

## E-reward Annual Conference. Focus on.... Gender Pay Reporting - The Context and the Content

*"If you're a woman, you still earn less than a man." The Prime Minister*



Dr Duncan Brown,  
Head of HR Consultancy  
November 4<sup>th</sup> 2016



*"The Not-So-Hidden Meaning of Theresa May's  
Leopard Print Kitten Heels" The Daily Beast*

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## About IES

- Leading independent charitable centre of research and consultancy in employment policy and HR practice
- Not for profit, established in 1969
- c50 multidisciplinary staff

### The IES HR Network:

- Organisational membership
- Collaborative research
- Conferences and seminars
- Networking



### Recent projects

- Re-searching solutions to pay gaps for EHRC
- Drafting guidance to the original 2010 reporting regs for EHRC
- Evaluating the success of the government's apprenticeship growth programme
- Carrying out equal pay audits for a major retailer, government regulator, northern university etc
- Expert group on the Hutton Fair Pay Review
- Reviewing and evaluating youth unemployment initiatives in the EU
- Reviewing nursing staffing situation for the MAC
- Researching the senior gender mix in a local authority

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## What do we know?

- The McKinsey Global Institute (2015) estimates that \$28 trillion could be added to global GDP if women could replicate male levels of labour market participation, with Europe standing to gain some 21 per cent of GDP.
  - There is a gender pay gap (though some deny)
  - It has got 'stuck'
  - Last year's United Nations-backed International Women's Day was branded as [Planet 50-50 by 2030](#)
  - The UK seems to still have a long way to go, ranking at 30th out of the 33 countries in the OECD's female employment ranking.
  - A variety of interacting economic, social and political factors help to explain this eg widening top to bottom differentials
- <https://www.brighton.ac.uk/crome/events/cambridge-journal-of-economics-equal-pay.aspx>



- Fairness matters to people
- Most private sector employers haven't done an EPA or acted to close their gaps, nor have plans to ie voluntarism is not working
- There are 'rational' reasons that employers don't act on their gaps - complexity, cost etc
- There are other reasons - pay decisions are socially mediated
- Transparency is associated with smaller pay gaps (EHRC)
- 'Solutions' seem to require multiple actions by multiple stakeholders over sustained periods eg Boston, WAVE, UK HE

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## Related initiatives: Diversity and Pay in Financial Services

- Highest pay and largest pay gap.
- Gadhia Review - Treasury appointed CEO of Virgin Money
- Charter seeking pledges to promote gender diversity from individual employers:
  - one member of the senior executive team responsible and accountable for gender diversity and inclusion;
  - setting internal targets for gender diversity in senior management;
  - publishing progress against targets annually on website; and
  - "having an intention to" link the pay of the senior executive team to delivery against targets on gender diversity.
- Companies that have already signed up:
  - Banks: HSBC, FiBS, Lloyds, Barclays
  - Asset Managers: Columbia Asset Manager
- Treasury will publish who has signed up

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## Female board representation

- The European Commission is progressing a draft directive on female board participation - the current average in large European companies is 20 per cent.
- Targeting and setting quotas for women at senior levels spreading rapidly.
- In Finland the requirement is 40 per cent on Boards and Germany recently introduced a 30 per cent minimum on large company supervisory boards from 2016.
- In large PLCs Davies Review 2010 led to voluntary target of 25%, achieved last year.
- Extension to achieve 1/3 of posts held by women, Nicky Morgan 'We must continue the good work and grow the talent pool of women ready to fill seats in Britain's boardrooms by looking at representation and career progression at lower levels'.
- Research found that women on FTSE boards had worked in 1.3 functions in their careers, so they had generally focused in one function to progress their career, rather than moving across general management (Davies Review report 2016).
- A new five-year plan was agreed, focusing on building the talent pool below board level and greater representation in executive as opposed to non-executive roles.
- Under 25% recruits to FTSE 100 boardrooms in six months to March 2016 were female
- IES study in Lewisham council with 'negative' gender pay gap and senior parity (*The Power of Parity, 2016*):
  - Leadership (Council and executive)
  - Internal talent pipeline
  - HR policies particularly at the start
  - Time/consistency

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## The Parliamentary WEC



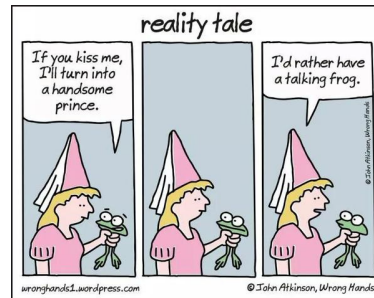
- A report on the gender pay gaps for the over 40's earlier this year by the Common's Women and Equalities Committee called for a much more wide-ranging programme of initiatives to break glass ceilings beyond reporting, including:
  - Making all jobs flexible from the outset, unless there is a strong and continuing business case for them not to be.
  - Bringing in non-transferrable leave for fathers and second parents and equal paternity pay to allow men and women to share care equally.
  - Establishing industrial strategies for low paid, highly feminised sectors such as healthcare to improve productivity and pay levels.
  - Creating a *Pathways to Work* scheme to support women to return to work after time out of the labour market.

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## What could we possibly have to fear from publishing a few general statistics?!

- Only 12% employers have no fear (Mercer, 2016):
  - Reputation risk: 61%
  - EP claims: 41%
  - League tables (not in proposals): 39%

- It's far too detailed:
  - Risk of claims
  - Costs of compliance
  - Small businesses can't calculate medians
- It's not detailed enough:
  - Simplistic press interpretation
  - Reflects sector/structure
  - Requires commentary



Chartered Management Institute Chief Executive Ann Francke *'Unconscious or unintentional gender bias is still alive and well: The transparency of reporting on gender pay and the gender pipeline will be a watershed in accelerating change.'*



## Why? Where did the gender pay reporting requirement originate

- European Commission renewing 5 year gender equality strategy wrote to member states regarding progress on transparency
- Think, Act, Report voluntary government scheme.
- 275 employers joined the scheme,
- Only 4 published their gender pay gap information
- Only 2 included information about different pay grades.
- December 2014, Labour MP, Sarah Champion, introduced a Private Member's Bill to bring section 78 of the Equality Act 2010 into force. The motion was passed by 258 to 8.
- The Liberal Democrats lobbied for an amendment to the Small Business, Enterprise and Employment Act 2015 to achieve the same outcome. The Government conceded the amendment
- The new section 147 required regulations under section 78 of the Equality Act 2010 to be made within 12 months. The Act received Royal Assent on 26 March 2015.
- Thin end of the wedge or avoidance?



## The Progress.....

- Consultation published July 2015
- Require private/public/voluntary employers with 250+ employees to report on their gender pay gap on a regular basis
- c.700 responses - 82% of employers and business organisations agreed this would encourage employers to take action to close the gap
- Draft regulations published for consultation on 12 February 2016
- Awaiting revised draft, ACAS drafting guidance
- Consultation on public sector requirement underway
- Implementation date October 2016
- First reporting deadline April 2018, commence April 2017
- Annual reporting by April each subsequent year

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## Scope of the Regulations

- Employers with 250 or more “relevant employees” on the “relevant date”
- A “relevant employee” is a person:
  - who ordinarily works in Great Britain, and
  - whose contract of employment is governed by UK legislation
- Employee defined widely per s83 Equality Act 2010
- The “relevant date” is 5th April each year starting in 2017
- Currently applicable to private and third sector, but to be extended to the public sector with recent consultation.

Source: thanks to Audrey Williams, Fox Williams

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## Content (to be confirmed)

- Snapshot of difference in pay of male and female employees 30 April each year:
  - % difference in mean hourly pay during the relevant pay period
  - % difference in median hourly pay during the relevant pay period
- Information about bonus pay
  - % difference in mean bonus pay of male and female employees in the 12 months to 30 April each year
  - % of male and female employees who received bonus pay in the 12 months to 30 April each year
- Distribution of men and women in each pay quartile
  - Numbers of male and female employees in each pay quartile (A, B, C and D, with D being the highest)
  - No need to identify pay bands and levels of pay

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## So what else should employers be doing? Part of a reward and diversity strategy

1. Emphasise fairness in the reward strategy
2. Review it: carry out an Equal Pay Review/Audit
3. Use well-designed job evaluation plans and pay management structures
4. Manage/monitor reward processes: are performance pay and bonuses fair?
5. Management and communicate effectively
6. Integrate into a wider diversity strategy



*“Increased participation of women in leadership is more important than simple equality. We must look our prejudice in the face and change our attitudes and understanding. Without that, we have culture getting in the way of better patient care. This must change” -*

Dean Royles, ex Chief Executive NHS Employers and Chair CIPD

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## Thanks



Duncan leads the HR Consultancy and Research work at IES, a leading independent research-based charity which supports improvement in HR and employment practice.

He has more than 25 years' experience in HR consulting & research with Aon Hewitt, PwC and Towers Perrin. He spent 5 years as Assistant Director General at CIPD.

His clients have included major companies such as National Grid and Lloyds Banking Group, public sector bodies such as the Cabinet Office and National Health Service and not-for-profits such as Cancer Research and the United Nations.

Duncan is a leading commentator on HR, and publishes widely. His last book was on reward effectiveness.

He has participated on Government taskforces concerned with fair pay, engagement, pensions and human capital reporting. He advises a number of remuneration committees. *Human Resources* magazine placed him in its listing of the top 5 most influential thinkers in UK HR.

Duncan has an MA from Cambridge University, an MBA from the London Business School and is a Fellow of the CIPD. He is a Visiting Fellow at Kingston University where he obtained his PhD in reward strategy earlier this year.

Read his blogs at:

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