



PREPARING FOR GENDER PAY GAP REPORTING.

August 2015

FOREWORD

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The Government is consulting over the summer of 2015 on bold new rules which, for the first time, will require companies with 250 or more employees to disclose what they pay men and women.

This move is timely and welcome. The latest evidence is that women still earn, on average, substantially less than men – as much as 27% less across many large firms, according to the latest data published by CMI and XpertHR.

What's more, in 2015 there are still many fewer women than men in senior management roles. The talent pipeline is simply not working as it should. That is a problem for management, because the evidence is undeniable that greater diversity is good for business. It helps businesses reflect their customers and it leads to more balanced decision

making, which ultimately is good for the bottom line.

Measurement and transparency are the most powerful drivers we have for achieving change, so this policy should have a major impact.

The rules are set to affect some 7,850 employers, collectively employing more than 11 million staff – some 40% of the UK's workforce. Some will not even be aware that they have a gender pay gap. While the exact requirements of the rules aren't yet known, the broad principles are clear. Action, now, is needed by those organisations to start understanding their current situation and to prepare for the regulations.

This early guidance paper sets out some of the key principles to consider. Act now to get one step ahead.

A handwritten signature in black ink, appearing to read 'A P Francke'.

August 2015

THE GENDER PAY GAP

What is the gender pay gap?

The Government's proposals aim to close the 'gender pay gap'. It's a separate concept to that of equal pay. That is straightforwardly about whether men and women are paid equally for equal work. Less favourable treatment between men and women in pay and conditions has been illegal since the Equal Pay Act of 1970.

The gender pay gap, however, is the term used to describe any difference between the average pay of all women and men in a company. As such it reflects other factors – not least the relative lack of women in senior management jobs.

So, in a given company, women and men could be paid equally at every grade – but if the women are predominantly in junior roles while men dominate higher-paid management ranks, the company would have a gender pay gap.

It's this possible gap which will be revealed by the new regulations.

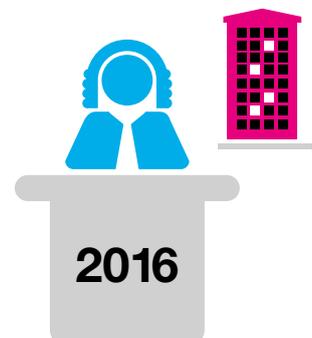
What are the regulations and when will they come into effect?

The regulations in question stem from the Equality Act 2010, which was passed by the Labour Government. The relevant part of the Act, Section 78, requires employers with more than 250 employees to publish the difference between the average pay of their male and female employees. Section 78 wasn't activated at the time, but the Coalition decided in spring 2015 to implement the rules. The measure had cross-party support at the 2015 General Election and the new Conservative Government has rapidly continued the work.

The initial consultation closes on 6 September 2015. It will be followed by a more technical consultation on the details, before the regulations are finalised in 2016. The earliest they could come into effect is October 2016, giving employers a window in which to prepare and get one step ahead – if they act now.

Across businesses with 250-999 employees, women managers and professionals earn on average 27% less than men.

Source: National Management Salary Survey 2015, XpertHR/CMI



PREPARING FOR THE REGULATIONS



1. Check your data processes

Can you report and analyse your gender pay data under current systems? If not, identify the barriers and take action to remove them now. Good data is essential to developing an action plan.



2. Segment your workforce

You can't fully understand gender pay data without segmenting it by seniority levels. If there is a gap, is it caused by particular grades?

It's possible that the regulations will only require employers to report on a single, overall number for the average pay of men and women in their company, but that could conceal as much as it reveals. A proper understanding has to involve segmentation, so that you can see how different levels of staff are paid. If there are any gaps, are they at shop-floor level? Junior or middle management? Or among senior leaders?

Identifying grades and comparing 'like for like' can be challenging for complex companies or those where legacy pay structures exist in different business units, but having a clear picture will benefit the business, regardless of the final requirements of the legislation. If your company faces these challenges, it's even more important to start preparing now.



3. Align pay and pipeline data

The under-representation of women in senior roles is a key factor in the gender pay gap. Establish how many women are in different levels of management in your company. Is the talent pipeline working as it should?

Assess if there are barriers stopping women from reaching senior roles and act accordingly.

CASE STUDY

PwC

We have tasked each of our business leaders to understand the dynamics of their gender (and ethnic) demography and to set appropriate stretch targets for the next 3 years. This means that each business unit can focus on whatever talent "lever" will have the greatest impact - recruitment, retention and/or promotion.

Case study published by Think, Act, Report



4. Track changes

One year's data is only a snapshot. If that's all you can gather now, then at least you have a benchmark. But if you can use previous years' data, start to analyse trends in the company's pay rates so that you can identify any areas for action.



5. Set targets

It's vital that there are clear targets for change across the business. Use them to monitor progress and drive change.

Be clear about the accountability of senior managers for achieving change.



6. Review starting salaries

Men often negotiate higher starting salaries, so monitor the salaries of new joiners. If there's a pattern of differences by gender, look at how to reduce this, for example by training recruiting managers in negotiation and reviewing how salary bands are defined and applied. You may also need to review the salaries awarded to new starters compared to internal promotions to ensure that this does not create differences.

Different starting salaries could lay the foundation for bigger differences over time, so nip the problem in the bud at recruitment.



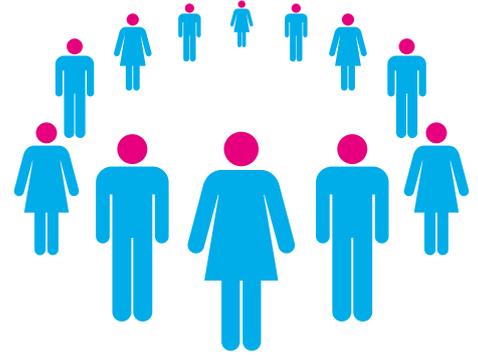
7. Start reporting

Show your commitment to fairness for all employees by publishing data before the legislation comes into effect.



8. Change outdated cultures

The working environment has to be more inclusive. Flexible working, support for parents and carers and mentoring by senior managers are fantastic ways to retain and develop employees – of both sexes.



ADDITIONAL RESOURCES

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- Think, Act, Report – the government-led campaign to maximise female talent in the workplace. It offers a framework for action and employer case studies on carrying out gender pay analysis, supporting female talent, enhancing provision for parents and setting targets to drive action. www.gov.uk/think-act-report
 - Case studies – find Think, Act, Report’s case studies on companies who already measure and publish information on the gender pay gap – including Friends Life, PwC, Tesco and Genesis Housing – at <https://www.gov.uk/government/collections/gender-equality-in-the-workplace-think-act-report-case-study-series#gender-pay-analysis>
 - Closing the Gender Pay Gap Consultation – the government’s consultation seeking views on how to close the gender pay gap runs until 6 September 2015. Find out how you can respond at <https://www.gov.uk/government/consultations/closing-the-gender-pay-gap>
 - Insight and examples – CMI’s white papers, Women in Management: Tackling the talent pipeline and The power of role models offer insights and examples of organisations that are taking steps to better support women’s career progression. Find them at www.managers.org.uk/women
 - Women in Management – CMI supports female managers throughout their career, through our range of qualifications, management resources and through the Women in Management network. Find out more at www.managers.org.uk/women

Chartered Management Institute

The Chartered Management Institute is the only chartered professional body in the UK dedicated to promoting the highest standards of management and leadership excellence. CMI sets standards that others follow.

As a membership organisation, CMI has been providing forward-thinking advice and support to individuals and businesses for more than 50 years. It continues to give managers and leaders, and the organisations they work in, the tools they need to improve their performance and make an impact. As well as equipping individuals with the skills, knowledge and experience to be excellent managers and leaders, CMI's products and services support the development of management and leadership excellence across both public and private sector organisations.

Through in-depth research and policy surveys of its 100,000+ individual and 800+ company members, CMI maintains its position as the premier authority on key management and leadership issues.

For more information go to:

www.managers.org.uk/mindthepaygap

and join the conversation

@cmi_managers #MindThePayGap

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