



Special Report: Promoting Equality in the Workplace

Spring 2018

Introduction

In the first of our series of mini reports stemming from our Spring UK Reward Management Survey, we discuss the wider implications of the results for gender pay gap reporting. We address the varying responses to the gender pay gap reporting with a sector-specific analysis and tackle the question that many organisations are struggling to answer: “What next?”

Closing the gender pay gap is not as straightforward as some might have initially thought and hoped. There are numerous factors at play. Some sectors are dominated by male workers; time is a key factor in terms of how quickly the gap can be closed; and executives continue to set the tone in terms of how proactive their organisation is being in embracing the aim of inclusivity.

It will be interesting to see how enforcement plays out. The Sunday Times recently reported that, according to figures released from a freedom of information request, only eight companies are subject to enforcement action for not disclosing their gender pay details. This is despite the Equalities and Human Rights Commission announcing in April that over 1,500 organisations had missed the deadline.

It seems that penalties to deter non-disclosure pale in comparison to the internal and external pressure that companies are feeling, even if they do not have a duty to report their figures. At the time of writing, 10,723 companies have published their figures and 300 of those were not under a duty to report, having less than 250 employees.

Certainly, from the conversations we are having with employers, there is a genuine desire to meet the goal of getting more women into male-dominated industries. We have seen a noticeable shift in the dialogue to one actively promoting inclusivity. The broader push for equality is one that will continue to gain momentum – assessing equal pay across the business at the earliest opportunity will prevent companies losing both existing talent and those who are looking for employment with a company whose values reflect their own.



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Sector Analysis

CHARITIES ASSOCIATIONS AND INSTITUTES

31% of organisations said they were publishing data externally.

11% of organisations thought the gender reporting requirements would cause problems or issues.



Considering the Median pay gap



This sector highlighted the pressure they felt to produce a report despite many having no legal requirement to do so.

CONSTRUCTION

65% of organisations said they were publishing data externally.

8% of organisations thought the gender reporting requirements would cause problems or issues.



Considering the Median pay gap



Communication around what the gender pay gap means for current employees and making sure it was not confused with equal pay was the biggest concern for respondents in this sector.

HOUSING ASSOCIATIONS

60% of organisations said they were publishing data externally.

78% of organisations didn't think the gender reporting requirements would cause problems or issues.



Considering the Median pay gap

14.1% 

Mean

14.6% 

Median

10.2%

Lower
Quartile

19.7% 

Upper
Quartile

MANUFACTURING AND PRODUCTION

25% of organisations said they were publishing data externally.

67% of organisations didn't think the gender reporting requirements would cause problems or issues.



Considering the Median pay gap

14.4% 

Mean

14.4% 

Median

9.8%

Lower
Quartile

19.1% 

Upper
Quartile

PROFESSIONAL SERVICES

57% of organisations said they were publishing data externally.

20% of organisations thought the gender reporting requirements would cause problems or issues.



Considering the Median pay gap

19.5% 

Mean

19.5% 

Median

15.0%

Lower
Quartile

24.0% 

Upper
Quartile

Communicating what the figures mean was a key concern for this industry. Others highlighted that they regularly check for pay inequalities, especially at the annual review.

Common Themes

Common themes can be identified across all sectors.

WIDESPREAD PRESSURE TO BE TRANSPARENT

All sectors, regardless of whether they have a duty to publish or otherwise, recognise the debate and their role in this. 69 per cent of charities, associations and institutes do not need to publish their data, having 250 employees or below, but recognised the pressure they feel under to publish their data and contribute to the debate. Perhaps unsurprisingly, March 2018 was the most popular month in which each sector planned to publish their data.

INCREASED AWARENESS

In the public sector, roles are generally more structured across organisations with defined levels of roles. There is generally more consistency with pay decisions. We see this with housing associations where the structure that they have in place with job evaluations enables them to identify any equal pay issues early.

SOME ORGANISATIONS' FIGURES MIGHT GET WORSE BEFORE IMPROVING

Whilst housing associations tend to have a social care agenda, a key challenge they face is one of legacy, where people who have been with the company for many years and have benefitted from year-on-year increases. The push to recruit more women in this male-dominated industry is actually increasing the pay gap, making their figures look worse, as women join in more entry-level roles in the sector. This trend is also being discussed in construction. The variation in their interquartile range is very wide, probably reflecting the high numbers of women in top board in some companies and the lack thereof in others. Traditionally construction is a male-dominated industry so any effects are amplified.

LONG-TERM CHANGE IS IN MOTION

Sometimes the commitment to what is morally right risks making the situation look worse than the reality. This is a key example of how the legislation might be responsible for short-term pain for long-term gain: change is being effected for the future. More women are joining in junior roles. Whilst initially this may skew these organisations' figures, over time a commitment to progression and development will hopefully redress the balance and close the gap. Short-term suggestions have included having at least one woman shortlisted for each role which some of our customers in construction have said they would struggle to meet in relation to particular roles.

CHANGING DEMOGRAPHICS OF THE WORKFORCE

The recruitment market for senior women has picked up with some suggestions that firms are poaching women at the senior levels to close the gap. Paydata Director Tim Kellett says, "Whilst we want people to be promoted based on merit, headhunting based on a certain skillset has always been evident. We are just starting to see a strategic approach to trying to attract people based on the demographics of the workplace – based on bringing diversity to an organisation. It is an interesting but not unsurprising effect of the legislation which is driving equal opportunities throughout organisations."



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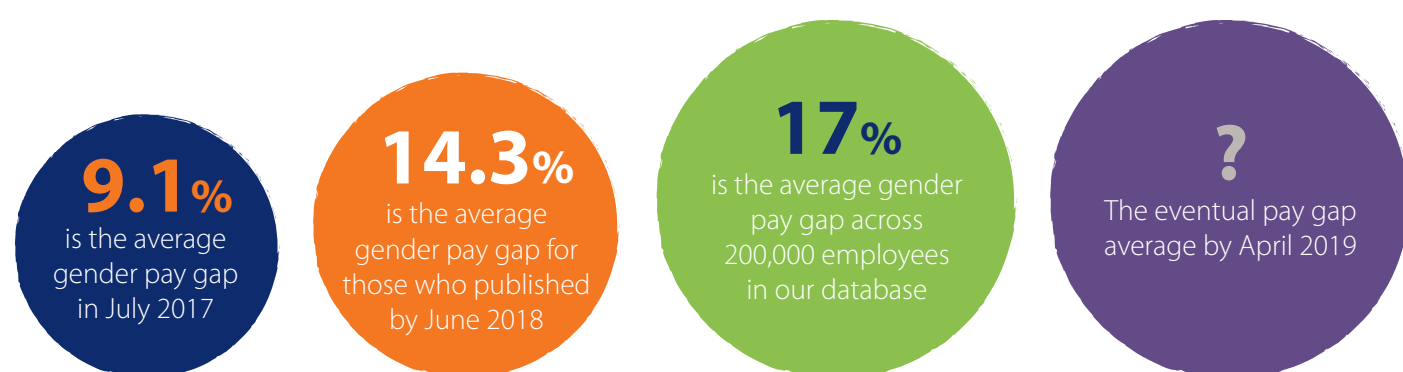
TIM KELLETT,
Paydata Director

UNFAIR PAY PRACTICES CAN BE MASKED

Care must be taken that reverse sexism does not arise. Whilst the healthcare sector has traditionally had a lower gender pay gap with a 3.4% median, this is because there are a lot more women in the sector. Whilst the onus is on the employer to get more women into male-dominated sectors such as construction, the low gender pay gap in the healthcare sector could well be due to the greater representation of women at all levels. It does not automatically mean that unfair pay practices do not exist in this sector.

SHINING A SPOTLIGHT ON THE GENDER PAY GAP

As we anticipated in our 'Mind the Gap Report' in February, there was a huge surge in the number of organisations who published around the deadline in March and April. The effect of the gender pay reporting in promoting accountability can be seen from the fact that in 2015, no one in our UK Reward Management Survey published data externally, whereas in 2017, this had already risen to 22.1 per cent. The wider movement towards examining equality in the workplace is well underway.



Figures suggested that many companies held back on reporting up until the deadline so that their narrative wasn't interrogated too much, blending in with the deluge of companies publishing altogether in April. Only 1000 out of 8000 had published their figures by February 2018 with most intending to publish around March and April 2018.

Equally, the data required for the next reporting deadline has already been captured by companies. Tim Kellett says that the focus on this year's publication deadline has meant that by April 2019, any meaningful shift in figures may not yet have been achieved. "Organisations were so apprehensive about the first reporting deadline that they held on to their figures and were not proactive in time for data being collected for 2019 – that snapshot was taken in April 2018. The response of the gender pay gap reporting has generally been one of reluctance, but a more proactive approach could pave the way for meaningful and long-term change that engages the entire workforce."

EMBEDDING EQUALITY INTO AN ORGANISATION'S CULTURE

In our UK Reward Management Survey, 52 per cent of respondents said that it would be likely or very likely that an equal pay study will feature on their HR agenda over the coming months. However, this is a reduction in the response since last year when 67.5 per cent said that they would be likely or very likely to conduct an equal pay study.

From our regular HR Groups, many have said that it feels like a 'nice to have'. In fact, whilst the day to day workload may be a barrier for many considering an equal pay audit, this is an important first step in assessing the long-term strategy in relation to equality. Gender pay reporting is one initiative designed to promote transparency.

Recent media coverage of equal pay only reinforces that like for like work regardless of age, race and ability is increasingly under scrutiny across organisations. Tesco and Asda have recently faced equal pay claims that risk running into millions of pounds worth of compensation.

Promoting Equality in the Workplace: The Next Steps

The issue of fair pay and ways in which this can be tackled is being widely debated. One of the main obstacles facing companies is the issue of understanding their company's position and clearly articulating what this means.

STEP 1: MAKE SENSE OF THE STATISTICS

Identifying what is driving the gender pay gap is an issue most companies are grappling with. Real issues are involved in the analysis and interpretation of the data. Understanding the complexities involved in accurately calculating the gap is one hurdle, but drilling down into the detail of what is driving their figures is typically the skillset of a reward professional, a resource that not all organisations have the budget for.

ASK THE EXPERTS ABOUT YOUR GENDER PAY FIGURES



Understanding the key drivers behind any gaps has been on the agenda for all of our HR groups across all sectors. Interpreting aspects of the legislation has required careful analysis, such as what information should be included in calculating the figures and how to cut the data to identify what is driving any pay gap. We calculate the figures within 10 days and advise that you run these figures past your in-house legal departments who can provide a legal perspective.

ASSESS THE BROADER LANDSCAPE OF EQUAL PAY



Many companies we work with have said that an audit exposes them to risk because of the duty this places them under to publish their findings or act upon this information in case they find themselves in an Employment Tribunal situation. They fear that they must act on the results of the audit immediately. However, when instructing a third party (such as Paydata) to undertake the equal pay review, if this is done through legal representatives then the information can be kept confidential. This removes the obligation on the company to act on the data immediately, enabling them to assess the situation and take time to develop an action plan.



The government does not expect employers to resolve their gender pay or equal pay issues overnight. They are trying to encourage employers to take initial steps to firstly identify and then address any potential issues found."

TIM KELLETT,
Paydata Director

STEP 2: ACKNOWLEDGE WHAT THE DATA IS SAYING

According to the Global Benefits Forum Survey, 75 per cent do not think that the company has a pay gap whilst 72 per cent believed that their business had already closed the gender divide, despite the government gender pay data showing 92 per cent of companies have a gender pay gap. However, these assumptions miss the opportunity of committing to equality at work. The dominance of women and men in particular sectors can be addressed by the transparency gender pay gap reporting offers. The Office for National Statistics has revealed that male financial managers and directors still earn 32.4 per cent more than women in the same occupation with the average pay gap being 9.1 per cent in 2017. Whilst in the modelling industry, women are reportedly earning 75 per cent more than men. This under-representation of either gender in each industry can highlight the huge talent pool that can be drawn upon by employers and inform proactive recruitment policies.

ASSESS THE EQUAL PAY PICTURE



The key is to identify unfair practices sooner rather than later so that an action plan can be crafted and attitudes addressed from the outset. Global consultancy McKinsey estimates that bridging the UK gender gap has the potential to create an extra £150 billion on top of 2025 business as usual GDP forecasts.

We have provided customers with an underlying framework to compare equal roles across the organisation. Or we can take a more representative snapshot across the business, with customers selecting a pilot sample of five or six key roles for us to assess, giving an indication of the potential equal pay issue in parts of the business.

USE THE DATA TO ATTRACT AND RETAIN



A more in-depth analysis of their equal pay position is critical to be able to create a wider picture of how open the business is to equal opportunities, resulting in improved staff retention and the ability to attract the right talent.

Understanding how committed your organisation is to equal opportunities is key to communicating with employees and taking a balanced approach to developing benefits packages to attract employees and address the future workplace head on. 55 per cent of employees said that they would consider an organisation's gender pay gap when applying for a role and increasingly, the workforce is driven by purpose and whether their values align with those of an organisation.

STEP 3: ADDRESS PERCEPTION VERSUS REALITY

Communication remains a key concern for all sectors. Many respondents raised concerns that both internally and externally, a large gender pay gap will be treated as an indicator of wider equal pay issues. Whilst gender pay gaps define the average difference in pay between genders across a whole organisation using mean and median figures, equal pay compares like for like work – any pay discrepancies here are illegal. Therefore it is important to differentiate. The Government Equalities Office’s recent report warns that companies need more support when interpreting gender pay gap data to help them draw meaningful conclusions. If employers do not communicate their gender pay gap figures clearly, current or prospective employees cannot understand the implications, risking a potential loss of talent.

DEVELOP A CLEAR NARRATIVE



The purpose of the gender pay gap reporting initiative was to create accountability and social change, but to be effective the information needs to be presented in a clear and meaningful way. If employers don’t communicate their gender pay gap clearly, current or prospective employees cannot understand the implications, risking a potential loss of talent. It is feasible for organization to have a very low gender pay gap but have an imbalance in the workforce or have unfair pay practices. Similarly, organisations can have a high pay gap and have fair pay practices – for instance, our customers in construction often talk about individuals who have been there for years and therefore imbalances arise from tenure as opposed to clear gender pay differences.

Our consultants have years of reward analysis to help you understand what the key drivers are in any pay discrepancies across your organization and how this compares to the wider market.

SIGNAL THAT DIVERSITY IS ON YOUR HR AGENDA



Price Waterhouse Cooper’s recent workplace of the future survey found that 88 per cent of millennials want to work for a workforce whose values reflect their own. Equality and fairness are at the forefront of most employer value propositions to attract talent. We can support you in crafting a clear narrative to explain the figures – why the gap exists and what employers will do to remedy this – which is imperative to engaging both existing and prospective employees.

Our recommended action plan is three-fold:

1. understand the drivers behind the figures for your own organisation;
2. understand how this fits with the wider industry’s experience;
3. write a narrative that acknowledges any issues and has a compelling action plan to robustly address the organisation’s future.

Joe Price explains, “the gender pay gap is so topical not just because of the legislation, but because of the wider opportunities legislation like this is trying to create across all organisations. There is a genuine feeling that clients want to do something with their data and whilst calculating their gender pay gap, they often go on to consider age, race and disability.”

The key trends that have emerged in relation to gender pay and equal pay from our UK Reward Management Survey and working with our customers highlight the importance of planning ahead when it comes to promoting equality in the workplace. Find out how we can help you meet your reporting requirements and assess how open your business is to creating equal opportunities for employees.

Call us on +44 (0)1733 391 377.



Measure your progress

With the initial gender pay reporting deadline an almost distant memory, what progress have you made in addressing the gap?

Employers are increasingly coming under pressure to demonstrate that they actively promote equality and to close any pay gap.

With a snapshot date of April 2018 required, there is no need to wait to calculate your 2019 figures. Calculating your gender pay gap early will enable you to assess what progress you have made so far, as well as allowing you time to identify and address areas still requiring action.

We have been helping many of our customers fulfil their reporting obligations via our Gender Pay Reporting service.

Calculating your gender pay gap couldn't be simpler:



Submit

Complete and submit our standard spreadsheet template with your raw data.



Analyse

We will run basic checks on your data to ensure that all the data is present.



Report

Once your data passes those checks, we will produce a report with all the figures required to meet reporting requirements, including how they have been calculated, within 10 working days of receiving your clean data.

from just £500 +VAT

To discover more and to discuss your requirements, please contact us today on **+44 (0)1733 391 377** or via **info@paydata.co.uk**

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