



Kia Toipoto – Gender and Ethnicity Pay Gap Agency Report and Action Plan 2022

The Ministry of Defence is committed to the kaupapa of creating an inclusive workplace that reflects the diverse makeup of New Zealand society and recognises its contribution to Māori-Crown relations. Implementing policies and practices that sustainably reduce and remove gender and ethnic pay gaps at all levels is part of this commitment.

Our story

The Ministry started measuring its gender pay gap in 2015 and introduced five year targets in 2017. These have served us well to reduce the gender pay gap from 46% - 25%. We have also learned a lot in the last five years, and know that in some years we make better gains than others but it takes long term commitment and vigilance for sustainable change.

Last year for the first time we attempted to calculate our ethnic pay gap. With such small numbers, a staff of 166 this year (165 last year) and no single ethnicity outside of NZ European reaching the Statistics NZ recommendation of 20 in a grouping for statistical robustness, the calculation was volatile. Neither did it tell the different stories for each of the different ethnic groups. However, we were committed and determined to make a start.

Our key highlights from last year are:

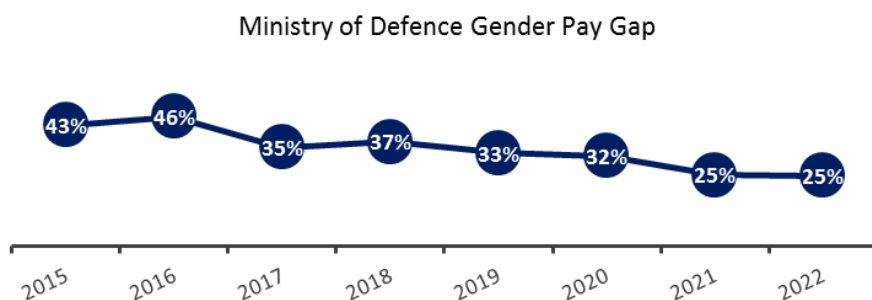
1. Starting the mahi to introduce a more transparent remuneration framework,
2. Expanding our Strategic Leadership Team from five to seven to achieve more diversity, including diversity of thought and;
3. Updating our ethnicity data collection using the guidance from Te Kawa Mataaho and having data that is comparable to other agencies and wider NZ.

The gender pay gap

The Ministry measures the Gender Pay Gap using the agency wide mean calculation as advised by Te Kawa Mataaho | The Public Service Commission. At 30 June 2022 that calculation was as shown below.

After the 7-percentage point decrease from 2020 to 2021, progress stabilised and remained at about 25%.

$$\frac{(\text{Total salaries of males} - \text{Total salaries of females})}{\text{Total salaries of males}}$$



The ethnicity and gender pay gap

This year, the Ministry used the following calculation to determine the ethnicity pay gap for women at 30 June 2022.

$$\frac{((\text{Total salaries of ALL males} - \text{Total salaries of Māori+Pacific+Asian+MELAA females}))}{\text{Total Salaries of ALL males}}$$

This revealed a pay gap of about 26% for women who identify as Māori, Pacific, Asian and/or MELAA.

Our performance against our five year goals

The Ministry has reported against the three targets set in 2017 for the last few years. These targets have helped to focus efforts and yield our large changes to our gender pay gap.

The final reporting on these targets is:

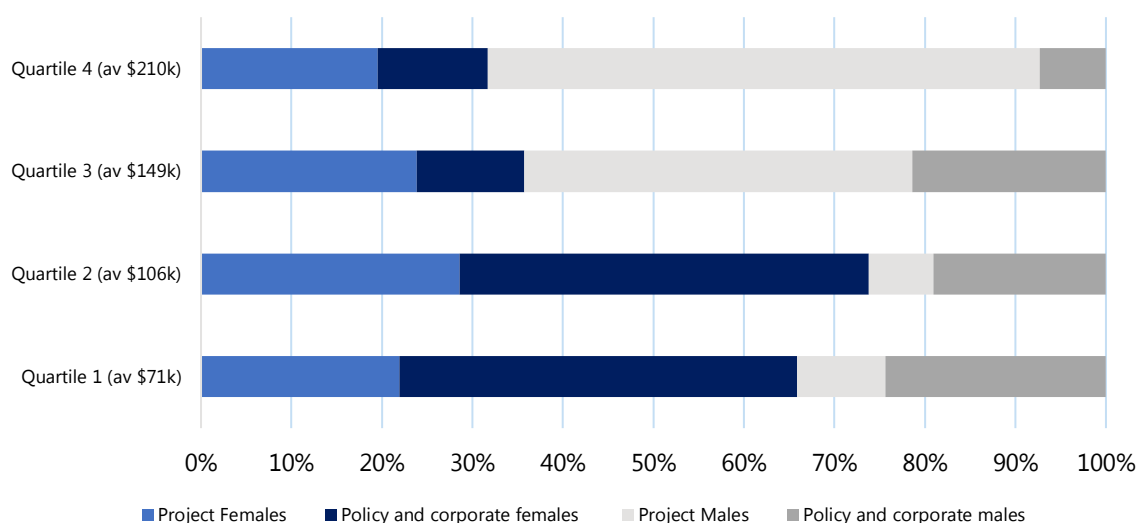
Target	Final Report
To ensure that the gender makeup of the Ministry of Defence operates on a 40-40-20 basis. (40% male, 40% female and the balance of 20%)	This target has been met year on year since 2017.
To increase the percentage of women managers in the Ministry of Defence to a minimum of 40% over the next five years.	In 2018 we reached 38% and held fairly steady on that until this year when it dropped to 26% (Tier 2 – Tier 5). Interestingly we also started measuring Tier2 and Tier 3 managers as a cohort in 2019 and that has gained steadily year on year from 39% to 44% at June of this year.
That 50% of appointments made to the Capability Delivery Division each year, over the next five years, will be women.	The appointments target was exceeded most years, even achieving 71% on one occasion. The gender balance for the division levelled out at almost 50:50 for two consecutive years. The focus on growing our own last year resulted in 24% of women across the division achieving their next career step.

Our drivers

The two key drivers for the Ministry's gender pay gap are due to occupational and seniority differences and **not** gaps in pay for the same roles. These are known as **occupational segregation** and **vertical segregation**.

The graph below illustrates that the Ministry has a group of men in our most senior roles, predominantly in our project management division, Capability Delivery, and that women are over-represented in traditionally female roles such as office support.

Gender and occupation representation (percentage) by pay quartile at 30 June 2022



Capability Delivery

This division of the Ministry leads multi-million dollar projects which acquire military equipment for the New Zealand Defence Force. The external labour market that we draw from for this division is largely engineering and/or military which are both dominated by men, although that is slowly changing. This is reflected in our most senior and highly paid project roles which are filled mostly by men with complex project management experience from these backgrounds. This is the prime reason for our gender pay gap.

Rest of the organisation - Policy and corporate functions

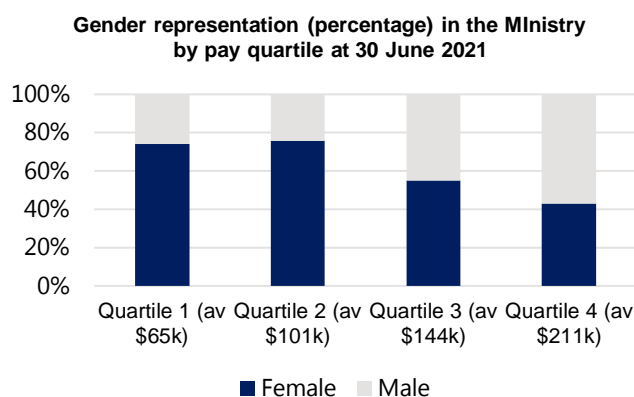
The rest of the Ministry is most comparable to the overall public service and largely comprises advisors, analysts, corporate and finance staff. For this group of around 77 staff combined – 47 females and 30 males, the gender pay gap at 30 June 2022 was about 13%.

The higher representation of females in the lower quartiles, in part reflects the larger number of female graduates hired into graduate Policy careers.

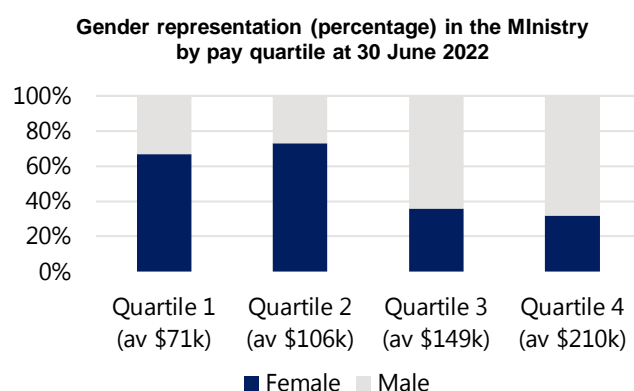
Digging deeper

Gender

The Ministry uses other measures to understand what drives the pay gaps. The bar graphs below showing gender representation by pay quartile illustrate that a number of women in the upper quartiles left over the course of the year.



Most of the women who left went to more senior roles in other Public Service agencies or wider state sector organisations. This was particularly the case for the women working in project management.

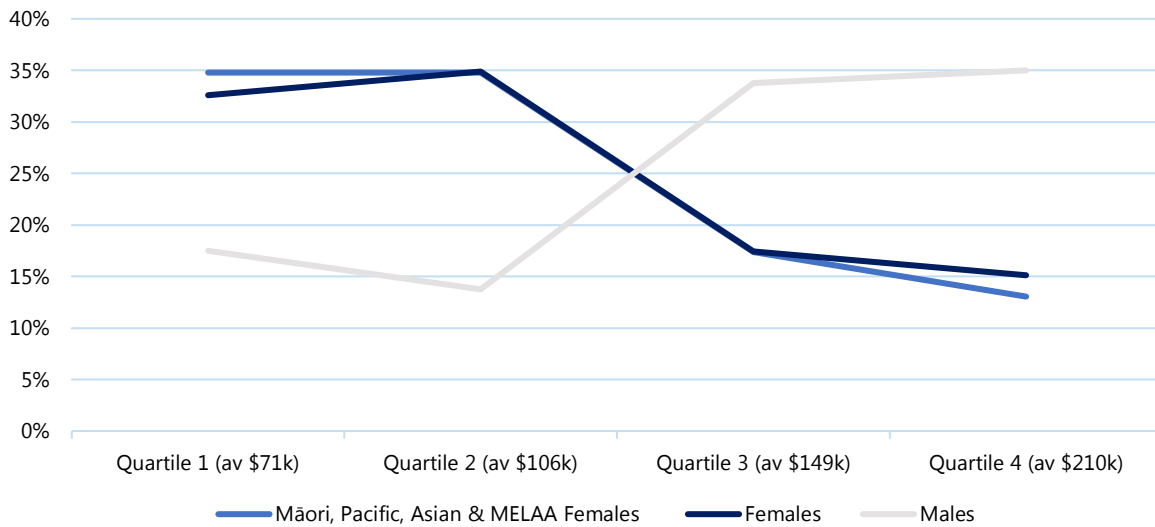


Gender and Ethnicity

When comparing overall averages for men and women separately and broken down by ethnicity, the lowest ranking men's average was higher than the highest-ranking women's average. Ethnicity discrepancies exist, but the gender gap is the most significant.

The graph on the next page is a further illustration that women who identify as Māori, Pacific, Asian and/or MELAA have a very similar overall pay distribution across quartiles to women overall. This reinforces the point that although there are some pay gaps due to ethnicity, the most significant gaps are attributable to gender.

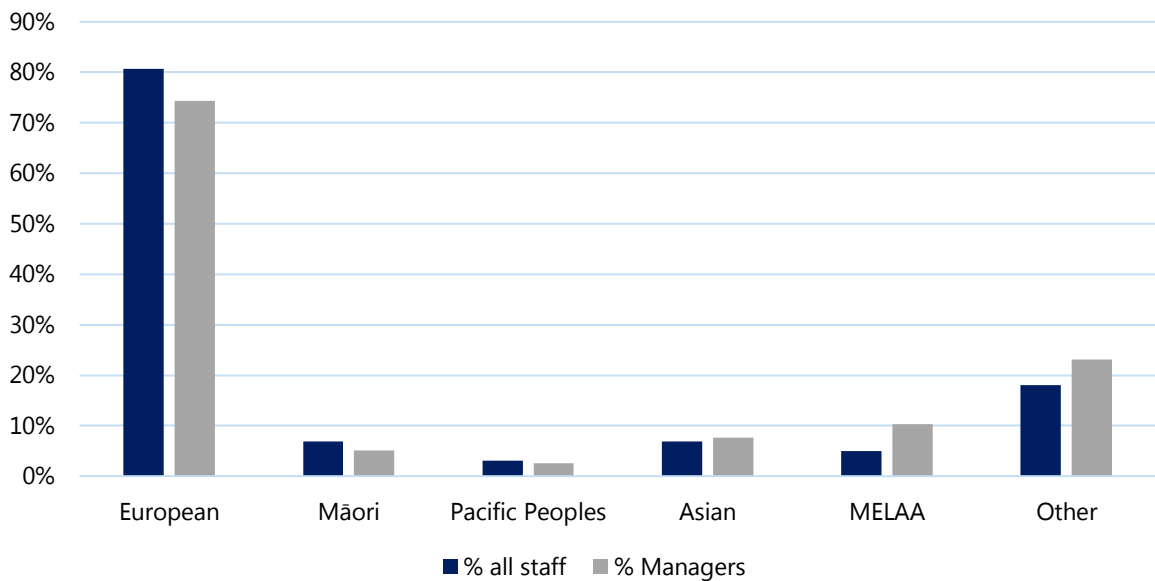
Gender and ethnicity representation by pay quartile at 30 June 2022



Management and ethnicity

The Ministry employs low numbers of staff from different ethnicities as represented in the graph below. However, encouragingly, managers (tier 2 – tier 5) are generally proportional by ethnicity.

Proportional percentage of staff and managers by ethnicity



Last year, we made a start on improving our data quality and updated ethnic identity using the collection guidance from Te Kawa Mataaho. Our disclosure rate remains high at 97% and people choose up to three ethnicities.

Our plan

• Kia Toipoto 2022 milestones	• Our progress	• Our plan
<p>Transparency:</p> <p>Agencies publish annual action plans based on gender and ethnicity data and union/employee feedback</p>	<ul style="list-style-type: none"> The Ministry has reported on progress and published our plan externally since 2019. The Ministry introduced a step based and more transparent remuneration framework in November 2022. 	<p>To publish this plan by 15 November 2022</p>
<p>Equitable pay:</p> <ol style="list-style-type: none"> by the end of 2022 agencies monitor starting salaries and salaries for the same or similar roles to ensure gender and ethnic pay gaps do not reopen Embed and monitor the impact of bias-free HR and remuneration policies and practices. <ol style="list-style-type: none"> ensure leaders and employees learn about and demonstrate cultural competence offer equitable access to flexible- working by default 	<ol style="list-style-type: none"> There is careful scrutiny of starting salaries to ensure they are the same for like roles. The Ministry annually looks at gender and ethnicity pay gaps to ensure they do not reopen. <ol style="list-style-type: none"> All employees are encouraged to participate in a suite of workshops: Unconscious Bias, Cultural Intelligence and Above the Line. All Ministry roles have been flexible by default since 2019. 	<ol style="list-style-type: none"> To embed the new step based remuneration framework To monitor the frameworks impact on pay gaps. <ol style="list-style-type: none"> Managers will determine how to be more inclusive through the leadership building they are undertaking - <i>Mana Whakatipu</i> All teams are encouraged to work through the Hybrid Working guidance developed in conjunction with Te Kawa Mataaho.
<p>Leadership and representation:</p> <ol style="list-style-type: none"> by April 2023 agencies have plans and targets in place to improve gender and ethnic representation in their workforce and leadership By mid-2023 agencies have career pathways and equitable progression opportunities that support women, Māori, Pacific and ethnic employees to achieve their career aspirations. 	<ol style="list-style-type: none"> The Ministry has had a gender based leadership target since 2017 which is due for a refresh. Initial conversations with Employee Led networks and staff on ethnicity based targets for the People Strategy were met with strong concerns. The Ministry has clear progression and promotion frameworks for Policy, Project and Analyst roles. Growing our own has been key in the reduction of our gender pay gap so far, although at times it has contributed to it, as we have brought women into junior roles and supported them to progress in the Ministry. The Ministry is also very supportive of women returning from parental leave and ensuring they have equitable access to career development opportunities. 	<ol style="list-style-type: none"> To refresh our gender leadership targets <ol style="list-style-type: none"> To increase the percentage of women in senior leadership roles (tier 2 & tier 3) to 50% over the next three years. To increase the percentage of women in tier 4 and lower management roles in the Ministry to a minimum of 40% over the next five years. The Ministry will focus on building an inclusive culture and recruitment practice before re-engaging with staff on targets for growing our ethnic diversity.

