

Equal pay

– still minding the gender pay gap?

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“People will want to see one number – but there is no one number that makes sense.”

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EXECUTIVE SUMMARY

“Gender pay reporting potentially opens up a new front in reputational warfare.”

Senior Counsel, natural resources

The forthcoming gender pay reporting regulations will put into the public domain diversity inequalities that many organisations already recognise, but keep to themselves in order to manage associated litigation and other risks. Transparency over the numbers will lead to external scrutiny and questioning, with potential risk to reputation, employer brand and trust. Too many will leap from a headline percentage to assuming that organisations therefore underpay women – this simplistic view, and how to counter it, worries all our research organisations.

These are some of the other key themes.

Terminology

There is a tendency for confusion around terminology – certainly in the press, but sometimes even within HR, where the silos between Reward, Talent and D&I are not always joined up. There needs to be clarity across the organisation on the usage of, and the distinction between, terms such as equal pay, gender pay gap, gender pay gaps by grade/band, occupational segregation, low pay occupations etc.

Gender pay gap

Gender pay gaps do exist – but they vary by work pattern, age, sector and occupation.

- The UK gap is 9.4% for full-time, and 19.2% for all employees, placing us 7th in the EU. Part-time workers of both sexes earn considerably less than their full-time colleagues, and there is a much higher percentage of female part-timers.
- Female graduates are paid less than their male counterparts. 20% of men, but only 8% of women, earned more than £30,000 after their degree. Female law graduates earned 28% less than men. The average salary for male graduates was £22,500 vs £20,500 for women.
- Overall, there is a small or small negative gap up to age 40; at this point a wide gender pay gap develops, which widens more significantly again for those over 50.
- Gender pay gaps increase with seniority, and can be exacerbated by variable pay elements.
- The private sector gender pay gap is higher than the public sector. It is particularly acute in Financial Services, but Architecture, Professional Scientific and Technical, and Manufacturing occupations come high up the table.
- There are high gender pay gaps in skilled trades and process operator work, low gaps in administration, caring and leisure – which also tend to be low pay occupations.
- The perceived economic and societal value of low paid occupations, disproportionately filled by women, is unlikely to be impacted by the regulations.

EXECUTIVE SUMMARY

Reporting and narrative

- Getting to accurate reporting will present challenges for many organisations, particularly those which are fragmented, or with a history of acquisitions, outsourcing and legacy systems. Many systems are not sufficiently robust to produce the granularity of reporting that may be required, and this will clearly have resource implications for HR and Finance in particular.
- The issues are compounded the further away from base pay the reporting requirements are set. The inclusion of bonuses, whilst in many ways logical, will provide extra challenges around timing and reporting.
- Changes to the business model and structures will impact on the gender pay gap from year to year.
- Detailed narrative will be required, to show a pathway through what is likely to be a complex reporting picture. Organisations with very different divisions or sub-businesses will have a particular challenge, depending on the reporting entity.

Risks

- There is universal concern that the press and other media will not always want to understand the full scenario, with a risk of reputational damage even if all the right things are being done.
- There is a further concern that organisations that are seen to have large gender pay gaps will lose out to their competitors in the acquisition and retention of skills and talent.
- There is a risk that existing employees will lose trust and engagement with companies that are perceived to have large gender pay gaps – communication needs to be internal as well as external.

What next?

- It is clear that for the majority of organisations, this is a talent pipeline issue, rather than a reward issue. Improving diversity at the 'getting in' stage is good in most organisations, but all are struggling with the 'getting on' part – retaining and progressing women to the most senior levels.
- Reporting of the data should not overshadow initiatives to ensure that a more diverse talent pool progresses. Actions need to be put together in a holistic way, need managing and have consequences for non-achievement.
- The reporting requirements will put the subject under the spotlight. Hopefully, it will provide a catalyst for forcing the pace of demographic change more effectively than voluntary efforts have done to date.
- However, the changing nature of the world of work, and the rise of the gig economy, may challenge that optimism, and the regulations will also not address the value that society and the economy put on the low paid roles and occupations that many women fill.



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