

# Gender Pay Gap Reporting

## Responding to the Lack of Women in Leadership



## AN OPPORTUNITY FOR IMPROVEMENT

**A**pril 2018 was the deadline for private and public organisations with more than 250 employees to report their gender pay gap – the difference in mean and median compensation between male and female employees. Public sector employers needed to report by 30 March.

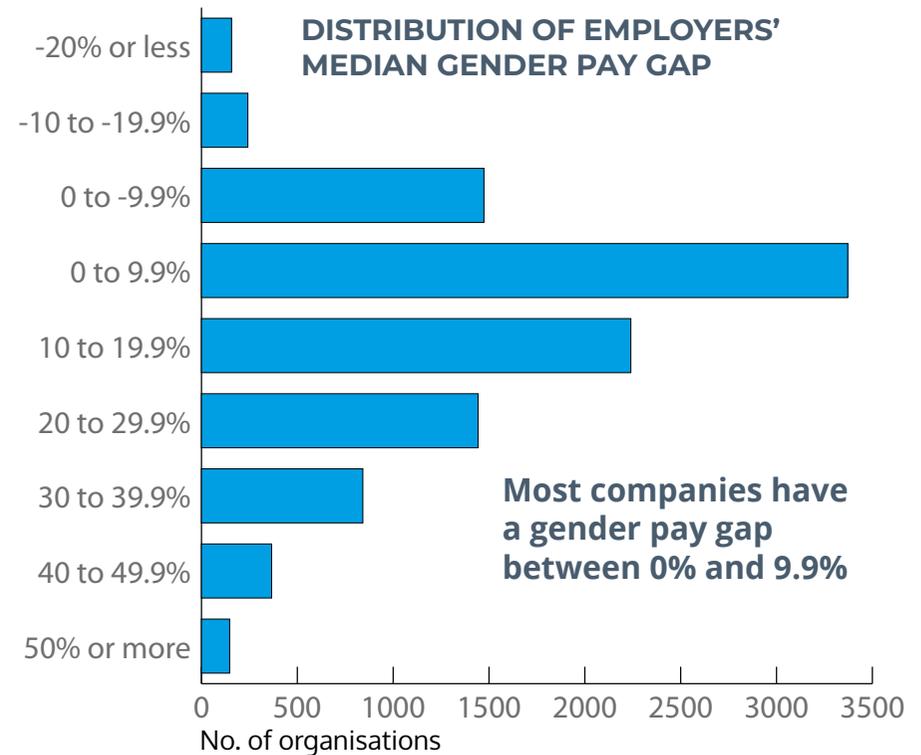
The publication of these figures on the gov.uk gender pay gap portal has drawn scrutiny from the press, the public, and current and potential employees of these organisations. But this is not a one-off exercise, employees now have to report their pay data annually.

For many employers, calculating these figures will have helped determine if their reward structure is fair and fit for purpose – for a few it may have even revealed areas where they could be at risk of equal pay claims.

Companies that reported wide pay gaps noted a lower proportion of women in highly paid, senior roles. One major retailer, for example, shared information revealing that more than 60% of its lowest paid roles were taken up by women, compared with 40% at executive level.

The gender pay gap reporting cycle is a prime opportunity for employers to highlight ways they are boosting the pipeline of women into these positions – such as through better sponsorship and mentoring, and reducing bias in the promotion process.

This white paper will explore some of the ways organisations can respond to and reduce the pay disparity between men and women.



## WHAT HAS THE REPORTING PROCESS SHOWN SO FAR?

More than 10,000 employers provided details of their gender pay gap, and more than three-quarters of them paid men more than women, on average, during the 2017 reporting period. Just 14% of companies reported a median pay gap in favour of women.

It also showed that men take up the majority of higher-paid roles – only a third of companies have more women than men among the top-paid roles. Men were also paid higher bonuses than women, with the biggest gap in the finance sector, where women received on average 35% less in bonuses than their male counterparts.

The highest gender pay gaps were reported in sectors such as financial services, where there is a long tradition of senior roles being occupied by men, and retail, where there tends to be a significant gulf between low-paid shop employees (often female) and executive-level positions (majority-occupied by men). All sectors had a median hourly pay gap that favoured men.

Low or even negative pay gaps were reported by a number of companies, but this too can reflect underlying gender inequalities. For example, in a male-dominated factory or a traditionally female-majority industry, there will inherently be little difference in pay between the genders.

Companies that reported were keen to highlight the initiatives they have under way to close the gap.



However, with some publishing these just weeks before the snapshot date for next year's report (more than 1,500 reported on the deadline day itself) what impact can these initiatives have, asks Charlotte Sweeney OBE, founder of Creating Inclusive Cultures. "Many were promising the world in their narrative, but their next report won't be much different as they won't have time to make realistic changes," she says.

On a positive note, however, the issue of gender pay inequality has arguably never received so much attention. For women aspiring to leadership roles and more equality in how they're rewarded, this puts them in a strong negotiating position. According to Nikki Wilton, Global Sales Director at Xchanging: "Women often put themselves at the bottom of the list for their own progression, but will happily mentor others."

## CASE FOR DIVERSE LEADERSHIP TEAMS

Research shows that more diverse leadership teams tend to be more innovative and produce better business results.

In 2017, Boston Consulting Group<sup>1</sup> found that companies with above-average diversity scores generated 45% more innovation revenue (the proportion from new products and services launched over the past three years) than those with less diverse employees.

<sup>1</sup> The Mix that Matters: Innovation Through Diversity, Boston Consulting Group, 2017  
<sup>2</sup> Government launches shared parental leave campaign after just 2% take up, Personnel Today, Feb 2018

<sup>3</sup> Part-time work in senior roles on the rise, according to Timewise, Personnel Today, Feb 2018

## What challenges do women in leadership face?

The factors preventing women from reaching key senior positions are often endemic within organisations and change will require a broader cultural shift. These factors can include:



• **Unconscious bias:** It's easy for bias to creep into recruitment processes or conversations about promotion, as we are predisposed to favour people who we perceive to be "like us."



• **Balancing work and caring responsibilities:** Despite the introduction of legislation to encourage fathers and partners to share the goal when women leave the workforce to have a family, take-up has been low<sup>2</sup> and women often struggle to return to the same career trajectory after taking time out.



• **Perceptions of senior roles:** A recent survey by recruitment company Timewise<sup>3</sup> showed that senior part-time and job-share roles were on the rise, but were not the norm. Likewise, there is often a perception that executive roles should be fully office-based, even though technology means this is no longer necessary.



• **Job design and pay structure:** Outdated job specifications may unwittingly favour male candidates, as may team structures (expecting everyone to work certain hours or full time, for example). How companies award bonuses and negotiate pay raises may also inadvertently favour men, who have been shown to be more persistent negotiators.



• **Confidence:** Nikki Wilton, Global Sales and Marketing Director at IT consulting company Xchanging, says it's often a case of women failing to voice their value to the business. She says women often only realise their negotiating power once they've received coaching, and do not voice achievements as strongly.

\* These factors are explored in depth in Skillsoft's white paper: [Overcoming Unseen Obstacles: How to Get More Women Into Leadership Position](#)



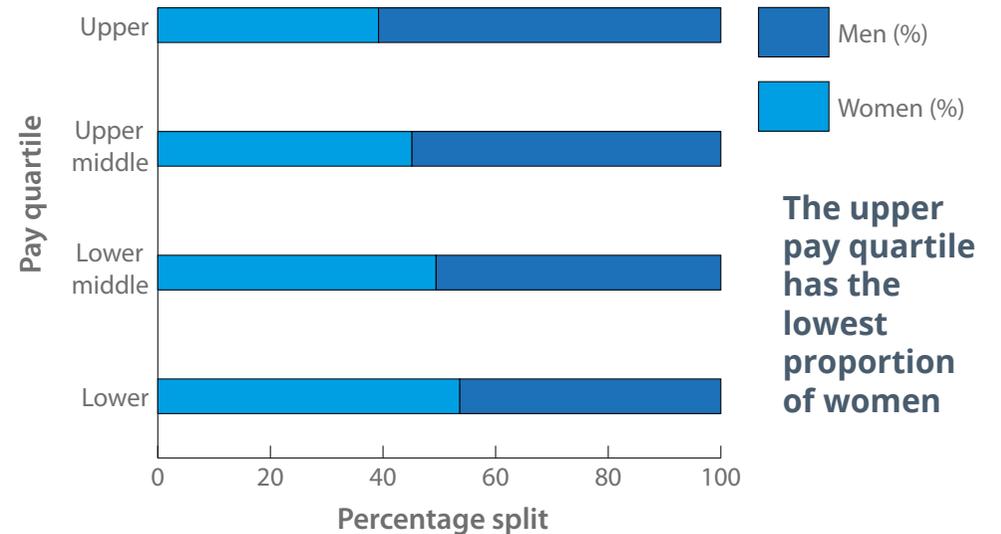
Another recent study from Weber Shandwick<sup>4</sup> showed that employees in companies where leadership teams were perceived to be inclusive were more likely to feel their employer lived up to its promises, and therefore more likely to stay.

And in 2015, the McKinsey Global Institute<sup>5</sup> found that \$12 trillion could be added to global GDP by 2025, if women played a more equal role in labour markets across the world. This represents an increase in output of 26%.

**“Many were promising the world in their narrative, but their next report won’t be much different as they won’t have time to make realistic changes”**

*Charlotte Sweeney OBE, founder of Creating Inclusive Cultures*

4 The Employer Brand Credibility Gap: Bridging the Divide, Weber Shandwick, 2018  
5 The Power of Parity: How Advancing Women’s Equality Can Add \$12 Trillion to Global Growth, McKinsey Global Institute, 2015



## WHY DOES IT PAY TO HAVE MORE WOMEN AT THE TOP?

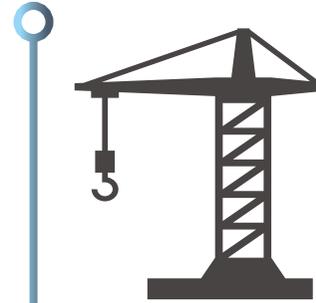
It's not just women that benefit from greater gender equality at senior level. Accenture research<sup>6</sup> found that when a company has a more diverse leadership team, men get better growth opportunities, with their chances of moving up the ladder to leadership positions increasing by 23%.

Female leaders also contribute to organisational growth, according to a study by investment bank Credit Suisse.<sup>7</sup> It found that companies with a high market capitalisation that also had at least one woman on their board outperformed their rivals by as much as 26% over six years.

There are plenty of intangible benefits too: a more diverse senior leadership team avoids the risk of "group-think"; millennials increasingly seek a more flexible approach to how they work, which women often role-model effectively; and as Weber Shandwick's report highlighted, companies that are perceived as more diverse tend to retain employees longer.

**“Women often put themselves at the bottom of the list for their own progression, but will happily mentor others”**

Nikki Wilton, Global Sales Director, Xchanging



### By industry sector: Five widest gender pay gaps

1	Construction	24.8%
2	Financial and insurance activities	22.1%
3	Education	19.5%
4	Mining and quarrying	17.9%
5	Information and communication	17.9%

## IS THERE A SOLUTION?

**In 2015, there was a proposal from the EU to impose a mandatory quota of 40% female board members for companies listed on stock exchanges in EU member states, but this was not taken forward in the UK.**

The CIPD argued that this “would not be a sustainable and long-term solution to achieving greater gender parity at the top of organisations,” and that the voluntary approach is more effective. The UK has, however, used two high-profile reviews to highlight the need for female talent in top jobs.

In 2011, the Davies Review<sup>8</sup> reported that only 12.5% of FTSE board roles were occupied by women. By 2015, this had more than doubled to 26.1%. The Hampton-Alexander Review,<sup>9</sup> published in 2017, aimed to build on the work of the Davies Review, with the aim of driving this figure up to 33% by 2020.

6 Getting to Equal 2018, Accenture, 2018

7 Better Leadership, Better World: Women Leading for the Global Goals, Credit Suisse, 2018

8 Women on Boards Review (Five Year Summary), Gov.uk, 2015

9 FTSE Women Leaders: Hampton-Alexander Review, Gov.uk, 2017

## NEXT STEPS

As gender pay gap reporting shines a light on areas in organisations where women could be better represented, what actions can they take to improve women's progression?

- **Review pay structures and processes:** Are salary rises negotiable or set in stone? Look at how pay awards are decided and awarded, and ensure the process is measurable and equal, rather than based on gut feeling or how skilled the employee is at negotiation.
- **Use unconscious bias training:** encouraging managers to recognise unconscious bias in recruitment and performance conversations can help them make decisions in a more objective way.

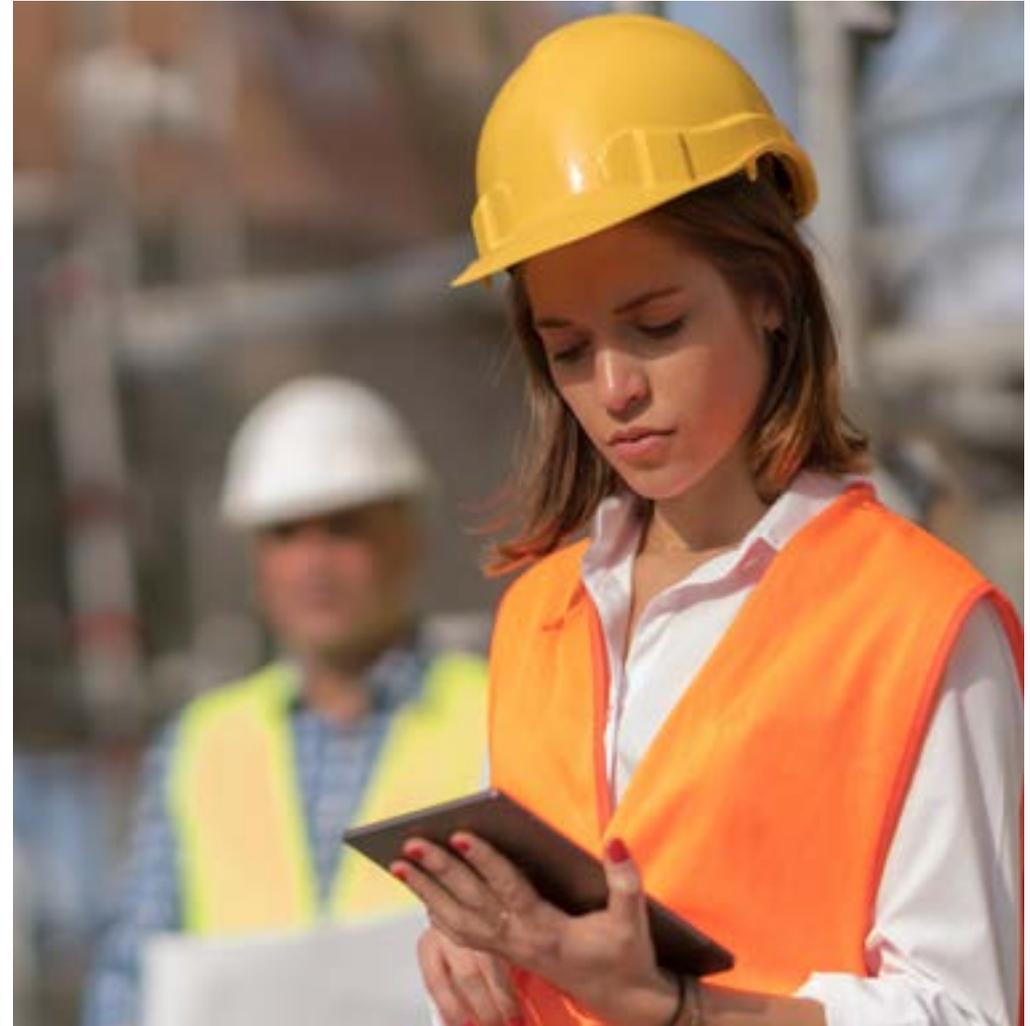


## What are other organisations doing to tackle pay gaps?

Although employers were not obliged to detail the actions they are taking to address the gender pay gap in their organisation, many took the opportunity to outline initiatives in their accompanying narratives. These included:

- **Targets** to have certain % of women in senior roles by a particular date (one supermarket committed to having at least a third of its board positions taken up by women by 2020)
- Specific **female talent pipelines** and internal interview coaching, so women feel more confident applying for senior roles
- **50:50 shortlists** when recruiting for new roles
- Encouraging **more women** to work in male-dominated areas (some media organisations have set up initiatives to get more females into digital media roles)
- Setting up internal or **cross-industry networks** for women
- Setting targets for a higher proportion of women entering **graduate programmes**
- Making **STEM and apprenticeship programmes** more attractive to female recruits so there are more women coming into these industries at an early stage.

- **Introduce artificial intelligence and automation:** Standardising or even automating certain HR processes, such as sifting through applications, can take emotion out of the equation and level the playing field for both genders.
- **Consider returnships or reskilling programmes:** The Government recently announced a £5 million investment in returnships to get more talented women back into work.<sup>10</sup> Returnships can help restore confidence in women who have been out of the workplace for some time, and help them acquire much-needed skills. In technology companies, for example, where skills frequently become obsolete as technologies change, this is a positive way to both re-skill the workforce and redress any gender imbalance.
- **Review policies against your values:** How do your HR, recruitment and training policies reflect the values in your organisation? Review policies, for example, for remote working or time off for caring responsibilities. Ensure that managers understand how to respond to these requests in a supportive and objective manner.
- **Communicate the benefits of diversity to line managers:** Managers make crucial decisions when it comes to performance management and succession planning, so make sure they are challenging biases and giving everyone an equal opportunity to succeed. Look at the processes they have in place to make these decisions, and communicate the business benefits of having more diverse teams.
- **Look at job design:** Is the wording in your job advertisements inadvertently favouring one gender or another? Women often don't feel confident putting themselves forward for a job unless they meet all the criteria. Also, is full-time a non-negotiable or could the role be more flexible?



<sup>10</sup> Spring Budget 2017: Support for Women Unveiled by Chancellor, Gov.uk, 2017

• **Support women to find sponsorship, not just mentoring:** This should come from the very top of the organisation. Women tend to get far more mentoring but men receive lots more sponsorship at work, says Sweeney. She describes the difference as sponsorship being where someone is prepared to put their neck on the line for you, to stand up for you when you're out of the room.

Now that the first gender pay gap reporting deadline has passed, this is where the work really starts to reduce it.

CIPD chief executive Peter Cheese has said that this is "time for leaders to step up".

He says: "What is the tone from the top? What are leaders saying about the gender pay gap?"

"Are they trying to hide from an uncomfortable truth about what's really happening in their organisation? Or are they being open and honest about it?"

Reviewing policies and processes is a strong start to ensuring the gender pay gap is lower in years to come, but the tone of your organisation's culture needs to be set from the top.

This level of cultural change does not happen overnight. However, by communicating to employees how you plan to tackle gender pay inequality and by opening up a dialogue, your organisation will absolutely be moving in the right direction. ■



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