

Gender Pay Update

By April 2018, UK companies with 250 or more employees (as at 5 April 2017) will need to publish their Gender Pay Gap Reporting data. The focus of the Gender Pay Gap Reporting legislation is progression and whether women are equally represented in the higher-paid jobs within a company. This should not be confused with the issue of “equal pay for equal work”, which has been in UK law since the 1970s.

At the time of writing, 1,489 entities have submitted their Gender Pay Gap Reporting information to the Government website: <https://gender-pay-gap.service.gov.uk>. Given the Government’s estimate that more than 9,000 entities are required to report under the regulations, a substantial number need to act quickly if they are to meet the 5 April 2018 deadline.

What does the data tell us?

The way in which the Government has collated this information has aggregated together the submissions of all businesses, voluntary organisations and public sector organisations. In the following analysis we have shown the average of the published data on three bases: (1) All companies, (2) Excluding Public Bodies, (3) Public Limited Companies (“PLCs”) only (4) Public Bodies only.

Hourly Pay

Group	Number of companies	% Difference in mean hourly pay	% Difference in median hourly pay
All companies	1,489	12.3	10.7
Excluding Public Bodies	1,257	13.0	10.6
PLCs*	76	18.1	14.4
Public Bodies only**	232	9.2	10.3

* All entities identified as a Public Limited Company (i.e. listed and unlisted)

** Public Bodies includes Government departments, Councils, Colleges, Schools and Academy Trusts

The data above shows, perhaps unsurprisingly, that men are paid more than women on average. However, the results are lower than the Office of National Statistics reporting mean pay gap of 18.4% for 2017 (median gap of 17.4%).

The average data presented hides the significant variance from company to company and across sectors. In part, the numbers are influenced by how a company is structured as the reporting requirements are based on each statutory entity (with any consolidated reporting purely on a voluntarily basis). Using Tesco as an example, the Tesco Maintenance Limited entity has a mean hourly pay gap of -47.2% (i.e. women are paid more), whilst Tesco Personal Finance PLC has an equivalent gap of 29.2%.

Of the top 20 companies with the highest mean hourly pay gap, 6 are in the Travel & Leisure sector, 5 are in Healthcare, 5 are in Retail, 3 in Financial Services and 1 in Media.

Bonus Pay

Group	Number of companies	% Difference in mean bonus pay	% Difference in median bonus pay	% Males that received bonus	% Females that received a bonus
All companies	1,489	19.1	8.3	36.7	35.6
Excluding Public Bodies	1,257	24.3	11.0	42.8	41.3
PLCs	76	42.4	22.0	62.8	62.2
Public Bodies only	232	2.0	-2.3	12.7	12.0

The statistics show that there is a broadly consistent number of men and women receiving an annual bonus, (supporting the view there is equal treatment regarding the inclusion of genders in incentive or bonus plans) but the pay gap remains evident. As noted, Public Bodies, where the use of bonuses is less common, flatter the overall figures. After excluding Public Bodies, the difference in quantum is more apparent. This is partly reflective that bonuses are typically calculated as a percentage of salary. Thus, lower salaries will result in lower bonuses, irrespective if the actual pay-out across men and women is the same.

Composition of Quartiles

Group	Number of companies	% of Males in lower quartile pay	% of Males in upper quartile pay
All companies	1,489	45.5	58.9
Excluding Public Bodies	1,257	48.0	61.5
PLCs	76	53.0	72.3
Public Bodies only	232	38.1	44.0

What is clear from the table above, is that men are underrepresented in the lower quartile and overrepresented in the upper quartile. In its simplest form, this is the principal reason for the pay gap results which are being reported.

Interesting examples

Easyjet is an interesting case study, as a company with a very high Gender Pay Gap. Salaries for pilots and cabin crew are collectively agreed, so pay rates for each job role are equal for male and female employees. However, pilots, who earn substantially higher salaries, have female representation of only 6%, whilst lower paid cabin crew are 69% weighted towards females. Easyjet acknowledges that any hope to rebalance the gender pay gap requires a bias towards recruiting female pilots (something which may take many years to achieve).

Likewise, engineering focused companies face a challenge that a lower number of women graduate from STEM related university courses, therefore giving them a smaller talent pool to recruit from. Encouraging greater uptake in female

representation in such subjects requires a major shift in the labour market, the results of which may not be fully recognised for a generation.

While, not relevant to the UK reporting requirements, a recent research paper on Uber driver gender pay differences in the US, noted that despite an earnings algorithm which was gender blind and no evidence of discrimination in user preferences for male or female drivers, there was still a 7% wage gap in favour of men. The researchers concluded that this related to gender-based preferences of the drivers themselves, with around half of the difference related to the male preference to drive faster, thus earning more per hour worked.

Accuracy and enforcement

Over 30 companies are reporting a zero mean and zero median hourly pay gap, something which the press has stated to be statistically improbable. However, based on our own analysis, this may well be the case (at least in respect of medians) where there is a propensity to pay the National Living Wage. Some companies have gone further and reported an equal 50:50 split between men and women in every quartile. This suggests the accuracy of some submissions is questionable.

The Equalities and Human Rights Commission (“EHRC”) is responsible for enforcing Gender Pay Gap reporting, with employers facing unlimited fines and convictions if they failed to meet their obligations. However, the EHRC has said they are not responsible for checking the accuracy of submissions and will only investigate information which appears to be “wholly implausible”. It remains to be seen if the EHRC has the appetite or resources to enforce compliance effectively.

What companies are doing now on Gender Pay Gap Reporting?

FIT’s experience of assisting companies with Gender Pay Gap Reporting is that many companies have spent recent months grappling with the data and what it means for them.

So far, the biggest challenges we are seeing for companies are:

- Identifying the populations to analyse (which are subtly different for hourly pay and bonus pay calculations)
- Selecting which elements of pay are included and excluded
- Defining the quartiles (where large numbers of employees receive the same level of hourly pay)
- Communication of the data
- Setting tangible actions and milestones for future initiatives

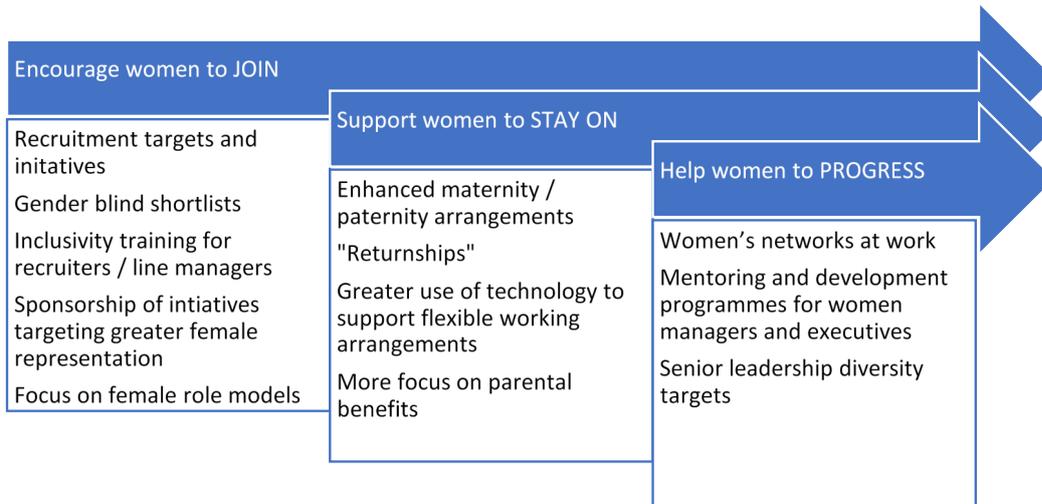
With checking and verification now mostly complete, companies have moved on to try to understand what the data means for them and what actions they should be taking.

Perhaps the most important question for companies to understand is what is within their control. For some companies, the data highlights specific issues which can be targeted with a host of initiatives, supporting overall talent management activities, with clear targets to be achieved. For others the data points to structural or wider societal issues which will hamper any significant progress in the short to mid-term future. In these cases, company specific actions may be limited to incremental changes, accepting that such actions will have limited impact but committing to a CSR policy which addresses macro issues (e.g. school visits to explain the benefits of STEM subjects to female pupils).

Understanding the issues and the timeframes which underpin the raw data is crucial in setting a realistic action plan for the future.

Setting an effective action plan

We have been helping companies develop action plans for the initiatives which might be undertaken to address some of the underlying causes of Gender Pay Gaps. In general, these fall into three categories:



In some cases, the task is often to pull together existing talent management initiatives into a co-ordinated package and putting in place the necessary processes to monitor and report back on progress.

Conclusion

With the deadline for publishing fast approaching, companies are encouraged to submit their data sooner rather than later to avoid the last-minute rush.

We understand, unofficially, that many companies are considering publishing their gender pay reports on 8th March (International Women's Day) and, therefore, the Government portal is likely to come under pressure during this time.

As a practical point companies should keep in mind is that, in our experience, the registration process for the government reporting service can take some time to complete. Irrespective of when a company intends to report, we recommend that sufficient time is allowed to engage with the practicalities of the reporting system. This can be particularly cumbersome if the reporting entity is not UK incorporated, as the standard registration process will not apply.

FIT is well placed to assist with any questions regarding the practicalities of the reporting process and more generally regarding Gender Pay Gap reporting. If you wish to discuss anything arising from this briefing, please ask your usual contact at FIT or call us on 020 7034 1111 or email us at Info@fit-rem.com.

FIT Remuneration Consultants

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