

Proposals for measuring and publishing information on the gender pay gap



Equality and
Human Rights
Commission

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Foreword by the Equality and Human Rights Commission

No-one today believes that it is justifiable to pay men and women differently when they are doing work of similar kinds and bearing similar responsibility. It is simply unfair and outdated. Equal pay is primarily about preventing the unfair treatment of female employees, and, at a time when our society needs to engage the talents of every individual in working towards economic recovery, there is no place for disincentives to half the working population. That is why there is widespread agreement that the observed gender pay gap has to be tackled with urgency.

A pay difference – whether a difference at the macro-economic level, or a difference between the earnings of a man and a woman working for the same organisation – can have many causes, only one of which could be pay discrimination. Nonetheless, it is possible to infer from national statistics that an average woman working full time from age 18 to 59 would lose £361,000 in gross earnings over the course of her working life,¹ as compared to an equivalent male, and it is this which makes narrowing the differences between men’s and women’s pay of such vital importance. Differences on this scale contribute to women’s poverty in work and in retirement, and also impact on their partners and their children.

However there are many different opinions as to how best to address this challenge, for example on the effectiveness of legal compulsion. There are also multiple explanations for its persistence, including discrimination, prior disadvantage and job segregation. But most people agree that however we analyse the pay gap and whatever path we choose to close it, we will not make progress without two central steps. First, there should be as far as is possible common ways of describing the pay gap, and second, organisations should be as open about their strategies for, and achievements in, closing the pay gap as is consistent with individual privacy and, in the non-public sector, with commercial imperatives. Together these factors point towards a pressing need for concerted action for greater pay transparency.

There are other reasons for pay transparency to be high on the public policy agenda. In recent months attention has been focused on concerns about remuneration in the financial sector, but there are broader concerns about inequalities in earnings more generally. The Walker Review, for example, has drawn attention to the need for a balance to be struck between the policies and constraints required by regulation and the board’s ability to take decisions on

¹ Equality and Human Rights Commission analysis based on *Annual Survey of Hours and Earnings 2009*, table 6, Office for National Statistics, November 2009. Lifetime-equivalent earnings are calculated from mean gross annual full time earnings at each year of age from 18-59 using 2009 data disaggregated by age group.

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business strategy. Businesses need to be able to embed equal pay within their preferred reward strategies and to align their reward and diversity strategies.

This task matters in both the public and non-public sector, but the way in which we approach the task will clearly differ between the two sectors. In particular, both the Commission and the Government believe that the non-public sector should have the opportunity to develop a voluntary approach that fits to its strengths – diversity, innovation, and competition.

In April 2009 the Commission was asked to help improve gender pay transparency in the private and voluntary sectors by working with the business community and key stakeholders to propose ways of measuring and sharing information on the differences between men's and women's pay.

Surprisingly, there are no common metrics to facilitate benchmarking and no clarity as to what exactly should be measured. The consequence is that inappropriate comparisons can be made and published information is inconsistent and partial. Worst of all, there is frequently a disproportionate level of scrutiny and criticism of those who are making the greatest effort to be fair and open while those who do not are not subject to any attention at all. This cannot be right. We welcome the opportunity to play a part in changing this imbalance.

Responsibility for providing advice on such matters clearly rests with the Commission, as does the monitoring of progress towards greater transparency, but this is not an issue on which the Commission can act alone. We have been greatly encouraged during this

consultation process by the goodwill and energy of our partners – the CBI, the TUC, the BCC, BITC, EEF, the CIPD, the NCVO, UNITE the Union and the WNC – we are immensely grateful for their input and we will be inviting them to join us in taking forward our proposals.

The willingness that people have shown in getting involved presents a real opportunity to push forward the idea of transparency. Transparency brings a number of benefits in addition to its impact on differences between men's and women's pay. These include better quality decisions about reward and remuneration, employee confidence in the reward process and an enhanced corporate reputation.

Simultaneously with this consultation the Government has been pressing forward with the Equality Bill, which contains a power enabling regulations to be introduced at a future date, but this initiative stands on its own merits in support of a voluntary response and as a driver towards greater transparency. The Bill will also make it easier for employees to challenge the culture of pay secrecy that makes it so difficult for women to challenge unequal pay. 20% of respondents to our baseline survey discourage or forbid discussions about pay between colleagues and 49% give staff no information about rates of pay. It is this kind of cultural barrier that the drive towards greater transparency seeks to overcome.

An executive summary and list of proposals are set out immediately below. Although we have debated these extensively and constructively with our partners, the final proposals are the Commission's. We believe our proposals

will help to level the playing field, raise standards and enable a more strategic approach to be taken to closing the gender pay gap. We will be inviting key stakeholders to work with us again over the coming months to produce guidance which will enable employers to put them into effect.

Executive summary

Introduction

1. In the spring of 2009 the Government invited the Equality and Human Rights Commission (the Commission) to help improve gender pay transparency in the private sector by working with the business community and key stakeholders to propose ways of measuring and sharing information on the differences between men's and women's pay at a company level. The invitation was framed in terms of securing greater voluntary reporting of the differences between men's and women's pay, and although the Equality Bill contains a power enabling regulations to be introduced at a later date, the initiative stands on its own merits as a driver towards greater transparency.
2. The Commission was asked by the Government to undertake three specific tasks:
 - To carry out a structured consultation setting out proposals for what employers should report on. Our consultation document *Proposals for promoting greater transparency in the private sector* was published on 7 August 2009 with a closing date of 28 October. Responses were received from 30 organisations and individuals.
 - To produce an initial baseline report on the extent to which non-public sector employers are already measuring and reporting on the differences between men's and women's pay. We are publishing the baseline report in tandem with our proposals for what companies can voluntarily report on. We will produce similar reports on an annual basis for the next four years.
 - In the light of the consultation process, to set out proposals for what employers can voluntarily report on.
3. The focus of our attention has been on finding ways in which non-public sector organisations employing at least 250 employees can voluntarily measure and report on their gender pay gap. The precise nature of any eventual regulatory framework has not been within our remit.

What we did

4. We began our work in May 2009 with the creation of a High Level Stakeholder Group, comprising representatives of the CBI, the TUC, the BCC, BITC, the CIPD, EEF, the NCVO, UNITE the Union and the WNC. This group has informed the thinking that went into the August 2009 consultation document and to some extent into this report.
5. In July 2009 we commissioned IFF Research (IFF) to carry out a telephone survey to help us understand how businesses are analysing and reporting on the gender pay gap now – that is, in advance of any measures being introduced. The findings of this survey substantially informed our baseline report, but we also draw on them here. In August 2009 we retained the Institute of Employment Studies (IES) to explore in depth with a small

number of employers the options suggested in our consultation document.

6. We provided a 'sense check' for the development work and for our recommendations by setting up a Technical Advisory Group comprising private sector pay and reward managers, representatives of Acas, the Better Regulation Executive, the Government Equalities Office, senior union officials and equal pay experts.

Why transparency is important

7. In order to narrow the differences between men's and women's earnings it is essential to develop mechanisms which enable the effect of corporate policies and practices on the extent of the differences to be monitored. By itself information does not bring about the actions necessary to close the gap between men's and women's pay, but it does enable questions to be asked. At its simplest, this is what transparency means – making visible the outcomes of policies and practices that determine men's and women's pay in ways that enable comparisons to be made between organisations and between sectors. Transparency also has a legal definition which means that organisations should be open about how pay is made up between different elements. It is important to recognise that transparency does not mean employers publishing details of employees' salaries.
8. Transparency brings a number of benefits in addition to its impact on differences between men's and women's pay, yet transparency is much less common in the private sector, and secrecy much more widespread. 20%

of employers surveyed discourage or forbid discussions about pay between colleagues and 49% give employees no information.

9. The benefits of transparency include better quality decisions about reward and remuneration; the assurance of an appropriate framework for pay and performance; employee confidence in the reward process and an enhanced corporate reputation. Increased transparency will also reduce the likelihood of additional equal pay regulation being introduced at some future date.

Comparability

10. The Government also sees improving transparency as enabling the comparison of data between the public and non-public sectors. The metric that will be used for the public sector is the single figure difference between the median hourly earnings of men and women calculated by reference to all female employees' median pay with all male employees' median pay. The need for comparability is, however, wider than just a Government desire to compare the public and non-public sectors. A set of measures that are comparable would allow an organisation to choose to benchmark nationally, locally or by industry, and would also enable employees to follow progress annually. It could also facilitate contrast and comparison, thereby helping to realise the benefits of transparency.

Our findings

11. Our research demonstrates clearly that there is widespread agreement between employees and employers

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that, however measured and however explained, the pay gap between men and women is an unacceptable feature of working life. It creates both the impression and the reality of unfairness. It is discouraging to capable women, and disagreeable to fair-minded men; and it presents chronic risks to employers. Whatever the cause – discrimination, prior disadvantage, differences of life-course – everyone agrees that the sooner we can reduce the gap the better. Increasingly this matters to those who are entering the jobs market – and it should therefore matter more to those competing for their talents. We believe that it is in the interests of society as a whole to move quickly now to reduce the disincentive represented by the pay gap to capable women, who would otherwise bring their skills to bear on the task of economic recovery.

12. However, what also emerged from our research and consultations is the fact that there are different views about what should be done to close the pay gap. For example, many who represent non-public sector organisations believe that tackling the gender pay gap in the long-term means addressing the causes of job segregation and female underachievement in some areas of education and that this therefore implies that in measuring the pay gap account must also be taken of matters such as the rate of return from maternity leave and female participation rates.

13. While we recognise there is little appetite among employers for achieving concerted action through legal compulsion, the Commission believes that there is much to be

gained through an ordered process of encouragement and incentivisation of voluntary change. In the non-public sector probably the strongest incentive to change is fair competition; and at the heart of fair competition must be a high level of transparency. While neither the Commission, nor any of our key stakeholders, see transparency as a complete answer, we do believe that there is a consensus that openness must be part of any strategy to reduce the pay gap. We recognise that such transparency must take into account:

- The vast diversity of non-public sector organisations.
- The need for organisations to have the flexibility to publish and report on their arrangements in a way that reflects their particular circumstances and what they are doing now.
- Employers' genuine desire to reflect the complex causes that contribute to the pay gap.
- Employers' anxiety about exposing themselves to unfair criticism. We understand that many companies, though willing to join the small minority who publish information on pay and employment, worry about opening themselves to criticism, or even worse, to investigation or litigation.
- The need to establish common standards of reporting. We are aware that some companies are unsure about what would be the right information to publish.

14. Our various sources provide us with a reasonably strong degree of agreement on the following:

- **Size of organisation, and to some extent sector**, must be taken into account.
- **The possession of relevant skills, knowledge and experience** of pay and gender issues are critical, and it will be important to improve levels of understanding and to enable the sharing of good practice among employers and workforce representatives.
- There is a need to allow individual organisations to **develop their own approach over time**, and to improve on the quality and quantity of what they disclose.
- Whatever measures are proposed, there is a **demand for high quality and practical guidance** to inform and educate employers on the process.
- **The barriers to promoting gender pay transparency** include the lack of experience and expertise in capturing and analysing pay data, the resources involved in so doing, and fears at the effects of publishing too detailed information.
- In order for **take-up to be at a sufficiently high level for transparency to become a reality** it is essential that there should be **some level of flexibility and choice** in what measures are used and how information is made known.
- Closely associated with **the wish for choice was the wish for a combination of measures, rather than one single measure.**
- **Narrative i.e. qualitative reporting is an essential component in the mix of measures.** Three types of narrative are particularly important: explanation of the organisational context for gender pay relativities; explanation of the source, nature and likely causes of any differences between men's and women's pay; and actions taken or planned to address these, including, for example, actions to redress the imbalance of women in senior roles or to optimise the rate of return from maternity leave.
- **A breakdown by pay grade and type of work received the strongest level of endorsement**, particularly when the fact that equal pay audits include this kind of analysis is taken into account. However, fears were also expressed about disclosing this degree of detail.
- The **breakdown by part time and full time employees** was seen as useful in helping to locate and address the causation of gender pay gaps, but some questioned whether the additional breakdown was actually worth the extra effort.
- **Job evaluation** was seen to be an effective means of avoiding and addressing gender pay discrimination, but was generally seen as not relevant to promoting transparency.
- **Equal pay audits** were seen as being the most revealing approach, as well as being strongly supported by some as a way of identifying and addressing pay gaps.

Summing up

15. What the Commission takes from the above is, first, a need to distinguish between larger more sophisticated organisations and medium-sized companies less used to measuring the differences between men's and women's pay;² second, a need to provide organisations of all sizes and in all sectors with a degree of flexibility in measuring and sharing information on these differences; third, a need to take into account that the differences may be influenced by factors external to the pay system; and fourth, a need to encourage take-up by reducing the fear of exposure.
16. We have found an active willingness among all our High Level Stakeholders to find an answer, but we have also found that there is no universally agreed way forward. We agreed on a basic menu of metrics that all members could support, but we were unable to reach agreement about how best to encourage employers to adopt them. There is scope for further consultation and we will take this forward during the preparation of guidance on the measures that we are proposing, with a view to achieving a greater degree of convergence and we look forward to continuing the dialogue with key stakeholders. This report presents the Commission's own proposals on how it wishes to use its powers to encourage and incentivise take up of the metrics.

The Commission's proposals

17. At the heart of the Commission's approach is first, the belief that the more employers commit to pay transparency, that is, to measuring the differences between men's and women's average pay and making this information public, the easier it will be for them to use it as an effective management and recruitment tool; and the less likely they are to be subject to untoward and disproportionate scrutiny. In addition, the more widespread and consistent the process of publication becomes the less likely it is that ill-informed commentary will distort the information that employers make public and downplay the very real efforts that many organisations are already making.
18. Second we have concluded that the basis of any approach to a voluntary system of reporting on pay differentials between men and women should have the following characteristics:
 - Easily understood metrics which offer a fair representation of an employer's position, its actions and its environment.
 - Enough flexibility to allow for diversity in size, sector and employee mix, while allowing for appropriate comparisons between similar organisations and for assessment of good practice.
 - A process of monitoring that allows the Commission to encourage and incentivise good practice; and provides a way

² For the purposes of this report we use the term 'medium sized company' to mean one employing between 250 and 500 employees.

of refining the proposed measures and methods of reporting with experience, with the aim of moving towards a framework which by 2013 commands widespread acceptance.

19. We will continue the dialogue with our key stakeholders in the run up to our publishing **no later than April 2010, guidance on the indicators we are proposing**, including on how these can be used to promote comparability and benchmarking. Early guidance will help to encourage voluntary reporting straight away. We will disseminate the guidance through the agencies identified by the baseline survey as being of most relevance to employers, notably the CIPD and Acas, and we will also invite our existing key stakeholders to work with us to develop the business case for gender pay transparency and promote the exchange of good practice.

20. The outcome the Commission seeks is a voluntary regime focused around a menu of measures with an expectation of convergence around agreed ways of reporting. **We propose that employers be encouraged to measure and share information on the differences between men's and women's pay on the basis of a choice from the menu of options set out below. The options comprise one narrative approach and three which involve quantitative measurement of pay differences:**

- **The narrative** approach would explain the context, such as female participation rates; explore and analyse the causes of any gender pay gaps; describe workforce involvement in addressing the

issues, and list actions being taken. Narrative would not be a stand-alone element, but would have to be combined with at least one of the quantitative measures.

21. **The three quantitative options would measure:**

- **The single figure** difference between the median hourly earnings of men and women calculated by reference to all female employees' median pay with all male employees' median pay. This will allow comparison with the public sector and in the view of some of our stakeholders is preferred by smaller firms.
- The difference between the average basic pay and total average earnings of men and women **by grade and job type**. This is the option preferred by many of our consultees and begins to take job demands into account.
- The differences between men's and women's **starting salaries**. This is an indicator of the extent of awareness of gender pay issues.

22. The Commission would expect employers employing 500+ employees to use two (or more) options from this menu, in most cases comprising the narrative approach as one option, and one (or more) of the quantitative options alongside it. Our expectation in respect of companies employing at least 250 employees is that they would opt for one of the quantitative indicators.

23. The Commission **will be encouraging voluntary reporting straight away for all employers** and, while we recognise that take-up will not be immediate, we will be starting our

own data capture from the date of publication of our guidance in April 2010 and will feed this in to our first monitoring report in November 2010. Recognising that employers employing 250-500 employees may be less well-prepared than those employing 500+ employees we will begin monitoring take-up of the metrics by the latter in 2010 and by the former in 2011.

24. For the purposes of developing a baseline against which to compare future progress we have already produced an initial baseline report, setting out how companies currently approach the issue of transparency and we will build on this **to publish, in November 2010, our first Transparency Monitoring Report**, followed by further annual reports to 2013.
25. **The Commission will also set up a Transparency Monitoring Panel to consider and advise on progress.** The Panel will report to the Commission and we will invite people from both sides of industry with sound experience of good equal pay practice to sit on the panel. Our Transparency Monitoring Reports will refer to national statistics on the gender pay gap and will include findings from a survey similar to that carried out for our baseline report. However, in consultation with our key stakeholders we will be doing more work on the monitoring process and will publish details on this, including the terms of reference for the Transparency Monitoring Panel, at the same time as we publish guidance on the indicators. Although **it is probable that between now and 2013 the Commission will undertake some thematic or**

sectoral investigations, employers who are able to demonstrate to our Transparency Monitoring Panel that they are working with our proposed scheme would be less likely to have to provide any further information to the Commission as part of those investigations or inquiries.

Conclusion

26. We have been greatly encouraged during this consultation process by the goodwill and energy of the key stakeholders – the CBI, the TUC, the BCC, BITC, EEF, the CIPD, the IES, the NCVO, UNITE the Union and the WNC – and we are immensely grateful for their input so far and for their willingness to move forward with us on this agenda. Given the positive attitudes towards gender pay transparency that our work so far has revealed, we are confident that the business and third sectors will deliver. By the end of two to three years we would hope to have achieved high levels of participation on a purely voluntary basis, thereby ensuring that gender pay transparency will become normal business practice.

Chapter 1

Introduction

Our task

1.1 Almost four decades ago the Equal Pay Act 1970 gave women the right to equal pay with men. The full-time gender pay gap has narrowed from 29.4% in 1975,³ when the legislation came into effect, to 16.4% in 2009,⁴ but it has far from disappeared. This means many women face an unfair and lifelong disadvantage, but it is also a signal that UK productivity is lower than it could be. In 2006 the Women and Work Commission estimated that removing barriers to women working in occupations traditionally done by men and increasing women's participation in the labour market could be worth between £15 and £23bn or 1.3 to 2.0% of gross domestic product.⁵

1.2 More recently an independent study of gender equality, economic growth and employment across Europe has estimated that a transition to full gender equality in the labour market (i.e. bringing women's productivity and employment up to men's levels) has the potential for increased gross domestic product of between 15 and 45% in the EU member states, with an estimate of the potential increase to the UK's gross domestic product of 35%.⁶

1.3 While business leaders clearly understand the importance of ensuring equal pay, only half of organisations taking part in our baseline survey stated that reducing the pay gap between women and men was either a very high priority or a fairly high priority for them.⁷

³ *New Earnings Survey 1975 Part A*, Department of Employment, December 1975 compares mean gross hourly earnings, excluding overtime pay and overtime hours, for female employees aged 18 and over working full time with male employees aged 21 and over working full time.

⁴ *2009 Annual Survey of Hours and Earnings Statistical Bulletin*, Office for National Statistics, November 2009 compares mean hourly earnings excluding overtime for male and female full time employees on adult rates of pay. The Annual Survey of Hours and Earnings which replaced the New Earnings Survey in 2004 introduced a new methodology. This and other changes over the years mean that estimates of the full time gender pay gap for the two years shown here are not fully comparable. See Chapter 3 for the definition of the full time gender pay gap.

⁵ *Shaping a Fairer Future*, Women and Work Commission, February 2006.

⁶ *Gender equality, economic growth and employment*, Åsa Löfström, Department of Economics, Umeå University, 2009.

⁷ *Gender pay activity in large non-public sector organisations: Baseline report 2009*, Equality and Human Rights Commission, 2010.

This suggests that much more needs to be done to get the message across to individual businesses that narrowing the difference between men's and women's average earnings is an economic issue and not merely a matter of employment policy. Our intention is that this report should mark the first step in the development of a robust evidence base for the benefits of gender pay transparency.

1.4 We know that transparency (by which we mean being open about the way in which men's and women's pay is determined) does not of itself change attitudes or bring about the actions necessary to close the gender pay gap, but it does prompt action to be taken. We were therefore pleased when, in the spring of 2009, the Government invited the Commission to help improve gender pay transparency in the private sector by working with the business community and key stakeholders to propose ways of measuring and sharing information on the differences between men's and women's pay at a company level. We recognise that we have a key role to play in helping to develop a framework which takes account of the fact that many organisations are not yet up to speed in respect of their people management processes, but also builds

upon the work already being done by leading businesses to align reward and diversity strategies. Central to the challenge we were presented with are, on the one hand, the complexity of the make-up of the gender pay gap and, on the other, the varying degrees of sophistication of private sector pay and reward systems.

1.5 The invitation was framed in terms of securing greater voluntary reporting of the differences between men's and women's pay, and although the Equality Bill contains a power enabling regulations to be introduced at some future date,⁸ the relevant clause is not the driver of the move toward greater transparency – the initiative stands on its own merits.

1.6 Although there are relatively few private and voluntary organisations in Britain with 250 or more employees – around 6,900 at the beginning of 2007 – collectively they employ around 40% or some 10 million of all employees,⁹ so getting them to address differences between men's and women's pay would have a considerable impact.

⁸ Equality Bill, Clause 79. This clause enables a Minister of the Crown to make regulations requiring private sector employers with at least 250 employees in Britain, to publish information about the differences in pay between their male and female employees. The regulations may specify, among other things, the form and timing of the publication, and also specify penalties for non-compliance. Employers who do not comply with the publication requirements could face civil enforcement procedures or be liable for a criminal offence, punishable by a fine of up to £5,000.

⁹ *Small and medium enterprise statistics for the UK and regions, 2007*, BERR, October 2008.

Table 1.1 Sector and size of non-public sector organisations employing at least 250 employees

	Number of employees		
	250-499	500+	Total
Manufacturing and construction (A-F)	1,030	880	1,910
Distribution, hotels and restaurants (G-I)	835	950	1,785
Banking, finance and insurance (J-K)	745	785	1,530
Other private services (M-O)	315	265	580
Charity/voluntary	520	550	1,070
Total	3,445	3,430	6,875

NB: Letters in brackets refer to SIC 2003 section codes

Note: Numbers of private sector organisations broken down by sector relate to GB, while the numbers of third sector organisations are for the UK

Source: *Small and medium enterprises in the UK and regions 2007*, BERR, October 2008

What we were asked to do

1.7 The Commission was asked by the Government to undertake three specific tasks:

- To carry out a structured consultation setting out proposals for what companies should report on. Our consultation document was published on 7 August 2009 and the consultation period closed on 28 October 2009. We also published a short questionnaire asking women working for non-public sector employers for their views.
- To produce an initial baseline report on the extent to which non-public sector employers are already measuring and reporting on the differences between men's and women's pay. We are publishing the baseline report in tandem with our

proposals for what companies should report on. We will produce similar reports on an annual basis for the next four years.

- In the light of the consultation process, to produce a report setting out firm proposals for what companies should report on. This is that report.

The scope of our work

1.8 The focus of our attention has been on finding ways in which non-public sector organisations employing at least 250 employees can voluntarily measure and report on their gender pay gap. The precise nature of any eventual regulatory framework has not been within our remit, but as questions have been raised about what we mean by an employee, the

definition of employee that we have been working with would cover not only those working (whether full or part time, permanently or for a fixed term) under contracts of employment, but also apprentices and contractors, regardless of their nationality but providing they worked in Britain. Casuals, properly so called, would not be covered, as there is no obligation on them to work, nor would agency workers, unless there is an implied contract of employment between them and the agency's client. Subject to the contractual arrangements between the worker and the agency through which they are seeking work, they may however be counted as employees of that agency. Directors, other officeholders and partners would not be counted either, unless they are also employees or contractors.

Our key stakeholders

- 1.9 We began our work in May 2009 with the creation of a High Level Stakeholder Group, comprising representatives of the CBI, the TUC, the BCC, BITC, the CIPD, EEF, the NCVO, UNITE the Union and the WNC. A full list of members appears at Annex A. The group has met several times and its members have informed the thinking that went into the August 2009 consultation document and to some extent into this present report.
- 1.10 In July 2009 we commissioned IFF Research (IFF) to carry out a telephone survey to help us understand how businesses are analysing and reporting on the gender pay gap now – that is, in advance of any measures being introduced. The findings of this

survey substantially informed our baseline report, but we also draw on them here. In August 2009 we retained the Institute of Employment Studies (IES) to explore in depth with a small number of employers the options suggested in our consultation document. In Chapter 4 we look in more detail at what both IFF and IES did.

- 1.11 We provided a 'sense check' for the development work and for this report by setting up a Technical Advisory Group comprising private sector pay and reward managers, representatives of Acas, the Better Regulation Executive, the Government Equalities Office, senior union officials and equal pay experts. This group met three times in all, and also acted as a virtual group in between meetings.
- 1.12 Using the steer provided by the consultation document our partners on the high level stakeholder group also embarked on an intensive period of consultation with various groups of employers:
- **British Chambers of Commerce (BCC)** is the national body for a network of Accredited Chambers across the UK that directly serves not only its member businesses, but the wider business community. The BCC represents over 100,000 businesses employing more than 5 million employees.
 - **Business in the Community (BITC)** works to support and challenge companies on responsible business practices. BITC includes the **Opportunity Now** campaign, which accelerates change for women in the

workplace. Opportunity Now took the lead in formulating BITC's response on behalf of its private sector members. Employers from across the UK contributed, including representatives from retail, hospitality, information and communications technologies, pharmaceuticals, transport, media, law, professional services, financial services, healthcare, energy, housing, manufacturing, and construction. Opportunity Now also consulted a wide range of individuals, including Chief Executives, Non-Executive Directors, diversity practitioners, human resource specialists, pay and reward experts, in-house lawyers, staff representatives, and women's network volunteers. In addition, Opportunity Now's Advisory Board of 20 senior business leaders and its Corporate Champion Forum, which represents over 30 of the UK's most innovative and committed employers, made informed and extensive contributions.

- **The Business Council for Britain (BCB)** was established by the Prime Minister in June 2007. The full council consists of the CEO and Chairmen of 15 FTSE 100 companies. The Better Regulation Executive arranged for us to have two meetings with the companies on the BCB.
- **The Confederation of British Industry (CBI)** is the premier lobbying organisation for UK business on national and international issues, representing more than 240,000 businesses which together employ over a third

of the UK workforce. CBI policy is decided by its members – senior professionals from all sectors and sizes of business are directly involved in the policy-making process.

- **The Chartered Institute of Personnel and Development's (CIPD)** works to improve the standard of people management and development across the economy. The CIPD is able to draw on the experience and knowledge of its 135,000 members and its wide range of research to provide solid evidence from the real world. 60% of its members work in private sector services and manufacturing, 33% in the public sector and 7% in the not-for-profit sector. In addition, 76% of the FTSE 100 companies have CIPD members at director level. The CIPD has consistently advocated the fair treatment of people at work and the achievement of equal pay for work of equal value and recognises the importance of continuing national and organisational level efforts to erode the gender pay gap. To inform its response to the consultation the CIPD held a focus group attended by members of its Reward Panel and Forum, Senior Diversity Network and branch policy advisers.
- **EEF** is the representative voice of manufacturing in the UK and has a growing membership of almost 6,000 companies of all sizes, employing some 900,000 people from every sector of engineering, manufacturing, engineering construction and technology-based industries.

- **Eversheds/Opportunity Now** – in addition to direct contact with its members Opportunity Now arranged a series of eight regional seminars with its partner, the law firm Eversheds, at which presentations on the proposals were made to over 50 of Eversheds' client organisations.
- **The Institute of Employment Studies (the IES)** is an independent, apolitical, international centre of research and consultancy in public employment policy and organisational human resource issues. It works closely with employers in the manufacturing, service and public sectors, government departments, agencies, and professional and employee bodies. In addition to the actual development work (see 1.10 above) with a sample of employers, IES held a consultation meeting with its members and published an e-survey for employers on its website. The Commission also featured the e-survey on its own website.
- **The National Council for Voluntary Organisations (NCVO)** is the umbrella body for the voluntary sector in England, with sister councils in Wales, Scotland and Northern Ireland. NCVO has over 7,500 members ranging from large national bodies to community groups, volunteer centres, and development agencies working at a local level. With over 280,000 staff and over 13 million volunteers working for their members, NCVO represents and supports almost half the voluntary sector workforce.
- **The Recruitment and Employment Confederation (the REC)** represents 3,760 recruitment companies and 6,000 recruitment consultants. All REC members must adhere to the industry Code of Practice which includes specific provisions on diversity and equality and which is enforced by a team of inspectors. The REC's response to the consultation was informed through feedback from its Diversity Forum and Employment Policy Committee; discussions at Sector Group meetings and specific feedback from regional seminars.
- **The TUC** is the voice of Britain at work. Their overall objectives are to raise the quality of working life and promote equality for all. Their mission is to be a high profile organisation that campaigns successfully for trade union aims and values; assists trade unions to increase membership and effectiveness; cuts out wasteful rivalry; and promotes trade union solidarity.
- **Unite** is the UK's largest trade union with almost 2 million members across the private and public sectors. The union's members work in a range of industries including manufacturing, financial services, print, media, energy and utilities, construction, transport, local government, education, health and not-for-profit sectors. Unite was formed in 2008 following the merger of Amicus

and the Transport & General Workers Union in May of that year.

- **The Women’s National Commission (WNC)** is the official, national body working exclusively on women’s equality. The WNC’s independent voice, bringing the informed voice of women to government, especially women who may not be represented by mainstream organisations, is unique. The WNC has 500+ partners.

1.13 We were pleased that so many people were willing to contribute, sometimes at very short notice. People made considered and thoughtful contributions and these have greatly enhanced our understanding of the issues. We are grateful to the many people who have contributed and in particular to the organisations and individuals represented on the High Level Stakeholder and Technical Advisory Groups, and those who gave up their time to participate in the various surveys that have informed this report.

Chapter 2

Why transparency is important

What we mean by pay transparency

2.1 In order to narrow the differences between men's and women's earnings it is essential to develop mechanisms which enable employers and employees and their unions or workforce representatives to monitor the effect of corporate policies and practices on the extent of the differences. In some European countries such transparency is achieved through high levels of trade union recognition, combined with centralised collective bargaining across both the public and private sectors; in others, it is achieved through compulsory reporting to a designated authority of the company level differences between men's and women's pay. The UK economy is very different from that of our EU neighbours, and so different ways of promoting transparency will have to be developed.

2.2 Lack of transparency, or worse, pay secrecy, can mask discrimination. In the absence of monitoring of the impact of decisions about rates of pay, or where pay levels are confidential, managers may be unaware, for example, that they are more likely

to negotiate higher individualised salaries for men, or to award higher performance payments to already high-earning men. Information by itself does not change attitudes or bring about the actions necessary to close the gap between men's and women's pay, but it does enable questions to be asked, both by the people taking decisions about pay, and by those affected by those decisions. At its simplest, this is what transparency means – making visible the outcomes of policies and practices that determine pay.

The benefits of transparency

2.3 In the third quarter of 2009 women made up 46% of the total UK labour force (an increase of two percentage points from 44% in 1992),¹⁰ and, indeed, women's economic activity rate in employment has risen steadily since the Second World War.¹¹ The rebalancing of the ratio of men to women in the labour market presents employers with a need to make their employment policies and practices as attractive to women as to men, and providing equivalent earnings opportunities to employees of both sexes is a key part of that challenge.

¹⁰ *Labour Market Statistical Bulletin Historical Supplement*, Office for National Statistics, November 2009
http://www.statistics.gov.uk/OnlineProducts/LMS_FR_HS.asp

¹¹ *Women and Men in Britain: at the millennium*, EOC, 2000.

However, in addition to its impact on the gender pay gap, transparency brings a number of business benefits.

- 2.4 First, the clarity of approach inherent in the concept of transparency leads to better quality decisions about who gets paid what and why. It provides business with the assurance of an appropriate framework for pay and performance. It ensures that the linkage between performance and remuneration is made explicit and sends a strong message that managers are striving to reward people in accordance with their contribution to the organisation's business objectives, and that they hold themselves accountable for so doing.
- 2.5 Second, a reward system that is demonstrably equitable benefits the organisation's image as an employer.

'The development and maintenance of a fair and equitable reward system should benefit the image of an institution as an employer such as the University of Sunderland, improve the climate of employee relations and increase the ability of the institution to attract and retain well-motivated staff.'

University of Sunderland response to the Commission's consultation

- 2.6 Third, it encourages confidence in the reward process – consistent application of open pay practices over a period of time has a positive influence both on the achievements of staff and on the profile of an organisation. At best transparency ensures that pay systems model the values of a confident, ethical, and inclusive culture.
- 2.7 Fourth, the fact that transparency entails management accountability

for the equitable nature of the reward system means that an increase in the incidence of transparency will reduce both the likelihood of additional equal pay regulation being introduced at some future date and of the Commission taking action (as it has done recently in respect of the financial services sector) to find out why the gender pay gap persists.

Comparability

- 2.8 Improving transparency would also enable the comparison of data from the public and non-public sectors. The metric that will be used for the public sector is the single figure difference between the median hourly earnings of men and women calculated by reference to all female employees' median pay with all male employees' median pay. The need for comparability is however wider than just a Government desire to compare the public and non-public sectors. A set of measures that are comparable would allow an organisation to choose to benchmark nationally, locally and by industry and it would also enable employees to follow progress annually. It could also facilitate contrast and comparison, thereby helping to realise the benefits of closing the gender pay gap.

The incidence of transparency

- 2.9 Progressive businesses already recognise the value of transparency, but, as we shall see, although the concept of fair remuneration commands broad support, the actual extent of transparency varies across the economy.

‘Ending the wide discrepancy between male and female pay is not just good for women, it is good for business. When an organisation demonstrates that it values a fair and diverse workforce, it maximises the innovation, productivity and loyalty a wider talent pool can bring.

‘Regularly putting pay data in the public domain can indeed encourage employers to remunerate men and women fairly. After all, many business people will tell you that what gets measured, gets done...

‘Over the past year, progressive employers have been paying close attention to the development of the Equality Bill, and no single component of it has provoked as much discussion as the measures regarding gender pay transparency. This level of interest presents an incredible opportunity to engage with employers...’

Opportunity Now response to the Commission’s consultation

‘I will certainly be encouraging my colleagues to put our pay data in the public domain. We barely have a gender pay problem, and if that helps us stand out from our peers as an employer and supplier of choice, great. I don’t know why we don’t publish our figures already – I’m not sure anyone has ever asked us to!’

Anonymous company, cited in the Opportunity Now response to the Commission’s consultation

2.10 While academic comment has noted that during the 1990s pay systems in the UK became increasingly opaque, with the decline of industry-level

bargaining and the rise of individualised contracts,¹² nonetheless transparency has remained a dominant feature of public and third sector pay systems. That this is so may have less to do with the pursuit of gender equality, than with the need for those sectors to be publicly accountable for the size of their pay bills. In the third sector it could well be related to the fact that the sector is reliant on annual or three-year cycles of funding so it instinctively has a culture of openness and regular reporting both on the wages paid to staff and on general expenditure. There is a correlation between transparency and a lower gender pay gap – a full time gender pay gap in the public sector of 11.6 (median) or 14.6% (mean)¹³ as compared to a private sector gap of 20.8 (median) or 21.6% (mean).

2.11 Lack of transparency does not necessarily equate with secrecy, but nonetheless the IFF survey which informed our baseline report shows that 20% of the organisations surveyed discouraged or forbade discussions about pay between colleagues and 49% gave staff no information. Overall, only 19% of organisations surveyed reported pay gap data outside of their human resources team. 21% of organisations surveyed collected pay gap data as part of their management information, and, of these, 84%

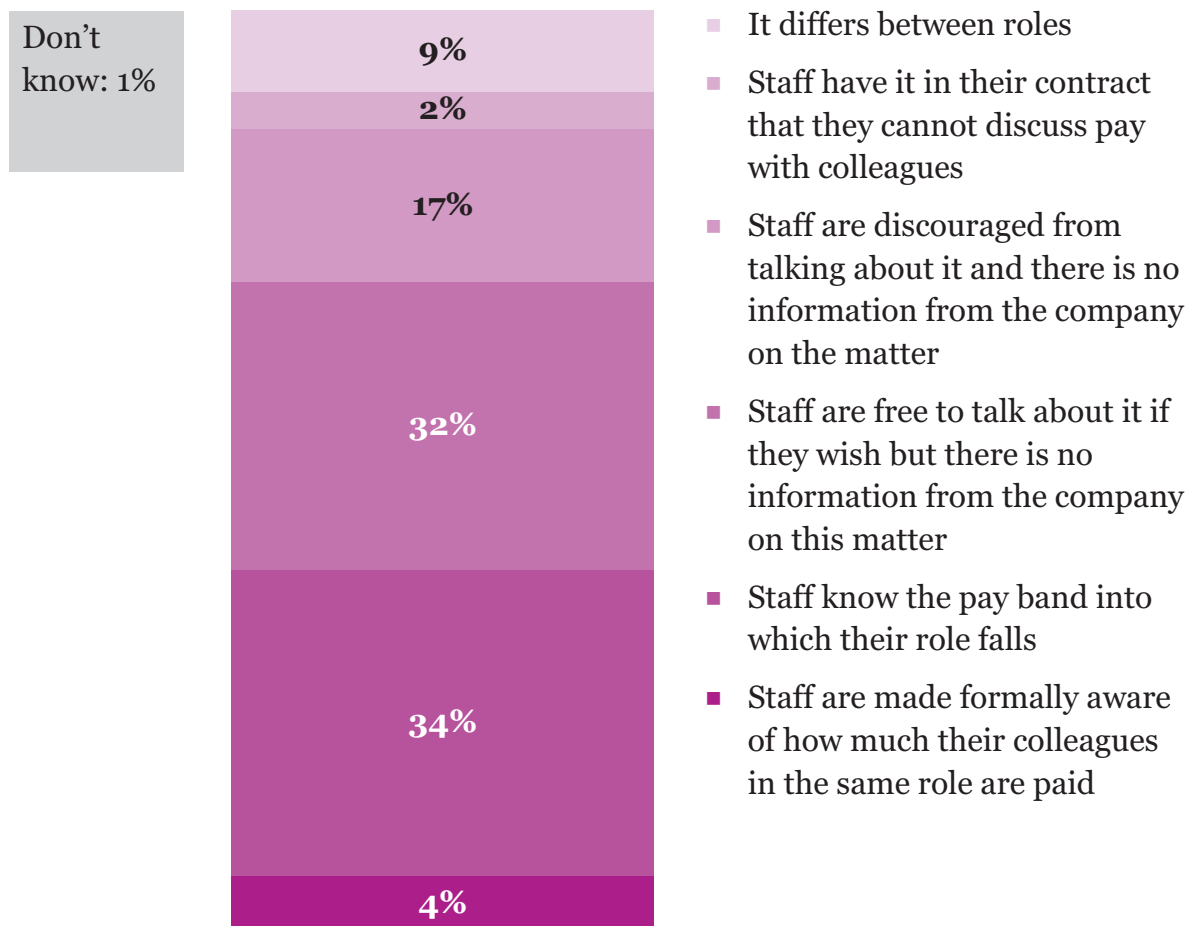
¹² Grimshaw and Rubery, *The Gender Pay Gap: a Research Review*, EOC Research Discussion Series, 2001.

¹³ *Annual Survey of Hours and Earnings 2009*, table 13, Office for National Statistics, November 2009.

shared the figures with the board, 72% with senior managers, 32% with line managers, and only 16% with all staff. These findings support the action being taken by the Government in the Equality Bill to outlaw ‘gagging clauses’ by enabling employees to challenge these in the Employment Tribunal.

2.12 The IFF survey also shows that openness around pay is more likely to occur among more junior staff, and less likely to be encouraged or allowed at senior levels, yet the analysis of ONS data that also formed part of our baseline report shows a full time pay difference of 29.4% between male and female managers and senior officials in the private and voluntary sectors.

Table 2.1 Employer openness about pay



Base: All organisations (unweighted 900; weighted 5,510)

Source: Gender Pay Reporting Survey, IFF 2009

2.13 The IFF survey showed that openness around pay was more common in the not-for-profit than the profit-making sectors. In the not-for-profit sector 12% of organisations formally told employees what their colleagues earned and 69% told staff which pay band they were in. Among profit making organisations these figures were 3 and 28%. The gender make-up of the workforce also appears to be relevant, in that organisations with less than 50% women were more likely say that they discouraged discussion of pay among employees.

2.14 Where transparency is lacking, unions may attempt to provide their members with relevant information.

‘For over 20 years we have been conducting large scale surveys of our members on key issues. These surveys typically get over 3,000 responses. Through them we first identified an equal pay gap between men and women doing the same job in the late 1980s. We used that data to shape our bargaining agenda placing equal pay at its heart. After many years of pushing the issue with a major employer and using the evidence from our surveys we got acceptance that there was an issue that needed addressing. Since 2000 we have successfully secured separate monies towards addressing the gap as part of our annual pay reviews. To date we have secured over £18m in consolidated pay increases directed specifically at closing the equal pay gap.’

Connect response to the Commission’s consultation

2.15 Women employees certainly see a need for transparency. Whereas only slightly less than 16% of the women who responded to our online survey felt that their employer was transparent in reporting the gender pay gap, over 94% thought that employers should be so.

‘Despite the administrative burden and expense on employers they are the ones paying the salaries and these salaries should be fair. The burden should not be placed on the individual female worker.’

Female employee responding to the Commission’s consultation

The impact of transparency on the gender pay gap

2.16 Of itself, transparency is not enough to ensure the elimination of bias against women and the implementation of equal pay. Chicha, for example, has noted that information on remuneration range and average monthly remuneration provide a general insight into pay discrimination,¹⁴ but unless related to the value of corresponding jobs, does not help identify pay discrimination. Grimshaw and Rubery,¹⁵ for the EOC Equal Pay Task Force, noted that while there was no gender-neutral system of pay determination, some payment systems may provide better protection than others, and one of the key principles was that the system of pay determination should be transparent.

¹⁴ Marie-Thérèse Chicha, *A comparative analysis of promoting pay equity: models and impacts*, ILO, Geneva, 2006.

¹⁵ Grimshaw and Rubery, *The Gender Pay Gap: a Research Review*, EOC Research Discussion Series, 2001.

The EOC Equal Pay Task Force¹⁶ made a number of recommendations aimed at enhancing transparency and building accountability for implementing equal pay, noting that one of the barriers to equal pay was the secrecy surrounding what people earn. More recently Grimshaw and Rubery have remarked that the UK appears to have a high tolerance of inequality and secrecy in pay systems.

- 2.17 Businesses and unions are also conscious of the fact that transparency is not enough:

‘It’s important to look at why pay gaps arise, this may be due to differences in the nature of the work and even within the same job families, scarce skills in a role may drive a difference in pay.’

Respondent to the IES in-depth survey

‘While information gathering in relation to transparency is important, what is also essential is the requirement to disclose information on the pay gap following collection of appropriate data, identifying action needed and then establishing ongoing monitoring; e.g. identifying why women appear to move more easily between some grades than others, or how opportunities for flexible or part-time working may affect the situation, and agreeing appropriate remedial actions, which can then be monitored in terms of their effects on closing the gender pay gap as an essential part of the process.’

UNITE the Union response to the Commission’s consultation

A legal definition of pay transparency

- 2.18 The legal definition of transparency, which derives from decisions in

equal pay cases in the European Court of Justice, is set out in the *Code of Practice on Equal Pay* (EOC, 2003).

‘...the pay and benefit systems should be capable of being understood by everyone (employers, employees and their trade unions)’.

Paragraph 39, *Code of Practice on Equal Pay*

- 2.19 The legal definition means that organisations should be open about how pay is made up between different elements, for example: basic pay and any market, performance, bonus, or time-based or regional payments, and being clear about what proportion of pay would change if any one of the elements changed. Being transparent also requires that the basis for determining each element of pay is clear, for example ensuring that employees understand what the pay parameters are for someone with particular skills or experience operating at a certain organisational level or grade can expect to receive, and how the parameters would change if an individual took on additional responsibilities, was promoted, worked overtime, or switched to a different shift pattern. One indication of transparency is where an individual receiving a pay rise understands which elements of the rise result from increases earned through improved performance and which from market supplements and/or cost of living increases. This means managers themselves being clear about their reasons for such

¹⁶ Equal Pay Task Force, *Just Pay*, EOC, 2001.

increases. It also means managers knowing and making known the gender distribution of employees across the various pay levels and the average pay for men and women on each grade or pay band. This gives everyone in the organisation an idea of where women are in relation to men in terms of both current and potential earnings capacity.

The balance between transparency and confidentiality

2.20 As the *Code of Practice on Equal Pay* makes clear, the principle of transparency set out above does not mean that an individual has the automatic right to know what another individual earns. The principle of transparency means that a woman has the right to know how the calculations are made, but not the content of the calculation. It is necessary to balance the ideal of transparency with the rights of individual privacy and it follows that proposals aimed at furthering pay transparency would not mean employers publishing details of the pay of individual employees. Where data aimed at capturing the current pay positions of women and men in an organisation are published, publication is in aggregate format, and if there are not enough men and women to provide a statistically valid figure, the figures need not be published.

‘We have always published a detailed breakdown by pay grade and type of work when we have produced our survey results. This is the only way in which you can start to identify the structural reasons behind the pay gaps and from that take

appropriate action to tackle the gaps. Our only caveat on this is not to publish figures where there are not enough men or women to provide a statistically valid figure. Our general rule of thumb for this is not to publish figures where there are fewer than 10 men or women.’

Connect response to the Commission’s consultation

2.21 And if the identification of individuals is possible (where there are only four technicians, for example, three male and one female) again, figures can be withheld, but for Data Protection reasons.

Enabling comparisons

2.22 From the Government’s point of view transparency also means making the gender pay gap at an organisational level visible in ways that enable comparisons with the gap at a national level; between the public and non-public sectors; and with other organisations in the same sector and in different sectors.

2.23 The desire to enable such comparisons poses some challenges. first, the data which informs the national measure is necessarily qualitatively different from that collated at an organisational level. National data, as we shall see in the next chapter, is collected through national surveys, while organisational data is collected from employers’ payroll and human resource systems and provides information solely about the differences in pay between the men and women the organisation employs. Organisational data is capable of taking into account whether men and women are doing

equal work; national data sets cannot do so. This means that any comparisons have to be treated with caution.

2.24 Second, there are considerable differences between the ways in which pay is determined in the public and non-public sectors. While in some ways the third sector resembles the public sector in the way it determines pay and reward, the private sector has a much greater variety of pay systems: the pay structures themselves are more complex and managerial discretion plays a much greater role. Private sector companies are also more dynamic than public bodies: mergers, acquisitions and restructuring all impact on pay systems, but are part of business life and will almost certainly produce changes in the company's gender profile and in the pay relativities between male and female employees at any given point in time.

‘...pay structures have become much more varied – with the emergence of broad banding, job-families and career-families, and other new approaches – and there has been an enormous expansion in the use of variable pay in all its forms. Increasingly, different industries and types of company use different reward structures to drive certain behaviours for particular groups, while employees place differing values on different elements of reward structures depending on their circumstances and motivations.’

CBI response to the Commission's consultation

These differences mean that, as with the national figures, any comparisons between the private and public sectors would have to be treated with caution.

Key points on transparency

- Gender pay transparency means making visible the outcomes of policies and practices that determine men's and women's pay in ways that enable comparisons to be made between organisations and between sectors.
- Transparency brings a number of benefits in addition to its impact on differences between men's and women's pay. These include better quality decisions about reward and remuneration, employee confidence in the reward process and an enhanced corporate reputation.
- Transparency would also enable comparisons to be made between sectors and allow benchmarking across sectors.
- Transparency is much less common in the private sector, and secrecy much more widespread. 20% of employers surveyed discourage or forbid discussions about pay between colleagues and 49% give staff no information.
- Of itself, transparency is not enough to ensure the elimination of bias against women and the implementation of equal pay, but it does enable questions to be asked, both by the people taking decisions about pay, and by those affected by those decisions.
- Transparency also has a legal definition which means that organisations should be open about how pay is made up between different elements.
- Pay transparency does not mean employers publishing details of the pay of individual employees.

Chapter 3

Defining and measuring the gender pay gap

3.1 Before looking at what has come out of our work with employers and others it may be useful to remind ourselves of how differences between men's and women's pay are measured and defined at a national level and how this has recently changed. These considerations are relevant because questions about which measures to use also come up at workplace level, with different organisations having different preferences.

3.2 What has come to be known as the gender pay gap refers to the difference between the earnings of women compared with men. **It is important to recognise that a pay difference does not signify pay discrimination.** A pay difference – whether a difference at the macro-economic level, or a difference between the earnings of a man and a woman working for the same organisation – can have many causes, only one of which could be pay discrimination. Nonetheless, it is possible to infer from national statistics that an average woman working full time from age 18 to 59 would lose £361,000 in gross earnings

over the course of her working life,¹⁷ as compared to an equivalent male, and it is this which makes narrowing the differences between men's and women's pay of such vital importance. Differences on this scale contribute to women's poverty in work and in retirement, and also impact on their partners and their children.

3.3 Although not directly measuring equal pay for equal work (as required by the legislation), the national measure provides a high-level indicator of women's and men's relative earning power. The greater the difference between the two, the greater the concern that women's work may be being undervalued compared with men's and that women may therefore be subject to pay discrimination. At both the national and the establishment level, further analysis is needed to investigate the possibility of discrimination.

Measures of the gender pay gap

3.4 There is no one 'correct' measure of differences between men's and women's pay. A note issued by the United Kingdom Statistics Authority

¹⁷ EHRC analysis based on *Annual Survey of Hours and Earnings 2009*, table 6, Office for National Statistics, November 2009. Lifetime-equivalent earnings are calculated from mean gross annual full time earnings at each year of age from 18-59 using 2009 data disaggregated by age group.

(UKSA) in June 2009 considered how the estimate of the gender pay gap differs depending on which of the following measures are adopted:¹⁸

- (a) the median or the mean measure of average earnings
- (b) earnings for full time employee jobs only, or for full time and part time employee jobs combined, and
- (c) the inclusion or exclusion of overtime and hourly, weekly or annual earnings.

The median or the mean measure of average earnings

3.5 The Office of National Statistics' (ONS) headline estimate of the gender pay gap is based on median hourly earnings, excluding overtime, for full time employees. ONS prefers the median as its measure of average earnings as this is less affected by a relatively small number of very high earners and the skewed distribution of earnings. ONS considers that the median therefore gives a better indication of typical pay than the mean.

3.6 Alongside this median-based measure, the first Release on the *Annual Survey of Hours and Earnings* (ASHE) has also shown the equivalent measure based on mean hourly earnings, excluding overtime, for full time employees. A mean-based measure is

used extensively in Europe – the European Commission's information campaign on the gender pay gap, for example, quotes Eurostat figures based on the mean.¹⁹

3.7 The Commission also prefers the mean because we consider that in measuring pay inequality between women and men, the fact that women are in many cases over-represented at the low earning extreme of the distribution and men are over-represented at the high earning extreme is an important dimension and that to calculate the gap using the median can understate the size of the problem. Unlike the median-based pay gap, which compares typical values, the mean-based pay gap captures differences across the distribution. However, in practice, as can be seen from Table 3.1, the Commission, like ONS, presents both the mean and the median.

3.8 The UKSA's viewpoint introduces yet another dimension, that of percentile earnings: 'Presenting the mean measure of the gender pay gap alongside the median can provide useful complementary information, although it should be accompanied by clear and helpful commentary. Where mean earnings are significantly higher than median earnings, this may provide evidence of the earnings distribution being skewed by very high earners.'

¹⁸ UKSA Monitoring and assessment Notes, M&A Note 4/2009, 11 June 2009.

¹⁹ Eurostat defines the gender pay gap thus: The GPG in unadjusted form represents the difference between average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees. The GPG is calculated at Member States and EU-aggregates total level using the arithmetic mean for the NACE Rev. 1.1 aggregate (Statistical Classification of Economic Activities in the European Community), aggregate C to O (excluding L) and, if available, also for sections C to O and aggregate C to K and C to O.

However, insofar as differences in the distribution of men's and women's pay are an important part of the gender pay gap story, this can be illustrated more directly through percentile earnings rather than through mean earnings.²⁰

- 3.9 At an organisational level, as the IES in-depth survey has shown, there are likely to be similar differences of opinion as to whether the median or the mean is to be preferred.

'The mean is more accurate.'

'We actually use both the median and the mean and our preference would be to do the same.'

'The median is a more truthful measure.'

'The mean is easy but not as accurate as the median.'

Employer respondents to the IES in-depth survey

Full time only versus full time and part time combined

- 3.10 The UKSA queried ONS's single estimate of the gender pay gap based on the earnings of full time employees only, pointing out that full time employees account for only around three-quarters of all employees. The suggested alternative was to combine full time and part time pay into one gender pay gap figure. However, average earnings estimates (see Table 3.1 on page 32 for 2009 statistics) suggest to the Commission that there is a part time factor at play that is distinct from gender, but which influences the reported gender pay gap for all employees.

- 3.11 The Commission presents two measures, comparing first the pay of women and men working full time and then the pay of women working part time with men working full time. We see this as preferable to presenting a single estimate based either on the combined hourly earnings of full time and part time employees or on the earnings of full time employees only. We recognise that the latter definition needs to be clearly explained, but we would argue that a common divisor (men's full time earnings) makes comparison of the two figures easier.

- 3.12 The considerations outlined above point to the need for a more extensive set of measures at national level to present the differences between the earnings of men and women in the most informative way.

Inclusion or exclusion of overtime and hourly, weekly or annual earnings

- 3.13 The gender pay gap is generally calculated as the difference between hourly earnings for men and for women expressed as a percentage of men's hourly earnings, although sometimes weekly, monthly or annual earnings are considered. The latter options generally give progressively wider pay gaps (see Table 3.4 on page 34) since they incorporate differences in hours in addition to differences in hourly rates. On average full time women work fewer hours than full time men, and part time employees work even

²⁰ UKSA Monitoring and Assessment Notes, M&A Note 4/2009, 11 June 2009.

fewer hours. Both the Commission and the UKSA agree with ONS's use of hourly earnings rather than weekly or annual earnings. The Commission regards this as particularly important when part time employees' earnings are included.

- 3.14 While the inclusion or exclusion of overtime pay and hours is less clear cut, both the Commission and ONS take the approach of basing measures on hourly earnings excluding overtime.

The ONS review of gender pay gap measures

- 3.15 The National Statistician has recently reviewed the way in which the gender pay gap is presented in ONS statistical bulletins. The conclusion, announced on 4 November 2009, was that ONS would adopt the following set of measures for comparing women's and men's pay:

- All female employees' average pay compared with all male employees' average pay.
- Female full time employees' average pay compared with male full time employees' average pay.
- Female part time employees' average pay compared with male part time employees' average pay.

As previously, these measures will be based primarily on median estimates for hourly earnings excluding overtime, although mean estimates and differences across the earnings distribution will also be published. Where annual earnings are compared, part time earnings will be put on a full time equivalent basis.

- 3.16 While the rationale for adopting the first two measures is clear, since both are already in use as headline indicators by various organisations, the Commission finds the reasoning offered for choosing the third measure unconvincing. ONS argue that 'The presentation of women's part time pay as a percentage of men's part time pay alongside the full time measure also illustrates that there are a number of men, as well as women, who are in lower paid part time work'. However in opting for a comparison of two groups of part time employees where many are low paid, the set of measures then fails to show that these groups are low paid compared with full time employees.

- 3.17 The Commission's preference remains to compare average hourly pay for women part time employees with that of male full time employees, as this shows the disparity between pay rates for these groups. We recognise that men as well as women do low paid part time work, but consider that a clearer demonstration of this would be achieved by additionally comparing their average hourly pay with that of male full time employees.

ASHE 2009 results

- 3.18 The following tables show a selection of headline figures from the 2009 *Annual Survey of Hours and Earnings* published on 12 November 2009. All provide equivalent figures for mean and median measures. **Table 3.1** shows average hourly rates of pay for women and men in full time and part time work.

Table 3.1 Hourly earnings excluding overtime: UK 2009

£ per hour			
	Full time employees	Part time employees	All employees
Mean			
Women	13.43	10.40	12.64
Men	16.07	11.98	15.84
Median			
Women	11.39	7.86	9.68
Men	12.97	7.71	12.42

Source: *Annual Survey of Hours and Earnings 2009*, table 1, Office for National Statistics, November 2009

Table 3.2 Gender pay gaps in hourly earnings excluding overtime: UK 2009

per cent			
	Full time gender pay gap	Part time gender pay gap	Overall gender pay gap
Mean	16.4	35.3	20.2
Median	12.2	39.4	22.0

Source: *Annual Survey of Hours and Earnings 2009*, table 1, Office for National Statistics, November 2009

3.19 **Table 3.2** then shows gender pay gaps calculated from the above figures. The three measures used are defined as follows:

- Full time gender pay gap: compares female full time employees' average pay (mean or median as indicated in the table) with male full time employees' average pay.
- Part time gender pay gap: compares female part time employees' average pay with male full time employees' average pay.
- Overall gender pay gap: compares female employees' average pay with male employees' average pay (combines full time and part time pay in calculating averages).

**Table 3.3 Gross hourly, weekly and annual earnings including overtime:
UK 2009**

£ per hour, week or year			
	Full time employees	Part time employees	All employees
Mean			
Women – Hourly	13.41	10.33	12.60
Men – Hourly	16.03	11.84	15.78
Women – Weekly	501.2	190.5	370.2
Men – Weekly	643.0	208.8	589.3
Women – Annual	26,000	10,500	19,491
Men – Annual	35,661	13,324	33,268
Median			
Women – Hourly	11.42	7.88	9.70
Men – Hourly	13.09	7.75	12.50
Women – Weekly	426.4	155.6	309.8
Men – Weekly	531.1	143.6	491.0
Women – Annual	22,151	8,575	16,176
Men – Annual	28,270	8,908	26,582

Source: *Annual Survey of Hours and Earnings 2009*, table 1, Office for National Statistics, November 2009

3.20 In each case the gender pay gap is calculated by taking the difference between the male and female averages and dividing by the figure for male employees. These pay gaps show clearly the continuing gender pay gap between full time employees' earnings of 16.4% (mean) or 12.2% (median) and the much greater pay gap between female part time employees and men working full time of 35.3% (mean) or 39.4% (median).

3.21 **Table 3.3** shows for comparison the average figures for gross hourly, weekly and annual earnings and **Table 3.4** shows the gender pay gaps based on the figures in Table 3.3. Note that annual earnings relate to employees on adult rates who have been in the same job for at least 12 months. Unsurprisingly the biggest pay gaps are between the weekly and annual earnings of women working part time compared with male full time employees' pay. This is the result of differing hours of work as well as different pay rates.

Table 3.4 Gender pay gaps in gross hourly, weekly and annual earnings including overtime: UK 2009

per cent			
	Full time gender pay gap	Part time gender pay gap	Overall gender pay gap
Mean			
Hourly	16.3	35.6	20.2
Weekly	22.1	70.4	37.2
Annual	27.1	70.6	41.4
Median			
Hourly	12.8	39.8	22.4
Weekly	19.7	70.7	36.9
Annual	21.6	69.7	39.1

Source: *Annual Survey of Hours and Earnings 2009*, table 1, Office for National Statistics, November 2009

Limitations of measures of the gender pay gap

3.22 The estimates of the differences between men’s and women’s pay outlined above are useful, but they cannot control for factors such as occupation or length of time in jobs, which are likely to have a differential impact on the earnings of women and of men, nor, most importantly, do they take account of the nature of job demands. This means that the national headline median and mean figures can give no indication of whether women’s entitlement to equal pay for equal work is being fulfilled or not. These limitations need to be borne in mind when considering the extent to which measures of the gender pay gap can

provide information about evidence of inequality and discrimination in the labour market.

Key points

- The gender pay gap refers to the difference between the earnings of women compared with men. Although not directly measuring equal pay for equal work, the national measure provides a high-level indicator of women’s and men’s relative earning power.
- The gender pay gap is generally calculated as the difference between hourly earnings for men and for women expressed as a percentage of men’s hourly earnings.

- There is no one ‘correct’ measure of the gender pay gap and there are various ways in which this can be measured.
- At national level there is a need for a more extensive set of measures to present the differences between the earnings of men and women in the most informative way.
- Although median and mean hourly pay excluding overtime provide useful comparisons of men’s and women’s earnings, they do not reveal differences in rates of pay for comparable jobs. Thus, while the national headline figures are indicative of differences in earnings, they can give no indication of whether women’s entitlement to equal pay for equal work is being fulfilled or not.

Chapter 4

Our sources of information and emerging themes

ONS data

4.1 Over the summer of 2009 we analysed newly extracted ONS data from the *Annual Survey of Hours and Earnings* 2008 for large organisations with 250 or more employees. The themes that emerged from this analysis were the differences between sectors and the importance of age as a factor. In brief, this analysis showed that:

- The full time gender pay gap is 22.2% in private and voluntary organisations with 250 or more employees, compared with the overall 2008 figure for organisations of all sizes in the wider economy of 17.4%. Figures for the part time gender pay gap are particularly high in the combined private and voluntary sector, standing at 47.2%, compared with the 36.9% national overall figure.
- Considerable differences can be observed when comparing gender pay gaps in the private and voluntary sectors across industrial sectors and occupational groups, with one of the highest full time gender pay gaps in the private and voluntary sectors occurring in financial and insurance services (37.7%) and one of the highest part time pay gaps in wholesale and retail (49.1%). Part time pay gaps are lower in the voluntary sector.
- Analysis of the data on pay gaps for Scotland, Wales and the English regions showed minimal variation between areas. There are, however, significant differences between the full time pay gaps in the private/voluntary and public sectors in some regions, demonstrating that differences between sectors outweigh those by region.
- There are differences between different age groups in the private and voluntary sectors, with pay gaps steadily growing as employees get older. The full time pay gap then flattens out from age 40, when it reaches 27%. The part time pay gap increases at an earlier age and is particularly high for older age groups, climbing to 36.3% at age 22-29, and again to 50.4% in age group 40-49. We will be doing further work to explore these differences and will include our findings in our 2010 report to Government.

The IFF baseline survey

4.2 In July 2009 the Commission asked IFF Research to:

- Establish baseline information on the number of non-public sector employers who are taking steps to measure and report on the gender

pay gaps in their organisations, to serve as a basis for comparison over the next three years.

- Investigate how steps taken by employers to measure and report on gender pay gaps differ by country (England, Scotland and Wales), sector and size of organisation.
- Explore reasons for measuring or reporting, or not doing so, among these organisations.
- Ascertain what can be done to encourage employers to measure and report on their gender pay gap.

4.3 A telephone survey was completed with 900 private and voluntary sector employers using CATI (Computer Aided Telephone Interviewing) technology. Interviews were on average 22 minutes in length, and interviewing took place between 3 September and 1 October 2009. The respondents to the survey were Human Resource Directors or other senior managers who were in a position to talk about their organisation's human resource strategy.

4.4 Sampling was undertaken at the enterprise level (rather than at the level of individual sites or divisions within organisations) since it is at this level that human resource strategy is most commonly directed. Quotas were set to try to ensure a sufficient number of interviews were achieved in each broad sector, country and size band to allow for sub-group analysis, and then data were weighted to give findings that are representative of all private and voluntary sector employers with 250 or more employees in Britain.

4.5 The population of private and voluntary sector organisations in Britain with 250 or more employees is relatively small: there are only around 6,900 of them,²¹ but they employ around 10 million of Britain's 25.7 million employees. The survey sample of 900 participating organisations therefore represents a relatively high proportion of them.

4.6 The themes that emerged from the IFF survey were the incidence of current measurement of the extent of the differences between men's and women's pay; the relative absence of reporting on such measures; and the differences between sectors. More than half of the IFF respondents (57%) were doing some sort of measuring of the differences between men's and women's pay or planned to do so, and half of the respondents stated that reducing the pay gap between women and men was either a very high or fairly high priority for them. However, once the collection and analysis of pay data had been done, far fewer companies went on to report their findings. The IFF survey also showed significant differences in activity on gender pay gaps across sectors, with the voluntary sector doing more to collect, analyse and report on gender pay data, and generally having more positive attitudes towards transparency.

The IES telephone survey

4.7 In August 2009 we asked IES to work with a group of non-public sector large (1,000 or more employees), medium-to-large (500-999 employees) and

²¹ SME Statistics for the UK and Regions 2007, BERR.

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medium-sized employers (250-499 employees) across Britain to explore ways of measuring and reporting on the gender pay gaps in their organisation and:

- For each approach explored, ascertain the ease with which organisations are able to measure and report on differences between the pay of men and women working for them.
- Report back to the Commission on the most appropriate measures and reporting methods, and on the support that organisations will need in order to move to a regime of regular measurement of and reporting on the gender pay gap.
- Make a preliminary cost-benefit analysis of introducing such a regime.

4.8 We also asked IES to analyse the responses to our consultation paper.

4.9 To secure participants for the more in-depth IES survey, IFF Research added a question to their baseline survey asking if respondent employers would be prepared to be contacted to answer further questions on possible future approaches to reporting on differences between men's and women's pay. IES was then able to form a structured sample broadly aligned with non-public sector employers of 250 or more employees. The sample was stratified between organisations in the manufacturing and construction; distribution, hotels and restaurants; services and not-for-profit sectors.

4.10 The telephone interviews were mostly conducted with human resource and reward professionals.

The questions focused on the approaches set out in the Commission's consultation paper. The interviews were semi-structured; prompted discussion of the relative benefits and disadvantages of each approach and attempted to establish the most preferred reporting option of the employers interviewed. Each interview lasted approximately 30 minutes. IES interviewed 33 organisations in total, 24 in England, five in Scotland and four based in Wales. In terms of organisation size, 14 organisations were large employers with 1,000 employees or more. Five had 500-999 employees and 14 had between 250-499 employees.

4.11 While some organisations interviewed wished to remain anonymous, the majority of respondents were pleased to be named as participants in the research.

Services sector:

Grant Thornton, QBE, Aegon, Pru, Standard Chartered, Sungard, Atradius, Rathbones Stockbrokers, Igen, Morris Utility Services, Premier Cleaning

Not-for-profit sector:

Macmillan Cancer Support, London & Quadrant, Scottish Society for Autism, Hyde Housing, Magna Housing

Manufacturing and construction sector:

Wales & West Utilities, Polypipe, Highland Spring

Distribution, hotels and restaurant sector:

Hilton Meats Retail, National Express

- 4.12 Around half of respondents had already analysed pay data within their organisation to explore gender pay relativities. Around 80% had some sort of grading structure in place and at four-fifths of those organisations this grading structure was underpinned by job evaluation.
- 4.13 The themes that emerged from the IES in-depth survey included employers' concerns about the importance of flexibility and comparability; the simplicity of the measure or measures; the wish to generate meaningful results; the requirement for effective action if pay gaps are found; the demands on time and resources; and the need for clear guidance on reporting. IES also considered responses by size of organisation and sector and we pick up on this later on. We also look briefly at costs, but in fact so few employers quantified the costs, either for IES or in the responses to our consultation, that it has not been possible to attempt a cost-benefit analysis.

The E-survey for employers

- 4.14 In addition to the main telephone interviews IES made a brief internet survey available to supplement the research. This e-survey was a shorter version of the full questionnaire used for the main telephone research and focused on what options people preferred. It was placed on the IES and Commission websites and received 12 responses. Two-thirds of these respondents analysed pay data in their organisation to explore

gender pay relativities. The themes emerging echoed those in the IES in-depth survey.

The E-survey for women

- 4.15 Like the E-survey for employers this focused on the consultation questions. It was on the Commission website throughout the consultation period and elicited 121 responses. Women were also invited to make general comments and suggestions, and many did so. The themes that emerged here were the need for any measurement of the gender pay gap to take account of part-time working; the need for anonymous reporting of gender pay gap issues, so as to avoid careers being jeopardised; the necessity for some kind of audit so that female employees would be able to prove that they are being paid less than their male counterparts and the need to include equality issues other than gender.

The public consultation

- 4.16 Early in August 2009 the Commission produced a consultation document on improving gender equality in the workplace, *Proposals for promoting greater transparency in the private sector*. This was placed on the Commission's website with the closing date being 28 October 2009. Responses were received from 30 organisations and individuals.

Table 4.1 Organisations submitting responses to the public consultation

Anonymous financial services client of law firm Simmons and Simmons	
AWE PLC	Company with 4,500 employees responsible for providing and maintaining the UK's nuclear deterrent, Trident.
British Chambers of Commerce (BCC)	The national body for a powerful and influential Network of Accredited Chambers of Commerce across the UK, a Network that directly serves not only its member businesses but the wider business community.
The British Medical Association (BMA)	Independent trade union and voluntary professional association representing over 142,000 doctors.
British Retail Consortium (BRC)	The leading trade association for the retail sector, representing both small and large retailers.
Business in the Community (BITC) and Opportunity Now	BITC encourages companies to adopt responsible business practices and has over 850 members. It includes Opportunity Now, a campaign forum for advancing gender equality and diversity with 350 employer members, which has led on this response.
CBI	A leading lobbying organisation for UK business on national and international issues.
Chartered Institute of Personnel and Development (CIPD)	Professional body for those involved in the management and development of people, with 135,000 individual members.
City and Guilds Centre for Skills Development (CSD)	CSD's mission is to improve the policy and practice of work-related education and training through innovative research and development.
Connect	Trade union representing 20,000 professionals working across the communications industry.
Council of Ethnic Minority Voluntary Sector Organisations (CEMVO)	Charity which acts as an expert adviser and advocate for over 6,000 minority, ethnic, refugee and faith based community groups.
EEF	Representative voice of manufacturing in the UK with almost 6,000 companies in membership employing more than 900,000 people.

Fawcett	A leading campaign body for gender equality, founded in 1866.
The Law Society	The representative, advisory and training body for more than 100,000 solicitors in England and Wales.
Ms Jackie Longworth	Chair of the South West Gender Equality Network and South West TUC Women's Committee.
National Grid PLC	One of the world's largest utilities, an international electricity and gas company.
Press for Change	Body that represents transgender people.
PricewaterhouseCoopers (PwC)	The UK's largest accountancy firm providing audit, assurance, advisory and tax services.
Prospect	Trade union representing more than 100,000 members in public and private sectors.
The Recruitment and Employment Confederation (REC)	Body for the UK's recruitment industry representing 3,760 companies and more than 6,000 recruitment consultants.
Reward Works	Pay consultancy specialising in equal pay issues.
Royal Bank of Scotland (RBS)	Major international financial services company with over 100,000 employees worldwide.
Dr Joanna Swaffield	Senior Lecturer in Economics, The University of York.
Trade Union Congress (TUC)	The umbrella body for 58 affiliated trade unions representing more than 6.5 million members.
Unite the Union	The UK's largest trade union with more than 2 million members across private and public sectors.
United Kingdom Council for Access and Equality (UKCAE)	A not-for-profit membership body formed from within the private sector to provide a framework that will help business understand and fulfil its obligations under current equality legislation.
University of Sunderland	One of the Women and Work Commission's exemplar organisations, which has now carried out seven equal pay audits.
Waltham Forest Council	Local authority.
William Holley Ltd	HR and pay modelling consultancy.
Zurich Financial Services Group	Insurance-based financial services provider employing more than 60,000 people in 170 countries and over 7,000 in the UK.

4.17 Diametrically opposed views were expressed both on the need for gender pay reporting and whether it would help in highlighting and addressing the gender pay gap, as well as whether this reporting should be on a voluntary or compulsory basis. Connect, for example, is 'of the firm view that a voluntary approach simply will not deliver', while EEF opposes any mandatory requirement to publish gender pay information as it believes it will 'do nothing to reduce the gender pay gap and will undermine the efforts of many manufacturers to encourage more women to work in manufacturing'. Given this range of respondents and views, however, there were also high levels of agreement on the responses to a number of the consultation questions. We return to these in Chapter 5.

Chapter 5

The views expressed

5.1 Drawing upon the sources outlined in the previous chapter, and on advice from the Technical Advisory Group, we now explore reactions to the options set out in our consultation paper, in the order that they were presented there, beginning with the role of narrative, and ending with a consideration of any additional alternatives.

5.2 The role of narrative

5.2.1 There was a very strong level of support, both in the IES in-depth survey and in the consultation responses, for the inclusion of narrative in reporting on the differences between men's and women's pay. Although views on the importance and possible components of the narrative varied, the majority felt that it should comprise of a mix of quantitative and qualitative information.

'The narrative will allow description of some of the business specific issues and explain both the methodology used as well as the actions being taken to address any identified issue. Without the narrative, figures could be misinterpreted due to the complex nature of the analysis.'

National Grid response to the Commission's consultation

5.2.2 Employers emphasised the 'essential' nature of narrative reporting, as RBS put it, to 'set the context' for interpreting any figures and to

enable recognition of the differing situations and structures, sectors, labour markets and inheritance of different employers. PwC described how it 'gives context and substance to the figures'. The CBI said that while 'the (quantitative) indicators are the tangible outcomes of a company's equality and diversity agenda', these are 'understood through the contextual narrative of its policies, procedures and perceptions'.

5.2.3 The three components repeated as being central to any narrative were: to explain the context, to explore and analyse the causes of any gender pay gaps, and to list actions being taken to address the gaps.

'...having any information on the reasons behind the pay gap will help with setting the agenda and actions for addressing problem areas.'

UNITE the Union response to the Commission's consultation

'Narrative is a useful tool to enhance public and employee awareness and can also highlight areas not captured by pay statistics such as differences in bonus or other discretionary awards and women's progression in the workforce.

'Such narrative could also form a requirement in annual reports and could be embedded in business review processes. However, a system for monitoring and evaluation would need to be developed to ensure rigour and to

check employers were not adopting generic narrative rather than using narrative to undertake real analysis of the gender pay gap.’

Fawcett response to the Commission’s consultation

5.2.4 The BRC emphasised that a narrative approach was the most cost effective and least burdensome, and suggested that resources could be better spent on addressing any gaps identified, rather than having to invest in some of the other more complex and time-consuming measurement options. The TUC felt that narrative could be especially useful for smaller organisations, particularly if the initiative were extended to apply to employers with less than 250 employees, which the TUC felt was desirable. A lot of thought had been given as to what a narrative element might contain.

- Their own analysis of where significant pay gaps are occurring in their organisations.
- Their analysis of the causes of the gaps, be these for example due to job segregation at senior levels, a failure to promote more women into better paid roles, historical factors, sector-specific factors, or a failure to adequately monitor the impact of all pay and grading policies by gender.
- The impact of any recent mergers, acquisitions, expansions or redundancies on their pay gaps.
- Measures they have taken or plan to take to correct any pay gap gaps, including pay audits, job evaluation schemes, management

training initiatives, re-evaluation of benefits and bonuses, etc.

- Resources they have dedicated to closing their pay gaps.
- Any internal targets or timeframes they are working towards to narrow their pay gaps.
- Support they are seeking from elsewhere to narrow their pay gaps, such as from employer forums for diversity, trade unions, external consultants, etc.
- Evidence of transparent communication with staff regarding pay policies and steps to close any gaps.
- Wider measures they are taking to advance women in their workplaces or improve the equality, diversity and inclusion of their workforce, such as talent management schemes, employee networks, gender champions, staff training, flexible working provisions, work with schools and colleges to diversify the future pipeline of talent, rewarding positive behaviours, monitoring the impacts of business policies and practices, etc.
- Wider steps they are taking to measure their progress towards becoming an employer of choice, for example through benchmarking, kite marks, or award entries.

BITC response to the Commission’s consultation

5.2.5 Words of caution were also expressed. The TUC had no objection to using narrative ‘to explain a set of

figures' but had concerns if it were used 'to hide behind that context in order to avoid doing something about the figures'. The TUC also saw a role for unions in agreeing the content of any narrative.

Where there are recognised unions we believe that the content of any narrative should be agreed between the unions and the employer. This would ensure that both parties concentrated on the issues.

TUC response to the Commission's consultation

Connect similarly wanted narrative to be 'not a substitute but an opportunity to explain work being done to address' any gaps, and Prospect wanted it to explain 'but not to justify gaps'. Fawcett was concerned about the repetition of meaningless, generic information in annual reports, while AWE feared it could be misused 'to put spin on' and provide a false picture of the true situation. William Holly did not support the use of narrative as it would not enable comparisons between organisations. AWE expressed the views of many respondents that there should be 'some structure put in place to guide organisations in how to write the narrative', with BRC wanting 'clear guidelines on the type of information required'. But overall, the views of the consultation respondents were, as one BITC member said: 'no narrative, no publication... this isn't about spin, but providing the fullest possible picture'.

5.2.6 The experts on our Technical Advisory Group were unanimous in wishing to see the inclusion of

narrative as an option and shared the view that guidance on its content would be desirable. Along with other respondents they also felt that narrative should not be a stand-alone option, but should be combined with qualitative measures.

Key points on the role of narrative

- Allowing a role for narrative commanded a strong level of support.
- Essential components of any narrative were to explain the context, explore and analyse the causes of any gender pay gaps, and to list the actions being taken to address the gaps.
- It would be desirable to provide clear guidelines on the type of information to be included in any narrative.

5.3 Using the single figure

5.3.1 The single figure that was consulted on was a measure of the gender pay gap comparing all female employees' median pay with all male employees' median pay. However, respondents tended to interpret 'a single figure' as 'one figure on its own'. Their responses reflect this tendency (for example expressing preferences for a figure based on the mean, or to use the mean as well as the median) as well as their concerns about using one figure on its own, however calculated.

5.3.2 18% of respondents to the IES in-depth survey had used the single figure (based on hourly earnings from basic pay, excluding overtime) that compares all women's pay with all men's pay, to analyse and

Proposals for measuring and publishing information on the gender pay gap

communicate the gender pay gap within their organisation. Those that had done so were in the services, not-for-profit and manufacturing sectors and were equally split between small (250-499 employees) and large employers (1,000 plus employees).

5.3.3 48% of IES respondents saw the single figure as a simple measure. It was seen as being the least resource intensive with 55% of respondents commenting that it would be the easiest measure to implement, and 67% stating that it would also be the cheapest.

'It's easy, as it's just one number. It's easy to read and manageable in terms of the resources needed to produce the figure.'

Large employer response to the IES in-depth survey

'It's a sit up and take notice, headline figure. Useful if never have done this analysis before.'

Employer response to the IES survey

'It's easy to pull together. Good as a broad picture. But this is only a starting point. It's quick and useful for keeping it as simple as possible.'

Employer response to the IES survey

5.3.4 Some 60% of those respondents who saw the single figure as the most 'useful' measure were in the manufacturing sector. The remaining 40% were within the distribution, hotels and restaurants sector. 60% of respondents who stated the single figure was the most 'useful' measure were small employers, perhaps because it requires less sophisticated human resource systems to be in place. The 12% of employers that chose the single figure as being the

'best in revealing any pay gap' were all small employers, bar one, and in the services or distribution, hotels and restaurants sectors. The single figure was also seen as best suiting organisations that pay their workforce using hourly rates, for example, retailers.

5.3.5 While 15% of IES respondents stated that the single figure was useful and 12% said the measure would be the best for revealing any pay gap, concerns about the use of one figure on its own were such that the majority of both the IES respondents and the respondents to the Commission's consultation paper, regarded the measure as neither useful nor meaningful, describing it as 'too general', 'a crude indicator', 'a meaningless number' and so on. Respondents were clear that the single figure cannot expose where any pay inequality lies within an organisation nor does it offer any explanation for any gaps revealed.

'It's a very crude measure and doesn't give enough information. It's completely useless. We would consider this measure to be a burden and it wouldn't help us. This is not part of our normal processes so would not be beneficial to us. The single figure wouldn't give a company knowledge of where the gap is. We need to look at gender pay in order to make improvements and for it to have an impact and this would do neither.'

Large employer response to the IES in-depth survey

5.3.6 The strength of feeling behind the opposition to the single figure as one figure on its own, as expressed through the CBI, BITC, the CIPD, and others, was considerable, with

respondents volunteering some very practical reasons why they believed this approach could prove to be counter-productive.

‘It could mean the appearance of a company’s pay gap could change dramatically overnight, for example after mergers, acquisitions or restructuring. A company could have a sound structure for addressing pay inequalities in place, but a single figure measure used in such incidences could suggest a marked widening of the company’s pay gap. This is ironic as many progressive companies regard mergers, etc., as exciting opportunities to correct historic pay gaps and eradicate inherited inequalities.’

BITC response to the Commission’s consultation

5.3.7 The CBI made the point that all pay and reward comparisons are potentially open to a significant degree of interpretation and even manipulation, and comparisons of basic pay are no exception, despite their apparent simplicity.

‘In the absence of a totally prescriptive definition of pay to be used, a CBI member company cut its statistics in several different ways to demonstrate how easy it would be to manipulate the final published figure to an acceptable level. It would be nearly impossible for the Government to demand that any gender pay gap figure be externally audited, giving companies that chose to take it the leeway to publish the most favourable figure.’

CBI member demonstrating how different methods of calculating the gender pay gap yield very different results

Annual Salary (mean) mean	Annual Salary + Bonus median	FTE Salary (mean) mean	FTE Salary + Bonus median
11.3%	12.2%	7.1%	0.9%

‘This particular company would obviously choose to publicise the 0.9% figure and present a “clean bill of health” in the Government’s eyes.’

CBI response to the Commission’s consultation

5.3.8 Respondents to both the IES in-depth survey and the consultation also pointed out that many companies might find it genuinely difficult to produce an accurate single figure, as some employers are not yet able to cross-cut the data on their workforce demographics against their data on employee pay. This may be the case not only in small organisations, but also where an organisation has geographically dispersed sites, with little centralised accountability for pay or reporting capability.

5.3.9 There were divided views on whether to use base pay or total earnings as the basis for the calculation of the median. As AWE described, base pay was a much easier figure to calculate and compare for some respondents, with less fluctuation over time, and indeed, the majority of the IES in-depth survey participants favoured its use for this reason. But it can also miss major differences between men and women in payments such as shift and bonus pay and overtime, leading others such as Connect and Fawcett to favour total cash analyses.

5.3.10 If the aim is national comparability of common information then, as Zurich and AWE pointed out, the single figure, or one figure on its own, makes a lot of sense, if presented alongside other information. But, if the aim is to stimulate action to address gender pay issues in a wide variety of organisations and settings then what RBS called a ‘one-size-fits-all approach’ will not be effective, because both the measures and the actions taken and reported on need to be tailored and organisation-specific.

5.3.11 The majority of experts on our Technical Advisory Group, while sharing the concerns about the shortcomings of the single figure, nonetheless considered that it could be useful as a means first, of prompting action, and second, of enabling organisations to ease themselves into the process of measuring and reporting on differences between men’s and women’s pay. The minority felt that even though the single figure would ‘capture the Board’s attention’, its usefulness in raising the issue was outweighed by the risks it posed.

Key points on the use of the single figure

- The use of the single figure, defined as a comparison of all female employees’ median pay with all male employees median pay, is seen as a simple, cheap and easy measure, but not very useful or revealing.
- The use of the single figure or one figure on its own provoked strong opposition from those organisations with complex or sophisticated pay systems, who are already experienced in aligning reward and diversity strategies.
- The use of the single figure could present a misleading picture, for example after mergers, acquisitions or re-structurings.
- Even the single figure would be difficult for organisations not yet able to cross-cut the data on their workforce demographics against their data on employee pay to use.
- The single figure would provide a starting point for national comparability of common information.

5.4 Using a breakdown by full time and part time

5.4.1 Using a breakdown by full time and part time was regarded as a relatively simple measure and easy to generate, but one which provides more useful and meaningful information than the single figure.

‘It’s relatively simple, drills slightly deeper than the single figure and may be a more meaningful way of exposing differences in gender pay.’

Smaller employer response to the IES in-depth survey

‘Our payroll system could provide this info and it would provide a truer reflection of the situation than the single figure.’

Smaller employer response to the IES in-depth survey

5.4.2 Some 24% of respondents to the IES in-depth survey had used the full time/part time measure to analyse and communicate their gender pay gap. Of those that had done so, 63% were in the services sector and three-quarters were large employers. Yet despite almost a quarter of respondents reporting that they had used this measure, and some knowing that their existing systems could easily generate full time and part time data, only 9% chose it as their preferred measure in terms of ease of application and only 12% thought it would be the cheapest measure to implement.

5.4.3 Not surprisingly this measure was seen as a useful analysis for businesses with large part time workforces, but not if an organisation does not employ a significant proportion of part-timers.

‘The female workforce is 63% of our business. If we look at the full time and part time split, a greater proportion of the part-timers are likely to be women. This analysis will help us to see the bigger picture.’

Large employer response to the IES in-depth survey

5.4.4 The macro-economic rationale for separate calculations was also understood.

‘Given that the gender pay gap is 36.6% for part time employees compared to 17.1% for full time it is important to consider these two figures separately, especially when there is typically limited scope to move from part time to full time employment.’

CEMVO response to the Commission’s consultation

5.4.5 However, only 3% of IES respondents regarded this measure as the most ‘useful’ for meeting their organisation’s requirements and the same small proportion saw it as ‘best in revealing any pay gaps’. While the retail sector was highlighted as that which might gain the most use from reporting the gap in this way, for some organisations it was irrelevant, or just not revealing enough. There were also concerns about how to define ‘part time’.

‘Not really a relevant analysis in my organisation. We have part-timers working in the office, but they are in very small numbers. This wouldn’t tell a great deal and any quick analysis could show we do not have a part time gap.’

Large employer response to the IES in-depth study

‘There would need to be clear guidance as to how one defines part time. We have

staff on 34 hours a week rather than 37 and I would consider them to be part time but this isn't a 'significant difference'. I can potentially see differences for cleaners who are on 11 or 12 hours a week.'

Employer response to the IES in-depth survey

'We would need a definition of part time to make a meaningful comparison. Even then it does not give a complete picture because it does not take into account levels of positions in the organisation, numbers of males/females in each.'

Smaller employer response to the IES in-depth survey

5.4.6 The experts on our Technical Advisory Group considered that the full time/part time breakdown could be more effectively applied within the context of an analysis by pay and grade.

Key points on a breakdown by part time and full time employees

- A breakdown by part time and full time employees is relatively easy to generate.
- It is most useful to organisations with large part time workforces but irrelevant to those with few or no part time employees.
- It calls for clear guidance on the definition of a part time employee.
- It is seen as poor at revealing any pay gaps and not being a useful means of meeting an organisation's requirements.

5.5 Using a breakdown by grade and type of work

5.5.1 The third suggested measure was to analyse the pay gap broken down at each grade level, essentially reporting a pay comparison for each grade. This approach could also report the gap by different types of work and jobs, for example on a job family basis.

5.5.2 The majority of the IES respondents and of those responding to our consultation paper and all of the experts on the Technical Advisory Group were in favour of this approach 'useful and important' (AWE); 'essential' (Connect; J. Longworth).

5.5.3 30% of respondents to the IES in-depth survey had used this approach. Of these, some 60% were in the services sector and 90% employed 1,000 or more employees. 79% had a grading structure in place. Respondents perceived this measure to be generally informative and meaningful, in that it reveals more about where any pay gaps lie and enables greater like-for-like comparisons.

'We would use this method. It would provide a tighter comparison. It's important to look at why pay gaps arise; this may be due to differences in the nature of the work and even within the same job families, scarce skills in a role may also drive a difference in pay. You could analyse why the difference was there and you could get more useful information from an analysis of this nature.'

Employer response to the IES in-depth survey

‘This takes away the impact on the overall figure of having women concentrated at the bottom of the scale and men at the top. It allows more like-with-like comparison. There is still a pay gap within grades but it’s more manageable and easier to digest in this format. It’s easier to think how you can address the gaps if they are along grade lines. This approach wouldn’t skew the whole results.’

Large employer response to the IES in-depth survey

5.5.4 IES respondents also commented quite frequently that this was a measure with increased ‘fairness’ and transparency. And for those organisations with a grading structure currently in place, this measure offered an easy and straightforward approach.

‘This measure provides a structure to work with and there are basic rules to work by if you break down by grade.’

Smaller employer response to the IES in-depth survey

‘It’s fairer because it takes experience into account and most organisations have grading systems so it should be easy to do.’

Employer response to the IES in-depth survey

5.5.5 It was also seen as good for identifying risk areas and determining where action would need to be directed if any pay gaps were revealed. It also ensures like-for-like comparisons are being made.

‘You can see what trends are emerging and in what areas we need targeted work. The issue for us if we have a male-dominated area, this is ok if men and women that occupy this area are paid the same. We’re not interested in comparing different roles

that have been rated on JE as equivalent. We can look at like-for-like across job families through this measure, which takes into account value in the market.’

Employer response to the IES in-depth survey

5.5.6 Using a breakdown by grade and type of work received the highest rating of all the options in terms of its usefulness, with 42% of IES respondents seeing it as useful and 36% seeing it as the best measure to reveal any pay gap. This measure was not however perceived to be cheap to implement, with only 15% stating this was their preferred approach on considerations of cost. 24% viewed this measure as not the easiest to implement, but nonetheless appreciated its potential.

‘It’s a complex approach. Breaking down figures for employees by grade and type of work would be time consuming. Even within grades, there would be specific roles that may drive the pay differentials within that grade. For example, different recruitment policies could drive the pay gap depending on what employees’ individual starting rates are upon hire. This analysis would be complex but the output as a result becomes more valuable.’

Employer response to the IES in-depth survey

5.5.7 IES respondents also raised concerns that this measure assumed robust human resource systems and grading structures were already in place. A similar point was made by members of the Technical Advisory Group. Smaller organisations felt less able to implement a breakdown by grade and type of work than larger employers, due to them typically

being less likely to have a robust grading structure and human resource information system already in place. Implementing a grading system for those without one (21% of the sample did not have a grading structure) was considered to be costly and burdensome.

‘We only have a partial grading system at the moment. We couldn’t currently provide data in this way. We would incur time, cost and risk in implementing one.’

Employer response to the IES in-depth survey

5.5.8 Concerns were also raised about the limited comparability with other organisations if this measure was adopted, as obviously different companies choose to structure their workforces and grades in different ways. An associated concern was a fear that grade and job categories might be imposed in some way, but on the other hand, some respondents said they would welcome a standard framework.

‘This would present a comparability challenge with other organisations. Organisations choose to divide their span of control differently. You would need a complex translation measure to be able to draw comparable conclusions. Senior management... would be too difficult to compare across [other organisations] and find exact equivalents and we also operate different pay structures across different functions.’

Employer response to the IES in-depth survey

5.5.9 Some IES respondents also commented on the risk to their reputation or the potential for equal

pay claims that organisations may leave themselves vulnerable to through an analysis of this kind.

‘Comparators across other businesses would be difficult (my grading system is different to yours). It would risk equal pay claims... and information on which they are based may only be partial/wrong. There are possible trade union issues too.’

Employer response to the IES in-depth survey

‘Risk and reputational damage if a disadvantage was shown and the possibility it may lead to employee dissatisfaction/complaints.’

Employer response to the IES in-depth survey

5.5.10 Others wrote of the risk of disclosing information on pay levels to competitors.

‘...would require a firm commitment that subject to all legal requirements the confidentiality of our data would be strictly observed and controlled... to protect commercially sensitive information vis a vis our competitors’

Anonymous response to the Commission’s consultation

Key points on a breakdown by grade and type of work:

- Overall a breakdown by grade and type of work was a clear preference in terms of its usefulness to meet an organisation’s requirements.
- It was also regarded (alongside the equal pay audit measure) as the joint best approach for revealing any gender pay gaps.
- It was rated (in terms of expressed preference) as a relatively easy

measure to implement (particularly by large employers).

- It was not perceived to be a particularly cheap measure to implement.
- Safeguards would be needed to preserve individual and commercial confidentiality.

5.6 Using the findings of an analytical job evaluation scheme²²

5.6.1 As job evaluation is given a particular role by the equal pay legislation we preface this section with a look at what job evaluation is and where it fits within the context of equal pay generally.

5.6.2 Job evaluation is widely used by certain sectors and employers of certain sizes to help measure jobs and thereby underpin their pay and grading systems. A typical job evaluation-user would be a large public sector organisation where women make up a majority of the workforce. In the private sector job evaluation is largely confined to service providers with a high proportion of female employees. By 2004 25% of workplaces with over 25 employees reported using job evaluation schemes. Of these 44% were in the public sector and 25% in the private sector.²³

Table 5.1 The breakdown of industries that used job evaluations in 2004²⁴

Manufacturing	14%	Financial intermediation	42%
Electricity, Gas and Water	43%	Other business services	16%
Construction	10%	Public administration	59%
Wholesale and retail	17%	Education	25%
Hotels and restaurants	14%	Financial intermediation	42%
Manufacturing	13%	Health	28%
Transport and communication	15%	Other community services	23%

²² See Glossary for a definition of analytical job evaluation.

²³ These figures are based on employers with over 25 staff.

²⁴ *Inside the Workplace: findings from the 2004 Workplace Employment Relations Survey* p.244.

5.6.3 Many of our respondent employers saw job evaluation as an effective way to tackle equal pay in their workplace. 29% of employers in the IFF survey who had not engaged in equal pay audit activity considered that if they had an analytical job evaluation in place, then there was no need to carry out a full equal pay review or audit as the job evaluation guaranteed equal pay in the workplace.²⁵ The IFF survey also shows that some employers are reluctant to conduct job evaluations as they were worried about the outcomes and the potential for a rise in equal pay claims.²⁶ The cost and resources required to conduct job evaluations were also cited as a barrier by some.

5.6.4 Although 81% of respondents to the IES in-depth survey with a grading structure (i.e. 79% of all IES respondents) had a grading system that was underpinned by job evaluation, only 9% used this for gender pay reporting. The organisations that had used job evaluation were all large service sector employers.

5.6.5 Some employers were reluctant to conduct job evaluations as they were worried about the outcomes and the potential for a rise in equal pay claims. The cost and resources

required to conduct job evaluations were also often cited as a barrier. The IFF survey found that the sectors most resistant to conducting any type of job evaluation were distribution, hotels and restaurants sector and those in other financial services sector. From the voluntary or charity sector 51% had used an analytical job evaluation compared to 26% of profit making organisations.²⁷

5.6.6 Many saw job evaluation as overlapping with the previous measure of using a breakdown by grade and type of work and the discussions about the advantages and disadvantages mostly mirrored those for the grading measure. The main advantages of job evaluation were that it is a robust and accurate measure; ensuring accurate job and potentially pay matching; it was also seen as 'fair'.

'It would ensure an accurate job match if using a factor-based job evaluation scheme. This could be a very accurate method for ensuring you are comparing like with like.'

Employer response to the IES in-depth survey

'It's a fairer approach to valuing gender pay because it concentrates on the job content.'

Employer response to the IES in-depth survey

²⁵ EHRC baseline report on gender pay activity in large private and voluntary sector organizations (2009).

²⁶ IFF research report *Private Company Reporting of Workforce Diversity Data*, prepared for the Government Equalities Office.

²⁷ IFF research report *Gender pay gap reporting* (2009) prepared for the EHRC

5.6.7 Job evaluation was regarded as neither a cheap nor an easy option. It was seen as a complex and time consuming approach which would be a costly and labour intensive measure for organisations that do not have job evaluation systems already embedded within their organisation, particularly for smaller organisations with a small in-house human resource team. Simply using the findings of job evaluation may not offer any measure of, or explanation for, differences in pay.

‘Cumbersome and there are timing issues. What JE system would you use? It would take time to generate a job description for each job. It’s bureaucratic. What value would you get from it?’

Employer response to the IES in-depth survey

‘Job evaluation points do not always determine pay as market forces and service factors will drive pay differentials. You would need a second level of analysis to understand why there was any differential and to take these driving factors into account. Two jobs may have exactly the same number of JE points but could be receiving different salaries due to either service or market benchmarking.’

Employer response to the IES in-depth survey

Key points on job evaluation

- Widely used in the service sector, but not elsewhere.
- A robust and accurate measure; ensuring accurate job and potentially pay matching.

- Neither cheap nor easy to implement and not necessarily providing any measure of, or explanation for, differences in pay.
- Not a preferred option – seen as a tool for closing the gender pay gap, rather than as a means of making it transparent.

5.7 Using the findings of an equal pay audit²⁸

5.7.1 An equal pay audit is recommended in the *Code of Practice on Equal Pay* as the best means of ensuring that pay systems are free of sex bias. A majority of responses to the Commission’s consultation supported voluntary equal pay audits as a useful tool.

‘Equal pay audits can provide a comprehensive assessment of bias in a company’s pay systems and provide a clear picture of where corrective action needs to be taken. It is essential that the information gathered is used constructively to advance gender equality in pay: auditing is the means to an end, not the goal itself. Some CBI members have found it helpful to include staff groups or unions in follow-up action to ensure transparency of process.’

CBI response to the Commission’s consultation

5.7.2 36% of respondents to the IES in-depth survey expressed a preference for using the findings of an equal pay audit. This was equal to the percentage that chose a breakdown by grade as their preferred option. Some 42% of these were in the services sector and a third in the

²⁸ See Glossary for definition of an equal pay audit.

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not-for-profit sector. Over half (58%) were large employers.

5.7.3 24% of IES respondents had done an equal pay audit and of this proportion, a fifth had published the results of it, or 6% of the entire sample. Where publication of results had occurred this was either on the intranet or presented to the recognised trade unions. Of those that had done an equal pay audit, all were large employers and 88% were in the services sector. All of the organisations that had done an equal pay audit also had a grading structure underpinned by job evaluation. Only 38% of those that had already done an equal pay audit chose using the findings of an audit as their preferred measure, as compared to 63% who expressed a preference for using a breakdown by grade and type of work. On the other hand, of those companies that had not done an equal pay audit, some 36% expressed a preference for an audit as the best in revealing any pay gaps.

5.7.4 Both CIPD and BITC had carried out surveys showing that 52 and 61% of their members respectively has carried out an equal pay audit. In the CIPD study only a third had shared the findings internally with employees, and none externally. Fears centred on exposure to equal pay claims, creating disruption internally and reputational damage externally, as well as breaching individual pay confidentiality.

5.7.5 However, using the findings of an equal pay audit was also seen as having external and internal

reputational benefits for their organisation. Many commented they could see the potential advantages of using any favourable results from an equal pay audit to attract new recruits, and that being seen to be taking action would help communicate that their organisation is a transparent and fair employer.

‘This would be good for staff to know that they are working for a company that takes this issue seriously. It would show we are a fair employer that sets salaries according to job not gender. We would make the results internally and externally available. Externally it would be useful in recruitment to attract new staff to the business because of the above reasons.’

Employer response to the IES in-depth survey

5.7.6 Carrying out an equal pay audit was seen as an important exercise in its own right, able to identify core issues within an organisation and having the possibility of linking into other diversity initiatives and measures, such as the advancement of women and talent management.

5.7.7 It was also seen as potentially expensive and labour intensive. Additional commitments and conflicting priorities meant respondents frequently cited the burden of the volume, cost and time commitment of the task as a common disadvantage of this approach.

‘This approach flags up areas where we know we have to focus. As we repeat the process every two years it allows us to look at trend data. We can easily spot the functions in which we have gaps. It’s not too much of an intensive process for us, we had one person working on the equal

pay audit for two months to look at 2,500 employees. We wouldn't consider it a worthwhile exercise to do every year but every two years is good. An issue is that you do something with the results and not for it to be just something that catches headlines for a few weeks.'

Employer response to the IES in-depth survey

'The time and volume of work. You need to look at it on a line by line basis to do it properly, easy if you're a small organisation, less so if you have 10,000 employees! It's a difficult task. Time and cost will be high on the agenda and when you operate on chargeable time, this would impact on utilisation.'

Employer response to the IES in-depth survey

5.7.8 Concerns were also raised about the justification for any differences in pay that might arise out of an equal pay audit and the action that would need to be taken to address these differences, which could mean further cost.

'In isolation an equal pay audit is not a good idea. You need to know how to address pay gaps identified and have the money to do so.'

Employer response to the IES in-depth survey

5.7.9 While there was almost unanimity across all respondents that equal pay audits should be encouraged, it was not generally regarded as a basis for reporting.

'It is our opinion that equal pay audits should be encouraged within companies to help them better understand and address any pay gap issues, rather than be used as the basis for reporting. However the

amount of work required should not be under-estimated.'

Zurich response to the Commission's consultation

Key points on using the findings of an equal pay audit

- Using the findings of an equal pay audit was regarded as the best at revealing any gender pay gaps, alongside the breakdown by grade measure.
- Companies who have done an equal pay audit were no more likely to favour using the findings of an audit than those who had not.
- Potentially expensive and labour intensive.
- Provokes concerns about exposure to equal pay claims.

5.8 Providing for a choice of measures

5.8.1 There was widespread agreement among all participants in the consultation, not only employers, that choice in the methods of reporting was essential.

'A resounding majority prefer to be offered a choice of methods.'

BITC response to the Commission's consultation

5.8.2 Any debate appeared to be more about how much choice and across which combination of reporting measures. Choice was seen as essential to accommodate highly diverse needs, as well as to reflect different sizes and sectors of businesses and their varying maturity of information systems.

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‘...the flexibility to address a variety of different issues that companies face.’

National Grid response to the Commission’s consultation

‘It is clear from discussions that we have had with our members that they have different views on how this information should be reported... influenced by a number of factors including the size of their company... They vary from large multinational companies with sophisticated HR departments to relatively small companies... In our view there should be a more flexible and less prescriptive approach with employers being able to choose from a menu of different options.’

EEF response to the Commission’s consultation

5.8.3 The CIPD agreed with a variety of measures giving useful perspectives on understanding and addressing any pay gaps identified, and allowing an employer to develop and improve their approaches over time. BITC also wrote of how organisations could develop and improve as they grew in confidence and experience with their gender pay reporting over time, and could see what other organisations were publishing. CEMVO felt offering a menu of choices would be useful for the Government, ‘if only to help further define the most effective option’.

5.8.4 As well as having the flexibility to suit the specific circumstances, both PwC and National Grid felt that a range of measures would add the most value in each situation, and ‘ensure that the burden is manageable and allows

for the effort to be focused on work to address any issues, and not just meeting the requirements’. BCC pointed out that each approach had its advantages and disadvantages and so there had to be individual employer choice across a range of measures. BITC members emphasised too that if the reporting is to be taken up on a voluntary basis, then this approach would be the most attractive for the largest set of employers as ‘regardless of size or sophistication of systems, there will be a suitable form of reporting’.

5.8.5 Others felt that the more measures a company was able to choose from and report, then the greater the resulting transparency (Ms Longworth). It would also enable reporting organisations to best integrate their gender pay information with other, relevant diversity statistics which impinged on the gender pay issue. EEF members listed as examples the take-up of flexible working options by senior staff, and female participation, promotion and retention rates.

5.8.6 The CBI emphasised that ‘transparency is important but companies need flexibility to approach the issue in the most appropriate way...companies will decide how best to approach transparency depending on the situations they face and the indicators they use’. Reinforcing their belief that the pay gap is a symptom rather than a cause of gender inequality, the CBI proposed that employers should be free to

choose from a menu of eight sets of indicators, backed up by narrative description. The metrics include publishing the pay gap differentials in a format most appropriate to the company, but also reporting on gender representation at different levels, the uptake of flexible working across the company, promotion rates and staff survey results.

- 5.8.7 Concerns about the exercise of choice were largely two-fold: lack of consistency for comparative purposes between organisations, and the ability afforded for organisations to manipulate what they chose to report so as to present the most positive or least informative picture.
- 5.8.8 BCC felt that organisations should not be constrained by ‘the political desire for figures to be comparable nationally’. But while Prospect agreed that ‘it would be helpful to allow a range of measures’ they also felt that ‘...there must be some consistency in reporting in order to allow comparisons across a range of employers and industries’. Connect similarly was ‘wary of giving too much choice in the measures used as this could be abused in practice’.
- 5.8.9 Some respondents suggested ways of resolving this flexible but comparative information dilemma. Ms Longworth suggested the use of a standard measurement matrix with some additional choice of measures provided beyond that, with supportive guidance on how to

choose the most appropriate. PwC suggested selecting from a menu or framework of options, possibly on a sector-relevant basis.

Key points on providing a choice of measures

- Flexibility and a choice of measures were key for the majority of consultation respondents.
- A choice of measures would increase the likelihood of appropriate remedial action being taken.
- How much choice and which measures to choose from would need to be clearly defined.

5.9 Experience of measuring and reporting on differences in pay between men and women

- 5.9.1 This question produced a wide range of responses, although very few organisations had any experience of publishing gender pay information for external audiences. In the BITC member survey, 35% had reported gender pay information internally, but only 5% had reported any of this information externally. And as we have seen (2.11), 49% of respondents to the IFF survey gave employees no information at all.
- 5.9.2 Examples of equal pay audits and their findings were given by respondents such as the TUC and University of Sunderland, as well as pay and diversity statistics covered in member surveys by representative bodies such as the Law Society and Connect. Fawcett cited overseas legislative examples in Sweden and Quebec.

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5.9.3 Some consistent issues though emerged in these various comments and examples, many of which have already been touched on in earlier questions. Many respondents emphasised the need to include wider gender and diversity information to complement and help to explain any reported pay information, such as: data on the make-up of the workforce (BITC); recruitment, progression and retention rates by gender (PwC); hours of work, overtime, recruitment, promotions and access to training (Unite); opportunities for professional development and training (City and Guilds); staff survey results and flexible working uptake (CBI).

5.9.4 A smaller number of respondents considered the issue of where and how the information should be published. CIPD referred to the ability to use the existing business review provisions contained within the revisions to the Companies Act in 2006; and UKCAE felt that diversity information was essential to include in a company's annual report and accounts, rather than in a stand-alone format. They also raised the significant issue of who the information would be reported to, as different information might be relevant for information reported confidentially to the Government or the Commission, compared to reports that were available to the general public.

5.9.5 The CBI felt that companies should be free to report to whom and in what form made most sense for them, be that on an internal

company website or in an external Corporate Social Responsibility report. The CBI questioned whether the annual report, mentioned in the consultation paper, was the most appropriate vehicle. RBS favoured reporting on a sector-wide basis, in order to encourage collective action to address gaps within any particular sector.

5.9.6 Responses to this question revealed a fundamental dilemma at the heart of publishing information on the differences between men's and women's pay. On the one hand, organisations such as Unite, UKCAE and Connect regarded data publication as a critical way for driving greater focus and action by employers in addressing the gender pay gap.

'While information gathering in relation to transparency is important, what is also essential is the requirement to disclose information on the pay gap, identify action needed and then establish ongoing monitoring.'

Unite response to the Commission's consultation

5.9.7 On the other hand, the reticence of employers to publish this sort of information reflected their concerns about matters such as:

- The danger of figures being crudely or mis-interpreted, for example a worsening of the headline measure following a takeover, or failing to take account of the sector context.
- Providing commercially confidential information that might be sensitive to competitors.

- Increasing the risks of equal pay claims.
- A failure to allow for factors outside of the control of individual employers, such as educational attainment levels, market pay and careers advice and preferences.

5.10 Costs

5.10.1 While many employers referred to the issue of the cost and resources of gathering and publishing information, very few included any concrete information on this. Those who did were critical of the assessments made in the Equality Bill's initial impact assessment.

'The Equality Bill impact assessment states that it should take one HR manager three hours to complete the necessary calculations at the first attempt, resulting in an average cost of £92.24 per company. For each additional year, it is envisaged that this HR manager would only spend 30 minutes calculating and publishing the pay gap figure, at a cost of £15.38. These estimates are woefully inadequate and do not start to acknowledge the potential complexity of the task. CBI members believe that such calculations – and understanding the results – could necessitate new payroll software, the expertise of external consultants and additional training for HR employees.'

CBI response to the Commission's consultation

'Further research among our members into gender pay reporting shows that the Government's impact assessment has severely underestimated the cost of collating the relevant information. In

our forthcoming Labour Market Outlook (Autumn 2009), organisations estimate the cost of measuring the gap at £5,105. This is 52 times greater than the figure estimated in the Government's impact assessment.'

CIPD response to the Commission's consultation

'One of our members from Northern Ireland, where the Equality Commission has instituted targets for reducing the gender pay gap, informed us that software designed to compute an organisation's figure cost £750. This option is over seven times the figure estimated by the Government for implementation. Even accounting for technical support, our members were highly sceptical that the initial implementation would only take 3.3 hours to complete and 0.5 hours of time thereafter.'

CIPD response to the Commission's consultation

Summing up

5.11 We have gathered a considerable amount of information from a number of sources. That we were able to do so is to a large extent due to the goodwill and energy of our partners and commissioned research teams. The willingness of people to get involved presents a real opportunity to push forward the idea of transparency, and we look at how this might be done in the concluding chapter.

5.12 We encountered, on the one hand, diametrically opposed views on the principles and practice of measuring and sharing information on the differences between men's and

women's pay, and on the other, a large measure of common ground in the analyses of the strengths and weaknesses of the different approaches under consideration in the consultation document that we published in August 2009. The extent of the common ground bodes well for the future work that will be needed to develop a flexible but rigorous approach.

5.13 Our various sources provide us with a reasonably strong degree of agreement on the following:

- **Size of organisation, and to some extent sector**, must be taken into account. The challenges facing medium sized organisations need to be addressed, as well as their preference for a simple approach. An issue picked up both by the IFF research and by the response which the CIPD submitted to our consultation, was whether or not organisations had harmonised human resource and payroll systems, and, as we have seen, only 43% of those surveyed had combined systems. This suggests that a substantial proportion of organisations would be technically unable immediately to measure gender pay gaps, a state of 'unreadiness' which will need to be taken into account. Most of these 'unready' organisations will be in the category which employs 250-500 employees.
- **The possession of relevant skills, knowledge and experience** of pay and gender issues are critical, and it will be

important to improve levels of understanding and to enable the sharing of good practice among employers and their workforce representatives.

- There is a need to allow individual organisations to **develop their own approach over time**, and to improve on the quality and quantity of what they disclose. We saw how, irrespective of size, if an organisation was approaching differences in pay between men and women for the first time, then gathering, interpreting, reporting and acting on the information presented a challenge that should not be under-estimated, but we also saw how as organisations grow in confidence and experience they refine and improve their data capture and management information systems.
- Whatever measures are proposed, there is a **demand for high quality and practical guidance** to inform and educate employers on the process.
- **The barriers to promoting gender pay transparency** include the lack of experience and expertise in capturing and analysing pay data; the resources involved in so doing, and fears that publishing information, particularly to external audiences might create internal disruption and/or lead to litigation and reputational damage.
- In order for **take-up to be at a sufficiently high level for transparency to become a reality** it is essential that there

should be **some level of flexibility and choice** in what measures are used and how information about differences between men's and women's pay is made known.

- Closely associated with the wish for choice was **the wish for a combination of measures, rather than one single measure**. A combination of measures would enable a range of perspectives on the differences to be taken on how any differences between men's and women's pay could best be addressed.
- **Narrative i.e. qualitative reporting is an essential component in the mix of measures**. Three types of narrative are particularly important: explanation of the organisational context for gender pay relativities; explanation of the source, nature and likely causes of any differences between men's and women's pay; and actions taken or planned to address these, including, for example, actions to redress the imbalance of women in senior roles or to optimise the rate of return from maternity leave.
- A **breakdown by pay grade and type of work received the strongest level of endorsement**, particularly when the fact that equal pay audits include this kind of analysis is taken into account. However, people's preference for this method as an effective tool to identify and address differences between men's and women's pay did not necessarily coincide with their views on what information should be shared, particularly externally.
- The **breakdown by part time and full time employees** was seen as useful in helping to locate and address the causation of gender pay gaps, but some questioned whether the additional breakdown was actually worth the extra effort.
- **Job evaluation** was seen to be an effective means of avoiding and addressing gender pay discrimination, but was generally seen as not relevant to promoting transparency, both due to the limited relationship between evaluation points and actual pay levels, and the perceived risk of opening up the organisation to equal pay claims.
- **Equal pay audits** were seen as being the most revealing approach, as well as being strongly supported by some as a way of identifying and addressing pay gaps. But, only a minority of the target population have carried out equal pay audits and common and apparently real concerns were expressed, both about disclosing the degree of detail provided by an equal pay audit (thereby potentially breaching individual or commercial confidentiality and possibly opening the organisation up to litigation) and at the cost of undertaking a comprehensive audit. And nobody saw equal pay audits as the cheapest or the easiest approach.

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5.14 We also came up against a number of fundamental dilemmas most notably:

- A desire for comparability in the information to be shared across and between employers, yet also a strongly expressed need for choice and tailoring of measures to suit the specific character and situation of each employer.
- The fear that disclosing differences between men's and women's pay to stimulate action to close the gender pay gap may also open organisations up to equal pay litigation.
- That while more sophisticated approaches to measuring the differences between men's and women's pay are generally seen as more useful in identifying and addressing gender pay gaps, they are also seen as more time-consuming and expensive for employers.

5.15 It has not yet been possible for us to address these dilemmas head on, but clearly their resolution is central to the success or failure of the drive to promote greater pay transparency, and much more work needs to be done on them.

5.16 While there was a large measure of common ground in the analyses of the strengths and weaknesses of the different measurement approaches, there was disagreement about the principles and purpose of transparency, and in respect of the detail of some of the measures.

- In terms of **principles**, opposition to voluntary action to

promote transparency came from diametrically opposed perspectives. Some felt that, given the lack of voluntary progress since the Equal Pay Act was introduced, voluntary action would serve no useful purpose and that, instead, compulsory auditing and reporting were required. Others opposed voluntary action because they perceived a threat of compulsion which undermined trust in the reality of a voluntary approach. Some felt 'naming and shaming' through publishing gender pay information would not actually help to address the complex mix of factors which go to explain the pay gap; others felt that only by drawing attention to the gap would action be taken.

- In terms of the **definitions of some of the potential gender pay gap measures**, there were some fairly even and strong divisions over how exactly some of the measures should be defined, best illustrated in discussions about the single figure. While the figure proposed is a measure which compares all female employees' median pay with all male employees' median pay, respondents were nonetheless fairly evenly divided between a preference for the median or the mean, with probably a slight majority favouring the median.
- Similarly in terms of whether to consider **base pay or total cash earnings**, a majority favoured base pay as the easier and less variable figure to compute, although many also pointed out

the need to consider potential discrimination in, say, overtime and bonus payments, as well as contributory areas such as access to training and rates of promotion.

- Both the in-depth survey and the consultation revealed a strong level of opposition to the use of **one figure on its own**, including the single figure consulted on, at least in isolation from other information and data. While the single figure was seen as cheap and easy to complete and some saw it as a key focus for action and attention, the majority felt it presented considerable weaknesses and risks, including masking the location and causes of any gaps, the failure to take account of the context, and the likelihood of it being misinterpreted by the outside world. The majority of experts on our Technical Advisory Group, while recognising the shortcomings of one figure on its own, nonetheless considered that it could be useful as a means first, of prompting action, and second, of enabling organisations to ease themselves into the process of measuring and reporting on differences between men's and women's pay. In the view of some of our stakeholders the use of one figure on its own may be preferred by employers of 250-500 employees.

5.17 What the Commission takes from the above is first, a need to distinguish between larger more sophisticated organisations and medium sized companies less used to measuring

the differences between men's and women's pay; second, a need to provide organisations of all sizes and in all sectors with a degree of flexibility in measuring and sharing information on these differences; third, a need to take into account that the differences may be influenced by factors external to the pay system; and fourth, a need to encourage take-up by reducing the fear of exposure.

5.18 We are also mindful of the fact that although not a major issue for employers in the private and third sectors (being mentioned by only a couple of respondents), the Government wishes to be able to compare data from these sectors with that from the public sector. The need for comparability is however wider than just a Government desire to compare with the public sector. A set of measures that are comparable would allow an organisation voluntarily to benchmark nationally, locally by industry etc, but also enable employees to follow progress annually. It could also facilitate contrast and comparison helping to realise the benefits of transparency.

Conclusions

- 6.1 We were pleased when last year Ministers asked the Commission to work with key partners and to consult on proposals for employers voluntarily to measure and publicly share information on gender differentials in pay. We were asked, in the context of the provisions of the Equality Bill, to develop a voluntary approach to gender pay ‘metrics’ which will encourage progressively greater levels of transparency on pay gaps. We entered the exercise with enthusiasm, and we have found that working with the many stakeholders who share our desire to find pragmatic and effective solutions to achieving greater transparency has delivered many positive outcomes.
- 6.2 Our research demonstrates clearly that there is widespread agreement between employees and employers that, however measured and however explained, the pay gap between men and women is an unacceptable feature of working life. It creates both the impression and the reality of unfairness. It is discouraging to capable women, and disagreeable to fair-minded men; and it presents chronic risks to employers. Whatever the cause – discrimination, prior disadvantage, differences of life-course etc. – everyone agrees that the sooner we can reduce the gap the better. Increasingly this matters to those who are entering the jobs market – and it should therefore matter more to those competing for their talents. We believe that it is in the interests of society as a whole to move quickly now to reduce the disincentive the gender pay gap represents to capable women, who would otherwise bring their skills to bear on the task of economic recovery.
- 6.3 However, what also emerged from our research and consultations is the fact that there are different views about what should be done to close the pay gap. For example, many who represent non-public sector organisations believe that tackling the gender pay gap in the long term means addressing the causes of job segregation and female underachievement in some areas of education, and that this therefore implies that in measuring the pay gap account must also be taken of matters such as the rate of return from maternity leave and female participation rates.
- 6.4 What most of those who contributed to our consultations do agree is that we are more likely to move forward if employers, unions, employees, government and regulators are able to work together to encourage concerted voluntary action.
- 6.5 While we recognise there is little appetite among employers for achieving that concerted action through legal compulsion, the Commission believes that there is much to be gained through an ordered process of encouragement and incentivisation of voluntary change. In the non-public sector probably the strongest incentive to

change is fair competition; and at the heart of fair competition must be a high level of transparency. While neither the Commission, nor any of our partners, see transparency as a complete answer, we do believe that there is a consensus that openness must be part of any strategy to reduce the pay gap. We recognise that such transparency must take into account

- The vast diversity of non-public sector organisations.
- The need for organisations to have the flexibility to publish and report on their arrangements in a way that reflects their particular circumstances and what they are doing now.
- Employers' genuine desire to reflect the complex causes that contribute to the pay gap.
- Employers' anxiety about exposing themselves to unfair criticism. We understand that many organisations, though willing to join the small minority who publish information on pay and employment, worry about opening themselves up to criticism or, even worse, to investigation or litigation.
- The need to establish common standards of publishing. We are aware that some employers are unsure about what would be the right information to publish.

6.6 These issues are genuinely important. But we strongly believe that the greater the number of employers who treat transparency as a positive factor in their work, the less likely any individual organisation will be subject to undue scrutiny; and the more

information is shared, the more likely we are to develop a consensus as to what kind of data is useful in helping to achieve positive change.

6.7 We recognise that the Commission itself has a role to play here. We possess substantive legal and investigatory powers, and are prepared to use them to acquire evidence of why change may be needed in one employment sector or another, as we showed in our recent investigation into the financial services sector. But we believe that we are more likely to achieve widespread culture change by offering good, commonsense and practical guidance on the legal possibilities and constraints; by highlighting and encouraging good practice; by setting and encouraging common modes of reporting and publishing; and by making it easier for employers which prefer to be open to do so without increasing their exposure to litigation or intrusive or burdensome regulation. In short we see our role more as championing the willing than in harassing the reluctant. We are keen to play a positive role in creating an open environment. The evidence shows that the more open organisations are, the more likely they are to make progress in co-operation with their employees.

6.8 We have found an active willingness among all our High Level Stakeholders to find an answer, but we have also found that there is no universally agreed way forward. We agreed on a basic menu of metrics that all members could support, but we were unable to reach agreement about how best to encourage employers to adopt them. There is scope for further

consultation and we will take this forward during the preparation of guidance on the measures that we are proposing, with a view to achieving a greater degree of convergence and we look forward to continuing the dialogue with key stakeholders. The paragraphs below present the Commission's own proposals on how it wishes to use its powers to encourage and incentivise take-up of the metrics.

The Commission's proposals

- 6.9 At the heart of the Commission's approach is first, the belief that the more employers commit to pay transparency, that is to measuring the differences between men's and women's average pay and making this information public, the easier it will be for them to use it as an effective management and recruitment tool; and the less likely they are to be subject to untoward and disproportionate scrutiny. In addition, the more that the process yields simplicity, consistency and continuity the less likely it is that ill-informed commentary will distort the information that employers make public.
- 6.10 Second we have concluded that the basis of any approach to a voluntary system of reporting on pay differentials should have the following characteristics:
- Easily understood metrics which offer a fair representation of an employer's position, its actions and its environment, while enabling employers to benchmark and compare progress.
 - Enough flexibility to allow for diversity in size, sector and employee mix, while allowing for appropriate comparisons between similar organisations and for assessment of good practice.
 - A process of monitoring that allows the Commission to encourage and incentivise good practice; and provides a way of refining the proposed measures and methods of reporting with experience, with the aim of moving towards a framework which by 2013 commands widespread acceptance.
- 6.11 We will continue the dialogue in the run up to **publication no later than April 2010, guidance on the indicators we are proposing**, including on how these can be used to promote comparability and benchmarking. Early guidance will help to encourage voluntary reporting straight away. We will disseminate the guidance through the agencies identified by the baseline survey as being of most relevance to employers, notably the CIPD and Acas, and we will also invite key stakeholders to continue to work with us to develop the business case for gender pay transparency and promote the exchange of good practice.
- 6.12 The outcome the Commission seeks is a voluntary regime focused around a menu of measures with an expectation of convergence around agreed ways of reporting. **We propose that employers be encouraged to measure and share information on the**

differences between men's and women's pay on the basis of a choice from the menu of options set out below. The options comprise one narrative approach and three which involve quantitative measurement of pay differences:

- **The narrative** approach would explain the context, such as female participation rates; explore and analyse the causes of any gender pay gaps; describe workforce involvement in addressing the issues, and list actions being taken. Narrative would not be a stand-alone element, but would have to be combined with at least one of the quantitative measures.

6.13 The three quantitative options would measure:

- **The single figure** difference between the median hourly earnings of men and women calculated by reference to all female employees median pay with all male employees median pay. This will allow comparison with the public sector and in the view of some of our stakeholders is preferred by smaller firms.
- The difference between the average basic pay and total average earnings of men and women **by grade and job type**. This is the option preferred by many of our consultees' and begins to take job demands into account.
- The differences between men's and women's **starting salaries**. This is an indicator of the extent of awareness of gender pay issues.

6.14 The Commission would expect employers employing 500+ employees to use two (or more) options from this menu, in most cases comprising the narrative approach as one option, and one (or more) of the quantitative options alongside it. Our expectation in respect of employers employing at least 250 employees is that they would opt for one of the quantitative indicators.

6.15 The Commission **will be encouraging voluntary reporting straight away for all employers**, and while we recognise that take-up will not be immediate, we will be starting our own data capture from the date of publication of our guidance in April 2010 and will feed this in to our first monitoring report in November 2010. Recognising that employers employing 250-500 employees may be less well-prepared than those employing 500+ employees we will begin monitoring take-up of the metrics by the latter in 2010 and by the former in 2011. We will also work directly with medium-sized businesses to trial the measures with them so as to assess more accurately what advice and support they would need to enable them to get started, and whether this differs from that prepared for larger concerns. We will respond to those concerns ourselves and encourage others to do so.

6.16 Over time we will be looking for not just an increase in the proportion of employers measuring and sharing information on the differences between men's and women's pay, but also, as employers grow in

confidence in using these measures, for an increase in the number of indicators that employers are using. We will work towards encouraging employers of more than 500 employees to be reporting on at least three indicators during 2012.

6.17 For the purposes of developing a baseline against which to compare future progress we have already produced an initial baseline report, setting out how companies currently approach the issue of transparency and we will build on this **to publish, in November 2010, our first Transparency Monitoring Report**, followed by further annual reports to 2013.

6.18 **The Commission will also set up a Transparency Monitoring Panel to consider and advise on progress.** The Panel will report to the Commission and we will invite people from both sides of industry with sound experience of good equal pay practice to sit on the panel. Our Transparency Monitoring Reports will refer to national statistics on the gender pay gap and will include findings from a survey similar to that carried out for our baseline report. However, we will be inviting key stakeholders to do more work on the monitoring process with us and will publish details on this, including the terms of reference for the Transparency Monitoring Panel, at the same time as we publish guidance on the indicators. Although **it is probable that between now and 2013 the Commission will undertake some thematic or sectoral investigations, employers who are able to**

demonstrate to our Transparency Monitoring Panel that they are working with our proposed scheme would be less likely to have to provide any further information to the Commission as part of those investigations or inquiries.

Conclusion

6.19 We have been greatly encouraged during this consultation process at the goodwill and energy of the key stakeholders – the CBI, the TUC, the BCC, BITC, EEF, the CIPD, the IES, the NCVO, UNITE the Union and the WNC – and we are immensely grateful for their input so far and for their willingness to move forward with us on this agenda. Given the positive attitudes towards gender pay transparency that our work so far has revealed, we are confident that the business and third sectors will deliver. By the end of two to three years we would hope to have achieved high levels of participation on a purely voluntary basis, thereby ensuring that gender pay transparency will become normal business practice.

Annex A

Membership of the High Level Stakeholder Group

Liz Atkins, NCVO

Gail Cartmail, Unite the Union

Baroness Joyce Gould, WNC

Katja Hall, CBI

Abigail Morris, BCC

Trevor Phillips OBE, Chair, Equality and Human Rights Commission

Baroness Margaret Prosser OBE, Deputy Chair, Equality and Human Rights Commission

Sarah Veale CBE, TUC

Sarah Williams-Gardener, BITC

Dianah Worman OBE, CIPD

David Yeandle OBE, EEF

Annex B

Organisations and individuals involved in the consultation²⁹

ACAS – Advisory, Conciliation and Arbitration Service

Adele Baumgardt Consulting

Aegon

Anonymous financial services employer

ARUP

Atradius

AWE – Advanced Web Engineering

Barclay's Wealth

BCC – The British Chambers of Commerce

BITC/Opportunity Now – Business in the Community

BRE – Better Regulation Executive

BMA – British Medical Association

BRC – British Retail Consortium

BT – British Telecom

CBI – Confederation of British Industry

CEMVO – Council of Ethnic Minority Voluntary Organisations

Centre for Skills Development

CIPD – Chartered Institute of Personnel and Development

Connect

EEF – the manufacturers' organisation

Fawcett – The Fawcett Society

GEO – Government Equalities Office

GSK – GlaxoSmithKline

Grant Thornton

Hilton Meats Retail

Highland Spring HSBC

Hyde Housing

Igen

J Longworth

Dr J Swaffield, University of York

Kathie Dickson, Unison

Kay Gilbert, Acas Independent Expert & University of Strathclyde

Law Society

London & Quadrant

Macmillan Cancer Support

Magna Housing

Marks and Spencer

Morris Utility Services

National Express

National Grid

NorthgateArinso

Polypipe

Premier Cleaning

PWC – Price Waterhouse Coopers

P & G – Proctor and Gamble

Press for Change

Prospect

Prudential

²⁹ As well as those organisations and individuals who responded directly to the consultation and those known to have been interviewed by IES, we include here also the organisations active on the Technical Advisory Group and the members of the Business Council of Britain.

QBE

Rathbones Stockbrokers

RBS – The Royal Bank of Scotland

REC – The Recruitment and Employment
Confederation

Reward Works

Scottish Society for Autism

Standard Chartered

Sungard

Towers Perrin

TUC – Trades Union Council

UKCAE – United Kingdom Council for
Access and Equality

Unite the Union

Wales & West Utilities

Waltham Forest

William Holly Ltd

Zurich Financial Services Group (Zurich)

Annex C

Glossary of terms

ASHE

The *Annual Survey of Hours and Earnings* (ASHE), produced by the **Office for National Statistics**, provides information about the levels, distribution and make-up of earnings and hours paid for employees within industries, occupations and regions. The ASHE tables contain UK data on earnings for employees by sex and full time/part time workers. Further breakdowns include by region, occupation, industry, region by occupation and age groups.

Employee

The definition of ‘employee’ that we are working with would cover not only those working (whether full or part time, permanently or for a fixed term) under contracts of employment, but also apprentices and contractors, regardless of their nationality but providing they worked in Britain. Casuals, properly so called, would not be covered, as there is no obligation on them to work, nor would agency workers, unless there is an implied contract of employment between them and the agency’s client. Subject to the contractual arrangements between the worker and the agency through which they are seeking work, they may however be counted as employees of that agency. Directors, other officeholders and partners would not be counted either, unless they are also employees or contractors. (ONS definition)

Equal Pay Act 1970

The Equal Pay Act 1970, as amended, gives women (or men) a right to equal pay for equal work (see equal work below). An employer can only pay a man more than a woman for doing equal work if there is a genuine and material reason for doing so which is not related to sex.

Equal pay audit

Although not compulsory the *Code of Practice on Equal Pay* recommends equal pay reviews as the most appropriate method of ensuring that a pay system delivers equal pay free from sex bias. It should include:

- Comparing the pay of men and women doing equal work. Here employers need to check for one or more of the following: like work; work rated as equivalent; work of equal value. **These checks are the foundation of an equal pay audit.**
- Identifying any equal pay gaps.
- Eliminating those pay gaps that cannot satisfactorily be explained on grounds other than sex.

Equal work

- The same, or broadly similar (known as like work).
- Different, but which is already rated under the same job evaluation scheme as equivalent to hers (known as work rated as equivalent).
- Different, but which would be assessed as equal in value in terms of demands

such as effort, skill and decision-making (known as work of equal value).

Full time working

Regular employment where the hours are equivalent or more than normal for the 'standard working hourly week' in the employer's establishment, for example 37 hours.

Gender pay gap

The gender pay gap is the difference between the earnings of men and women. It is determined by calculating women's overall average pay as a percentage of men's.

Gender pay transparency

Being open about the way in which men's and women's pay is determined.

Grade

A grouping of similar jobs for pay management purposes. A grading structure provides a framework for managing base pay and often other aspects of reward.

Job evaluation

Job evaluation is a method for comparing different jobs to establish agreed differentials within organisations, thereby providing a basis for a grading and pay structure. In analytical schemes jobs are broken down into components or demands, known as job factors, and scores are awarded for each factor. The final total gives the overall rank order of jobs. Where job evaluation is used, the results from it can be used to compare male and female employees, their work and pay in different

jobs and roles. While the equal pay legislation does not require an employer to use job evaluation, women's entitlement to equal pay for work of equal value (whereby a woman can claim equal pay with a man whose job, although different, is equally demanding) means that in order to assess the demands of the jobs being compared employers will have to apply techniques akin to those used in job evaluation. The legislation acknowledges this by recognising an analytical job evaluation scheme as a defence against an equal value claim, provided that the employer can demonstrate that the scheme is free from sex bias.

Job family

Job families consist of roles in a function or career path which are related through the activities carried out and the skills and competencies required. They may be used as a basis for pay structures.

Mean

The mean is the sum of the observations divided by the number of observations.

Median

The median of a finite list of numbers can be found by arranging all the observations from lowest value to highest value and picking the middle one.

Narrative

A qualitative account of an organisation's gender pay gap which puts the gap into context, enables organisations to explain the reasons for the disparities in pay and helps employees understand what lies behind the figures. A narrative can provide

Proposals for measuring and publishing information on the gender pay gap

a means of engaging with employees and prompt organisations to say what actions they are going to take.

Part time working

Regular employment where the hours are less than the normal working week.

Pay

The ordinary basic or minimum wage or salary and any other consideration, whether in cash or kind, which the worker receives directly or indirectly, in respect of his employer or employment. Pensions are treated as pay.

Pay transparency

Making publicly available the outcomes of policies and practices that determine pay.

Remuneration

Typically a monetary payment for services rendered, as in an employment such as wages, expenses and bonuses.

The single figure

A calculation based on a comparison of all female employees' median pay with all male employees' median pay.

Third sector/Not-for-profit sector

The collective term used for the voluntary sector, not-for-profit organisations, charities and NGOs.

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