



Senate Finance and Public Administration Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Re: Inquiry into the *Workplace Gender Equality Amendment (Setting Gender Equality Targets) Bill 2024*

I am pleased to provide the Workplace Gender Equality Agency's (WGEA) submission to the Inquiry into the *Workplace Gender Equality Amendment (Setting Gender Equality Targets) Bill 2024* (the Bill).

WGEA is the Federal Government statutory agency responsible for promoting and improving gender equality in Australian workplaces and for administering the *Workplace Gender Equality Act 2012* (the Act).

The Bill implements recommendation 3.1a of the Review of the Act. The scheme outlined draws on the strong evidence base that supports target setting as a mechanism to accelerate progress on workplace gender equality, driving improved outcomes as well as enhanced transparency and accountability.

Thank you for the opportunity to comment on this Bill.

Regards

Mary Wooldridge
Chief Executive Officer
Workplace Gender Equality Agency



Senate Committee Inquiry into the *Workplace Gender Equality Amendment (Setting Gender Equality Targets) Bill 2024*

Submission by the Workplace Gender Equality Agency

Introduction

The Workplace Gender Equality Agency (WGEA or the Agency) welcomes the opportunity to present this submission to the Senate Finance and Public Administration Committee on the *Workplace Gender Equality Amendment (Setting Gender Equality Targets) Bill 2024* (the Bill).

WGEA is the Federal Government statutory agency responsible for reporting on and improving gender equality in Australian workplaces. WGEA believes the *Workplace Gender Equality Amendment (Setting Gender Equality Targets) Bill 2024* will be a catalyst for sustained action by larger employers and contribute to accelerating improvement on gender equality in Australian workplaces.

This submission covers the content of the Bill as well as additional information relating to the operation of the scheme as outlined in the Explanatory Memorandum and second reading speech. Our deep subject matter expertise and detailed analysis of data on workplace gender equality from more than 7,000 workplaces in Australia informs this submission.

Key points

The proposed reform is based on the evidence of what works:

- The target setting scheme outlined in the Bill, introduces a new requirement for employers with 500 or more employees, known as designated relevant employers (DREs) to commit to achieve, or make progress on, their measurable targets. This aligns with an existing requirement under the *Workplace Gender Equality (Gender Equality Standards) Instrument 2023* for large employers (with 500 or more employees) to have a policy or strategy in place for each of WGEA's 6 gender equality indicators (GEIs)
- The reform requires DREs to select 3 gender equality targets to pursue in their workplace. Demonstration of progress or achievement will be apparent from the annual report employers already submit to WGEA's Gender Equality Reporting. Target setting has been shown to be an effective lever to improve workplace gender equality. Change is driven by both the analysis and engagement to set targets and the enhanced transparency and visibility through the articulation and measurement of progress
- Employers that do not select, make progress on, or achieve the targets fail to comply with the *Workplace Gender Equality Act 2012* (the Act). Non-compliant employers do not receive a certificate of compliance from WGEA which may compromise their ability to tender for, or enter, government contracts at, or above, relevant procurement thresholds. A non-compliant employer without a reasonable excuse may be named publicly. This aligns with the Australian Government's national strategy for gender equality, *Working for Women*, which identifies government procurement as a key driver for progress.ⁱ



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Target setting can accelerate progress

- Target setting has potential to accelerate the rate at which employers make progress against key gender equality metrics
- Target setting requires employers to take a data-driven approach to gender equality. Research indicates that linking action to data is a best practice approach that can bring objectivity to the process and dispel myths and misconceptions that might otherwise impede progressⁱⁱ
- Targets enhance the visibility of the rate of progress an employer is making towards their desired gender equality outcomesⁱⁱⁱ
- Like gender pay gaps, target selection will be published on WGEA's Data Explorer. This introduces a level of transparency that aims to increase employer accountability to stakeholders and the public. We have seen transparency accelerate progress in the context of gender pay gap publishing. In the 2023-24 WGEA dataset, 68% of employers reported that they analysed their gender pay gap data. This has increased by 13 percentage points (pp) from the previous year. 90% of those employers conducted the analysis in the previous 12 months.^{iv} The increase is likely attributable to the 2023 legislative reforms, which resulted in WGEA publishing employer gender pay gaps at the start of 2024.

Measurable outcomes are a requirement

- The targets menu (Attachment A in the Explanatory Memorandum) has been purposely constructed to link to evidence-based inputs and outcomes that progress gender equality. Progress must be demonstrated via the data that employers report to WGEA. Because tangible progress is the minimum threshold, it will prevent employers from 'gaming' the requirements. Even if employers are selecting targets they consider to be 'easier', progress will still be the outcome
- This is also reinforced by the requirement for all employers to select at least one numeric target. Progress for numeric targets will be reflected in the data by gaps narrowing. The numeric targets in the menu require all employers to make earnest efforts to address gendered, structural issues within the composition of their workforce or Board or their remuneration frameworks
- The selected targets will be published on the WGEA Data Explorer and the targets menu will also be public. This will introduce a level of employer accountability to their internal and external stakeholders, and the opportunity to be open and transparent about why they selected specific targets.

WGEA has provided advice to government on implementing a targets scheme

- WGEA engaged economist and gender equality expert Leonora Risse to assist with establishing the evidence base for target setting. WGEA also engaged the Global Institute for Women's Leadership (GIWL) to undertake research and analysis which supported the design of the targets scheme
- WGEA and GIWL undertook consultation with a mix of representatives from employers, industry peak bodies, academic institutions and gender equality advocacy groups. The feedback received, combined with expert advice, was used to inform the design of the target setting scheme
- WGEA is also preparing to support employers with target setting if the Bill is passed.

What the WGEA data reveals about target setting

The gender pay gap and need for action is still significant

The headline gender equality measure is the average total remuneration gender pay gap, which is currently 21.8%. In the last 12 months it decreased by a small amount (0.6pp).^v Further, only 21% of employers have an average gender pay gap in the optimal target range within and including +/-5%.^{vi} Despite the small overall decrease in the gender pay gap, 44% of employers experienced an increase in their gender pay gap between 2022-23 and 2023-24.^{vii} Analysis of DREs, the cohort that will be required to set targets, reveals that 58% of DRE's closed their gender pay gap, but for 42% of employers it increased.



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There has been a notable and positive increase in employers undertaking gender pay gap analysis (up 13pp to 68%) and three-quarters of them report that they took action as a result. The actions being taken were mixed, with most employers ensuring that they identified the drivers of their pay gaps and reporting these to their Executive. However, only 30% of employers created a pay equity strategy or action plan.^{viii}

Employers are already setting targets but there is still room for growth

WGEA data shows that many employers are already setting targets across several different metrics. 45% of all employers are setting at least one target^{ix}. Analysis of the DRE cohort reveals that 56% are setting at least one target and 34% are setting 3 or more targets which are aligned with the target setting menu. This indicates that many of Australia's larger employers have embraced target setting as a mechanism for driving progress on gender equality.

However, the results indicate that there is still work to do. This is especially true when it comes to target setting for indicators other than women's representation in management (40% of DREs). Evidence indicates that there are many factors that drive unequal gendered experiences and outcomes in the workplace.

WGEA data shows that only:

- 34% of DREs have a target to reduce the gender pay gap
- 30% of DREs have targets in place to increase the number of women in male-dominated roles,
- 13% of DREs have targets in place to increase the number of men taking parental leave,
- and 12% of DREs have targets to increase the number of men in female-dominated roles.^x

Employers say target setting is key for progress

Many employers have embraced targets, affirming that they are an effective mechanism for pursuing gender equality. A study from the University of Queensland on what distinguishes companies that achieve WGEA's Employer of Choice for Gender Equality (EOCGE) citation found that setting targets and holding managers accountable for targets were 2 of the 6 key characteristics shared by leading practice employers.^{xi} Several CEOs were strongly supportive of targets for gender equality within the study, which analysed the cohort between 2013 and 2018. In an interview, one CEO said: *"we will never make progress unless we embrace targets ... I can tell you that what gets measured gets managed. If you don't measure it, it doesn't get managed."*^{xii}

Another CEO articulated that when it comes to encouraging women into leadership positions, it isn't enough to just set composition targets, it is necessary to also make sure policies are in place to support both women and men who are balancing work with caring responsibilities.^{xiii} This aligns with the proposed menu of targets which includes both numeric and action targets. Action targets require certain policies, processes or strategies to be in place.

The evidence for target setting

Target setting for workplace gender equality drives better outcomes

There is strong evidence that target setting for gender equality drives better outcomes. A study by McKinsey & Company found that employers that set targets are more likely to improve their gender diversity and inclusion outcomes, and make progress at a faster pace, compared to employers without targets.^{xiv} Research by the Bankwest Curtin Economic Centre (BCEC) found that employers that set targets for flexible working reduced their part-time gender pay gap by 1.8pp.^{xv}

Harvard's Iris Bohnet and Siri Chilazi, 2 of the world's leading researchers on gender equality, have stated that goal setting, and targets by extension, have powerful potential to change behavior. This is because they address both the will (motivation) and the way (cognition and skills) of behaviour change.^{xvi} Bohnet and Chilazi believe that this change is driven by 5 mechanisms: accountability, public recognition, social norms, competitiveness and the pairing of goal setting with other incentives, such as action planning.^{xvii}



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Research prepared for WGEA indicates that because target setting requires the frequent monitoring of data to track progress, an organisation is likely to have an improved sense of confidence or self-efficacy when they can see that the data reflects positive change. This in turn builds momentum and can boost an employer's confidence in their ability to make progress.^{xviii} By making target setting a requirement for Australia's larger employers, there is potential to embed lasting behavioural change that will accelerate progress on gender equality.

Target setting promotes accountability

There is also strong evidence to suggest target setting is effective because it sets out clear parameters for accountability. Research indicates that measurable goals tied to specific actions make it easier to hold stakeholders accountable.^{xix} Employers that set targets are more likely to feel encouraged to problem-solve until they reach their targets.^{xx}

In the proposed scheme, information about employer targets will be published on WGEA's Data Explorer. Simultaneously, the information will be contained in the WGEA Executive Summary, which must be distributed to the governing body. This aims to create both public and internal accountability.

Target setting and action planning are already leading practice levers for progress

Target setting is something that leading practice employers are already doing, across a range of metrics. WGEA's EOCGE citation holders are required to set targets, and the data indicates that they use these targets to drive and embed substantive change.^{xxi} A study of EOCGE employers found they commonly used target setting for recruitment and selection processes at various levels of the organisation. Those that were setting targets were clear and unambiguous with their benchmarks.^{xxii} These same organisations were more likely to have a greater proportion of women at all levels of management, including in men-dominated industries. They also had more gender-balanced representation on their governing bodies.^{xxiii}

Target setting gives employers a competitive advantage

Many employers regard target setting as building the right 'mix of skills and diversity' to gain competitive advantage in tight talent markets.^{xxiv} A paper by experts from Harvard University found that targets can induce competition. This in turn can lead to more sustainable, positive change as employers compete to set and achieve aspirational targets.^{xxv} When employers compete in this way, social norms and expectations are also established and this can influence the performance of entire groups.

Design considerations

Limited additional reporting burden

The proposed scheme design ensures that, beyond the selection of 3 targets at the beginning of each cycle, there are no additional reporting requirements on employers. DRE's are already reporting the data to WGEA that facilitates monitoring progress and achievement of the targets.

Employers have flexibility to choose

The proposed target setting scheme design offers employers flexibility in which targets they commit to, enabling them to tailor their choices to their specific circumstances. The menu offers 19 distinct targets and a variety of options within those 19. This gives employers hundreds of possible pathways to meet the requirements of the scheme. Employers will also be able to set the level of their own numeric targets. This flexibility caters to the broad range of industries, sectors and workforce sizes that exists within the DRE cohort.

The primary threshold is progress, not achievement

Analysis of WGEA data indicates that while 58% of DRE's are closing their gender pay gaps, 42% are still not making progress. Within this spectrum of progress, there is huge variability in the rate of change. Some DREs will go into target setting from a base of rapid progress, while many others are stagnant or even regressing across many of the metrics tracked by WGEA.

Because progress that falls short of achievement will still constitute compliance, the proposed scheme meets employers where they are, encourages aspiration and does not penalise employers who are genuinely committed but do not achieve their targets within the 3-year timeframe.



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A menu that serves everyone

There is variability on gender equality maturity within the DRE cohort. Where some employers may have already achieved many of the action targets, there will be numeric targets that can be set and a variety of work that can be done to achieve those targets. For example, many leading practice employers still have work to do on improving gender balance at specific levels within their organisational hierarchy. These gaps might be influenced by initiatives which can be facilitated via low-cost solutions, such as reviewing job advertising for gender-coded language or applying a gender lens during the job design process.^{xxvi}

Other employers may be starting from a lower base and will have a wide range of options available to them in the menu. However, these employers will also have greater challenges when it comes to building momentum on their numeric targets, which will be influenced by the policies, strategies and processes they have in place.

The targets menu is also not specific to a gender group. All targets have been designed to be applied to the gender group that is underrepresented. This means that there are no targets specific to women or men within the menu, the application of each target will depend on the context of the employer.

Compliance process is consistent

The compliance process for target setting corresponds with the existing compliance process for reporting in the Act. Employers that do not fulfil the requirements (in this case, do not select, make progress on, or achieve the targets) have failed to comply with the Act. Non-compliant employers do not receive a certificate of compliance from WGEA which may compromise their ability to tender for, or enter into, government contracts at, or above, relevant procurement thresholds. Employers have the opportunity to provide a reasonable excuse for their non-compliance in order not to be named as non-compliant.

Targets are part of a broader action planning process

Effective target setting should be contextualised within the broader process of gender equality action planning. Research indicates that action planning increases follow-through and accountability, promotes sustainable behaviour change and mitigates the risk of delaying action.^{xxvii}

Action planning puts infrastructure around target setting and links outcomes to inputs, preventing target setting from becoming a box-ticking exercise. WGEA has designed a clear action planning framework and resources to support employers through the process. This is 1) undertake gender pay gap analysis, 2) engage in action planning, 3) set targets for gender equality. Employers that implement this framework will be positioned to take an effective, sustainable and data-driven approach to making progress against their targets.

Conclusion

The Target Setting Bill implements Recommendation 3.1a of the Review of the *Workplace Gender Equality Act* and will accelerate progress on workplace gender equality in Australia. Following the publishing of employer gender pay gaps, the targets scheme detailed in this Bill will be a catalyst for action and will make a significant contribution to closing the gender pay gap in Australia.



WGEA submission to the Inquiry into the *Workplace Gender Equality Amendment (Setting Gender Equality Targets) Bill 2024*

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