



Closing the gender pay gap



**Equality and
Human Rights
Commission**

We are the Equality and Human Rights Commission.

We're here to stand up for freedom, compassion and justice in our changing times. We do it by promoting and upholding equality and human rights laws and ideals across England, Scotland and Wales.

Our work is driven by a simple belief; if everyone gets a fair chance in life, we all thrive.

We grow understanding through insight

We research and explore how we live and work together, revealing truths and uncovering injustices. Looking ahead to the future, we scan the horizon for new opportunities and challenges.

We uphold people's rights without fear or favour

Standing apart from governments, from business and vested interests, we use the full force of our wide-ranging legal powers to defend everyone's right to an equal chance in life.

We bring people together to create change

We work with our partners and governments to come up with practical answers that get to the greatest good. We respond quickly when it's urgent and commit to our course of action when we take on long-term challenges.

Above all, we're here to prove that the principles of equality and universal human rights can help people in Britain live well together, making life safer, happier and more prosperous for all of us.

Introduction

At the Equality and Human Rights Commission, we are responsible for enforcing the Equality Act 2010. As part of this, we must monitor and enforce the gender pay gap regulations. Under these regulations, employers with 250 or more employees in England, Wales and Scotland are legally required to report annually on the gender pay gap within their organisations, both on their own websites and on a dedicated governmental reporting portal. You can find out more about the regulations on our [website](#).

All organisations subject to the regulations had published the relevant data by 1 August 2018 (and 94% had done so by the deadline for submission). Over three-quarters (77%) of organisations reported a median gender pay gap in favour of men; 14% in favour of women; and in 9% of cases there was no reported median gender pay gap.

Understanding an organisation's pay gap, its causes and actions that can be taken

The figures published by employers clearly set out the size of any pay gaps between men and women, and are an important step in making pay systems more transparent. However, this data alone does not give us any information about the possible causes of any of the pay gaps. Publishing an accompanying narrative report is a valuable opportunity for employers to publicly set out the reasons for any gaps and also to explain what they intend to do through a time-bound and target-driven action plan. Publishing accompanying narrative reports and action plans can help employers to:

- attract and retain employees through a visible commitment to addressing the gender pay gap that showcases the organisation as fair and progressive
- communicate a positive statement of intent to customers, shareholders and other stakeholders, helping to enhance reputation and brand, and
- provide the basis of meaningful employee engagement on the gender pay gap, building trust and securing buy-in for any proposed solutions.

Our research has shown that publishing this information is important for employers that want to attract the best talent. Our recent [survey](#) of employees working in firms that had published their gender pay gap data revealed that over 60% of women would be more likely to apply for a job with an employer with a lower pay gap. In addition, over half (56%) of women said that working at an organisation with a gender pay gap would reduce how motivated they felt in their role.

We strongly believe that all employers should be required by law to publish a narrative report setting out the organisational context, current activity and future plans alongside their gender pay gap figures. A number of employers are already doing this as a way to explain the reasons for any pay gaps and to highlight the specific steps they are taking to close these. This provides welcome transparency for their staff, customers, shareholders and other interested parties.

Some employers have even expressed concerns that publishing their gender pay gap figures without an accompanying explanation may be misleading and damaging to their reputation. For example, a [recent report](#) by the Government Equalities Office (GEO) showed that as of May 2018, just under half (48%) of employers subject to the regulations had decided to publish an action plan outlining how they intend to tackle their gender pay gap.

The GEO define an action plan as ‘a document in which the employer has considered their gender pay gap and has offered a next step to implicitly or explicitly reduce or maintain their gender pay gap’. We have expanded on this definition to include explicit reference to time-bound and target-driven activities based on best practice policy and practice, as outlined in [our strategy to close pay gaps](#).



Key findings

Publication of narrative reports and action plans

We found that only around half of employers in our sample had produced an accompanying narrative report alongside their pay gap figures. A number of these were high level and contained very little detail or clear commitments to future action. Employers with fewer than 499 staff were less likely than larger employers to publish a narrative report as part of their gender pay gap reporting.

Published narrative reports commonly highlighted distinct issues within sectors to explain organisational pay gaps, such as very high salaries for football players creating large pay gaps for football clubs. A number of the reports made generic commitments to existing initiatives to promote gender equality, such as the [Women in Finance Charter](#).

Around one in five employers in our sample had produced an identifiable action plan that was time-bound and included target-driven activities. However, only 11% had set themselves targets that would enable them to measure the progress of their plans year-on-year.

Larger employers were more likely than smaller ones to set themselves targets, for example:

- a construction company has targets to increase the number of women earning over £40,000 a year to at least 25% by 2025
- a large entertainment firm set targets for 2020 to commit to:
 - ensuring that women represent 30% of their senior management
 - ensuring that at least 90% of their employees believe that the organisation treats all employees fairly, irrespective of sex, age, race, disability, religion or sexual orientation, and
 - reducing their mean gender pay gap to less than 10%.

However, in many cases, employers' action plans made a general reference to activities they would undertake, such as 'reviewing flexible working policies', without stating when they might do this or, in some cases, their purpose for doing so.

Content of narrative reports and action plans

Recruitment, development and promotion

Around half of employers in our sample referred to activities aimed at improving their practice on recruitment, development and promotion.

Some employers described using a range of measures to encourage more women to apply for roles where they were currently underrepresented. One transport sector employer sought to do so by targeting a broader range of recruitment events, not just those associated with their immediate sphere of operation. They reported partnering with the Women's International Shipping and Trading Association to host events and implement recruitment initiatives. Other employers highlighted their work with organisations with expertise in sex equality, such as Women in Science and Engineering, to attract and develop more female talent.

A number of employers also noted using positive role models to provide highly visible examples of success in male-dominated professions or at senior levels of management, as well as developing network or affinity groups for women or minority groups within their organisations.

The majority of references to promotion and development were focused on women at senior levels. However, a small number of employers linked this to actions across their workforce. For example, one large employer in the arts, entertainment and recreation sector has set an overall target to reach an equal balance of men and women among their top one hundred earners. Actions to achieve this include focusing on career progression for women across the wider organisation, to help create a more equal distribution of men and women across all levels.

One of the more common activities set out in accompanying narrative reports was unconscious bias training, usually with the purpose of trying to eliminate bias from recruitment activities. However, our research (Atweologun *et al.*, 2018) has shown that the evidence base for this activity as a means of effectively addressing inequality is mixed. Other activities to reduce bias in recruitment included anonymising CVs and application forms during the recruitment process; ensuring the language in job adverts did not suggest a preference for male or female applicants; and ensuring an equal number of women and men on interview panels.

There is evidence that the following actions are effective in improving recruitment processes: having a balance of men and women on interview panels; increasing the number of women on shortlists for interviews; using skill-based recruitment tasks; and conducting structured interviews.

Flexible working and shared parental leave

The second most-commonly reported activity was offering flexible working and enhanced shared parental leave. Around a quarter of our sample highlighted activities to improve flexible working practices or to boost the uptake of flexible working, with a fifth mentioning plans to improve the uptake of shared parental leave.

However, the planned action in these two areas tended to include few specific details, with employers instead making more general, high-level commitments to ‘encourage a healthy work life balance’ or ‘more actively support flexible working’. **Our research into the experiences of working mothers** found that half (51%) of women reported discrimination or disadvantage as a result of requesting flexible working arrangements. Women reported there being a ‘price to pay’ for having requests approved, such as being given fewer opportunities for development than their peers.

Some employers highlighted the introduction of a broader range of flexible working options open to staff and investment in technology to support flexible approaches, such as home and remote working. It is important that these practices are introduced alongside a culture where flexible working is understood as a valued way to retain and promote the contribution of skilled female staff, and to allow men to share parental duties.

A small number of employers noted enhancing payment for shared parental leave to support more new fathers to take a period of time to care for their child. However, more commonly, employers described current and planned communication activity to encourage take-up of shared parental leave.

Positive action

Only two employers in the sample explicitly referred to using or planning to use positive action measures. However, a number included planned or ongoing positive action training or activities to attract female applicants for roles where they are underrepresented, as well as mentoring programmes and targeted training opportunities. No employer referred explicitly to using the tie-break provision as part of positive action. This provision allows employers to select a person for recruitment or promotion from a protected group that the employer reasonably thinks is underrepresented or disadvantaged, where there are two or more candidates who are equally qualified. While this finding isn’t unexpected, it does highlight the need for a better understanding of positive action and how it can be applied to address the gender pay gap.



Bonus and performance-related pay

Inequalities can become embedded in pay systems and performance-related pay, and gender bias can influence salary negotiations, appraisals and discretion in performance-related pay – all of which have an impact on the gender pay gap. Perhaps surprisingly, therefore, only around one in 10 employers highlighted bonuses and performance-related pay in their narrative reports. Only a few talked about introducing greater levels of transparency in the award of bonuses. One of these employers in the manufacturing industry had a bonus gap of 75%, but committed to introducing greater transparency of rewards, including salary, bonus, and flexible benefits.

Apprenticeships and other educational schemes

Only a small minority of employers mentioned apprenticeships as an area for action within their narrative reports, despite the significant differences between the types of apprenticeships that men and women take up, which have an impact on gender pay gaps. Young men are still much more likely than young women to enter apprenticeships that lead to better paid careers, such as engineering. Those employers that did undertake apprenticeship initiatives tended to be in the manufacturing sector, where they identified apprenticeships as a way of ensuring more women were employed in underrepresented areas. An employer in the transport sector had one of the most detailed commitments to action in this area, committing to signing the **Young Women's Trust Apprenticeship Employer Pledge** and producing an action plan to increase the number of women in their apprenticeship schemes within the next year.

Other educational initiatives that were mentioned included the development of graduate or management programmes; linking with educational institutions, such as schools, colleges and universities, to launch early-career programmes to encourage more women into occupationally-segregated sectors; and promoting in-house leadership academies specifically targeted at women. One manufacturing firm outlined their partnership with a local university to place more women on logistics courses, as a way to develop their talent pipeline.

Equal pay audits

Equal pay is where men and women in the same employment are paid equally for work of the same value. An **equal pay audit** involves comparing the pay of men and women doing equal work in an organisation in order to:

- identify any differences in pay between men and women doing equal work
- investigate the causes of any differences in pay between them, and
- eliminate instances of unequal pay that cannot be justified.

The gender pay gap – the difference between men and women’s average earnings – has sometimes been confused with equal pay. However, although it is important not to conflate those two issues, unequal pay can influence the gender pay gap in an organisation.

Equal pay audits help employers ensure that pay systems do not create unlawful pay inequality and therefore contribute to gender pay gaps. However, only four employers in our sample stated in their narrative report that they had carried out a pay audit or intended to conduct one. One employer in the finance sector stated their intention to conduct an equal pay audit annually, and ensure that equal pay forms a key part of salary decisions in recruitment and during salary reviews.

The low number of employers conducting or stating an intention to conduct equal pay audits was surprising given how many employers claimed in their narrative reports that their gender pay gap did not reflect any problems with equal pay. Most claimed that pay gaps were instead driven by other issues, such as the concentration of men in senior roles. Without an equal pay audit, it is difficult to see how these assertions could be evidenced. Some of these organisations may have conducted an equal pay audit but did not include it in the narrative report.

What action should employers consider taking to reduce their gender pay gap?

The Government Equalities Office has produced a useful evidence-based [guide](#) that flags the actions employers can take to promote sex equality within their workplaces and consequently close their gender pay gaps. We encourage employers to refer to this and to consider additional steps such as using positive action and conducting equal pay audits.

Although solutions will differ between employers and sectors, the following are areas for policy and practice that employers should consider when developing strategies to close their gender pay gaps.

Recruitment, development and promotion

Attracting and retaining skilled people is vital for employers, but stereotypical attitudes about men and women's abilities can often influence recruitment and promotion decisions. Fair and transparent policies together with training for staff will help mitigate this.

Understanding how recruitment and promotion practices affect men and women differently will help widen the talent pool and avoid discrimination. Taking action to widen access to networking, and ensure hiring decisions are based on skills and competencies (not stereotypes), will help close the gender pay gap.

Working culture also has an important role to play in ensuring that women can progress to senior levels; for example a 'long hours' working culture reinforces the idea that part-time or flexible workers are not suitable for promotion.

Ideas for action:

- anonymising CVs and application forms
- introducing transparent recruitment and promotion procedures
- adopting a structured approach to interviewing
- including mixed-sex interview panels
- providing a clear brief, including diversity targets, to any recruitment consultants and executive search firms
- reaching the widest possible candidate pool through using a range of advertising methods and positive action
- introducing women's networks to develop peer support across the organisation
- developing mentoring schemes for women to build skills and encourage development

Flexible working

While there have been huge increases in women's participation in the labour market over recent years, men's contribution to childcare has not increased at the same rate. Women continue to shoulder the main responsibility for childcare, even in households where both parents work full time. More women provide care and **therefore opt to work part time**. Given the paucity of quality part-time roles, many work beneath their capabilities and qualifications and **so fall behind in terms of pay**.

The 'right to request' flexible working means the right to ask for any change from the employee's current working pattern. Flexible working practices can vary hugely but might include: job share; working from home; flexible start and finish times; part-time hours; term-time working; compressed hours; or annualised hours.

Taking action to provide flexible working options at all levels will increase opportunities for women. This is particularly important for women returning from maternity leave or adoption leave. It will also widen the pool of talent available to employers, particularly for women but also for fathers who increasingly seek greater work/life balance. Increasing opportunities for flexible working in higher grades will also help address occupational segregation, helping to reduce pay gaps.

Ideas for action:

- advertise jobs at all levels as open to flexible working from day one
- promote a wide range of flexible working practices
- trial new ways of working
- be transparent and clear about the types of flexible working the organisation has considered, offered and granted
- showcase examples where flexible working is successful at a range of levels across the organisation

Caring and shared parental leave

Despite increased employment rates and educational attainment among women, those who become mothers still experience a 'motherhood penalty'. Once this takes hold, many women find themselves in a downward career trajectory that is more likely to stagnate, where they are offered fewer opportunities than their peers, and is often characterised by low-paid jobs.

Shared parental leave enables eligible mothers, fathers, partners and adopters to choose how to share time off work after their child is born or adopted, but take up among men remains low.

Ideas for action:

- actively promote shared parental leave to staff
- consider enhancing the statutory minimum paternity leave— more generous and equal schemes operate in other countries and this has encouraged take-up among men
- incorporate flexibility into job design to encourage new parents to consider sharing caring responsibilities beyond the first year of their child's life

Apprenticeships

Many apprenticeships have a long-standing tradition of being highly segregated by sex, with apprenticeships in higher-paying sectors such as construction and engineering attracting men, and apprenticeships in lower-paying sectors such as social care and childcare attracting women.

Ideas for action:

- promoting 'role models' from the business in liaison with schools and colleges, and placing advertisements for careers or work with skills agencies
- developing short programmes that allow young people to sample different types of apprenticeships
- offering flexible working in apprenticeships
- using positive action in apprenticeships

Positive action

Positive action is when an employer takes steps to improve equality for people who share a protected characteristic, for example by organising an open day for people from a particular ethnic background if they are under-represented in the workforce. The general provisions in relation to 'positive action' are set out under section 158 of the Equality Act 2010. Positive action initiatives are permitted when an employer reasonably thinks that:

- people who share a protected characteristic suffer a disadvantage connected to that characteristic
- people who share a protected characteristic have needs that are different from the needs of persons who do not share it, or
- participation in an activity by people who share a protected characteristic is disproportionately low.

Employers are legally permitted to take action to overcome or minimise disadvantage, encourage participation in employment or training, or meet the specific needs of protected characteristic groups, for example, by facilitating mentor programmes for female staff.

Bonuses and performance-related pay

A bias towards one particular sex can work to create discrimination in pay systems where women being paid less for work that is the same or similar, or of the same value, as male colleagues' work. Lack of transparency in pay and grading decisions, giving managers discretion over starting salaries and not paying bonuses or incentive payments during maternity leave, should be avoided so as to avoid inequality in pay. The most effective way for an organisation to uncover and remedy equal pay issues is to carry out an equal pay audit. We provide clear step-by-step **guidance** on how to do this.

Examples of typical pay policies and practices that organisations have needed to change following equal pay audits include:

- starting salaries
- performance management systems
- market supplements
- pay protection, and
- eligibility for bonuses and allowances.

A pay policy that sets clear and transparent parameters for pay decisions, and requires any negotiated awards to be reviewed for potential equal pay risks, can complement your pay system, providing an additional set of checks and balances.

Monitoring data

The collection and analysis of data by organisations to inform compliance with gender pay gap regulation requirements will provide some information about the underlying causes of their pay gaps.

However, in order meaningfully to target activity, employers need to collect and analyse a wider range of information. The types of data that employers may want to look at include:

- recruitment processes, including the proportion of men and women applying, being shortlisted for and appointed to posts
- starting pay for men and women
- promotion rates for men and women
- retention rates of pregnant employees

- the proportion of mothers returning after maternity leave, and those still in employment two years after returning
- the proportion of men and women using various flexible working patterns, and levels within the organisation at which take-up is occurring
- whether pay gaps exist for part-time workers

Such information will help employers diagnose the causes of their gender pay gap, take action to address them and track progress.

Conclusions

The recently introduced requirement for employers to publish information around their gender pay gap has already significantly raised the profile of this issue among both employers and the general public. However, publication of this data is only the first step.

The published figures are useful in providing a high-level snapshot of pay within an organisation but if the gender pay gap is to be closed, the underlying causes need to be identified and effectively tackled. The publication of a narrative report containing a detailed action plan will help employers publicly to demonstrate their commitment to creating workplaces where everyone can flourish, irrespective of whether they are male or female.

This report contains a number of positive examples of employers that have done just that: clearly communicating to their current and prospective employees, customers and shareholders that they have an evidence-based and robust approach to addressing their gender pay gap. We would like to see all employers who are in scope for gender pay gap reporting to follow this example and publish detailed narrative reports, including action plans to address any issues highlighted by their analysis of gender pay gap data.

The second year of gender pay gap reporting offers employers a clear opportunity to broaden transparency from numbers to actions. The causes of the gender pay gap are longstanding and entrenched, but with action based on evidence, there is a real possibility to move forward and narrow pay gaps in individual workplaces, across sectors and nationally.

In order to take forward this work, further analysis of the first year's data under the gender pay gap reporting regulations would also be helpful. This could include, for example, further analysis by sector and region to assess whether there are significant sectoral or regional variations in terms of narrative reports and action plans. In subsequent years, research could also usefully examine the trends, for example to see whether narrative reports and action plans become more widespread and whether their quality improves, for example by becoming more specific, detailed and time-bound.

The solutions outlined above are unlikely to yield immediate reductions in pay gaps – indeed some effective measures may result in a temporary widening of the gaps. However, carefully planned, sustained action can help drive meaningful change.



Appendix: Methodology

Prior to the release of the Government Equalities Office report, our initial analysis indicated that many employers were not providing a narrative report or action plan. Between May to October 2018, we therefore carried out a three-stage analysis of the extent to which employers were publishing narrative reports and what action those employers were taking to address their gender pay gaps. We assessed 440 organisational gender pay gap reports in total.

In the first stage of the research, we selected 40 employers from each of the following sectors:

- finance
- manufacturing
- transportation and storage
- construction
- arts, entertainment and recreation

Our previous research had indicated that these sectors had the highest incidence of pregnancy and maternity discrimination and disadvantage in the workplace, and some, notably finance and manufacturing, had particularly large gender pay gaps.

In the second stage of the research, we randomly selected a further 200 employers who were required to report their gender pay gap figures in 2018. Lastly, we identified a further 40 FTSE 350 organisations that had published gender pay gap figures, analysing these as a means to identify potential good practice.

We also wanted to understand whether the initiatives outlined in their action plans addressed the main policy and practice areas that help improve women's participation in the labour market and reduce pay gaps. These areas are included in our pay gaps strategy, and are:

- introducing and promoting flexible working at all levels
- increasing the use of shared parental leave
- addressing bias in bonus pay and performance-related pay
- addressing bias in recruitment, development and promotion decisions
- understanding or use of positive action measures
- undertaking an equal pay audit, and
- demonstrating a commitment to developing a talent pipeline through apprenticeship or other educational outreach schemes with schools, colleges and universities.

Contacts

This publication and related equality and human rights resources are available from [our website](#).

Questions and comments regarding this publication may be addressed to: correspondence@equalityhumanrights.com. We welcome your feedback.

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EASS

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