



Gender Pay Gap Reporting

A guide to communicating your results



“In some cases the damage to reputation of ignoring gender issues has destroyed companies and individuals in a matter of days”

***Diana Soltmann,
Chairman, Flagship Consulting***

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Foreword

In April 2018, for the first time, all UK companies and public sector organisations employing 250 people or more must report the gap between what they pay their male and female staff. Interestingly by early-January 2018, only 527 companies of the estimated 9000 that need to had reported.

This new requirement is not simply about equal pay. That was addressed in the Equal Pay Act of 1970. These new rules mean that, even if pay is equal, companies can still have a gender pay gap if women are underrepresented at high levels.

This begs the question: are companies using this as a box ticking exercise to comply with legal requirements or are they using the new rules to fully engage with a gender pay gap action plan?

2017 saw turbulent times for the gender issue. Brands, organisations and individuals suffered serious damage to their reputations. In some cases like Harvey Weinstein it brought down both him and his company in a matter of days. The BBC also suffered when it published its pay list. There is no doubt that failing to address the gap carries real commercial and social dangers. The pay gap is also very high on the media agenda.

In compiling this report, we have spoken with many leading figures who are shaping the gender agenda and their businesses' response to it – we are sincerely thankful to all of them for giving so generously of their time, knowledge and insight.

Our report covers how we can help companies create, implement and communicate an action plan which is evidence based and that highlights the meaningful changes companies need to make in order to demonstrate a real commitment to change. We hope you find it insightful and helpful.

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Considerations



The gender pay gap in other countries

Unsurprisingly, the UK is not the only country affected by the gender pay gap. The Organisation for Economic Co-operation and Development (OECD) recently released a study called *"The Pursuit of Gender Equality: An Uphill Battle"*¹. It found that across OECD countries the gender pay gap among full-time workers is relatively unchanged since 2010 at just below 15% and that the gaps are especially large among high-earners. Positively, they reported that 25 countries had introduced new national measures to reduce wage disparities between men and women since 2013. These countries include Australia, Japan, Germany, Lithuania, Sweden and Switzerland. Australia implemented the Workplace Gender Equality Act in 2012 and has developed a comprehensive approach to gender pay equality. In Austria, companies are required to report pay and indicate the minimum wage in job vacancies, in order to improve pay transparency at the time of hiring. Spain has developed and made available to companies a self-diagnosis gender pay gap tool and software for rating job positions with a gender perspective.

Willem Adema, Senior Economist at OECD, said: *"The gender pay gap varies by age of the worker; in general the gap in most OECD countries is smaller for the younger workforce than middle-aged and over."*

He noted that there are other things to take into account such as childbirth, education gaps, increased skills and segregation in the labour market.



Unconscious bias

Unconscious Gender Bias is something that we all have, men and women, and affects us from the day we are born: girls wear pink and play with dolls, boys wear blue and play with trucks.

Our minds become accustomed to certain images, the brain recognises them and categorises accordingly. When we identify something that triggers that default image we stick with that pattern of categorisation. For thousands of years, men have been identified with strong words such as leader, provider and driven. On the other hand, women have long been identified with softer words such as emotional, supportive and caring. We like it when a woman exhibits these qualities but when she becomes driven and strong we feel uncomfortable because it is not how we are used to categorising her. In the workplace, unconscious bias can influence decisions in recruitment, promotion and performance management and therefore pay.

Author of *The Gender Agenda*², Ros Ball says *"A huge part of it is getting people to acknowledge that gender bias is there. It is starting to happen, and things like gender pay gap reporting are going to force companies to do that."*



Balancing the gender pay gap and equal pay

It is important to note that gender pay is not the same as equal pay; something that has existed for decades, enshrined in the Equality Act 2010. This legal right to equal pay applies to all employers, and concerns individuals or groups performing the same or comparable work. On the other hand, a gender pay gap is the gap between the average earnings of men and women over a selected period of time within an organisation, irrespective of their role or seniority. It therefore captures any pay differences between men and women on a much broader level.

In the UK the mean gender pay gap for full-time workers stood at 14.1% in April 2017, sadly unchanged for three years, despite the original Equal Pay Act passing in 1970. Companies that strictly adhere to the Equality Act may still demonstrate a significant gap, for example, an organisation with an over-population

of men in senior roles and women in junior roles will exhibit a gender pay gap.

Angie Risley is Group HR Director for J Sainsbury's PLC which employs 195,000 colleagues, more than 53% of whom are women. She expressed her support for the principles of disclosing gender pay but is concerned that the outcomes will be skewed by the proportion of senior men vs. senior women in most industries. She said it is "critical that companies really understand what their data is telling them, so that they can address the issues appropriately. Fundamentally, companies need to have all-inclusive talent strategies that enable all colleagues, whatever their background, gender, ethnicity, religion, sexual orientation, or whether they have a disability, to fulfill their potential."

¹ *The Pursuit of Gender Equality: An Uphill Battle*, OECD, (OECD Publishing, Paris, October 2017), <http://dx.doi.org/10.1787/9789264281318-en>

² *The Gender Agenda*, Ros Ball & James Miller, (Jessica Kingsley Publishers, July 2017), <https://www.rosball.co.uk/the-gender-police>

Risks and rewards



Internal communications risks

If you have got a pay gap, the revelation is going to shake up your internal communications and culture. This is understandable. Anyone, upon realising their company has a gap, will feel a sense of injustice.

Neuroscientist, Dr Jack Lewis warns that this sense of injustice is likely to pose threats to companies' internal cultures: "We have an instinctive sense of equity and what constitutes a fair share." When that sense of equity is thwarted, we become angry, and want not just for a fairer balance to be imposed, but to have the former imbalance punished. This is particularly the case when said injustice has been occurring right under people's noses, for an extended period of time.

Disgruntlement within the workforce is therefore likely to cause division, which will necessarily have an impact on productivity. Dr Lewis' recommendations for dealing with this are simple; firstly, redress the balance, "create equity". Secondly, "be direct...Put your hands up. Ensure transition to equality and transparency, with honesty and genuine regret. Say you are embarrassed." People can be forgiving when culpability is admitted, but making excuses and/or being deceitful will only drive division deeper.

LESSONS FROM NORWAY

The average gender pay gap within Norway is around 10% less than the same gap in the UK. This appears largely due to an equitable attitude overall, rather than to gender issues:

"The difference between Norway and our culture is that the differential between the low pay and the high pay is not that great, they pay very high taxes, they've had this culture for a long time and it's a rich country, therefore it doesn't cause as many problems as it does elsewhere"

Adrian Furnham, organisational psychologist and management expert.

What happens when it goes right?

Nobody is going to come out of this smelling of roses. But your pay revelations do not have to be all doom and gloom. Handled right, this reporting can be a great opportunity to steer your brand (and company) in a positive direction. Use the moment as an opportunity for:

- Committing to having a positive impact on gender equality
- Raising interest from the best, most talented potential employees
- Improving your brand recognition
- Proving beyond a doubt that you both fully support and are utterly committed to equal pay in future reports
- Getting your workforce on side, and engaging them towards a more positive, more equitable future
- Improving how you talk about pay in personal reviews
- Developing awareness of how your business practices and brand reputation intersect
- Crucially, reducing gender inequality

Pay reporting, and the reaction to what is revealed, will bring a great deal of company-related self-awareness in its wake. This awakening will do away with a lot of comfortable assumptions, and, for many, the inequality revelations will come as



External communications risks

The revelation of a pay gap presents a potential risk to any brand. Whatever the complexities of the matter (and these things are usually more complex than they may appear at first glance), what appears to be an unequal pay structure will not do any brand any favours.

It is important to be transparent and honest, even if what you are revealing is not favourable to you. People will discover the truth sooner or later and deception at this point will almost certainly damage your brand, your reputation as a company and your reputation as an employer. Present your numbers with honesty and transparency.

RECRUITMENT RISKS

The revelation of a pay gap will present a recruitment risk to many companies. Everybody wants to be paid fairly for their work. To attract the best people, you need to be prepared to address this issue head-on.

- How will you challenge an inequitable image through your hiring processes?
- How will you answer pay-gap related questions from potential recruits?

Accept that your stakeholders are likely to be upset about brand-damaging revelations. It is worth establishing a strategy for managing this sooner rather than later.

Even if you are within or below the current UK average of a 14.1% pay gap, it is still very important to treat this as a serious issue. Note that consumers and shareholders are unlikely to look in detail at the breakdown of figures or the reasons behind your pay gap. They will simply see inequality. There are many reasons why companies may have what manifests statistically as a pay gap, including:

- A greater number of male employees
- A greater number of male employees in high-paying positions
- A greater number of longer-serving male employees

Many companies pay male and female employees in the same jobs equally – but, in many cases, the most senior positions belong disproportionately to men. Companies like this will have to report a 'pay gap'. Of course, having a male-skewed senior team in any company is also problematic and that is something consumers will pick up on if you use this (or this kind of thing) as an 'excuse' – however hard you are trying to rectify the issue via inclusivity programmes and so forth.

a shock. But self-awareness does not have to be a bad thing. Accepting the truth of what you are learning allows you to commit to positive change and that can send a powerful, brand-boosting message.

While the figures you are presenting may not appear positive at first glance, the act of reporting does allow you to open a conversation about gender equality. Your report presents your business with an unprecedented opportunity to commit to greater transparency. If you are honest and earnest about this, people will take note. Ultimately, you could find yourself among the flight of well-respected companies who are visibly leading the way when it comes to gender equality.

Acting ambivalently, obfuscating and making excuses will not go down well with either a disgruntled workforce or angry consumers. However, presenting an honest report and surrounding it with positive proofs of your commitment to improvement can not only tangibly improve your working environment, it can restore (and even improve) the public's trust in you.

Done right, your brand recognition will shoot up, and you will engage the interest of the kind of talented, forward-thinking employees who want to work for a company with a clearly-stated commitment to gender equality.

How to get it right

UNDERSTANDING THE DATA

The data will not be as simple as it first appears. Your 'pay gap' is calculated using average percentages, which can be skewed by a number of factors. Things like maternity leave (and a lack of paternity leave) and the senior management gender-balance can alter these percentages.

However, this is not to say that the 'pay gap' statistics you are reporting are presenting an unfair picture. While helping people to understand the complexities behind the figure they are seeing is a good idea, labouring the point will make you sound defensive. Note that a pay gap due to things like maternity leave and/or a greater number of males in senior positions still has equality implications.

Before releasing your data, ensure that you understand precisely what is causing the figures and the practices or attitudes both within your company and in our wider culture behind them.

PRODUCE A NARRATIVE

Releasing the data 'raw' will leave a lot of questions unanswered and a lot of emotions un-catered for. Before you release your report, think about the kinds of feelings it is likely to provoke. Try to anticipate responses and craft a narrative around the report to address those responses. It may be worth highlighting other benefits on offer to your staff; Adrian Furnham notes that "pay is just one of the ways in which you get rewarded. If companies add that to the communication it might help."

It is important to present your information honestly, but you can ensure greater clarity through other means such as providing altered calculations which reflect the wider context of your company. A carefully prepared statement from your CEO or Head of HR, to release alongside the report, may also be a good idea.

SOCIAL MEDIA BEST PRACTICE

Are you prepared for fallout on social media? Turning to social media to vent frustrations (and have those frustrations validated) is increasingly common for people who feel that they have been treated unfairly. Negative social media posts can affect a brand's reputation – how are you going to persuade your employees not to post on social media and how are you going to handle the situation if it does occur?

There may be external complaints on social media. Ignoring such things is rarely a good idea, but the wrong kind of engagement is often worse than not engaging at all. Prepare stock responses for complaints; this may include referring those who make negative posts to a full CEO statement on your website. Have a team on hand prepared to monitor and address issues arising on social media.

WHEN AND WHAT TO PUBLISH

Everyone has to publish their figures sooner or later, but you might find that the decision as to 'when' turns into a game of 'chicken' between you and your competitors. Decide, based on your figures and strategy whether you want to disclose before, in the midst of or after your competitors.

It is also important to work out how soon after your internal disclosure you should disclose externally. Disclose externally too soon and you will not give your workforce long enough to properly process the information. Disclose too late and you risk the substance of your report being leaked.

Needless to say, you have to put some consideration into how much you want to release. Your report could be restricted to the bare minimum figures, or you could present it alongside alternate figures, statements, future strategies etc.

ARTICULATE PRO-ACTIVE STEPS TO ADDRESS ANY GAP

If you have a pay gap, in the interests of both equality and brand reputation, you are going to have to address it. This is an issue which needs to be taken very seriously and addressed in the strongest terms.

However, it is not enough to simply release a statement affirming your commitment to equality. Employees, consumers and shareholders will want to know precisely what you are going to do about the issue.

Construct a plan, articulating proactive steps by which you propose to address any pay gap. Tangible steps towards change inspire far more confidence than vaguer statements of commitment.

HANDLING THE INDIVIDUAL

Who, specifically, is going to be upset by what your report reveals? It is worth identifying the people, sectors or demographics that will react most strongly to your report. You can then prepare for a variety of individual reactions from your employees and how to handle them. There may be individuals who feel that they have been treated unfairly; put strategies in place to address the anger or upset and consider who you may need to speak to before widely releasing your results.

HANDLING THE WORKFORCE

Poor pay revelations will have an impact on your workforce's trust in you. Give your workforce plenty of internal avenues through which to express their feelings on the matter. Ensure that your workforce feels listened to. Have people – line managers, ambassadors etc. – prepared to explain matters internally and address internal reactions.

DELIVERING THE NEWS

It is important that you deliver the news internally before externally. As your report concerns your workforce, it is only fair that they know what is coming before the general public does.

Decide who is going to make the disclosures and how. Consider what medium is best for your company; face to face or indirect? Is it through emails, a presentation, conversations with individuals or small groups? A statement should accompany your internal disclosure from either senior management or HR depending on what will work best for you.

Crucially, do not shy away from having individual conversations about the matter. This is important; you need to be prepared to explain and discuss it.

KEY



INTERNAL & EXTERNAL



EXTERNAL



INTERNAL

Looking forward



Building a better, gender-neutral brand

Building a better, gender-neutral brand may seem difficult. You not only have to transform your own (often unconscious) brand practices, but you have to work around the gendered practices of our society and culture. However, building gender neutrality into your brand is not impossible!

One factor contributing to a pay gap is the gender-disparity at the top of many companies. Angela Risley speaks of the initiatives taken by J Sainsbury's PLC to challenge this disparity and gender-neutralise the brand over time:

"We have specific mentoring programmes for women, with over 2,000 women signed up. We have mentoring

circles for not just women but our ethnic minority colleagues too and we have bespoke programmes. We have concentrated on the input rather than the outputs and are building a diverse pipeline of talented colleagues throughout the group. At least half of the people we are bringing through the organisation will be women, so we start to correct the gap as they develop."

Mentoring programmes designed to foster confidence and establishing internal networks can help women to break through equality-impeding social and cultural barriers (the idea that women should not be 'pushy' or 'bossy' for example – qualities which would be described as 'assertive' or 'demonstrating leadership' in men).



Pregnancy, maternity leave and motherhood

Pregnancy and maternity leave are frequently cited as practical barriers to true pay and employment equality. However, this does not have to be the case. There are ways of reducing the impact maternity has on female employment, including:

- 'Keep in touch' programmes, enabling women to maintain a connection with their work during maternity leave and easing their return to work
- Greater equality in paternity leave, allowing the work of parenting to be shared more equally between father and mother
- More flexible working options for women in the later stages of pregnancy or who have young children



Recognising and challenging unconscious bias

Challenging unconscious bias in both hiring practices and internal culture is enormously important. Ways of doing this include:

- Unconscious bias training
- Blind CVs when hiring
- Zero-tolerance policies towards sexist attitudes/behaviours
- The creation of a respectful culture, in which bias can be highlighted and discussed productively when it occurs



Do not let this opportunity slip away

Gender pay gap reporting is going to cause a stir and open many eyes. Don't let it all be for nothing. Acknowledge where you have gone wrong in the past and commit to change in the future. Use this opportunity to position yourself as a truly progressive, gender-neutral brand. Bring in equality initiatives, make tangible changes and do not make the mistake of assuming that the fuss will die down if you ignore the issue.



What about the future?

Legislation promoting transparency in brand equality is likely to increase in the future. Gender pay gaps are relatively easy to report on – but other facets of your equality profile will not be so easy. Ethnic makeup, for example, will not be so easy to discern, as the data either does not exist in a usable format, or the sheer volumes and timescales involved simply are not practical. It is worth preparing now for a more transparent, more equal future.

Biographies



Contributors

Willem Adema

Willem Adema is a Senior Economist at the Organisation for Economic Co-operation and Development. Willem leads a team of analysts of Family, Children, Gender and Housing policies in OECD countries. His is responsible for the on-line OECD Family database, the OECD Social Expenditure database, the Affordable Housing Database and the OECD Gender Portal. He has written extensively on a wide range of labour market, fiscal and welfare policy issues.

Willem graduated from the Erasmus Universiteit in Rotterdam, and holds a doctorate from St Edmund Hall, University of Oxford.

Dr Jack Lewis

Dr Jack Lewis (Ph.D.) is MD of Neuroformed Ltd, a consultancy practice that specialises in harnessing insights from neuroscience research to optimise corporate communications. His goal is to bring the latest neuroscience research to the attention of the widest possible audience.

Dr Lewis is an author, broadcaster, consultant and motivational speaker. His third book *The Science of Sin* is out in August 2018 and the second series of a TV show he presents called *Secrets of the Brain* is out now on Insight TV.

Ros Ball

Ros started her career in publishing having studied English Literature and History of Art at university. She moved into comedy production before working for the BBC on current affairs and politics. At the BBC Ros presented on a variety of programmes.

Ros' book, *The Gender Agenda*, focussed on gender stereotyping of children. Starting as an attempt with her husband to retain their sanity in a gender obsessed world became a life changing experiment about gender identity. Aiming to tackle gender stereotypes head-on, Ros and her husband tweeted about the differences they experienced in raising their son and their daughter. It was hailed as "perceptive, practical and powerful."

Adrian Furnham

Adrian Furnham was educated at the London School of Economics where he obtained a distinction in an MSc Econ., and at Oxford University where he completed a doctorate (D.Phil) in 1981. He has subsequently earned a D.Sc (1991) and D.Litt (1995) degree. Previously a lecturer in Psychology at Pembroke College, Oxford, he has been Professor of Psychology at University College London since 1992.

Adrian has published over 1300 papers and 85 books. He has lectured abroad across the globe and is the founder of Applied Behavioural Research Associates (ABRA). He consults many organisations in various different sectors and in many different countries. He is also an experience conference speaker doing around a dozen key-note speeches a year all around the world.

Angie Risley

Angie Risley is currently Group HR Director at J Sainsbury's PLC where she has been since 2013. She was previously Group HR Director at Lloyds Banking Group for six years following 17 years at Whitbread Plc, six of which were as Group HR Director.

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