

**NAB:**

# **The Pay Equity Audit**

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## **FSU Pay Equity Symposium – 18 July 2006**

- Today I'm going to talk about
  - cultural progress at the National
  - our diversity strategy
- You may wonder why the Finance Director of a company would be talking about Pay Equity
- At the National, we see it a very important people issue
- And people issues are at the heart of a Company's culture
- We believe having the right culture and engaging effectively with our people are fundamental to sustainable, satisfactory shareholder returns
- It's really about managing risk – which is a key part of my role at the National

### **NAB journey over last 18 months**

- No secret that the National has had its challenges over the last 18 months
- We had a wake up call early in 2004 with the forex disaster
- Our problems were quite profound – as evidenced by the senior management and board exodus
- Firmly believe that culture was at the core of the issues – culture that permeated beyond the trading floor

### **Cultural journey**

- We've come a long way culturally over the last 18 months. We still have a way to go, but we've made real inroads
- Underpinning the work we've done are our corporate principles. Key points:
  - Our corporate principles provide a consistent framework for our decisions and behaviours – right across the Group
  - They give us the room to innovate, but within known boundaries
  - We've embedded our principles into our performance management processes
- How did our principles come about?
- As an organisation, we've learnt the hard way that being a great company is much more than having great financial results
- It's also about the way we conduct ourselves - getting the right results by demonstrating the right behaviours
- We believe we're only going to be successful if we have the right people with the right behaviours
- To make sure we've got a consistent framework to guide our behaviours and decisions, we developed our corporate principles with the help of 5,000 of our people
- The Corporate Principles apply to each and every one of us – from the very top down, that's why we've said quite clearly "we do not have room for people who do not live these Principles."

- Our Corporate principles are:
  - We will be open and honest
  - We take ownership and hold ourselves accountable
  - We expect teamwork and collaboration across our organisation for the benefit of all stakeholders
  - We treat everyone with fairness and respect
  - We value speed, simplicity and efficient execution of our promises
  - And, we don't have room for people who don't live these principles
- Under each of these Principles we also have set of behaviours - our people tell us that if we really live by these every day - the National will be the sort of place they can be proud of and will want to be part of
- Some of these behaviours are
  - We acknowledge our mistakes and if we get it wrong we will put it right
  - We consider the economic, social and environmental impacts of all our decisions
  - We value a diverse workforce and each employee's unique contributions to the team
  - We actively support and 'speak up' for our colleagues and the organisations decisions
  - We always look to do things better, generate new solutions and be more responsive
- Our Principles give our people freedom to innovate, make decisions and take accountability for those decisions
- Of course we'll make mistakes and we've got to accept those, and learn from them
- But, we're far less likely to make mistakes while we work within our corporate principles, use them to guide our decision making
- Our Principles and behaviours underpin our key leadership and people development initiatives – they've been incorporated into our performance management processes and leadership behaviours survey - so our people are now being rewarded on the way they do their jobs, rather than just on the outcomes they achieve
- Consistently applying these Principles is really starting to pay off, and we know that a healthy culture provides greater assurance that behaviours will be consistent with our risk principles and policies
- We trust they will instil a culture which gives us greater confidence that unacceptable behaviours will be minimised and brought to the surface quickly
- It's no longer enough for organisations to do what is legally required - they need to be considered trustworthy. Culture is at the centre of this and having the kind of culture that consistently drives the right behaviour is going to be a significant factor in protecting the public

- While our Corporate principles are not the only drivers of cultural change within the National – they are one of the most important and binding tools for sustaining our ongoing business success
- I've focused quite heavily on our Corporate Principles today because I think they are relevant to today's topic – Pay Equity
- I hope they resonated with you all in the room today

### **Diversity Strategy**

- Diversity to be included as a key component of our Culture work over next 6-12 months
- Key workforce imperatives facing our industry:
  - Ageing workforce
  - Increasing local skills shortages
  - Changing face of competition
  - Global economic changes
- These imperatives all point to the fact that we must embrace diversity to succeed
- Diversity for us means making the most of the ideas, opinions and experiences of all the National's people
- It creates a meritocracy where the best people get hired, get heard and give us their best performance
- An increased focus on diversity will deliver outcomes for NAB through:
  - Greater innovation
  - Improved financial performance
  - Better reputation with stakeholders
  - Better employee engagement
- For us, the core levers for delivering diversity of thought are:
  - Leadership
  - Talent management processes
  - Capability development
  - Stakeholder engagement
  - Measurement and metrics
- Work is progressing in all these areas, in particular through talent management processes, improved measurement and reporting and through our Corporate Social responsibility work.
- In addition, the recently certified **Enterprise Agreement**, which has been agreed by the FSU, supports this strategy through a number of key initiatives:
  - flexible work practices
  - work/life balance issues

- parenting & family responsibilities
  - gender pay equity
- The Enterprise Agreement also commits to conducting a **pay equity audit** within NAB within the first 2 years of the Agreement

### **Pay Equity Audit – the subject of today’s symposium**

- Why is this important for the National?
- The EOWA – Equal Opportunity for Women in the Workplace Agency – conducted a Finance and Insurance review in the 2005 reporting period
- The review found:
  - Women represent 59% of the finance and insurance workforce – (our results are comparable, with 60% of our Australian workforce being women)
  - 2% of CEOs are women compared with 9% of for all reporting companies (at the National, women make up 18% of senior management roles, 30% of management roles, 66% of ‘pre-management’ roles and 82% of clerical roles)
  - 11% of female managers are part time compared with 8% for all reporting companies
  - There are widespread inequalities between men’s and women’s average salaries at the same occupational levels. Earnings data from ABS indicates that in the finance and insurance sector, the gender pay gap in full time adult ordinary time earnings has grown from 29.1% to 36.8%, compared with a decrease for Australia as a whole
  - Pay and conditions are lower in female dominated roles – administration, retail sales and service
  - Female dominated occupations are more likely to be undervalued than the equivalent male dominated roles
- These findings are compelling – because they are not just numbers, they are about real people working for us at the National and other organisations
- So our pay equity audit will help us shape the future of our company – help us live by our Corporate principles
- First, the audit will gather hard data to frame our more qualitative analysis
- Some of the things the pay equity audit will consider are
  - role and career opportunity
  - stereotypical male/female roles
  - fixed remuneration
  - variable pay (short term incentives, commissions)
  - performance ratings
  - status eg. Full time/part time
- (Others include overtime pay, allowances, superannuation, length of service, qualifications, benefits)

- It's quite a long laundry list
- To be pragmatic, we'll hone in on;
  - Comparing like roles in different business units
  - Comparing male/female pay in the same role
  - Comparing the types of work performed by males and females of the same seniority in different business units
- We fully expect the audit will surface broader career and equal opportunity issues, issues that we intend to front into
- I don't expect they will be easy to fix, if they were – we wouldn't, as an industry, be where we are today
- Work on the audit has already started...
  - the working group and steering committee have been established
  - the initial scoping is completed
  - and initial data capture commenced.
- When complete, we'll publish the findings in the hope that other companies may be able to use the data to their own advantage
- Industrial Relations Victoria are also involved – providing research and administrative support
- They will use NAB as a corporate case study to complement a their recent review on pay equity issues in Victoria

### **Finally**

- It's our people that will generate our success
- It's up to our leaders to create the type of work environment that allows our people to perform to their potential
- This means having the culture that enables us to attract and keep the best and brightest, and we need to invest in their development
- Creating the right culture remains our biggest challenge, we have come a long way, but the journey is far from over