that are employed after a certain date do not have access to that term or condition. Once all the employees who do have access to it leave the organisation, the benefit will cease altogether. In effect this means that the organisation no longer has that term and condition as part of its remuneration approach. As they are no longer current, grand-parented terms and conditions should not be considered in comparing remuneration to establish equity.

***Principle:** remuneration comparisons should be between up to date and current remuneration packages.*

Does equitable remuneration mean identical remuneration?

The short answer to this is no. Achieving equitable remuneration for a claimant does not mean that your claimant remuneration must look exactly the same as your comparator or comparators either in rates of pay or remuneration system or structure. Comparator remuneration information provides crucial data points to understanding what your claimant occupation should have been paid had it never been subject to sex-based undervaluation.

When looking to establish equitable remuneration after a work assessment, it can feel like the easiest way to do this is to pick a comparator and match or imitate their remuneration system. It may even feel like you are limited to this as the method to deliver any correction.

While the way remuneration systems work across your comparators is important to understand and may offer useful insights into how equity may be delivered, matching or replicating a comparator remuneration system is not required. In fact, doing so may not lead to the most equitable, operable, or innovative solution to deliver equity for the organisation and the employees. It could be that none of the remuneration systems that your comparators use are suitable for how equity is best delivered in the context you are working in.

The remuneration assessment sits alongside your work assessment where you would have developed a rich understanding of the level that the work sits at. Your comparators may have scored higher or lower than the claimant in this process. It can be expected that if your claimant scores higher they should then go on to earn slightly higher and vice versa. Differences in scores will not necessarily equate to a higher pay step but may be implemented by how the pay system operates over time. (for example, if your claimant scores higher, equity could be achieved via starting at a higher rate and moving more quickly up a remuneration system, rather than simply having access to a higher pay step). However, it is fair to say that the expectation should be that higher scores (which mean higher levels of skills, responsibility and effort do need to be reflected in remuneration.

It is important that in the process of remuneration analysis the data is treated as an input to understanding the parameters of equity, rather than an exercise which requires matching like for like. This allows parties to develop fair and equitable remuneration for their claimant group.

Principle: *The primary goal of a remuneration assessment is to establish equitable remuneration and maintain this over time. This does not mean that the remuneration levels or the remuneration system will be identical to any comparator as equity can be realised in a range of ways.*

Appendix 1.

Hypothetical example of a table outlining all remunerative terms and conditions – Note this is a guide for the steps only and there will be a range of different remunerative benefits in every occupation.

Entitlement	Claimant	Comparator	Comparator
Overtime	T 1.5 after 40 hours per week	T.2.0 after 40 hours per week	T1.5 between 40 and 45 hrs per week then T 2.0
Shift payment	No shifts worked	$25 per day	No shifts worked
Call back allowance	No call back required	T2 for minimum 2 hours T1.5 thereafter	2 hours minimum payment at normal wage rate.
Uniform allowance	None	$500 per annum	$1000 per annum
Travel costs	50c per km	IRD rate	IRD rate
Annual leave	4 weeks per annum	5 weeks per annum	5 weeks per annum
Long service leave	None	1 week extra after 5 years	1 week extra after 7 years
Sick leave	15 days per annum	15 days per annum	20 days per annum
Wellbeing allowance	None	$600 per annum	$500 per annum
Vision Test allowance	One off payment of $300 towards eye test/ eyewear	One off payment of $300 towards eye test/ eyewear	One off payment of $300 towards eye test/ eyewear
Superannuation	3 percent employer contribution	3 percent employer contribution	4 percent employer contribution
Meal breaks	Paid T1.5 if unable to take meal break	Takes meal breaks as required	Takes meal breaks as required
Higher duties allowance	Rate of higher role after one full day of acting up	Rate of higher role after one week of acting up	Rate of higher role after 2 weeks of acting up
Hazardous duties pay-ment	None	$50 per identified activity	$200 per month
Parental Leave	Statutory entitlement	Statutory entitlement	Statutory entitlement

Needs investigation
Not applicable
Equitable
Better

Appendix 2.

Hypothetical table of remuneration and remunerative terms and condition data for further analysis- note this is a guide for helpful steps only.

Role	Claimant	Comparator A	Comparator B	Comment
Average Salary	$ 71,800.00	$ 84,500.00	$ 77,350.00	*Actual paid rates*
Median Salary	$ 70,000.00	$ 85,000.00	$ 75,000.00	*Actual paid rates*
Superannuation	$ 2,100.00	$ 2,500.00	$ 3,000.00	*Calculated from median paid rate*
Overtime	$1,200	$ 2,500.00	$ 2,000.00	*Average paid per employee*
Uniform allowance	$ -	$ 500.00	$ 1,000.00	*All occupations are required to wear uniform*
Travel costs	$ 700.00	$ 1,500.00	$ 2,000.00	*Average paid per employee*
Annual Leave	$ 5,384.60	$ 8,173.10	$ 7,211.54	*Entitlement at median salary*
Long Service Leave	$ -	$ 1,634.60	$ 1,442.31	*Note different number of years till eligibility*
Wellbeing Allowance	$ -	$ 600.00	$ 500.00	
Hazardous Duties Payment	$ -	$ 300.00	$ 2,400.00	*Average paid per emplyee for comparator*
Total Remuneration	**$ 79,384.60**	**$ 102,707.70**	**$ 94,553.85**	