



Gender Equity in Performance Payments

Pay equity solution sheet two

Performance payments and bonus systems are payments used by organisations to reward employees for their achievements against targets and performance criteria.

This pay equity 'solution sheet' assists organisations to ensure that there is no direct or indirect gender bias in their performance payments. Such gender bias could result in women in the organisation earning less than their male colleagues and be a contributing factor to any gender pay gap within the organisation.

Is there a problem?

A pay equity audit may identify if there is a problem with performance payments systems operating within an organisation. If the pay equity audit shows that men and women doing the same jobs, or work at the same band / grade / level are receiving different total salaries, differences in performance pay may be one explanation for this gender pay gap.

A pay equity audit may also identify that certain occupations or areas of the organisation that are female dominated are not eligible for performance payments or are eligible for a lower level of payment than male or mixed gender occupations.

Contributing factors

There is a range of reasons why an organisation's performance payment system may contribute to the organisation's gender pay gap. These include:

- the performance payment system and/or the performance criteria do not appropriately address the requirements of female-dominated work, which results in people in these occupations being less likely to receive high performance ratings and pay;
- the performance payment system and/or the performance criteria rewards time spent at work rather than outcomes achieved;
- only senior staff are eligible for performance payments, and women are often under represented in senior roles; or
- people in female dominated positions are offered lower performance payments than people in male dominated positions.



Actions and issues to address

Extend access to all employees

Part time workers are often excluded from bonus systems or performance pay schemes. They may be formally excluded, or performance targets may be impossible for a part time worker to achieve.

Part time work may also be discouraged in areas such as sales where performance payments are routinely available. In most organisations part time employees are predominately female, and this may result in a gender bias in the performance payment scheme.

Performance criteria and targets must be modified for part time employees on an individual pro-rata basis to reflect their hours of work. Organisations must ensure that performance payments are not based on criteria that are often more difficult for part time employees to meet, such as attendance at after hours functions.

Extend access to all sections of the organisation

If some sections of the organisation do not have access to performance payments, organisations need to examine why they have been excluded and whether this is impacting on the salary levels of staff in these sections. The inclusion of all types and levels of positions in the organisation's performance pay scheme may assist in reducing the gender pay gap.

If there is a valid reason why some sections or some positions are excluded from earning performance payments, organisations should ensure that all staff understand the rationale for this exclusion. Employees who are not eligible for performance payment system must have a base salary that appropriately reflects the value of the work that they do.

If different types of performance payments systems are used in different sections within the organisation, an examination of whether one system could be implemented for the whole organisation to reduce the chances of inequitable outcomes could be undertaken.

Establish gender neutral targets and performance criteria

The targets and performance criteria used within each section to award performance payments should be reviewed to ensure that they are gender neutral. For example, performance criteria that focus on 'hard' skills such as ability to make sales quickly are often a feature of male-dominated roles, rather than 'soft skills' such as establishing customer rapport, which are often a feature of female roles.

Performance payments should also be made on the basis on actual work performance, not subjective criteria such as ability to work longer hours, availability for client or social functions or networking abilities. Such criteria can disadvantage female employees and lead to overall lower performance pay outcomes for women in the organisation. The establishment of gender-neutral processes for performance assessment, and the training of supervisors in using these tools may reduce the potential for gender differentials in performance pay outcomes.

Establish SMART criteria for performance payments

Organisations should ensure that all systems for calculating and awarding bonuses and performance payments are as simple as possible, objective and transparent to all staff. A performance pay system that is complex, subjective and not transparent is more vulnerable to possible pay inequities.

Performance pay criteria and targets for bonuses should always be SMART – Specific, Measurable, Achievable, Realistic and Time-related.

Provide training and support for management

Particularly if managers are provided with considerable discretion in assessing staff performance, it is essential that managers are trained in how to avoid gender bias in the assessment process. Managers may not always realise the potential impact of their decisions on individuals' pay and the organisation's gender pay gap.

Managers must also be provided with appropriate time and resources to undertake performance assessment. If management are too busy to make objective assessments of performance against criteria, then the potential for other non-relevant and possibly gender biased factors to be considered in the performance assessment increases.

Document and communicate

The criteria and the processes for awarding performance payments and bonuses should be open, documented and understood by all staff. While the amount of payments made to individual employees can be a private matter, it is important for all employees to understand why they receive the performance pay outcomes that they do, and how they are assessed and measured. Organisational policies on performance payments and bonuses should be documented and easily available to all staff.