

Equal Pay Review 2005
Including age discrimination update

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Executive Summary

Audit Scotland undertakes equal pay reviews annually in order to ensure there is no unjustifiable differentiation in pay between males and females. We also search for any other reward discrimination that might conflict with our corporate principles and values. Together, this means that Audit Scotland's monitoring in this area exceeds the minimum statutory obligation under employment law.

Our last equal pay review undertaken in 2004 identified three risk areas. Two have been completely removed due to the decision to change reward policy in these areas. The third risk, concerning new employee's salary when starting with Audit Scotland, has been more effectively managed/monitored through an improved HR reward management strategy.

This review focuses on the following areas where we think there are business benefits in further examination:

- Pay levels across the Fixed Point Salary Group (FPSG).
- Pay levels across ethnic groups.
- Forthcoming Age Discrimination legislation (October 2006)

This review highlights some differences between the average salaries of men and women and white and ethnic minority staff. However, on further investigation these differences can be explained for reasons other than sex/ethnicity.

In relation to new age discrimination regulations, Audit Scotland will need to investigate some areas related to pay and reward systems. Human Resources will keep a track of legislation and any areas for action/investigation in this area.

A further review will take place during 2007.

1.0 INTRODUCTION

1.1 Summary of Actions - 2004 Review

During 2004 Audit Scotland carried out its first Equal Pay Review for graded staff in consultation with PCS and our specialist partners at Collinson Grant. The review confirmed that Audit Scotland's policies (and the application of them) reinforced the principles of equal pay. There was no evidence of deliberate/direct discrimination and any disparity in salaries could be explained for reasons other than the difference of sex. Three areas were identified where Audit Scotland could have been at risk of contravening equal pay legislation:

- Some staff at grade E and above did not have access to the travel allowance/car scheme.
- Grade ceilings existed on some Grade B and G posts.
- Job offer paperwork did not allow managers to fully justify offering a new start a salary above the bottom of the scale.

The 2004 review proposed recommendations to remove/manage these risks. Audit Scotland implemented all of these recommendations.

1.2 Outline of this review

Given that our policies reinforce equal pay principles, this review will focus on areas not covered previously, namely:

- An analysis of reward for our fixed point salary group.
- New start salaries during 2005 (this is the only area where managers can operate discretion, thus the risk of discrimination is higher in this area).

In addition it will cover:

- An analysis of pay by ethnicity (given our specific duty to promote race equality).

It will also look at age discrimination regulations effective from 1st October 2006.

The next section will focus on the Fixed Point Salary Group.

2.0 FIXED POINT SALARY GROUP (FPSG)

As at February 2006, there were 17 permanent employees in the FPSG. Salaries within the FPSG are agreed between Audit Scotland's Management Team and Remuneration Committee. All roles, with the exception of Managing Director & Deputy Auditor General, have a salary range within which jobholders are paid. Salary progression is based upon performance contribution as evidenced by the annual Performance Development Scheme. Salary progression at the higher end of the range requires a consistently superior level of performance contribution.

Table 1 shows average salaries by gender for FPSG employees.

Table 1: Average salaries¹ - FPSG

Gender	Average salary
Male	£78,859
Female	£76,779

¹ The EOC recommends that disparity in excess of 5% of salary as measured between males and females would merit further investigation.

There is no significant difference between male and female average salaries. Further analysis of specific roles within the FPSG shows between 0.3% (Director level) and 3% (Assistant Director level) disparity between male and female salaries. As this is below the 5% limit set by the EOC for salary disparity, this would suggest that the salary system in place and the means for setting salaries is not causing gender disparity. Salaries are underpinned by an evidence based performance management process including documentation from senior line management. In addition, HR and the Management Team are involved in the process prior to the Remuneration Committee to enable corporate governance.

All FPSG members are white. Therefore, no analysis can be carried out in relation to ethnicity.

3.0 SALARIES

In our last review we looked at average salaries for all staff by gender and grade. It revealed that, where average salaries were significantly different, they could generally be explained for reasons other than the difference of sex. Policy and procedure on pay progression is very clearly defined and incremental and there is little or no scope for discretion. Therefore, this review will not reproduce this analysis.

The only area where managers can use their discretion is when offering new employees a starting salary. Therefore, this section will focus on salaries for new starts from January to December 2005.

3.1 New Starts – 2005 (gender)

During 2005, 37 new employees joined Audit Scotland (excluding FPSG). See appendix 1 for a scatter plot of salaries by gender for this group of employees. Table 2 illustrates average salaries offered by gender and grade.

Table 2: Average salaries —new starts 2005

Grade	Average	
	Males	Females
A	-	13016
B	-	-
C	19676	17877
D	-	22305
E	29952	30309
F	40098	37532
G	47178	43947
T	14804	15831

There are some significant differences between male and female salaries (grades C, F and G). By significant, we refer to differences in excess of a 5%, which the EOC suggest would merit further investigation. Further investigation of personal files was carried out to find out if this disparity could be explained. In all grades where significant differences were identified, an acceptable reason other than sex was given for a salary being offered above the bottom of the scale. Some reasons given were level of experience and skills brought to the role.

Due to the often very small numbers involved, care should be taken when interpreting this data.

3.2 New Starts – 2005 (ethnicity)

During 2005, three employees joined Audit Scotland who were from an ethnic minority group. Due to the small numbers involved and to enable more meaningful analysis, ethnicity data is split into two categories: white and ethnic minority group.

Table 3 shows the comparable average salaries for white and ethnic minority new starts in 2005.

Table 3: Average salaries —new starts 2005 (ethnicity)

Grade	Average	
	Ethnic Minority Group	White
E	27812	30336
T	14847	15514

There is a significant difference between the average salaries of grade E new starts. However, only one person from an ethnic minority group was recruited to a grade E post during 2005. Trainee pay progression is based on exemptions and exam passes only i.e. there is no room for discretion. On checking personal files, there was evidence to show that salaries were different for a reason other than ethnic origin.

Human Resources will continue to monitor this area in future reviews.

3.3 Pay progression and promotions

Pay progression at Audit Scotland is clearly defined and incremental and there is little or no room for discretion. The exceptions to this are in relation to new start salaries (already covered) and promotions. The policy on promotions is that employees should go to the bottom of the scale for the promoted post. However, managers can (if justified) offer up to a 2 spine point increase. On a sample check of promotions across 2005, salaries were offered at the bottom of the scale.

The next section will look further into the salaries and ethnicity of existing employees to see if any disparity is evident.

4.0 ETHNICITY ANALYSIS

Audit Scotland has seven employees who are from an ethnic minority group.

Table 4 shows the frequencies and percentages of white and ethnic minority group employees within each grade (excluding FPSG) as at February 2006:

Table 4: Frequencies and percentages (ethnicity)

Grade	Ethnic Minority Group		White	
	Number	%	Number	%
A	0	-	7	2.7
B	1	14.3	12	4.6
C	0	-	19	7.2
D	1	14.3	28	10.6
E	1	14.3	83	31.6
F	0	-	34	12.9
G	1	14.3	54	20.5
T	3	43	26	9.9
Total	7	100	263	100

Due to the small number of ethnic minority staff employed, we cannot analyse salaries by grade or safely analyse average salaries.

On checking personal files for ethnic minority employees, there is no evidence of discrimination.

The remainder of this review looks at age discrimination legislation effective from 1st October 2006.

5.0 AGE DISCRIMINATION

Age discrimination can be explained as occurring when someone treats a person less favourably because of that person's age, and uses this as a basis for prejudice against and unfair treatment of that person.

Age discrimination is currently not directly protected in the UK. This will change from 1st October 2006 when the government intends to introduce age discrimination legislation (in employment and vocational training).

An analysis of Audit Scotland's policies and procedures highlights some areas for consideration and exploration around policies such as retirement, reward etc. Human Resources are tracking the legislation and will provide updates in due course together with options and revised policies / procedures to ensure ongoing compliance with legislation and business good practice.

6.0 CONCLUSIONS

Although this review highlights some significant differences between the salaries of men and women, white and ethnic minority staff the reasons for these differences are acceptable and justifiable. There is no evidence of discrimination on the grounds of sex or ethnicity. On looking at new starts (2005), differences in salary are evidenced to be for reasons other than sex/ethnicity.

The new age regulations are likely to affect a range of employment issues. Human Resources will monitor the legislation and any subsequent changes and take forward any areas for investigation/action.

Human Resources will continue to monitor annually and expand on the information contained within this review. A follow up review will take place during 2007. We will have a specific duty to promote disability equality from December 2006. The diversity group are currently reviewing our options for the collection of disability information from staff. It is likely that we will use our next staff attitude survey (2007) as a means to collect this information on a voluntary basis. In addition, we will review any progress relating to the age discrimination regulations and related issues.

7.0 RECOMMENDATIONS

The Management Team should note that this review provides substantial assurance that Audit Scotland's reward system meets both employment good practice requirements and our own internal principles and values. Whilst some differences between salaries have been identified, further investigation confirms that the differences exist for reasons other than sex/ethnicity.

Human Resources will provide the Management Team with an update on age discrimination legislation and the implications for Audit Scotland by the end of August 2006.

Appendix 1
New Start salaries - 2005 (gender)

