

Equal pay review

2020

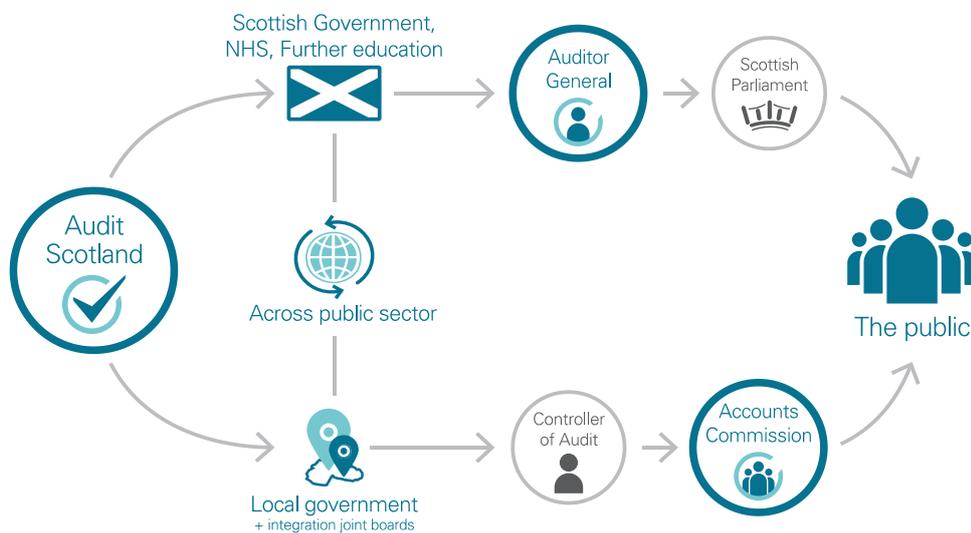


Prepared by Audit Scotland
September 2020

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Introduction

- 1.** Audit Scotland is committed to equality and diversity at the heart of everything we do, reinforcing inclusion to provide a great experience for everybody. This includes our work as auditors across Scotland's public sector and in our role as an employer in providing equality of opportunity for our workforce.
- 2.** This report is mainly about examining the equality of pay for our employees who are undertaking work of equal or similar value within their roles with us. This forms the basis of our equal pay review report.
- 3.** Other reports include our annual gender pay gap analysis using the guidance provided by the Advisory, Conciliation and Arbitration Service (ACAS) which examines the pay gap between men and women across our whole workforce, irrespective of the roles undertaken. We also produce an annual diversity report which examines equalities data that we record across each stage of pre-employment and employment with us (the employee lifecycle). Our annual diversity report examines whether employees from diverse backgrounds have a consistent experience from recruitment selection through to training and promotion.
- 4.** The data analysis that is conducted for this equal pay review report, our annual [gender pay gap report](#) and in our [annual diversity report](#) supports us in making progress in paying due regard to the public sector equality duty, also known as the general equality duty, more specifically the need to:
 - eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by the Equality Act
 - advance equality of opportunity among all people
 - foster good relations between different people when carrying out their activities.
- 5.** To achieve equality of financial reward for employees doing work of equal or similar value, Audit Scotland operates a reward system that is simple, transparent, based on objective criteria and is free from bias. Audit Scotland uses an analytical job evaluation system to assess the relative value of all jobs across our organisation. This provides evidence in support of the allocation of each job to our pay grading structure and is key to eliminating any bias in our reward systems. This includes equality on the basis of; age, disability, gender, gender reassignment, marriage or civil partnership, maternity or pregnancy, race, religion or belief and sexual orientation. Our job evaluation system is undertaken by our trained HR and OD professionals, with input from those undertaking the job being evaluated, their managers and representatives from the Public and Commercial Services Union (PCS).
- 6.** PCS is the recognised trade union across Audit Scotland and we work closely with them to ensure equality within our reward policy and practice, our wider employment policies, practice and culture as well as ensure that our employees can have confidence in Audit Scotland as an employer.

Key messages

- 1** The most important finding from our analysis within this report is that, across each of the diversity strands which we examine, we found few instances of significant equal pay differentiation¹. In the few instances where there was found to be any significant equal pay differentiation, after further examination there was no cause for concern since each instance was objectively justified – no unfairness or discrimination was identified.
- 2** Excluding the Auditor General for Scotland (AGS), Audit Scotland had 305 employees as at 31 March 2020.
- 3** Compared to when we last reported on [equal pay in 2017](#), it is positive to note that the pay differentials² across our leadership pay band (pay band 4) and for employees with disabilities have reduced. The pay differential for leadership has reduced from 3.8 per cent to 1.1 per cent while that for employees with disabilities has reduced to zero.
- 4** In 2017, as part of the modernisation of our pay structure, Audit Scotland and the PCS union agreed to simplify our pay and reward system. Our pay ranges across all pay bands were redefined and pay progression³ journey times have been shortened to help reduce pay differentiation for employees undertaking work of the same or similar value.
- 5** Pay modernisation has included a three-year strategy to ensure that all employees within each pay band or zone receive basic pay which is within the pay range agreed for their roles, including those employees with higher basic pay for legacy reasons. Subject to affordability, the final year for this strategy will be during 2021, further harmonising pay for all employees at Audit Scotland.

¹ Throughout the report, the term 'significant' is based on the [EHRC Equal Pay Guidance](#) which describes significant as gaps in excess of 5 per cent.

² Analysing data at a granular level helps identify any difference in remuneration levels for different groups of employees undertaking the same or similar work. The approach taken for this review was to compare average full-time equivalent (FTE) salaries in each pay band / zone to identify any pay differentiation.

³ Pay progression is the time taken to progress from the pay range minimum to the maximum.

Our review

7. The statutory timeframe cycle and duty to publish statements on equal pay and occupational segregation means that we publish a review every four years. Our last report was published in February 2017. Our next report on equal pay and occupational segregation will be published in 2024.

8. This equal pay report is prepared in accordance with the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 and includes a specific comparison of the groups specified in the Regulation, notably:

- men and women
- persons who are disabled and persons who are not
- persons who fall into a minority racial group and persons who do not.

9. Our reporting goes beyond that required by the Equality Act 2010, since it includes a similar statistical analysis, where possible, on other protected characteristics such as age, religion or belief and sexual orientation.

10. The Equality and Human Rights Commission (EHRC) also recommends an equal pay audit as an effective way of establishing whether an organisation is rewarding employees fairly and promoting equal pay. An equal pay audit involves:

- comparing the pay of men and women doing equal work
- identifying any pay gaps
- explaining and justifying gaps using objective criteria
- addressing any gaps that cannot satisfactorily be explained on the grounds of work content
- on-going monitoring.

11. This review reflects the position across Audit Scotland's workforce as at 31 March 2020.

12. The Auditor General for Scotland has been excluded from this report since the appointment and salary are not determined by Audit Scotland.

13. Excluding the Auditor General for Scotland, 305 pay employees are considered in this report. Three of the 305 employees are paid at a spot rate as they are the only incumbents within each of their roles at our executive level. These three roles, in common with all others across Audit Scotland, have been assessed by means of the job evaluation scheme.

Audit Scotland's remuneration policy

14. Audit Scotland offers a total reward approach which comprises of several financial and non-financial elements. The main elements of the financial reward offer are:

- a basic salary for all employees which is linked to a 'spine point' within a clearly defined salary pay band
- a clear job evaluation scheme which is undertaken by trained Human Resources and Organisational Development professionals with input from the job holder(s), manager(s) and members of the recognised PCS trade union. The result of a job evaluation enables jobs to be fairly and accurately allocated to salary pay bands
- annual pay progression of a single spine point for all employees who have not yet reached the maximum for their salary pay band, unless their performance has been the subject of a formal performance disciplinary warning during the previous 12-month period. Journey times through the pay zone to the maxima are between three and five annual pay award cycles. The exception is our professional trainee group, whose salary progression is determined by examination success
- a defined benefit, career-average contributory occupational pension
- membership of Audit Scotland's Group Life Assurance Scheme
- in addition, Audit Scotland has a variety of flexible working practices, including homeworking, flexible working patterns and flexi time available.

15. The only area where managers have discretion to offer higher salaries than the minimum of the pay band is for new appointments. Starting salary guidance states that our policy is to appoint at the minimum of the pay band, unless objective justification is provided to the HR and OD team.

16. Our job evaluation system sorts jobs into various pay bands and zones. The salary range for each band is divided into zones, as shown in Appendix 1.

Data collection and methodology

17. The approach taken for this review was to compare average full-time equivalent (FTE) salaries in each pay band / zone to identify any pay differentiation. If any were found to be significant, then further analysis was carried out to identify possible contributory factors. Throughout the report, the term significant is used to mean gaps in excess of 5 per cent.

18. Equal pay reviews are covered by the Data Protection Act (2018) in terms of the processing of data, the disclosure of data to third parties and the publication of results. Our analysis therefore is published in a format that will ensure application of good practice and compliance with the legislation. As a result, where there are fewer than five individuals in a category, these are not reported.

19. Underpinning our analysis is that all employees in the same pay zone are doing work of equal value since this is based upon the quality-assured outcomes of our analytical job evaluation system.

20. Average full-time equivalent (FTE) salaries, ie basic pay, have been used throughout this report. Basic pay does not include separate allowances such as first aid, legacy car related allowances, expenses or over-time payments.

21. As an example, the statistical convention used within this report looks at women's salaries compared to men's salaries. The women's salary is taken as a percentage of the equivalent men's salary. In the pay analysis, the positive values denote instances where women's salaries are, on average higher than men's and the negative values (-) indicate instances where women's salaries are, on average lower than men's. This statistical convention is also used when analysing the other protected characteristics within this report.

22. A cautious approach is required when interpreting any trend or emerging pattern from the data on some of the protected characteristic strands as the population size is often small.

23. This report should be read in conjunction with our annual diversity report 2019-20 and our gender pay gap report 31 March 2020, which both provide information on what Audit Scotland has been doing to promote, encourage and embed equalities in all that we do. These reports can be found [here](#).

Gender

24. This equal pay reporting, as defined by the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 differs from the annual gender pay gap reporting which began in 2017. Gender pay gap reporting is prepared using the guidance provided by ACAS and the government. Our most recent gender pay gap report was published in August 2020 and can be found [here](#).

25. Occupational segregation, by which women are underrepresented in senior management and leadership roles can be the result of a range of societal and employment related causes. For example, women taking on more of the care responsibilities at home or for dependent relatives etc. Audit Scotland has already taken steps to combat the effects of occupational segregation. This includes providing leave provisions for parents which exceed the statutory minimum, training managers in diversity and equality, promoting our values in support of a positive and inclusive culture together with promoting flexible working options for all across the organisation. This helps ensure that employees are able to continue working for us and grow their careers as they move into more senior roles over time.

26. The analysis in this report examines whether there are differences in pay for men and women in each pay band or zone.

Employee profile

27. Overall, women form 58 per cent of our overall employee workforce.

28. [Exhibit 1](#) shows the difference between the average mean⁴ and average median⁵ salaries for Audit Scotland men, women and as an organisational value overall.

Exhibit 1

Mean and median salaries by gender (2019/20)

	 Men (£)	 Women (£)	% diff	Overall
Mean	£46,385	£41,104	-11.39	£43,338
Median	£46,157	£41,193	-10.75	£43,446

⁴ Mean: The 'mean', sometimes referred to as the 'average', is where we add up all the numbers and then divide by the number of numbers.

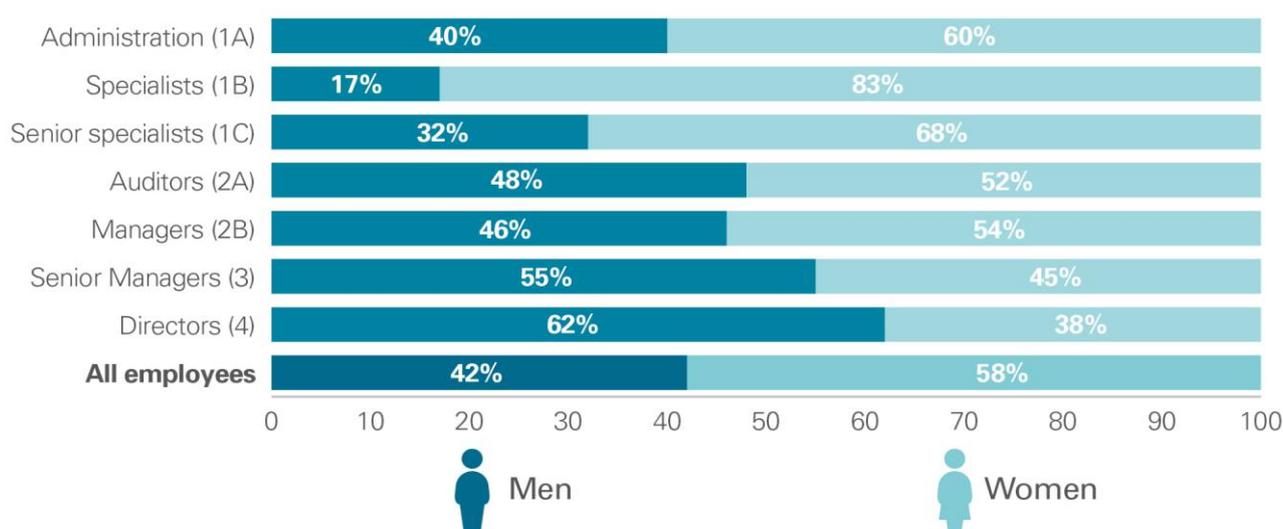
⁵ Median: The 'median' is the middle value in the list of numbers. To find the median, we list our data in numerical order from smallest to largest, so we can identify the middle entry from the list and find the median.

29. Based on the median figure, the gender pay gap for the purpose of this equal pay audit for Audit Scotland shows that, having analysed data across the whole of Audit Scotland, women earn around 10.75 per cent less than men.⁶

30. As illustrated in [Exhibit 2](#), there are relatively more women than men in our junior and mid-range roles (bands 1 and 2) and a significantly higher proportion of men than women in senior roles (bands 3 and 4). This is an important factor, which helps to explain how occupational segregation is contributing to the overall gender pay gap for equal pay reporting purposes.

31. [Exhibit 2](#) shows the gender breakdown for each pay band and zone.⁷

Exhibit 2 Gender breakdown by pay band and zone



32. Analysing data at a granular level helps identify any difference in remuneration levels for different groups of employees undertaking the same or similar work. The following sections provide a statistical analysis across each of the protected characteristics by pay band / zone.

33. Three of our 305 employees are paid at a spot rate as they are the only incumbents within their roles at executive level. Their roles have also been subject to a job evaluation and there is no indication that pay differentials are related to any of the protected characteristics covered in this report.

Median average by pay band and gender

34. [Exhibit 3](#) shows the median salaries by pay band and gender as at 31 March 2020.

35. Our pay differentials for gender for 2019/20 show one significant difference at band 1C which we have examined in more detail.

⁶ We have compared average full-time equivalent (FTE) salaries and all current employees are included in this equal pay analysis, this calculation differs from our annual gender pay gap review when only full pay employees at a snapshot payroll date are included in the calculations.

⁷ Administration and trainee auditors (band 1, zone A), Specialists and trainee auditors (band 1, zone B), Senior specialists and qualified auditors (band 1, zone C), Senior auditors / Expert delivery (band 2, zone A), Audit and Professional Managers (band 2, zone B), Senior Managers (band 3) and Directors (band 4).

36. We have found that this pay differentiation is because of the greater number of women that we have recently been recruiting into our graduate training scheme and early career roles across Audit Scotland. Our analysis showed that 75 per cent of the employees currently at the entry spine point at band 1C are women. Pay progression occurs each year for all employees in this pay band, providing performance is satisfactory throughout the year, so women's salaries will increase throughout the coming years with an expected reduction in the pay differential.

Exhibit 3

Median salaries by pay band and gender for 2019/20⁸

2019/20			
Grade	 Men (£)	 Women (£)	% diff
MA	<5	<5	n/a
Band 1A	£23,669	£24,603	3.8
Band 1B	£27,368	£27,368	0
Band 1C	£35,150	£33,249	-5.4
Band 2A	£46,157	£45,121	-2.2
Band 2B	£49,127	£48,637	-1
Band 3	£64,296	£62,238	-3.2
Band 4	£82,305	£82,305	0

Mean average by pay band and gender

37. [Exhibit 4](#) shows the mean average salaries by pay band and gender for 2019/20.

Exhibit 4

Mean average salaries by pay band and gender for 2019/20⁹

2019/20			
Grade	 Men (£)	 Women (£)	% diff
MA	<5	<5	n/a
Band 1A	£23,958	£24,369	1.7
Band 1B	£27,928	£28,333	1.4
Band 1C	£33,900	£33,430	-1.4
Band 2A	£44,793	£44,221	-1.3
Band 2B	£49,466	£49,542	0.2
Band 3	£63,032	£61,624	-2.2
Band 4	£80,781	£79,867	-1.1

⁸ We are unable to report a pay gap for one pay band, (MA), due to having fewer than five employees. This is marked as '<5' and 'n/a' in the table to maintain confidentiality.

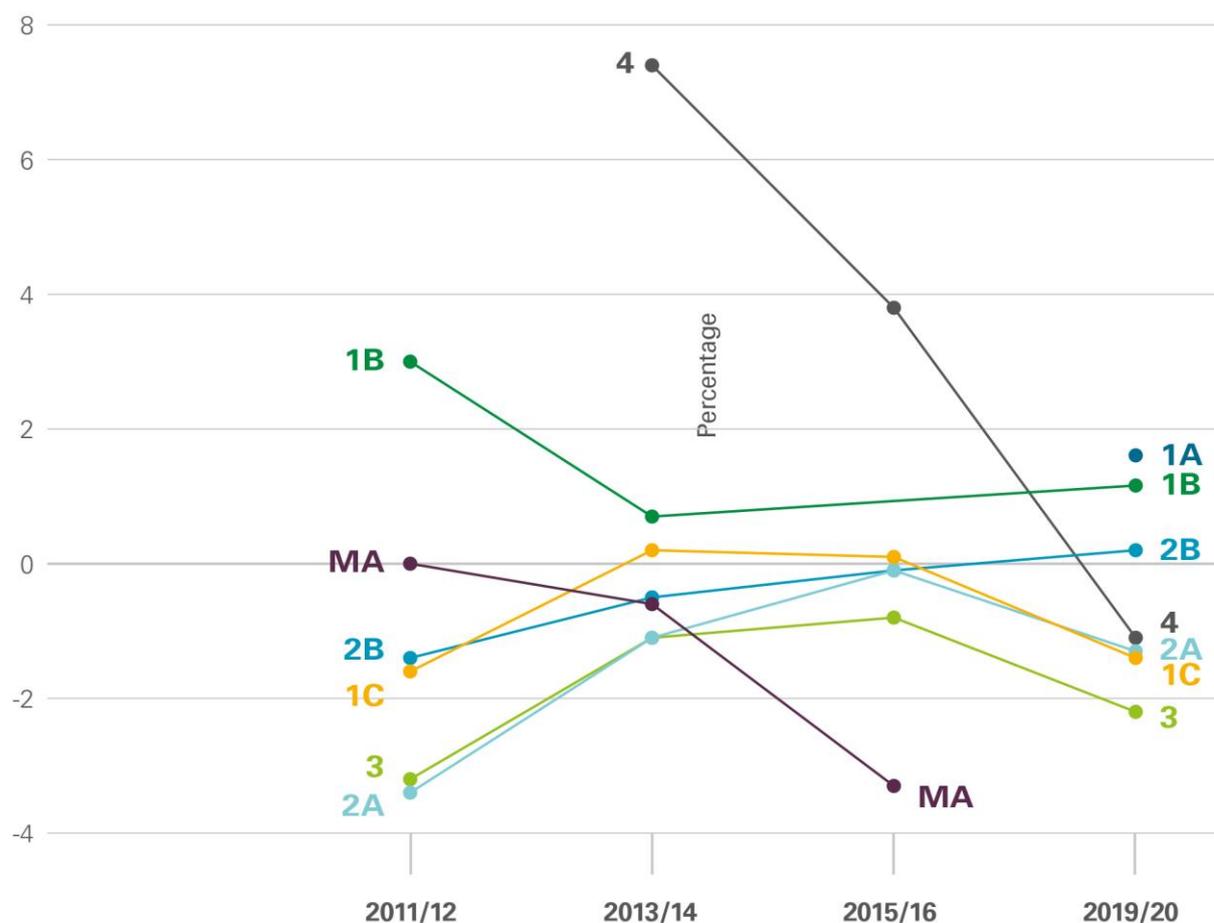
⁹ We are unable to report a pay gap for one pay band, (MA), due to having fewer than five employees. This is marked as '<5' and 'n/a' in the table to maintain confidentiality.

38. [Exhibit 5](#) is helpful in illustrating the pay gap trend during the last three equal pay reviews. The closer the line is to zero per cent, the lower the pay differential. We have used data based on the mean average so that we have a like-for-like comparison with our previous reviews.

39. This shows how the pay modernisation, over several years, has helped to reduce pay differentials and, by extension provide better equality of pay for employees doing the same or similar work.

Exhibit 5

Pay gap by pay band and year (2011/12, 2013/14, 2015/16 and 2019/20)¹⁰



Grade	2011/12	2013/14	2015/16	2019/20
MA (previously T)	0.0	-0.6	-3.3	-
1A (previously B)	-	-	-	1.7
1B (previously C)	3.0	0.7	-	1.4
1C (previously D)	-1.6	0.2	0.1	-1.4
2A (previously E)	-3.4	-1.1	-0.1	-1.3
2B (previously F)	-1.4	-0.5	-0.1	0.2
3 (previously G)	-3.2	-1.1	-0.8	-2.2
4 (previously LG)	-	7.4	3.8	-1.1

¹⁰ We are unable to report a pay gap for one pay band, (MA), due to having fewer than five employees. 1A has never existed previously, therefore there is only recent data here.

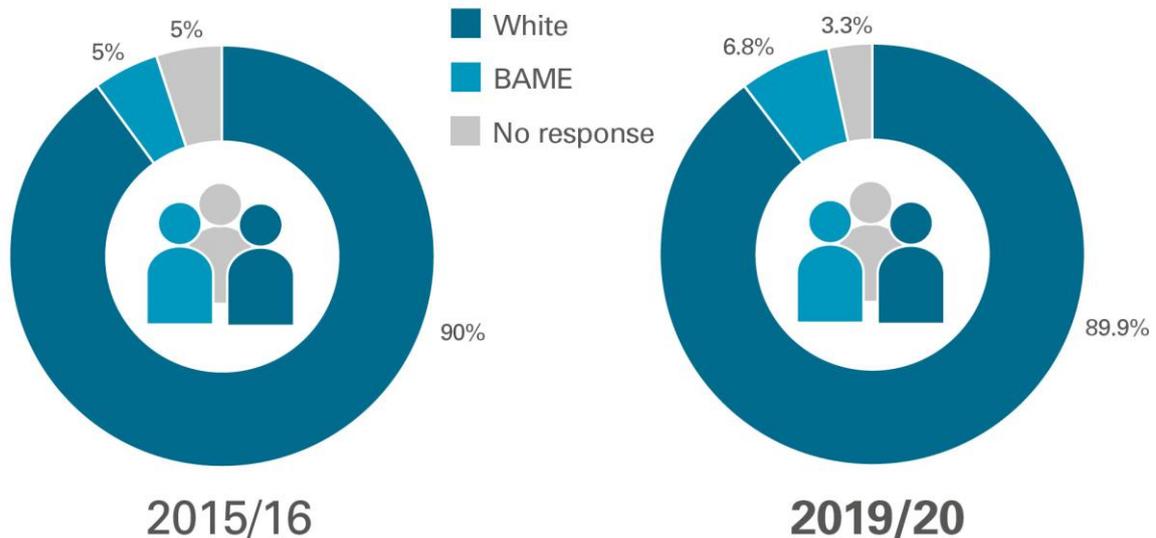
Ethnicity

40. 96.7 per cent of our employees have chosen to declare their ethnic origin, a slight increase since we last reported on equal pay in 2015/16.

41. The proportion of all employees from a Black, Asian and Minority Ethnic background (BAME) is 6.8 per cent, which is a higher representation when compared with approximately 4.6 per cent for the Scottish national population¹¹ This is also an increase from our last equal pay review, whereby the proportion of BAME employees was 4.9 per cent.

42. [Exhibit 6](#) shows the percentage breakdown of our employees by ethnicity from the last report and our current position in March 2020.

Exhibit 6 Ethnicity (2019/20)



43. The HR and OD team have analysed the data across each pay band and zone and can confirm that there are no significant pay differences. Due to the relatively small number of BAME employees working at different levels across Audit Scotland, the data size is too small to publish the pay differentials by individual pay band or zone.

44. Overall, the difference is -1 per cent compared to white employees and so, having considered the data, no further investigation is necessary.

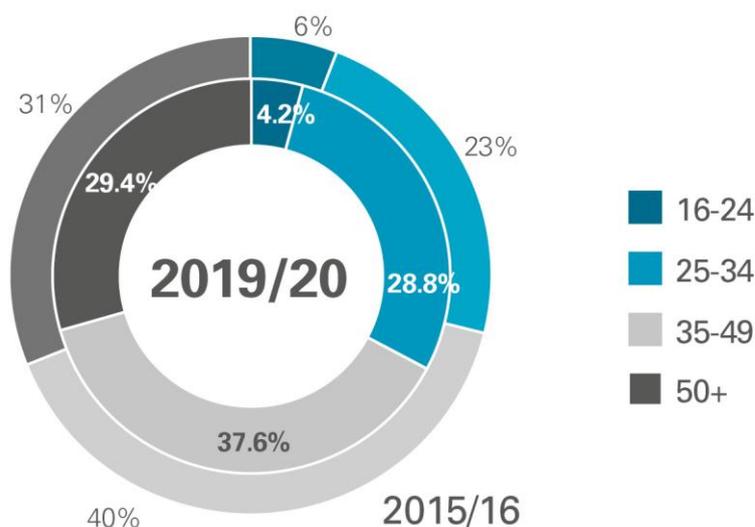
Age

45. [Exhibit 7](#) shows the percentage breakdown of all employees by age between the last equal pay review and this current report.

¹¹ We would have liked to compare all of our workforce data with the Scottish working population however we have not been able to secure this for most of the protected characteristics and so where indicated, the general Scottish population data has been used as a comparator. We took the Scottish population figures from the [Scottish Government Equality Evidence Finder](#).

Exhibit 7

Age breakdown (2019/20 and 2015/16)



46. Age is the only protected characteristic that is guaranteed to change throughout a person's life. Whilst there are some differences in levels of pay amongst employees carrying out similar roles (within a pay band/zone) due to the predefined service-related pay progression journey times, there is no evidence that pay differences are related to age as a protected characteristic.

Disability

47. As at 31 March 2020, 91.8 per cent of employees provided details about whether they have a disability or not. 3.9 per cent of employees declared themselves as having a disability.

48. The HR and OD team have analysed the data across each pay band and zone and can confirm that there is only one pay zone with a significant pay difference. We have examined this further and can confirm that the reason is objectively justified and does not indicate any bias on the basis of disability.

49. Due to the relatively small number of disabled employees working at different levels across Audit Scotland, the data size is too small to publish the pay differentials by individual pay band or zone.

50. Overall, the pay difference is zero. Employees who have declared that they have a disability are paid on average the same as employees who have declared that they have no disability.

Sexual orientation

51. 3.6 per cent of employees at Audit Scotland identify as lesbian, gay, bisexual or other (LBGO) and 82.7 per cent as heterosexual or straight. The remaining employees have chosen not to record their sexual orientation with us.

52. The HR and OD team have analysed the data across each pay band and zone and can confirm that there are no significant pay differences. Due to the relatively small number of LBGO employees working at different levels across Audit Scotland, the data size is too small to publish the pay differentials by individual pay band or zone.

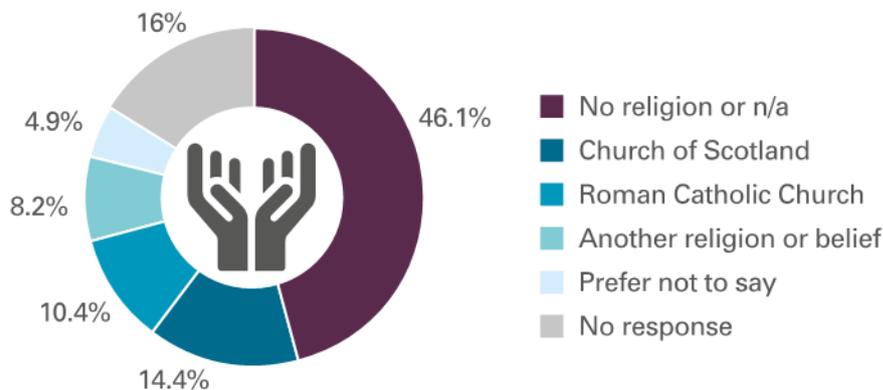
53. However, overall, the difference is 0.2 per cent for those who identify as LBGO compared to those who identify as heterosexual/straight and so, having considered

the data and both our policy for equal pay and practices, no further investigation is necessary.

Religion and/or belief

54. 84 per cent of employees have declared their religion or belief. 46.1 per cent do not associate with any religion. 14.4 per cent associate with the Church of Scotland, 10.4 per cent with the Roman Catholic Church and 8.2 per cent declared other religion and/or belief. 4.9 per cent preferred not to share their religion or belief.

Exhibit 8 Religion and/or belief 2019/20



55. Our analysis of pay across our workforce did not identify any evidence of discrimination on the basis of religion or belief as a protected characteristic.

Basic salaries for new employees

56. We undertake specific analysis of the basic salaries awarded to new employees because this is the only area in which managers have discretion to set basic salaries above the pay range minimum for the role. Our analysis seeks to examine whether there is any discriminatory practice occurring across any of the protected strands when managers are exercising their discretion.

57. Managers can only exercise their discretion for objectively justified reasons – typically when negotiating a starting salary in the context of the applicants' current level of remuneration with their existing employer, the applicant's experience and skill as evidenced through the recruitment selection process. In such circumstances, managers must provide justification for this on the job offer form, which is approved by an Audit / Associate Director, before the HR and OD team will issue the formal job offer.

58. Between 1 April 2019 and 31 March 2020, there were a total of 43 new employees to Audit Scotland.

59. 14 per cent of those who commenced new employment with Audit Scotland during 2019/20 were offered a starting salary above their pay grade minimum.

60. In each case the reason was objectively justified and did not indicate any bias by the manager on the basis of any of the protected characteristics. The HR and OD team will continue to monitor data in this area.

Overall conclusions and summary

61. Equal pay for work of equal value is achieved at Audit Scotland through the use of our job evaluation process and our pay banding structure. Our pay structure, pay progression, flexible working policies and development opportunities are free of bias and have been equality impact assessed (EQIA).

62. Overall, women form 58 per cent of our gender distribution across Audit Scotland. The overall pay gap can be attributed to a higher representation of women at trainee and mid-range roles within the organisation. There are significantly more women than men in the three most junior pay bandings (pay band 1, zone A to zone C) and a higher proportion of men than women in the two most senior pay bands (band 3 and band 4). Over time we anticipate that our talent management and succession planning processes will help ensure consistent representation of men and women at every level in Audit Scotland.

63. When comparing men and women doing work of equal value (eg, by pay banding or pay zone) there are no significant pay gaps of concern.

64. While there are some differences in levels of pay amongst employees carrying out similar roles (within a pay band) due to journey times throughout the spine points, there is no evidence that pay differences are related to any of the protected characteristics.

65. During 2020, we will be further developing our flexible working approach and updating our current policies to better reflect our modern ways of working, learning from our response to Covid-19. This includes how we return to a new and better normality. We will also benchmark and share good practice with other similar organisations, including the other UK audit agencies.

66. We will continue reporting on our gender pay gap and our diversity data annually, encouraging employees to record and update the data we hold on our electronic HR system to allow more analysis in the future.

67. The report will be shared and discussed with various groups and committees including our PCS union employee representatives, senior management team and Remuneration and Human Resources Committee.

68. Audit Scotland will also continue to report every four years on our commitment to reduce and eventually eliminate pay gaps and we will also continue working closely with our employees and the Public & Commercial Services (PCS) union. Our next report will be produced in 2024.

Appendix 1

Spine point	Pay zone	Trainee bandings
MA	MA	School Leaver entry level*

Band 1

2	Zone A	School Leaver completion of 3 TC exams
3	Zone A	Graduate Trainee entry level
4	Zone A	
4a	Zone A	Graduate Trainee & School Leaver TC complete
.....		
7	Zone B	
8	Zone B	Graduate Trainee & School Leaver TPE & Ethics complete
9	Zone B	
9A	Zone B	
.....		
12	Zone C	
13	Zone C	
14	Zone C	
15	Zone C	
15A	Zone C	

Band 2

17	Zone A	
18	Zone A	
19	Zone A	
20	Zone A	
21	Zone A	
21A	Zone A	
.....		
23	Zone B	
24	Zone B	
25	Zone B	
26	Zone B	
26A	Zone B	
26B	Zone B	

 **Band 3**

28	N/A
29	N/A
30	N/A
31	N/A
32	N/A
32A	N/A

 **Band 4**

34	N/A
35	N/A
36	N/A
37	N/A
38	N/A
38A	N/A

Note: School Leaver starting salaries have been adjusted accordingly based on the skills they hold when entering the organisation, the training they need and the level of work they undertake. School Leaver salaries align with the Graduate Trainee salaries once all TC exams are complete because, by then, they are typically undertaking work of similar complexity, risk and impact as employees on the graduate training programme.

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk