



**Westpac NZ
Gender Pay Analysis
2019**



Foreword

I want to share with you some information about Westpac NZ that we are not proud of. Despite being a business that has focussed strongly on gender equality, we still have a significant gender pay gap.

This report, the first of its kind for our organisation, spells out the reasons why, and what we intend to do about it.

On the positive side, it confirms that we've more or less achieved pay equity – paying our men and women equally for doing equal work. However, it reveals that our jobs aren't distributed equally between the genders. Women still hold the majority of our lower-paid frontline retail roles and are under-represented in senior positions. This discrepancy means our overall gender pay gap is 30.3%.

The size of this gap is disappointing given the work we've done over recent years, particularly in successfully increasing the proportion of our leaders who are women to more than 50%. These changes have boosted the diversity of thought, experience and skills at Westpac NZ, and have made us a stronger organisation. However not enough of our women leaders are in the highest paid positions in the bank.

To provide some background, we believe in paying our people equally. We know doing so clearly benefits our people, our company, our economy and society. This report came about after asking ourselves how successfully we're performing against that belief.

We went back to square one by asking Deloitte to advise us on the way we, and other businesses and organisations like us, should be approaching this issue. Their findings are laid out in *Bridging The Gap: Westpac NZ Gender Pay Report*, which has been published in tandem with our report you're reading.

We then crunched our own numbers, with oversight from the NZ Work Research Institute at AUT, and challenged our own assumptions. We present the conclusions in this document. Releasing it publicly forces us to be honest and open about our position, to squarely confront the gender pay issue, and to make commitments to close it.

We voluntarily follow in the footsteps of countries like Iceland and the UK, which have led the way in pushing businesses to open up about gender pay.

The results show we're falling short of where we want to be. However, it doesn't have to stay that way. We firmly believe that we need to try to close our gender pay gap, and our goal is to eventually close it to zero.

We know that in business "what gets measured gets done", particularly when the process is out in the open. We believe that by being honest and transparent about our gender pay gap and taking action, we will encourage other organisations to talk about their own situation.

I invite you to read on, and to consider how your business might apply the same thinking so we can all contribute to closing New Zealand's gender pay gap.



David McLean
Chief Executive Westpac NZ

Who we are

Westpac NZ employs more than 4000 people across New Zealand. 62% of our people are women.

The breadth of our industry means you will find our people in more than 150 branches across the country, and in back-office roles as varied as IT, legal and finance. Each person plays a vital role in delivering on our purpose as an organisation: **to help our customers financially, to grow a better New Zealand.**

We know Westpac NZ is at its strongest when we foster an environment of diversity and inclusion.

We pay equally...

Role for role, we're confident we're very close to achieving **pay equity** by paying our men and women equal money¹ for doing equal work. Of course, there are small differences between individuals depending on their specific role, seniority, responsibilities, skills and experience.

We use the Korn Ferry Hay Guide Chart Method of Job Evaluation² to compare pay across like-for-like roles. We have **13 internal bands** that have been created using this framework with each band representing a range of Hay Points. **For 6 of these bands the pay gap is 3% or less** (sometimes favouring men and sometimes favouring women). In two entry level/admin bands women are paid at least 10% more than men - this is primarily due to the collective nature of these contracts, where pay is generally based on tenure.

We have made good progress on pay equity in recent years. We analyse this by role and by band in our remuneration reviews every year, with the aim of reducing any disparities, and are confident that we can achieve further progress fairly rapidly. So, we are reasonably happy with our pay equity position.

...but we have a gender pay gap of 30.3%

However, pay equity itself is only one indicator of whether men and women are being paid fairly. The **gender pay gap** is the difference in median hourly earnings between all men and women at an organisation. This comparison does not take into account differences in the role performed, or an individual's experiences, skills, or education.

At Westpac NZ, this figure is 30.3%. We choose to use a methodology that compares the median total full-time equivalent pay (including base salary, bonuses, superannuation, overtime and miscellaneous payments) of all men and all women. **We think this is the most transparent measure for Westpac NZ because it includes every element of pay for all employees.** We believe the gender pay gap should be an all-inclusive measure of the total amount earned, as that is what is important to the employee, not how that pay is made up.

We choose to include superannuation in our calculation because managers at Westpac NZ are offered a larger superannuation contribution than those on other contracts and all staff who participate in the scheme receive a level of superannuation well in excess of KiwiSaver employer contributions. Men make up a higher proportion of employees at senior levels so collectively benefit in a way that widens the gender pay gap. While superannuation is not money in the hand it has a material impact on retirement savings.

¹ It has been illegal since 1972 not to pay men and women equally for the same job, but men and women can be paid differently based on seniority, qualifications, experience, etc.

² This methodology is used globally and is generally accepted as a robust way of categorising roles based upon the know-how, problem solving and accountability elements of each position.

How do we compare?

There are a range of ways of measuring the gender pay gap. Organisations should refer to *Bridging The Gap: Westpac NZ Gender Pay Report* by Deloitte to understand a best practice approach to this issue.

Statistics NZ calculates the national gender pay gap as 9.3% by comparing the hourly median pay of all men and women, however it does not include superannuation in its calculations. **If we were to use the Statistics NZ methodology when calculating our gender pay gap, it would be 27.7%.**

Some organisations prefer to compare the average (or mean) pay of employees instead of the median pay, however average pay is more prone to fluctuations and more heavily influenced by outliers than median pay. If we were to calculate our gender pay gap using average total pay, it would be 30.2%.

The reason for our gender pay gap

Given the efforts we have made and the results we have achieved on measures like women in leadership and pay equity, why do we have such a large gender pay gap? We believe that Westpac's gender pay gap largely reflects historical structural characteristics which are common to our industry in the hiring of men and women to roles at different levels in the organisation. Traditionally, in service industries like ours, management roles were filled by men, and frontline service roles by women. This was the model a long time ago, but despite 50 years of apparent progress, today women are *still* more highly represented in junior positions and in departments where pay is lower, such as in our branch network and contact centre. Although progress has been made in progressing from traditionally male-dominated bank management, and leadership roles are now roughly evenly split between men and women, this does not offset the high female concentration in lower paid roles. Men are also more strongly represented in occupations where pay tends to be higher, such as IT and finance. **In a nutshell, women make up a majority of our workforce but are not represented equally in our highest paid roles.**

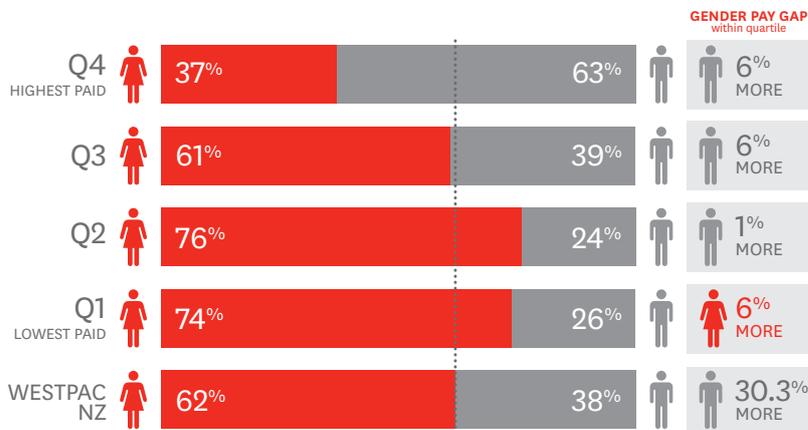
Of course, there are also wider causes at play that are outside the control of Westpac, and difficult to quantify. Women are often the primary caregiver in households, and some may opt to avoid senior roles if it's perceived they have reduced flexibility. Research from AUT's NZ Work Research Institute in 2017 for the Ministry of Women found more than 80% of the New Zealand gender pay gap is unexplained.

The fact that our gender pay gap is worse than New Zealand's overall gender pay gap shows that, statistically, other sectors or employers must be doing better than the national average. Our goal at Westpac is to eventually reduce our gender pay gap to zero, but because the cause of the issue is embedded in the structure of our workforce, it may take some time to effect meaningful change.

It may not be possible for all businesses to get to a zero gender pay gap in any reasonable timeframe. Some of the embedded issues in the type of work done by different genders (for example, bringing more young women through to careers in STEM - Science, Technology, Engineering and Maths) will take time to fix. Nevertheless, if we at Westpac, and others in a similar position, can reduce our gap, the national average can be improved. In other words, even if it may not be possible for each individual employer to get to a zero gender pay gap, we should still be able to get to zero at a national level if we each make an improvement from where we are now.

Our people by quartile

Men make up the majority of employees in the highest paid quartile of our workforce. Women outnumber men in the other three quartiles. The dotted line reflects the distribution of both genders across all of Westpac NZ.



Our people by pay band

Every employee below the chief executive is sorted into one of 13 pay bands. Each role is assigned to a band based on job description, responsibilities and tasks, using the Korn Ferry Hay Guide Chart Method of Job Evaluation. As discussed earlier, we are confident we have achieved close to pay equity within each band, however there are a higher number of men in the senior bands and a higher number of women in the junior bands.

The way men and women are distributed through our organisation is not a new phenomenon or unique to Westpac NZ. The same characteristics are common to banks and many corporate organisations in New Zealand and overseas.

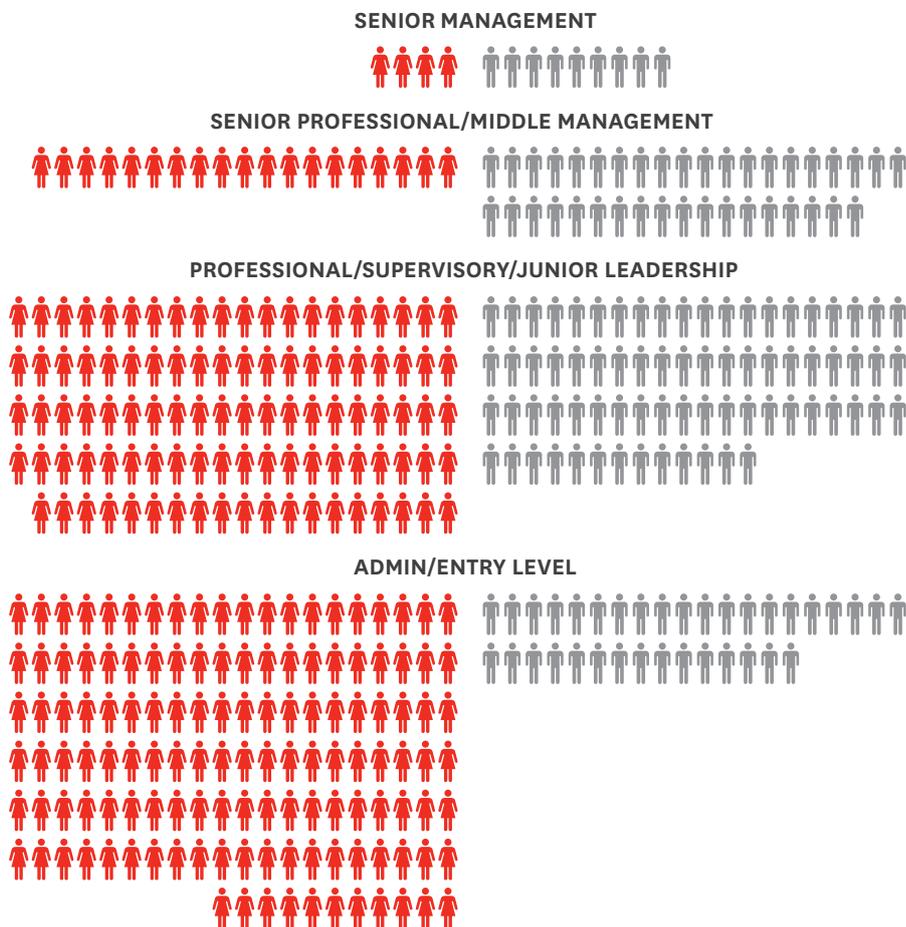
Gender parity will be achieved if men and women are represented equally at all levels of the organisation, and in our case we need to achieve a greater level of gender parity in order to close the gender pay gap.

Band	Men	Women	Gender Pay Gap (within band)
BAND 13 HIGHEST PAID	4	4	*
BAND 12	3	10	*
BAND 11	9	28	6% MORE
BAND 10	20	48	6% MORE
BAND 9	50	135	2% MORE
BAND 8	140	240	=
BAND 7	262	324	2% MORE
BAND 6	329	204	2% MORE
BAND 5	100	45	=
BAND 4	290	146	3% MORE
BAND 3	663	252	10% MORE
BAND 2	634	98	18% MORE
BAND 1 LOWEST PAID	13	3	*

* Pay difference within band not published due to the small sample and privacy.

Our structure

This chart shows the shape of our organisation. These tiers are defined using the Korn Ferry Hay Guide Chart Method of Job Evaluation.



How we're changing

The gender imbalance was greater three years ago and we're encouraged by the direction we're heading. The shape of our organisation and the levels and roles within it has also changed in that time, reflecting trends such as digitisation and other changes in our industry. There are now 12.1% more women in senior management roles, while the number of men at that level has risen by 5.8%.



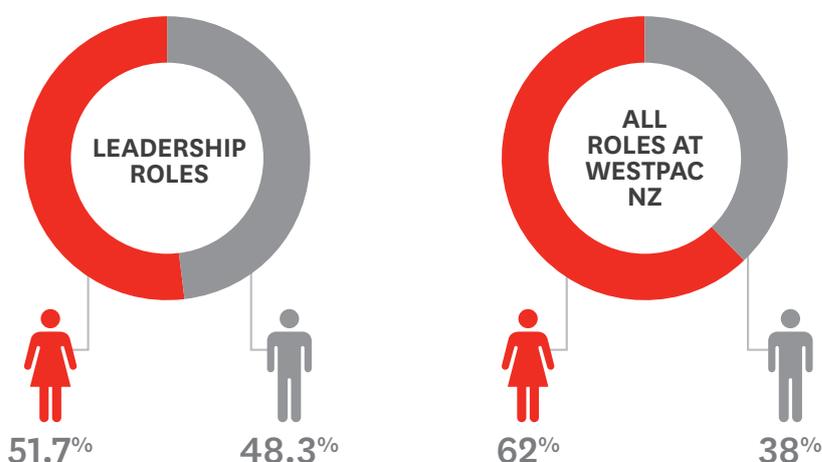
Women in Leadership

In 2012 Westpac Group committed to increasing its proportion of women in leadership roles³ to 50% on internal measures. Westpac NZ reached this milestone in December 2016. The proportion of women in leadership roles is 51.7%.

That sounds good, on the face of it, but 62% of our employees are women, so we should actually expect the proportion of women in leadership roles to be closer to that number.

One implication of this disparity is that the average man at Westpac NZ is more senior than the average woman.

Additionally, women are highly represented in supervisory leadership roles within our branch network, such as Branch Manager and Assistant Branch Manager positions, but this trend is not replicated to the same degree in senior parts of the organisation.



Senior leaders

Taking a look at the most senior employees within Westpac NZ, three of our eight board members are women, including the chair. Four of our eight general managers are women and four are men.



³ Westpac's definition of leadership reflects a range of positions across all parts of the bank, including management roles in our branches and offices.

Efforts to date

Our efforts in recent years have focussed on removing the barriers which have stopped more women getting into leadership roles across the bank. Among other actions, we have:

- ✓ Set targets and measured results, down to a business unit level
- ✓ Targeted equal numbers of men and women on recruitment shortlists. This is tracked and reported, and embedded into service agreements with recruitment providers
- ✓ Introduced and enhanced policies to promote flexible working and parental leave
- ✓ Provided women-specific development opportunities, including programmes run internally and by Global Women
- ✓ Put equal numbers of men and women on internal development programmes
- ✓ Ensured employees on parental leave still receive performance-based salary increases
- ✓ Made training in unconscious bias mandatory for all employees
- ✓ Worked with Deloitte on a 'Diversity Dividend' report that examined the attitudes of New Zealand business leaders to women in leadership issues
- ✓ Worked with Stuff to present the Women of Influence awards annually for the past six years

These efforts have made demonstrable progress in shifting our "Women in Leadership" metrics. We now need to develop and employ similar tangible business methods to close our Gender Pay Gap.

Why is closing the pay gap important?

According to Deloitte's *Bridging The Gap: Westpac NZ Gender Pay Report*⁴, closing the gender gap is a key driver of organisational, social and economic performance. In a review of available literature on this topic, Deloitte finds:



Increasing the talent pool to include more women has been linked to enhanced innovation, which increases competitiveness of individual organisations and also GDP at a country level



The pay gap starts from the moment women enter the workforce. The pay gap, together with time taken out of the workforce to raise families and/or care for other dependents, impacts their lifetime economic security and has longer term societal impacts



Workforce participation of women is important when looking at the current skills shortages and the ageing population. If half of the world's talent is underdeveloped or underutilised, growth and sustainability will be compromised

The fourth industrial revolution⁵ threatens to make some jobs held traditionally by women obsolete. At the same time, opportunities will arise in roles in which women are under-represented, including STEM subjects.

⁴ Bridging The Gap: Westpac NZ Gender Pay Report was authored by Deloitte and released in tandem with the report you are reading.

⁵ <https://www.weforum.org/agenda/2016/01/the-fourth-industrial-revolution-what-it-means-and-how-to-respond/>

Looking forward

Our efforts to lift the proportion of women in leadership roles in recent years have been rewarding. On that metric we have made good progress. Our teams are stronger for the diversity of thought, skills and experience that comes from having more women leading conversations within the bank. However, we know that to close our large gender pay gap, we need to make a significant shift in the disproportionate mix of women and men at different levels within the organisation – a legacy of history in our industry. This will take time. We have identified a number of actions that we can take that will make some difference, including to:



Increase the availability of flexible work practices and encourage their uptake by our employees



Continue implementing processes that result in strong candidate shortlists with women and men represented equally, for *all* roles



Maintain a focus on career development for women at all levels in order to build a strong pipeline of internal talent



Implement policies that mitigate employee attrition, particularly in response to identification of particular ‘hot spots’ during their careers when high potential women tend to be more likely to leave the organisation



Keep measuring the problem and maintain a focus on the data, assessing the distribution of remuneration spending to identify outliers and anomalies



Continue to meet our “Women in Leadership” targets, acknowledging that this in itself will not be sufficient



Focus on how the labour market is likely to change as the future of work evolves, and engage with employees to capitalise on opportunities and mitigate risks

Importantly, we believe that by publishing our own data, and encouraging a conversation with other employers, we will be able to benefit from sharing among us ideas and initiatives that have worked for others.

It is important to note that pursuing these objectives is not about treating women preferentially over men, or promoting people on grounds other than merit, or ‘quotas’. Rather, it’s about identifying structural issues (like inflexible work practices⁶) that may disproportionately deter women from seeking senior opportunities, or hinder their progression, and finding ways to cut out any institutional biases that exist to inhibit that progression.

⁶ Improving flexible work arrangements was nominated as the most effective policy towards increasing diversity and inclusion in a survey of 500 business leaders in the Westpac NZ Diversity Dividend Report (2017).

Commitments

We know that continuing to operate in the same way that we have will not result in changes to our gender pay gap. We are therefore making the following changes to help bring us closer to gender parity. We will:



Publish a comprehensive annual gender pay analysis



Increase the proportion of our top three tiers of management who are women to 50% by 30 September 2025. (Currently this figure is 37%)



Continue to detect and reduce any disparities in pay equity



Apply for YWCA Gender Tick accreditation by end of 2019 and work with other organisations that hold the Gender Tick on gender pay best practice.



Address the gender imbalance in branch and contact centre roles.



Annually review all related policies and processes to ensure they support gender pay.



Increase our paid parental leave to 100% of an employees pay for 22 weeks (implemented 1 July, 2019)

Methodology

The analysis covers the fulltime equivalent salaries of our 4054 employees. All of the figures are accurate as at 30 April 2019, unless otherwise specified.

We recognise that not all people identify as a man or a woman. However, our analysis is confined to men and women as these datasets were large enough to make meaningful comparisons, while also providing anonymity.

The data and methodology for calculating the gender pay gap (across both the organisational level, and within bands) were independently verified by Professor Gail Pacheco, Director of the NZ Work Research Institute, AUT.

