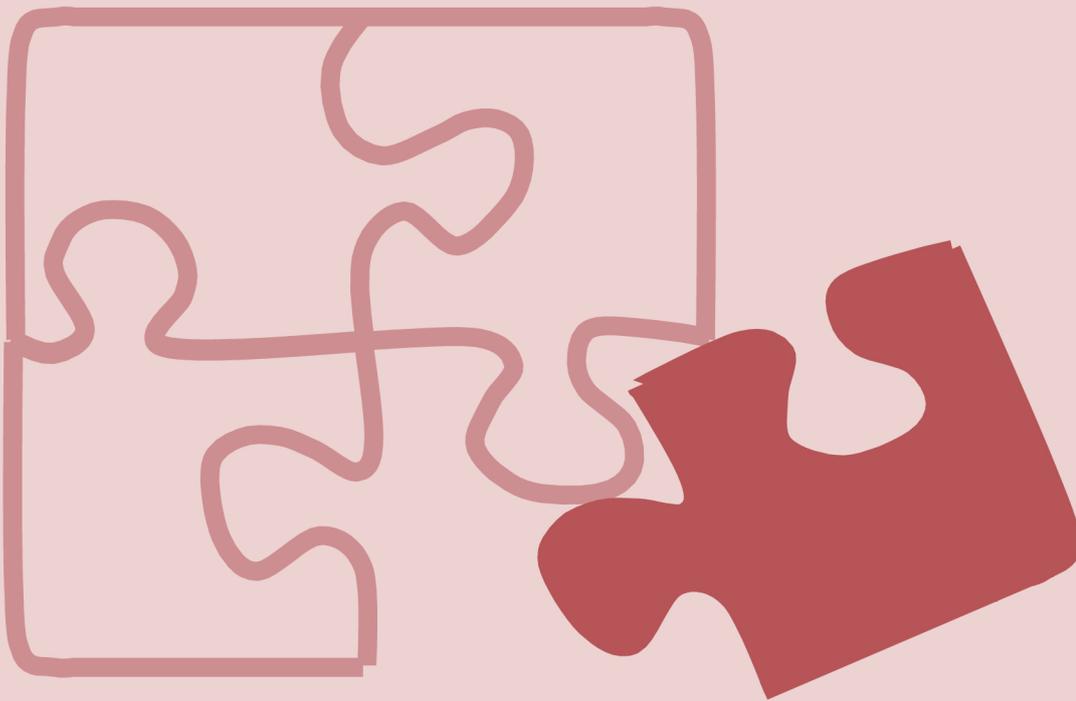




Equal Pay Self-Audit Kit: A Proactive Approach for Employers to Achieve Equal Pay



BOOK 3
SUPPLEMENTARY

The Equal Opportunities Commission has developed a set of guidebooks to strengthen public understanding on the concepts of Equal Pay for Equal Work (EPEW) and Equal Pay for Work of Equal Value (EPEV), for the purpose of eliminating pay discrimination on the ground of gender. These guidebooks are:

- Main Guide** Guide to Employers on Equal Pay between Men & Women under the Sex Discrimination Ordinance
- Supplementary Book 1** An Illustration on Developing an Analytical Job Evaluation System Free of Sex Bias
- Supplementary Book 2** A Systematic Approach to Pay Determination Free of Sex Bias
- Supplementary Book 3** Equal Pay Self-Audit Kit: A Proactive Approach for Employers to Achieve Equal Pay

An Easy Read Guide is also available as a quick reference for all users including employers of small business and employees in general.

The publications are available at the EOC website. Should you require clarifications on these publications or obtain the hard copies, please contact the Equal Opportunities Commission.

Enquiries : 2511-8211
Fax : 2511-8142
Email : eoc@eoc.org.hk
Website : www.eoc.org.hk

EQUAL PAY SELF-AUDIT KIT:

A PROACTIVE APPROACH FOR EMPLOYERS TO ACHIEVE EQUAL PAY

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INTRODUCTION

This is a supplementary book to the “Guide to Employers on Equal Pay between Men & Women under the Sex Discrimination Ordinance” and serves as a tool to assist employers to check if your pay practices are non-discriminatory and to facilitate the formulation of a Pay Equity Plan to achieve equal pay for men and women in the work place.

1. Obligations of Employers

Employers should recognize and comply with the obligation to ensure equal pay for equal work (EPEW) and equal pay for work of equal value (EPEV). Under the Sex Discrimination Ordinance (SDO), it is unlawful to discriminate, on the ground of sex, in the terms and conditions of employment. In the event that an equal pay claim is successfully lodged by an employee, a lot of effort, time and resources might be spent to show that your pay practice is free of sex bias and that the pay differential between the complainant and the comparator is not related to the gender of the employees. The best way to pre-empt any equal pay claim is to take a proactive approach on your pay practice. This involves adopting non-discriminatory pay practices that are transparent and understood by staff and regular checking on whether male and female staff performing work of equal value in your organization are treated consistently under comparable circumstances by conducting an equal pay self-audit.

2. Benefits of a Self-Audit

The self-audit is not a statutory requirement. It is to be carried out on voluntary basis and the benefits of conducting the exercise reach far beyond the objective of ensuring equal pay between men and women.

- The self-audit provides an opportunity for you to review existing policies and practices and to re-examine how your staff are paid.
- The audit results will help you to identify and address pitfalls in your pay systems, if any. It will also provide good groundwork for formulating new policies or improving old ones.
- Any pay disparity, regardless of the cause, may be identified for remedial actions to achieve fair pay for all members of staff.
- Fair pay will have a positive impact on staff motivation and retention. It will also enhance trust in the employer/employee relationship.

For employers without a formal or sophisticated pay system, information outlined in the Kit will provide reference for developing pay policies and processes that are free of sex bias. It is highly recommended that employers should take steps to adopt a structured approach

on pay determination. Initially, new systems could be made simple for easy implementation – a simple system is better than no system at all.

3. How to Use the Self-Audit Kit

This Self-Audit Kit is to be used together with the “Guide to Employers on Equal Pay between Men and Women under the Sex Discrimination Ordinance” and two other supplementary books entitled “An Illustration on Developing an Analytical Job Evaluation System Free of Sex Bias” and “A Systematic Approach to Pay Determination Free of Sex Bias”. These documents supplement each other to provide relevant information on the concept of equal pay, with tools that can be easily adopted by employers. An Easy Read Guide is also available containing information on key concepts and principles on EPEV for quick reference. It is assumed that users of this Self-Audit Kit are either human resources professionals with experience in the pay determination process or have studied the other documents in detail and possess a good understanding on the subject.

This Kit is comprised of six parts with a step-by-step description of the equal pay self-audit process. Tools are provided to facilitate the audit under various parts. Although the focus of the self-audit is on equal pay, the process itself also opens an opportunity for a comprehensive review of the overall remuneration practice of the organization.

- Part 1** Planning of an Equal Pay Self-Audit
- Part 2** Checklists for Good Equal Pay Practice
- Part 3** Identifying Equal Work & Work of Equal Value
- Part 4** Pay Analysis
- Part 5** Formulating a Pay Equity Plan
- Part 6** Case Study (Example of Equal Pay Self-Audit)

The concept of equal pay applies to both men and women. To avoid repetition, any reference of sex discrimination to women in this book shall be read as applying equally to the treatment of men.

The information in this supplementary book is the property of the Equal Opportunities Commission and is prepared for general reference by employers. Whilst every effort has been made to provide relevant information on the subject, only the courts can give authoritative interpretations and application of the law.

Part 1 Planning of an Equal Pay Self-Audit

With the tools provided in this document and computerized human resources management systems used by most organizations nowadays, performing a self-audit does not mean that it must be very labour intensive. Once the mechanism is set up, the system can be used for regular monitoring, with gradual improvements tailored to meet specific objectives of your organization.

An equal pay self-audit involves examining the pay determination process of an organization. For large organizations, it covers the checking of pay policies, practices and pay levels of male and female employees performing equal work or work of equal value. For smaller organizations without a structured pay system, the self-audit process may still be adopted to identify essential areas of change that are necessary to improve the pay determination process and to ensure that equal pay requirements are not infringed. The real benefit of conducting the self-audit will only be realized when a commitment is made to take corrective measures when pay disparity is identified. This can be achieved by formulating a pay equity plan. The process for planning an equal pay self-audit is briefly outlined below:

1.1 Set Objectives for the Self-Audit

The benefits of a self-audit have been spelt out in the introduction section of this Kit. You should set out your specific objectives for conducting the exercise, in addition to ensuring equal pay between male and female employees, such as the introduction or improvement of systems for job evaluation, grading and pay administration etc.

1.2 Identify Scope of Self-Audit

As the self-audit will cover the review of policies, processes and actual pay comparisons of employees, the scope of the exercise should be established encompassing but not limited to the following:

- Relevant human resources policies.
- Design and operation of the job evaluation system.
- Design of the grading and salary structure.
- Pay administration guidelines and processes.
- The status of job description records.
- Employees to be covered – It is recommended that all employees should be covered. Excluding particular employees or groups of employees would undermine the effectiveness and reliability of the exercise. Any pay anomaly cases should also be

reviewed to identify remedial actions in the future.

- Pay components, separately and as a whole package.

1.3 Form a Project Team

The number of members in the project team would depend on the size of the organization, scope of the review and objectives set for the exercise.

For large organizations, the self-audit will require a lot of information for an in-depth review, the following expertise in the project team would be valuable:

- Human resources professional with expertise in remuneration management and job evaluation.
- Staff responsible for the maintenance of personnel and pay records.
- Member of internal audit, if available, to advise on details of the process.
- Employees' involvement in relevant parts of the process such as review of job descriptions.
- Members of senior management should be the owner of the project.

For smaller organizations, the person responsible for management of staff matters should coordinate the exercise with the support of senior management.

Project team members should be well aware of concepts of equal opportunities and related statutory requirements.

1.4 Develop a Work Plan

Depending on the scope of the exercise, the self-audit should probably be phased with clear timelines in accordance with the proposed processes in this Kit, with deliverables at various stages and solid action plans. If appropriate for the circumstances of your organization, a consultative process involving line managers and employees should be useful to achieve effective results. In any case, the formulation of a communication strategy is a must.

1.5 Collect Information Required

It is important to ensure the accuracy and completeness of data to be used in the exercise. Relevant human resources policies, operating guidelines, internal control documents etc. should be reviewed. Personnel records as contained in computerized human resources management systems or in personnel files should be up-to-date and accurate. Records of

previous staff complaints on pay and input from line management can also be used to identify potential issues. In case of pay disparity identified, records of pay decision should help to explain the reasons for the differential. Individual staff data to be obtained may include the following:

- Gender
- Job title
- Grade
- Job evaluation score if available
- Department
- Full-time or part-time
- Service length in post
- Service length in company
- Separate elements of the pay package including cash components of pay and benefits items
- History of performance ratings and/or competencies assessments
- Qualifications
- Previous relevant experience
- Grade mid-point salary and/or market reference pay level
- Conditioned hours of work
- Any other key elements of terms & conditions of employment

Part 2 Checklists for Good Equal Pay Practice

In this part, checklists are provided on good equal pay practices to help you to assess your pay determination process. ***If your answer is “No” to any of the questions in the checklists, improvements to your systems and follow-up actions are likely required.*** There are 8 checklists provided. You can use these as examples and develop/add to your own checklists as appropriate.

Checklist #1 Analytical Job Evaluation

Checklist #2 Grading Structure

Checklist #3 Salary Structure

Checklist #4 Entry Salary

Checklist #5 Pay Progression

Checklist #6 Performance Pay

Checklist #7 Market Forces

Checklist #8 Other Terms & Conditions of Employment

2.1 Organizations Using Analytical Job Evaluation to Grade Jobs

If your organization has clearly established policies for the grading of your staff (or part of your staff) through analytical job evaluation, checklists #1 to #8 will assist you to assess how well you are practising equal pay and to identify areas for improvement.

2.2 Organizations Using Other Alternatives to Grade Jobs

If your organization uses other alternatives to grade jobs, use checklists #2 to #8 for your self-audit. It is recommended that you refer to the supplementary book “An Illustration on Developing an Analytical Job Evaluation System Free of Sex Bias” and consider using a more structured approach for assessing jobs.

2.3 Organizations Without Formal Grading or Salary Structures

It is highly recommended that you refer to the “Guide to Employers on Equal Pay between Men & Women under the Sex Discrimination Ordinance” and “A Systematic Approach to Pay Determination Free of Sex Bias” to develop a system as soon as possible. Reference can also be made to the checklists for formulating your pay system.

Checklist #1 Analytical Job Evaluation

<i>Please check your ACTUAL PRACTICE against the following list:</i>	Yes	No
■ Do you have an updated set of job descriptions on record for all positions in your organization?		
■ Do you have a standard format for your job descriptions?		
■ Is your job description designed for effective job analysis, containing information necessary for assessing job factors used in your job evaluation system?		
■ Do you provide training or professional assistance for preparation of job descriptions?		
■ Are jobholders involved in the preparation of their own job descriptions?		
■ Does your job evaluation system cover all jobs?		
■ If your job evaluation system does not cover all jobs, are there clear criteria for other alternatives used to grade jobs? Are those criteria free of sex bias?		
■ If you have more than one job evaluation system, are there justifiable reasons that are not gender-related to use more than one methodology?		
■ If you grade jobs that have not been evaluated by matching them with evaluated benchmark positions, is a clearly defined process in place?		
■ If job matching is used, are benchmark positions inclusive of both male and female dominated jobs?		
■ Do you complete your job matching before evaluation results of benchmark positions are available?		
■ Have all jobs in your organization been actually evaluated or matched through an objective process?		
■ Is job evaluation performed by either professionals of a proprietary system or by a panel?		
■ Are all members of your job evaluation panel trained and are they aware of equal pay requirements?		

■ Is there a confirmation process conducted as an overall review of job evaluation results?		
■ Is there an appeal mechanism on job evaluation?		
■ Are the job factors chosen for job evaluation in your organization free of sex bias, i.e. equally applicable to both male and female dominated jobs?		
■ Are the job factors clearly defined and reflect significant demands of jobs in your organization?		
■ Are there clear definitions to measure the degree of importance of each job factor at various levels, reflecting different levels of job demands?		
■ Are you certain that the weighting of job factors applied do not favour male or female jobs?		
■ Are evaluation decisions and results properly documented?		
■ Do you have a mechanism to re-evaluate jobs when there are changes to job contents?		
■ If a new position has been created, do you conduct job evaluation before a jobholder has been identified?		
■ Are there jobs with scores that are close to the grade boundaries predominantly performed by staff of one gender?		
■ Have you checked the job evaluation results to ensure that male and female dominated jobs without discernible differences are not arbitrarily put into two grades?		
■ Do you periodically review your job evaluation system to ensure that jobs are properly graded?		
■ Is your job evaluation system transparent to staff, providing them with a general understanding on how the system works?		
■ Are job evaluation results in terms of scores or grading of the positions communicated to staff (at least to jobholders and departments involved)?		

Checklist #2 Grading Structure

<i>Please check your ACTUAL PRACTICE against the following list:</i>	Yes	No
■ Do you have a formal grading structure in place?		
■ Is the grading structure transparent and understood by staff?		
■ Is the grading of a position determined by assessing job values through objective methods that are free of sex bias?		
■ When deciding on the grade boundaries, have you checked that similar male and female dominated jobs are not arbitrarily slotted into different grades?		
■ Do you have clearly defined criteria for establishing individual grades?		
■ Are these criteria free of sex bias and are equally applicable to both male and female staff?		
■ When determining the number of grades in your grading structure, have you considered your genuine business requirements?		
■ Regardless of the design of your grading structure, does the same set of terms and conditions of employment apply to both male and female staff belonging to the same grade or staff category?		
■ Are your job titles rationalized to reflect the grading of jobs?		
■ Have you checked the impact on male and female employees before implementing your grading structure (such as upgrading and downgrading of jobs affecting staff of a particular gender)?		

Checklist #3 Salary Structure

<i>Please check your ACTUAL PRACTICE against the following list:</i>	Yes	No
<ul style="list-style-type: none"> ■ Do you have a formal salary structure in your organization with clear pay ranges or pay points? 		
<ul style="list-style-type: none"> ■ If so, are the pay ranges/pay points consistently applied to all staff belonging to the same grade/same staff category? 		
<ul style="list-style-type: none"> ■ Are principles governing the application of the salary structure clearly spelt out? 		
<ul style="list-style-type: none"> ■ If you do not have a formal salary structure, can you substantiate that the process of pay determination is free of sex bias? 		
<ul style="list-style-type: none"> ■ Do you monitor and update your salary structure to be aligned with market pay movements? 		
<ul style="list-style-type: none"> ■ Are pay components clearly defined and consistently applied to jobs belonging to the same grade/same staff category? 		
<ul style="list-style-type: none"> ■ Do your staff understand the principles and methods for pay determination in the organization? 		
<ul style="list-style-type: none"> ■ If you differentiate pay according to seniority, are the principles and processes governing a seniority system clearly set out? 		
<ul style="list-style-type: none"> ■ If you have pay anomaly cases, have you set out a plan to rectify the situation with a timeline? 		

Checklist #4 Entry Salary

<i>Please check your ACTUAL PRACTICE against the following list:</i>	Yes	No
■ Do you have clearly defined minimum job requirements for each position?		
■ Have you established any guidelines for the determination of entry salary?		
■ As a general guideline, have you established a standard approach for determining the starting salary for new staff joining the organization?		
■ If there are circumstances that you might need to differ from the standard approach, have guidelines been set to govern such deviations?		
■ If you offer below the grade minimum, do you have an established process to re-align the salary of the individual over time?		
■ If you need to pay a premium to attract an individual candidate, are there clear guidelines to govern the amount of premium allowed?		
■ Have you set a standard percentage increase to the candidate's previous pay package as a guideline for your offers? Is it clearly stated how the percentage is calculated (e.g. based on basic salary or total cash)?		
■ If there is a need to adjust entry salary according to market forces, are pay decisions properly documented?		
■ Do you always perform an internal relativity check prior to making a new offer?		
■ Are all personnel involved in the determination of entry salary aware of the pay policies and equal pay requirements?		
■ Are all offers of entry salary properly approved and documented?		

Checklist #5 Pay Progression

<i>Please check your ACTUAL PRACTICE against the following list:</i>	Yes	No
■ Do you have clear guidelines on increment after probation?		
■ Are the conditions and rates of pay progression consistently applied to men and women performing work of equal value?		
■ Are all individual salaries capped at the maximum of the pay range? If not, can outlying cases be justified by reasons that are free of sex bias?		
■ Do you review the pay positions of individual staff from time to time to minimize pay disparity, if any?		
■ If you permit special adjustments to salaries for individuals, such as to retain a staff leaving for a better offer in another organization, are clear guidelines established?		
■ If you offer additional pay for additional responsibilities (not a promotion case), do you have clear guidelines for the increment?		
■ If you have overlapping pay ranges between grades, is there a reasonable overlap to ensure a healthy pay progression upon promotion?		
■ Do you apply a standard percentage increase for promotions? If not, are the conditions and rates of promotion increase clearly established and consistently applied?		
■ Do you conduct an internal relativity check between individual staff performing work of equal value (normally within the same grade) when deciding a promotion increase?		
■ Are eligibility/improvements to the terms and conditions of employment other than cash components of pay consistently applied to male and female staff upon promotion?		

Checklist #6 Performance Pay

<i>Please check your ACTUAL PRACTICE against the following list:</i>	Yes	No
■ Do you have an objective performance management system in place to assess staff performance?		
■ Do you set performance goals and measures at the beginning of a performance period?		
■ Are performance targets equally achievable by male and female staff?		
■ If competencies are measured for the purpose of determining individual salary increase, are competency requirements free of sex bias, clearly defined and consistently applied?		
■ Do you have measures to improve the objectivity of competency assessment, such as substantiation by critical incidents or collecting input from sources in addition to the direct supervisor?		
■ Do you carry out performance distribution analysis? If so, do you analyse the performance distribution of male and female staff against their performance pay?		
■ Are factors for determining individual salary increase clearly set and communicated?		
■ Are salary increase guidelines consistently applied?		
■ If management discretion is exercised when determining salary increase for individuals, are the reasons free of sex bias? Are decisions documented?		
■ If you have a variable pay system, are performance measures and bonus opportunities clearly set?		
■ Are bonus opportunities consistently applied to staff in the same grade/same staff category?		
■ Is a structured approach adopted for determining individual bonus payout, for example by using a standard formula or other objective measures related to the individual's performance?		
■ Are you able to substantiate actual bonus payout in relation to the criteria set on bonus opportunities?		
■ Do you provide a fair opportunity for performance pay for female staff who has taken maternity leave?		

Checklist #7 Market Forces

<i>Please check your ACTUAL PRACTICE against the following list:</i>	Yes	No
■ Is market pay data that you refer to from a reliable source?		
■ Does the market data that you make reference to contain information from comparable organizations?		
■ When making reference to market pay level, can you substantiate that jobs in your organization are accurately matched with the right levels in the market?		
■ Is your market pay data up-to-date?		
■ Are you able to substantiate that across the board changes to pay packages resulting from market forces is consistently applied to staff employed under comparable circumstances?		
■ Are you able to substantiate individual pay differentials resulting from fluctuating market pay rates or supply and demand in the labour market with facts?		
■ Do you have clear and objective justification for adopting personalized pay in accordance with market pay rates?		
■ Do you have clear guidelines to ensure that personalized pay is free of sex bias?		
■ Have you established guidelines for a reasonable range within which personalized pay is to be determined?		
■ If personalized pay is based on individual competencies, do you have clearly established criteria for competency assessment?		
■ Do you check internal relativity even if pay is personalized to ensure that differences amongst individuals are reasonable?		
■ Do you regularly check that market forces are still relevant?		

Checklist #8 Other Terms & Conditions of Employment

<i>Please check your ACTUAL PRACTICE against the following list:</i>	Yes	No
<ul style="list-style-type: none"> ■ Is the eligibility for benefits consistently applied to male and female staff performing equal work or work of equal value? 		
<ul style="list-style-type: none"> ■ Is the level of benefits provided for male and female staff performing equal work or work of equal value the same? 		
<ul style="list-style-type: none"> ■ If service length is a criteria for eligibility to a particular benefit item (for example, additional annual leave for longer service), do you include the service of women taking maternity leave in the calculation of service? 		
<ul style="list-style-type: none"> ■ Have you checked that the criteria for granting work-related allowances would not put female staff at a disadvantage and prohibit them from being eligible for these allowances? 		
<ul style="list-style-type: none"> ■ Are staff performing work of equal value and recruited under comparable circumstances eligible for the same retirement benefits (except in the case of their own option)? 		
<ul style="list-style-type: none"> ■ Do you have clear rules governing the provision and administration of the following fringe benefits: <ul style="list-style-type: none"> ◆ Company car ◆ Mortgage subsidies ◆ Club membership ◆ Professional membership ◆ Medical coverage ◆ Life/disability insurance ◆ Annual leave ◆ Business travel ◆ Leave passage ◆ Training & education sponsorship ◆ Children's education allowance ◆ Long-term incentive scheme ◆ Flexible benefits program 		
<ul style="list-style-type: none"> ■ Are different conditioned hours of work for different staff categories based on actual requirements of the job without adverse impact to staff of a particular gender? 		

Part 3 Identifying Equal Work & Work of Equal Value

In order to ensure equal pay and assess whether male and female employees employed under comparable circumstances are receiving consistent treatment in pay, the first step is to identify whether they are performing equal work or work of equal value. The methodologies for assessing job values are covered in detail in the “Guide to Employers on Equal Pay between Men & Women under the Sex Discrimination Ordinance”. The following paragraphs serve as a quick reference for you to check the value of jobs in your organization. The key objective is to ensure that work performed by women is not being undervalued.

3.1 Equal Work

A woman is entitled to equal pay when she is performing the same work or “like work” as that of a man. Employees occupying the same position are performing same work. Like work refers to work which is broadly the same and the differences in tasks performed are insignificant as far as the demands on the worker are concerned. For example, a salesman in the shoes department and a shop assistant in the ladies fashion department of the same store would be performing like work. Giving different titles to jobs does not make the jobs different. It is the job content that counts. Any effort to classify male and female dominated jobs performing like work differently in order to pay one of the work groups less might be discriminatory.

3.2 Identifying Equal Work

You should always check job contents for accurate assessment of work value. However, the following is a quick check to gauge the overall situation:

- (a) Jobs with the exact same title in the same grade are normally considered to be performing the same work. If you have jobs with the same title but in different grades, you should check the job contents to ascertain whether the jobs are the same. If they are the same, there is an issue on grading to be dealt with. If they are not, review your job titles.
- (b) Check situations when the duties of jobs are similar but the jobs are given different titles or put into different grades. Check further if the jobholders are dominated by a particular gender for the higher grade and by the opposite gender in the lower grade. For example, male employees performing mail room and delivery duties are called Administration Assistants with higher pay (or in a higher grade) while female employees performing like work are called Office Assistants with lower pay (or in a lower grade). This might be a case of discrimination.

3.3 Work of Equal Value

Jobs that are different can be measured and assessed as being equal through a number of objective methods such as:

- (a) Graded as equivalent through an analytical job evaluation system.
- (b) The demands on the worker such as skills, efforts, responsibilities and working conditions are considered to be similar.
- (c) Slotted under the same grade/same staff category based on a clearly defined grading structure.

3.4 Identifying Work of Equal Value

The value of work for a job is assessed by the employer in accordance with its value to the organization and is indicated by the grading structure and relevant human resources policies. You are responsible for ensuring equal pay for work of equal value (normally for staff under the same grade/same staff category) employed under comparable circumstances.

- (a) If you use analytical job evaluation – Check that your job evaluation system is free of sex bias by using Checklist #1 in Part 2.
- (b) If you use other alternatives for grading jobs – Check that your grading structure is free of sex bias by using Checklist #2 in Part 2.
- (c) If you do not have any systems
 - (i) Structured Approach – Refer to the “Guide to Employers on Equal Pay between Men & Women under the Sex Discrimination Ordinance” and set up a grading structure by using analytical job evaluation or other alternatives.
 - (ii) Quick Fix – Participate in a reliable market pay level survey. There is usually some mechanism to review job contents and match jobs with relevant levels in the market. This process provides the opportunity for comparing job contents and pay levels to help you to decide on a grading/salary structure that is most suitable for your organization.

Part 4 Pay Analysis

Despite your pay system could be gender-neutral in design, if constant monitoring of pay practice is not taking place, it might be difficult to ascertain that pay differentials are free of sex bias. This is due to the fact that there are a lot of factors affecting pay and the impact of pay decisions cannot be readily identified without examining actual pay of individuals. The purpose of conducting an equal pay self-audit is to identify if there is potential discrimination in pay. This applies to both pay inequity for groups of male and female staff performing work of equal value and pay differentials between individuals that cannot be readily explained. As equal pay complaints may be made by a male or a female staff, it is important to ensure overall equity in pay when reviewing your actual pay situation. By taking a proactive step to analyse compensation data, equal pay problems may be corrected before they become the subject of a complaint.

4.1 Steps of Pay Analysis

- (a) Form comparison groups – Put jobs that have been identified to be equal and incumbents employed under comparable circumstances into groups for performing pay analysis. All employees should be covered in the pay analysis.
- (b) Determine elements of pay for comparison – Depending on your pay structure, pay policies and terms and conditions of employment, decide how various elements of pay are to be compared. Pay comparisons should be made on all elements of pay including cash components of pay, benefits and other terms & conditions of employment.
- (c) Perform statistical analysis – Produce a list of factors affecting individual pay in your organization (such as qualifications, experience, performance, service in post, changes in pay policies at specific times etc.), collect information that are relevant to these factors, compile a database and generate pay comparisons to identify pay gaps for groups or individuals, as appropriate. Examine pay gaps against the list of factors affecting pay, pay attention to the extent of pay differential to see if it is reasonable even if it can be explained.
- (d) Summarize issues to be addressed – Prepare a summary of issues identified for formulation of remedial actions.

4.2 Pay Comparison Methodologies

A number of methods may be used to analyse pay data.

- (a) Average – ***The average is useful to provide an overall view of the situation by comparing the arithmetic mean of two groups of numbers.*** For example, the average cash components of pay for male and female staff can be compared to see if the two groups are similarly paid or not. Needless to say, conclusions cannot be drawn by looking at just one set of figures.

Example: Comparison of cash components of pay for groups using average figures

Executive Grades	Male Average Pay			Female Average Pay			Female Difference in Pay		
	Basic Salary \$	Housing Allowance \$	Total \$	Basic Salary \$	Housing Allowance \$	Total \$	Basic Salary \$	% of Basic Salary	% of Total
5	42,500	18,000	60,500	35,000	18,000	53,000	-7,500	-17.6%	-12.4%
4	35,600	12,000	47,600	32,000	12,000	44,000	-3,600	-10.1%	-7.6%
3	29,500	8,000	37,500	27,000	8,000	35,000	-2,500	-8.5%	-6.7%
2	20,800	5,000	25,800	20,500	5,000	25,500	-300	-1.4%	-1.2%
1	15,900	3,000	18,900	15,800	3,000	18,800	-100	-0.6%	-0.5%

In the above example, female staff in the executive grades are generally paid less than male staff across all grades. The difference is negligible at the entry level with a widening gap moving up the grades. This initial observation is worth examining to find out the reasons for the pay differentials. The average salaries can be analysed against the distribution of performance ratings and average service length etc. for the two groups of staff. Detailed analysis of individual salaries such as promotional increase may be performed to identify the exact cause(s). A review on the ratio of male and female staff in each grade and promotion rates might also be an indication of the actual practice for providing equal employment opportunities.

- (b) Median – ***The average figure may be substituted by the median (the middle of a range of numbers) if extreme values affecting the average figure are found.*** The median figure is also useful when external pay comparisons are made as the market median figure is commonly used for establishing mid-points in pay structures.

Example: Comparison of actual pay levels with pay structure/market rates

1	2	3	4	5	6	7	8	9
Staff ID	Gender	Grade	Actual Monthly Basic	Grade Mid-point Salary*	% of Grade Mid-point**	Annual Total Cash***	Market Median Total Cash	% of Market Median Total Cash
1	M	2	\$22,000	\$21,000	104.8%	\$308,000	\$283,000	108.8%
2	F	2	\$22,000	\$21,000	104.8%	\$297,000	\$283,000	104.9%
3	M	2	\$20,000	\$21,000	95.2%	\$280,000	\$283,000	98.9%
4	F	2	\$20,000	\$21,000	95.2%	\$268,000	\$283,000	94.7%
5	M	2	\$18,000	\$21,000	85.7%	\$248,000	\$283,000	87.6%
6	F	2	\$18,000	\$21,000	85.7%	\$239,000	\$283,000	84.5%
7	M	1	\$17,000	\$15,000	113.3%	\$215,000	\$199,000	108%
8	F	1	\$17,000	\$15,000	113.3%	\$214,000	\$199,000	107.5%
9	M	1	\$16,000	\$15,000	106.7%	\$198,000	\$199,000	99.5%
10	F	1	\$16,000	\$15,000	106.7%	\$190,000	\$199,000	95.5%
11	M	1	\$14,000	\$15,000	93.3%	\$178,000	\$199,000	89.4%
12	F	1	\$14,000	\$15,000	93.3%	\$170,000	\$199,000	85.4%

* Market median figure is used as the grade mid-point (the policy figure for reference).

** The % of grade mid-point shows the salary position of individuals, an indication of how much the salary of an individual is above or below the market median figure. (Divide column 4 by column 5.)

*** Annual total cash is inclusive of basic salary and discretionary bonus in this example.

Note: Market figures can be obtained through participation in pay surveys conducted by various institutions.

In this example, the monthly basic salaries and annual total cash for staff are measured against the market median figures. When comparing pairs of male and female staff with the same basic salary, male staff are consistently paid higher in total cash (see column 9). This should be analysed to see if there are reasons for awarding higher discretionary bonuses to male members of staff, such as higher performance.

- (c) Tables & Charts – For more detailed analysis, **a range of data can be sorted according to a variety of dimensions and presented in tables and charts to facilitate data analysis.**

Example: Comparison of individual pay

Staff ID	Gender	Actual Pay	% of Grade Average	Service in Post	Performance Rating
1	M	\$18,000	107%	6 years	B
2	F	\$17,500	104%	6 years	B
3	M	\$17,500	104%	6 years	C
4	F	\$17,000	101%	5 years	C
5	F	\$16,500	99%	4 years	B
6	M	\$16,500	99%	3 years	B
7	M	\$16,000	96%	3 years	C
8	F	\$15,000	90%	2 years	C
Grade Average		\$16,750			

In this example, individual salaries are measured against the grade average and arranged in descending order. Pay is analysed against 2 factors, service in post and performance rating. Potential equal pay problems are highlighted below. If the employer fails to explain the pay differential by factors other than the gender of the employees, an equal pay claim may be established.

Staff Comparison	Gender Comparison	Service Comparison	Performance Comparison	Actual Pay Comparison	Potential Equal Pay Problems
1 & 2	M & F	=	=	M +2.9%	M has higher pay with same service and performance.
2 & 3	F & M	=	B / C	=	F has higher performance but the same pay as M.
3 & 4	M & F	M + 1 year	=	M +2.9%	
4 & 5	F & F	+ 1 year	C / B	+3%	Same gender
5 & 6	F & M	F + 1 year	=	=	F has longer service but the same pay as M.
6 & 7	M & M	=	B / C	+3.1%	
7 & 8	M & F	M + 1 year	=	M +6.7%	6.7% difference higher than similar case of staff 3&4.

It is to be noted that pay disparity between staff of the same gender is not considered as an equal pay issue under the SDO. However, a self-audit will help you to identify fair pay issues amongst staff of the same sex, e.g. staff 4 and 5 are both female staff, should staff 4 receive higher pay than staff 5 (staff 4 has longer service but lower performance rating)?

4.3 Identify Potential Discrimination through Pay Analysis

Pay gaps between male and female workers do not necessarily represent discrimination on the ground of sex if the pay differentials are based on factors that are free of sex bias such as seniority, performance and market forces. However, in order to pre-empt potential equal pay issues, it is useful to review your actual pay data such as:

- Compare the average pay for male and female staff performing work of equal value by separate pay components such as basic salary, cash allowances, total cash etc. for a general indication.
- Analyse individual pay position against policy mid-point, grade average, market median, market upper quartile etc. to identify excessive gaps which might present problems.
- Analyse pay differentials against service length, qualifications, relevant experience, performance ratings, individual competencies etc. to gauge if there might be anomalies unexplained by your policies.
- Identify situations where market forces came into play.
- Analyse entry salary for men and women to see if consistent criteria were applied.
- Analyse promotion increase (and rate of promotion) for men and women.
- If management discretion is exercised for the annual salary increase, identify the basis for the discretion and ensure that it is free of sex bias.
- Is the bonus opportunity the same for men and women performing work of equal value in your variable pay scheme? Is the award of bonuses for male and female staff in accordance with the scheme rules? Are discretion/deviations justified and free of sex bias?
- Is pay progression for men and women consistent with established pay policies that are free of sex bias?
- Are men and women performing work of equal value eligible for the same benefits?

The key point is, are pay differentials justified by reasons other than sex?

4.4 Internal Relativity Check

It is more effective to take proactive steps to prevent discrimination in pay. Performing an internal relativity check during the pay determination process would help to ensure that differentiation of individual pay is based on established principles and policies and are free of sex bias. At the same time, checking internal relativity provides an opportunity to achieve fair pay for all staff and better management of staff cost.

A template for internal relativity check is provided on the following page as a sample. You can revise the form to suit your particular needs and to include items that you need to make comparisons on. Once you have set up your system for internal relativity check, data can be uploaded from your computerized system easily for updated information to be used in the process.

How to use the template:

- The template is to be used for analysing relativity of individual pay for making a pay decision for a particular purpose, such as entry salary, promotional increase, special adjustment etc.
- The template can be used as documentation of the pay decision also. Include a part for authorization, if appropriate.
- Select relevant comparators comprising all individuals performing equal work (usually occupying the same position) or work of equal value (same grade/staff category).
- Arrange relevant data in the order of the key items for comparison, e.g. sort by performance if you are making a decision about performance pay or sort by basic salary if you are deciding on an offer for a new recruit.
- In conjunction with established pay policies, identify the most reasonable level of pay considering actual pay positions and respective circumstances of the comparators.

The template for internal relativity check may be fine-tuned and used as a tool for your equal pay self-audit for comparing various elements of pay of individuals, employed under comparable circumstances, measured against different factors of pay determination. (Different templates may be devised to measure different pay components, e.g. one can be designed for benefits items.)

**TEMPLATE FOR INTERNAL RELATIVITY CHECK
ON CASH COMPONENTS OF PAY**

Position: (insert job title)

Incumbent: (insert name of staff)

Grade: (insert position grade)

Date: (insert date)

1. Extract relevant information of comparators (e.g. staff in same position/same grade) from your computerized human resources database.
2. Fill in information of incumbent.
3. Select comparator with closest match to incumbent.
4. Determine pay for incumbent taking into consideration appropriate internal relativity and established pay policies.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Staff ID	Gender	Position	Dept.	Service in Position	Service in Company	Highest Quali- fication	Years of Experience	Salary in Previous Job	Existing Basic Salary	Salary % from Mid-point	Cash Allowance	Last Perform. Rating	Last Salary Increase %	Last Salary Increase Amount	Actual Bonus	Annual Total Cash	Total Cash Vs Grade Average
Incumbent Information																	

Purpose of internal relativity check (tick one):

- Entry salary
- Promotional increase
- Special adjustment
- Others (please specify)

Average Figures for Reference:

Grade Mid-point Salary: _____
 Group Average Salary: _____
 Group Average Cash Allowance: _____
 Group Average Bonus: _____
 Group Average Total Cash: _____

Proposed Package:

Salary: _____ (_____ % increase)
 Cash Allowance: _____
 Bonus Opportunity: _____
 Total Cash: _____
 Proposed by: _____
 Approved by: _____

Amend items for comparison as appropriate (columns 5 to 18).

Part 5 Formulating a Pay Equity Plan

It would be meaningless to conduct the equal pay self-audit if no follow up actions are taken to address issues identified. Suggestions are made in this section to help you to formulate a pay equity plan to correct pay inequities and improve your pay practices as the last step of the self-audit. A pay equity plan should cover the following:

Pay Equity Plan

Process	Tasks
1. Introduce an Equal Pay Policy.	<ul style="list-style-type: none"> ■ Refer to the “Guide to Employers on Equal Pay between Men & Women under the Sex Discrimination Ordinance” Section III for a sample Equal Pay Policy.
2. On-going monitoring of pay practice and periodic self-audits as part of the reward management process.	<ul style="list-style-type: none"> ■ Adopt the internal relativity check process to determine pay for individuals. ■ Ensure the principle of consistent treatment for staff performing work of equal value. ■ Continuous monitoring of market pay. ■ Perform periodic pay comparisons to identify pay inequities.
3. Identify issues to be addressed.	<p>Issues may cover:</p> <ul style="list-style-type: none"> ■ Revisions to pay system/policies. ■ Pay inequities identified.
4. Identify remedial actions with an implementation timetable.	<ul style="list-style-type: none"> ■ Ensure design of pay systems and application of pay policies are free of sex bias, set timetable. ■ Close pay gaps, by phases if necessary.
5. Establish channels for staff communication on pay related issues.	<ul style="list-style-type: none"> ■ Hold staff briefing sessions to explain pay structures and new policies etc. ■ Communicate to staff the outcome of the equal pay self-audit and the pay equity plan. ■ Set up a formal procedure to handle enquiries on equal pay issues.

Part 6 Case Study (Example of Equal Pay Self-Audit)

In this part, an example is shown on how a fictitious company without a structured pay system identifies potential pay inequities and other deficiencies in its pay practices through an equal pay self-audit. The example aims at helping you to understand the process of the self-audit as described in Parts 1 to 5 and to start setting up a simple pay system if you do not have any structure in place. The ultimate goal is to identify potential equal pay issues and to ensure equal pay for work of equal value in your organization.

6.1 Background

Fairland is a company providing property management services to residential estates. Its business covers residential buildings of various grades and sizes across different districts. 405 staff are employed mostly working in the frontline providing services directly on various locations. Some staff in the head office are administering a number of locations and others are mainly involved with contract management and business development. Fairland does not have any formal grading structure. Jobs were not evaluated through objective means. Throughout the years, pay ranges for various positions were established, basically representing a range of actual salaries that the company has to pay to fill vacancies. Individual entry salary is determined through negotiation with the candidate and by making reference to the established pay ranges. Salaries for existing staff are reviewed annually with increases determined at the discretion of management. The company is headed by the owner (General Manager). The existing pay ranges are as follows:

Positions (number of staff)	Minimum	Maximum
Property Manager (4)	\$41,000	\$59,000
Property Officer (8)	\$23,650	\$31,900
Property Assistant (8)	\$7,500	\$11,500
Building Services Mechanic (20)	\$8,000	\$11,000
Building Supervisor (45)	\$7,300	\$12,000
Building Attendant (200)	\$6,400	\$9,000
Labourer (55)	\$5,500	\$7,600
Cleaner (65)	\$4,900	\$7,200

(a) Existing Problems

In spite of its relatively simple nature of business and limited categories of staff, Fairland finds it increasingly difficult to manage its human resources. With numerous work locations of varying service standards and high rates of staff turnover, it is necessary to rotate staff to different locations from time to time. There is some staff grievance as staff members do not understand why other staff in the same position might be paid a lot more. Job requirements are not clearly defined and there are overlapping responsibilities for some positions. There is no means to compare jobs objectively. It is also uncertain if existing pay levels are in line with the market and if the high turnover is due to the competitiveness of Fairland's pay. There is no planning for career progression. Recruitment is carried out to fill positions quickly because of the constant shortage of staff. Pay progression is determined at the discretion of management without any formal guidelines or objective means to assess performance.

(b) Equal Pay Requirements

With the requirement to comply with equal pay for equal work and equal pay for work of equal value under the Sex Discrimination Ordinance, Fairland has decided that a more systematic approach to pay determination is necessary as they are not confident if they can reasonably explain pay differentials between individuals despite the fact that there was never any intention to discriminate on the ground of sex. Fairland also recognizes the deficiencies of its existing pay practice and has decided to identify areas for improvement at the same time when an equal pay self-audit is conducted.

6.2 Planning For An Equal Pay Self-Audit

(a) Set Objectives

The following objectives have been set for the exercise:

- (i) To set up an efficient organization structure.
- (ii) To establish a systematic approach on pay determination.
- (iii) To ensure compliance of equal pay between male and female staff.
- (iv) To achieve pay equity for all staff members in the long run.

(b) Identify Scope of Self-Audit

The exercise will cover the following areas:

- (i) Set up a grading structure through objective means for assessing job values.
- (ii) Establish a formal salary structure with linkage to market pay rates.

- (iii) Formulate pay policies to govern the determination of entry salaries and the award of performance pay etc.
- (iv) Conduct pay analyses covering all members of staff to identify pay inequities, if any.
- (v) Establish a pay equity plan based on the result of the self-audit to correct pay inequities identified.

(c) Project Team

The General Manager is the project owner of the exercise, to be assisted by the Property Managers. The project will involve other staff members at various stages to ensure ownership and objectivity.

(d) Work Plan

The following process for the exercise has been established:

Key Steps	Tasks
(i) Assess job values & set up grading structure.	<ul style="list-style-type: none"> ■ Compile job descriptions. ■ Review job descriptions and establish preliminary design of a new grading structure. ■ Slot jobs into grades according to the preliminary structure. ■ Review and finalize grading. ■ Identify jobs carrying equal value.
(ii) Set up salary structure.	<ul style="list-style-type: none"> ■ Obtain market pay information. ■ Establish pay ranges.
(iii) Conduct pay analyses.	<ul style="list-style-type: none"> ■ Collect required information. ■ Identify potential pay inequities.
(iv) Formulate guidelines for pay administration.	<ul style="list-style-type: none"> ■ Refer to Guide to Employers on Equal Pay between Men & Women under the Sex Discrimination Ordinance and Checklists in this Kit to draft policies and guidelines.
(v) Establish a pay equity plan.	<ul style="list-style-type: none"> ■ Summarize issues to be addressed. ■ Identify remedial actions. ■ Set up implementation timetable. ■ Conduct staff communication.

(e) Collection of Information

Information required for the self-audit are collected as follows:

- (i) A database is built containing relevant information of individual staff.
- (ii) Using the job description template, ask jobholders and supervisors to prepare draft job descriptions.
- (iii) Collect documentation on relevant existing human resources practice.

6.3 Self-Audit Process & Findings

Fairland begins the self-audit by making reference to the Equal Pay Self-Audit Kit and in accordance with the work plan established. The key processes and results are summarized as follows:

(a) Assessment of Job Values & Setting up of a Grading Structure

- (i) Compilation of Job Descriptions – Job descriptions are prepared by jobholders and reviewed by supervisors and the Project Team, using the template provided in the supplementary book "An Illustration on Developing an Analytical Job Evaluation System Free of Sex Bias". The job purpose and key tasks performed by individual positions are summarized below:

Positions	Job Purpose & Key Tasks
Property Manager	Overall responsibility of the operation and property management contracts in a district. <ul style="list-style-type: none">■ Oversee the operation of a number of estates to ensure service standards.■ Oversee the preparation of budget for estates and monitor expenditures.■ Contract management for estates and outsourced services.■ Staff deployment within the district.■ Develop and implement plan for business growth in the district.
Property Officer	Responsible for the day-to-day administration of a number of estates. <ul style="list-style-type: none">■ Administration of service contracts.■ Liaise with Building Supervisors for on-site implementation of required tasks.■ Liaise with the Owners' Corporation of an estate on daily operations.■ Maintenance of inventory record of assets under control.■ Ensure compliance of estate rules and regulations.

Positions	Job Purpose & Key Tasks
Property Assistant	<p>Provide clerical and administrative support for the daily operation of estates.</p> <ul style="list-style-type: none"> ■ Handle routine administrative work for estates. ■ Help organize recreational activities. ■ Proper documentation of residents' information. ■ Prepare notices and bulletins.
Building Services Mechanic	<p>Responsible for general maintenance work.</p> <ul style="list-style-type: none"> ■ Perform or arrange routine checking of building, plumbing and drainage, air-conditioning systems, elevators and electrical services etc. ■ Perform minor mechanical/electrical repair work. ■ Arrange routine out-sourced maintenance work. ■ Liaise or supervise work of maintenance contractors for specific projects on site.
Building Supervisor	<p>Supervise the daily operation of an estate.</p> <ul style="list-style-type: none"> ■ Supervise work of Building Attendants, Labourers and Cleaners. ■ Prepare duty rosters and provide training to staff ■ Spot check defects in building and cleaning work. ■ Main liaison person on site with residents and contractors etc. ■ Perform back-up duties of a Building Attendant.
Building Attendant	<p>Responsible for carrying out security and service related duties in an estate.</p> <ul style="list-style-type: none"> ■ Patrol of building, car park and other public areas. ■ Traffic control on grounds of estate. May perform cashier duty for visitor parking. ■ Handle enquiries and complaints. ■ Registration of visitors. ■ Some paper work of simple administrative nature.
Labourer	<p>Carry out tasks assigned to upkeep the condition of public ground and facilities.</p> <ul style="list-style-type: none"> ■ Cleaning of fixtures and outdoor areas. May also perform same duties of a cleaner. ■ Moving furniture and heavy objects occasionally. ■ Perform minor maintenance work which does not require specific skills (e.g. changing light bulbs).
Cleaner	<p>Responsible for the cleaning of public areas.</p> <ul style="list-style-type: none"> ■ Cleaning of lobbies, stairways, walkways and other communal areas according to a set schedule. ■ Garbage disposal. ■ Watering of plants.

Existing Deficiencies:

- Without a grading structure, the hierarchy of positions are unclear.
- There are similar responsibilities for some positions. For example, Cleaners and Labourers perform similar work such as cleaning and garbage disposal. Cleaners are mostly female workers while Labourers are all male workers. Cleaners in general receive lower pay than Labourers.
- Job requirements have not been clearly defined, resulting in varying profiles of jobholders and pay differentials for the same job. For example, the education background of Building Attendants ranges from primary to secondary graduates, contributing to pay differentials not related to the genuine minimum requirement for satisfactory performance of the job.
- There are potential equal pay issues without knowing which jobs are to be treated as equal.

(ii) Job Classification – Based on the initial observations, the critical task is to define jobs clearly and set up a formal grading structure. Fairland has decided to take a staged approach to establish its grading structure. A simple structure based on a job classification method will first be developed. The effectiveness of the new grading structure will be reviewed after one to two years before considering if an analytical job evaluation methodology is suitable for the company. The Project Team has invited staff representatives from various positions to participate as a focus group to identify the criteria for assessing job values in the organization. In conclusion, 4 criteria are used to grade jobs including responsibilities, complexity of work, scope of activities and minimum job requirements.

Taking into consideration the criteria identified, a 5-level structure is considered to be suitable for the company. A job classification table is developed as a preliminary grading structure design. Jobs will be compared to the table as a whole for slotting into an appropriate grade. The criteria are carefully defined to ensure that all considerations are free of sex bias.

Job Classification Table				
	Responsibilities	Complexity of Work	Scope of Activities	Minimum Job Requirements
Grade 5	<ul style="list-style-type: none"> ■ Accountable for overall property management contracts, operation and business growth of a district. 	<ul style="list-style-type: none"> ■ Substantial planning, organizing, negotiation & management tasks. 	<ul style="list-style-type: none"> ■ All estates & potential business in a district. 	<ul style="list-style-type: none"> ■ Degree + 8 years with 2 years in a senior property management role.
Grade 4	<ul style="list-style-type: none"> ■ Accountable for the day-to-day administration of a number of property management contracts. 	<ul style="list-style-type: none"> ■ Integration of operational activities. ■ Authority to ensure compliance with established standards and procedures. 	<ul style="list-style-type: none"> ■ Serving a group of estates with varying service requirements. 	<ul style="list-style-type: none"> ■ Tertiary + 4 years. ■ In-depth knowledge of property management industry practices.
Grade 3	<ul style="list-style-type: none"> ■ Responsible for the provision of administrative, operational or maintenance services. 	<ul style="list-style-type: none"> ■ Tasks involve the performance or supervision of services requiring a good grasp of industry practice. 	<ul style="list-style-type: none"> ■ May serve more than one estate with similar standards and procedures. 	<ul style="list-style-type: none"> ■ Secondary / relevant vocational training + 2 years. ■ Security Personnel Permit or technical certificates where appropriate.
Grade 2	<ul style="list-style-type: none"> ■ Performance of first line security and service related duties in an estate. 	<ul style="list-style-type: none"> ■ Work according to established procedures. ■ Need to decide most suitable course of action from guidelines. 	<ul style="list-style-type: none"> ■ Work on shifts within an estate. 	<ul style="list-style-type: none"> ■ Secondary 3 + 1 year. ■ Security Personnel Permit.
Grade 1	<ul style="list-style-type: none"> ■ Routine duties of an unskilled nature. 	<ul style="list-style-type: none"> ■ Work to instructions or procedures. 	<ul style="list-style-type: none"> ■ Single property. Indoor / outdoor work. 	<ul style="list-style-type: none"> ■ Primary / reading ability. ■ Can be trained within days.

(iii) Grading Structure – In accordance with the job classification table above, jobs are assessed as a whole and slotted into grades as follows:

Grade	Existing Positions
5	Property Manager
4	Property Officer
3	Property Assistant, Building Services Mechanic, Building Supervisor
2	Building Attendant
1	Labourer, Cleaner

Jobs that are graded the same are considered to be of equal value.

- The work demands of jobs in the same grade are considered to be similar, despite differences in the type of tasks.
- Labourers and Cleaners are grouped into the same grade as most duties are similar. A new title of Service Attendant will be used.
- Special attention was paid to ensure that male and female dominated jobs with no discernible differences are not segregated into different grades.

(b) Salary Structure

With a formal grading structure in place, a salary structure is to be developed to guide the determination of individual pay. The following deficiencies are found in the existing pay practice:

Existing Deficiencies:

- The existing salary ranges only reflect a range of actual salaries paid.
- Existing pay for various positions have not been validated against market pay levels.
- Without a structured pay system, it is difficult to contain staff cost and manage staff expectation on pay.
- There is no pay policy to ensure consistency in pay decisions.
- It is difficult to explain pay differentials between individuals as a result of ad hoc decisions made at the time of recruitment and salary adjustments based on management discretion.

- (i) Market Pay Information – Fairland has decided that the first step to improve its pay structure is to obtain up-to-date market pay information. A general market pay level report containing information on the property management industry was purchased. Jobs in Fairland are matched with relevant jobs in the report by referring to the description and requirements of individual positions. The following market median figures were extracted for reference:

Grade	Position (New Titles)	Market Median
5	Property Manager	\$51,000
4	Property Officer	\$29,500
3	Property Assistant	\$9,600
3	Building Services Mechanic	\$10,000
3	Building Supervisor	\$9,800
2	Building Attendant	\$7,700
1	Labourer (Service Attendant)	\$6,700
1	Cleaner (Service Attendant)	\$6,200

- (ii) Salary Range – As Fairland has already grouped jobs into grades and all jobs within the same grade are considered to be of equal value to Fairland, the average of market median figures of all positions within a grade are used as the grade mid-point salary.

Grade	Grade Mid-point Salary (average of market median of all positions in grade)
5	\$51,000
4	\$29,500
3	\$9,800
2	\$7,700
1	\$6,450

Next, a salary range for each grade is to be set. A commonly used plus and minus 20% spread from the mid-point is applied. The resulting salary ranges are shown below:

Grade	Minimum (-20% from Mid-point)	Mid-point	Maximum (+20% from Mid-point)
5	\$40,800	\$51,000	\$61,200
4	\$23,600	\$29,500	\$35,400
3	\$7,840	\$9,800	\$11,760
2	\$6,160	\$7,700	\$9,240
1	\$5,160	\$6,450	\$7,740

The above salary structure represents a reasonable range of salaries for each grade in the market. It will be used as a reference for all pay decisions in the future, enabling consistent criteria to be applied to staff in the same grade (performing work of equal value).

It is to be noted that there is a gap between grades 3, 4 and 5 in terms of a smooth pay progression. This is an indication that the job levels may be too far apart and that this would cause career and salary progression problems. Fairland should review its structure and job design at a later stage to provide opportunities for career progression.

(c) Pay Analysis

With a salary structure in place, the next step is to identify if there are any pay inequities between male and female members of staff. In order to keep the illustration simple, it is assumed that the only component of pay is basic salary. The gender profile of staff in Fairland is as follows:

Grade	Position	Number of Staff	Male	Female
5	Property Manager	4	3	1
4	Property Officer	8	3	5
3	Property Assistant	8	3	5
3	Building Services Mechanic	20	20	0
3	Building Supervisor	45	45	0
2	Building Attendant	200	165	35
1	Service Attendant	120	57 ⁽¹⁾	63 ⁽²⁾
	Total	405	296	109

Note (1) – All 55 previous Labourers are male with two male Cleaners. Note (2) – 63 out of 65 Cleaners are female.

- (i) Pay Comparison for Equal Work – Staff in the same position are performing equal work, such as the Property Managers. Equal work also applies to jobs with minor differences, such as Labourer and Cleaner. These positions are considered to be “like work” and Fairland has put them under the same title (Service Attendant) in the new grading structure. Looking at the gender profile of staff in Fairland, there is apparent job segregation as some positions are filled by male staff only and others are dominated by staff of one gender. The grouping of Labourers and Cleaners together is one step towards achieving equal pay as both male and female workers performing equal work are under the same salary range in the new structure. An example on pay comparison for equal work is shown below, using the position of Property Manager for illustration:

Staff ID	Gender	Salary	% of Mid-point*	Service in Post	Performance
1	M	\$57,000	111.8%	4 years	A
2	M	\$54,000	105.9%	4 years	B
3	M	\$51,000	100%	3.5 years	B
4	F	\$46,000	90.2%	3 years	A

*Grade mid-point is \$51,000.

Assuming that all four incumbents have similar qualifications and total experience, the pay differentials between the four may be related to the service in post or performance of individuals. The female Property Manager has the lowest pay. When compared to Staff #3 who has 0.5 years longer service but a lower performance rating, the pay differential of 9.8% is hardly justifiable. When compared with Staff #1 who has the same performance rating but one more year of service, the 23.9% pay differential is even more difficult to explain. Pay decisions which are not based on a structured approach might easily result in pay inequity. Further investigation would be necessary to explain the gap, perhaps related to market supply and demand factor at the time of appointment. If so, this should be substantiated by facts relating to the circumstances. If no reasonable explanation is found, there is a pay inequity case to be addressed.

- (ii) Pay Comparison for Work of Equal Value – Positions slotted into the same grade by the employer are considered to be of equal value. In Fairland, although the Property Assistant, Building Services Mechanic and Building Supervisor are performing different jobs, they are considered to be performing work of equal value. Consistent criteria should be applied in pay determination and the same salary range is applicable to all three positions. For illustrative purpose, pay comparison for staff in grade 3 in a district is show below. Pay analysis should be conducted for all staff in each grade of the organization. The data is shown by position with ascending salary.

Staff ID	Position	Gender	Salary	% of Mid-point*	Service in Post	Performance
1	Property Assistant	F	\$7,500	76.5%	< 1 yr	N/A
2	Property Assistant	F	\$8,000	81.6%	1 yr	B
3	Property Assistant	F	\$9,000	91.8%	3 yr	A
4	Property Assistant	F	\$9,000	91.8%	4 yr	B
5	Property Assistant	M	\$9,800	100%	4 yr	B
6	Property Assistant	M	\$10,000	102%	5 yr	C
7	Property Assistant	F	\$10,000	102%	5 yr	B
8	Property Assistant	M	\$11,500	117.3%	7 yr	B
9	Bldg Svc Mechanic	M	\$8,000	81.6%	1 yr	C
10	Bldg Svc Mechanic	M	\$8,000	81.6%	1 yr	C
11	Bldg Svc Mechanic	M	\$8,000	81.6%	1 yr	C
12	Bldg Svc Mechanic	M	\$8,000	81.6%	1 yr	C
13	Bldg Svc Mechanic	M	\$8,500	86.7%	1 yr	B
14	Bldg Svc Mechanic	M	\$8,700	88.8%	1 yr	A
15	Bldg Svc Mechanic	M	\$8,700	88.8%	2 yr	C
16	Bldg Svc Mechanic	M	\$9,000	91.8%	2 yr	B
17	Bldg Svc Mechanic	M	\$9,000	91.8%	2 yr	B
18	Bldg Svc Mechanic	M	\$9,500	96.9%	2 yr	B
19	Bldg Svc Mechanic	M	\$9,500	96.9%	2 yr	B
20	Bldg Svc Mechanic	M	\$9,800	100%	3 yr	C
21	Bldg Svc Mechanic	M	\$9,800	100%	3 yr	C
22	Bldg Svc Mechanic	M	\$10,500	107.1%	3 yr	B
23	Bldg Svc Mechanic	M	\$11,000	112.2%	4 yr	A
24	Bldg Supervisor	M	\$7,300	74.5%	< 1 yr	N/A
25	Bldg Supervisor	M	\$9,200	93.9%	2.5 yr	B
26	Bldg Supervisor	M	\$9,200	93.9%	2.5 yr	B
27	Bldg Supervisor	M	\$9,500	96.9%	3 yr	C
28	Bldg Supervisor	M	\$9,500	96.9%	3 yr	C
29	Bldg Supervisor	M	\$9,500	96.9%	3 yr	C
30	Bldg Supervisor	M	\$9,500	96.9%	3 yr	C
31	Bldg Supervisor	M	\$9,500	96.9%	3 yr	C
32	Bldg Supervisor	M	\$9,800	100%	4 yr	C
33	Bldg Supervisor	M	\$9,800	100%	4 yr	C
34	Bldg Supervisor	M	\$10,000	102%	4 yr	B
35	Bldg Supervisor	M	\$10,000	102%	4 yr	B
36	Bldg Supervisor	M	\$10,500	107.1%	5 yr	C
37	Bldg Supervisor	M	\$11,500	117.3%	6 yr	B
38	Bldg Supervisor	M	\$12,000	122.4%	7 yr	A

*Grade mid-point is \$9,800.

The above figures indicate some facts which require attention. For example:

- Staff #1 (female) and Staff #24 (male) are paid below range minimum of \$7,840. Both are new hires with less than one year service and no performance rating yet. The reason for offering below range minimum need to be explained (must not be gender-related) and a plan to put their salaries back on track should be made.
- Staff #38 (male) is paid above range maximum of \$11,760. His salary should be contained within the range in future salary reviews.
- The salary for Staff #2 (female) is \$8,000 with 1 year service and a performance rating of B. The salary for Staff #13 (male) with the same service length and performance rating is \$8,500. A reason for the pay differential that is free of sex bias should be identified.
- The salary for Staff #3 (female) at \$9,000 is lower than the three male staff (Staff #20, 21 and 22) with the same service but lower performance ratings. Again, explanation for the pay differential that is free of sex bias is required.

Performing a pay analysis would help you to identify areas of potential problems. Pay practices that are discriminatory on the ground of sex, even if unintentional, is in violation of the Sex Discrimination Ordinance.

(iii) Identification of Pay Inequities – Other pay analyses are conducted to cover all positions and individuals. The scope of analyses covers average figures for an overview and table and sort method to examine individual pay differentials as follows:

- Average pay for male and female staff by position and by grade.
- Average performance pay for male and female staff by performance ratings.
- Average entry salary for male and female staff by position and by grade.
- Individual salaries against grade average, grade mid-point, service in position and performance rating.

The initial focus of the pay analyses is to identify pay inequities between male and female staff performing equal work or work of equal value. However, the results also provide a good basis for managing equitable pay for all staff. As this case study is put together for the purpose of illustration only, further examples of pay comparisons would be repetitive. Situations also vary from one organization to another; the types of pay comparison to be conducted would be different.

(d) Formulate Guidelines for Pay Administration

After reviewing results of the pay analyses, Fairland recognizes that there are areas of improvement for pay administration, particularly in deciding entry salaries and annual salary increase. Guidelines are set to ensure consistency in the pay determination process. Three examples are shown below:

(i) Entry Salary

- Minimum job requirements for each position are established, with reference to the job classification table.
- Offers for new recruits will start at the minimum of the salary range.
- Premium above the minimum may be offered if additional qualifications, experience and competencies of individuals are applicable for enhanced job performance. This premium should be within the first quartile of the pay range.
- Up to 10% increase over the salary of the previous job may be offered. Any increase above 10% must be justified against factors that are free of sex bias, such as market supply and demand, with facts to substantiate the case.
- Below minimum salaries should be reviewed every 6 months to gradually bring the salary level back in line, subject to fulfilment of the minimum job requirements and performance. Each adjustment should be contained within 10%.
- Relativity check should be performed prior to offers being made to ensure that pay differentials are reasonable and in accordance with guidelines set.
- There is to be no increment after probation.
- All pay decisions are to be documented.

(ii) Annual Salary Increase

- The annual salary increase will be based on the performance and salary position of individuals.
- Standard percentage increase for each performance level will be set.
- Staff with higher salary positions will progress at a lower rate than staff with lower salary positions with the same performance rating to gradually close pay gaps.
- A matrix will be developed every year to guide the rate of increase for staff at various performance and salary levels.
- Salaries will be capped at the maximum of the pay range for respective grades. A lump sum award in lieu of a salary increase may be paid to top performers in such circumstances to reward for outstanding contribution.
- All salary increase decisions will be documented.

(iii) Standardization of Terms & Conditions of Employment – As staff in the same grade are considered to be performing work of equal value, they should be treated consistently in the terms and conditions of employment under comparable circumstances. Fairland has put together a set of standard terms for respective positions/grades including the provision of work-related allowances, fringe benefits, contribution to the Mandatory Provident Fund and conditioned working hours etc.

6.4 Pay Equity Plan

Upon completion of the pay analyses and formulation of pay administration guidelines, Fairland has developed a Pay Equity Plan to guide improvements for its pay practices. Some improvements have already been made during the process of the equal pay self-audit, such as the establishment of a grading structure and salary ranges. The Pay Equity Plan includes action items to fully implement equal pay practices. The process and details are summarized below:

Issues	Action Plan
(a) Implement new grading structure.	<ul style="list-style-type: none"> ■ Personalized letters to advise staff of their grading and new titles. ■ Establish clear chain of command (reporting relationships) for the new structure. ■ Set up a system for updating job descriptions. ■ Review effectiveness of the new structure and consider introducing analytical job evaluation to assess job values in the future.
(b) Implement new pay systems.	<ul style="list-style-type: none"> ■ Follow established pay administration guidelines. ■ Conduct internal relativity checks for pay determination. ■ Close pay gaps identified for staff in the same position/same grade if the pay differential cannot be explained by factors other than sex of the jobholder. ■ Plan to eliminate below minimum/anomaly cases within a reasonable time frame. ■ Document pay decisions.
(c) Introduce an Equal Pay Policy.	<ul style="list-style-type: none"> ■ Draft an Equal Pay Policy as a commitment to support the principle of equal pay.

<p>(d) Develop and implement staff communication program.</p>	<ul style="list-style-type: none"> ■ Organize staff briefing sessions to communicate the Equal Pay Policy, explain the new grading & salary structure and impact on staff etc. ■ Set up a channel for staff enquiries .
<p>(e) Set up systems for on-going monitoring and further improvements.</p>	<ul style="list-style-type: none"> ■ Continue to acquire updated market pay information. ■ Establish a task force for developing a performance management system to ensure fair performance pay. ■ Conduct periodic pay comparisons to identify pay inequities.

A timetable is set for the above action plan.

IN CLOSING

We hope that this Self-Audit Kit will help you to understand how you can take proactive steps to ensure equal pay in the work place. As we have pointed out in the introductory section of this Kit, the benefits of a self-audit reach far beyond ensuring equal pay between men and women. Now that you have gone through the self-audit processes and the case study, we think you would agree that a self-audit process will help to improve your overall pay practice.

We encourage you to make use of this Kit to facilitate a review of your pay system. The case study in Part 6 is particularly useful to small and medium sized organizations requiring the establishment of a structured approach to pay determination. We also encourage you to adopt the preferred approach of analytical job evaluation for assessing job values.

For organizations with sophisticated systems already in place, the checklists and suggested processes in this Kit should serve the purpose of a quick reference.

