

GENDER PAY GAP REPORTING: MENDING THE GENDER PAY GAP

HELPSHEET

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The [Equality Act 2010 \(Gender Pay Gap Information\) Regulations](#) came in to effect on 6th April 2017. It is now a legal requirement for organisations with over 250 eligible employees to publish an annual report on their gender pay gap. The results for 2017 showed a gap in every sector and the results to date for 2018, have showed little if any improvement. In this Helpsheet we offer some suggestions that may help to reduce the gap in your organisation.

What is the gender pay gap?

The gender pay gap measures the difference between the average male pay (or bonus) and the average female pay (or bonus) as a proportion of the average male pay (or bonus).

In our Factsheet [Gender Pay Reporting : the Regulations](#) we explained the calculations that organisations with over 250 eligible employees must now produce and publish as part of their annual gender pay gap report.

My organisation has produced a gender pay gap report– isn't that enough?

No. It is not enough for an organisation to simply calculate their pay gaps: the onus is very much on employers to try to reduce the gap. In our Helpsheet, [The Gender Pay Gap: What is it and why does it matter?](#), we explain why organisations who ignore or refuse to address their gender pay gap do so at their peril.

To help members ICAEW has produced this Helpsheet with some suggested actions, practical tips and sources of information on how to reduce the gap. We have also produced a webinar [Gender Pay: Mending the Gap](#) in which Jane Berney (ICAEW) and Katy Bennett (PwC) discuss the regulations, the issues that the first year of reporting have identified and offer some practical tips on what to do now.

Can we mend the gender pay gap?

As discussed in ICAEW's Know How Helpsheet, [The Gender Pay Gap: What is it and why does it matter?](#) the evidence for the beneficial effects of reducing the gap is becoming increasingly clear, but how to mend the gap is not so clear. Unfortunately there is no 'magic bullet' or even a series of 'magic bullets' that will reduce the gap. For most organisations it will take time and a variety of approaches but there is evidence to suggest that it is possible.

Where do I start?

The first stage is to understand the reasons behind any gaps and then plan an overall strategy.

1. Understand what is causing your gender pay gap

Before you can act to reduce your gender pay gap you need to understand why your gap is at the level it is and how it varies by level or job and through the life cycle of your employees. Once you understand the factors contributing to the gap the easier it will be to select the most effective ways to close it.

For example the Gender Pay Gap Regulations stipulate that organisations must divide their workforce into quartiles to show the proportion of men and women at different pay levels. If this shows that the majority of women fall into the bottom quartiles then you need to see what is

causing this – do women not seek promotion or leave your organisation to get a promotion? Or are part-time workers who are mainly female not encouraged or helped to progress. If senior management are all full time this may discourage those who work part time to consider applying for a more senior role.

The Gender Pay Gap Regulations also apply to bonuses, so again if there is large gap you need to see whether men and women doing comparable work receive different bonuses and why. Part time employees, for example, often receive a pro rata bonus; you may need to consider whether this is the reason for any gap and whether it is appropriate. Another example of what may cause a difference in bonus awards is when a bonus or award is based partly on self-assessment: there is evidence to suggest that this can lead to women receiving a lower bonus payment than a man at the same level as women tend to rate themselves lower than men.

For more on this see The Government Equalities Office's '[Eight ways to understand your organisation's gender pay gap](#)'

2. Make a plan

Once you have a greater understanding of what your gap is and where it exists, you can start to address it. It may seem obvious but a plan of action will be necessary as it is unlikely that one action in one year will reduce the gap. You will need short and long term actions that will focus on every stage of an employee's time in your organisation from recruitment to exit interviews.

Any plan will need to be reviewed and updated regularly. Regular pay audits may be useful, over and above calculating the matrices required under the gender pay gap reporting regulations

For more on this see the Government Equalities Office's '[Four steps to developing a gender pay gap action plan](#)'

3. Manage expectations

Any plan needs to be realistic and you will need to manage the expectations of all your employees. This means you can't promise to eliminate the gap overnight but any commitments you do make in one year you need to make sure that in subsequent years you have either met these commitments or you can explain why you haven't.

Employers need to be sure that they fully understand why gaps exist at certain points in the organisation or in an employee life cycle so they can explain this to employees. If employees feel you are not taking the issue seriously or you are compensating one group at the expense of another this could do more harm than good. It is also worth remembering that the gap may not reduce year on year at all levels and any changes could be due to one-off events. Both of these need to be explained.

At the same time it is unhelpful if you just state that the reason for the gap is because, for example, there are more men at a senior level without explaining how you will address this. You may consider that this is the reality and a way to manage expectations but a bland acceptance of the status quo may suggest you are not interested in addressing any gender pay gaps in the organisation.

4. Change behaviour

It may seem a big ask to suggest that organisations can change societal behaviour but there are some behaviours that need to change before the gender pay gap can be reduced, let alone eliminated. After all not paying men and women the same for equal work has been illegal in the UK for over 40 years but there is still a gender pay gap. This is partly because equal pay is not the same as the gender pay gap: equal pay means paying men and women the same for the same job or type of job whereas the gender pay gap measures the differences in pay between women and men across an organisation as a whole. But that is not the whole story. By looking at the big picture the gender pay gap reports have highlighted that certain behaviours are a significant contributory factor in the maintenance of the gender pay gap. Organisations cannot change society by themselves but if they are aware of them they can start to make the changes that will lead to a change overall.

a. Gender Stereotyping

The gender pay gap reports published to date have shown clearly that gender stereotyping in terms of career choice and family/ caring responsibilities are the most common reasons for a large gender pay gap in any organisation.

- *Career Choices:* In many respects the fact that there is a gender imbalance in some industries such as STEM industries will not come as much of surprise. The reports published for 2017 and 2018 (to date) have shown that the choices made at school and university have a profound effect on subsequent careers. Boys still chose STEM subjects and girls do not or rather girls only chose certain STEM subjects (eg medicine and biology) that fit with the notion that females are nurturers and carers. Many organisations are actively trying to redress the balance by setting up, for example, outreach programmes to encourage women to consider less traditional careers such as airline pilot whilst others, are looking to encourage more men to apply for roles (such as bank clerks and nurses) more traditionally seen as female roles.
- *Family responsibilities:* Child rearing and caring responsibilities are still seen primarily as the responsibility of women. The low take up of paternity leave in the UK is a stark illustration of this. As a result many women feel obliged to take part time roles or less senior roles in order to fulfil their caring responsibilities. Conversely many men feel they cannot ask for time off or work flexibly so they can care for children or aging parents as this will have a negative impact on their future career. Any plan to reduce the gender pay gap must take this into account and try to balance family responsibilities with a career irrespective of the gender of the employee.

b. Tone from the top

If the gender pay gap is to be eliminated it is vital that everyone is involved, including men. An organisation must be inclusive for all for it to be inclusive for women. It therefore follows that CEOs and others in the C-Suite must commit to gender equality and cascade this down through management. Some analysts go so far as to argue that senior men have a responsibility to use their position in senior roles to encourage and make room for other voices and perspectives: their performance assessment and KPIs should include measuring how they have helped to foster talent and promote diversity.

A culture of 'presenteeism' within an organisation can undermine any attempts to introduce policies such as flexible working. Senior management (whatever their gender) can set the tone by not working all hours themselves, taking holidays and not demanding or expecting more junior staff to be on call at all times.

A 'male dominated' or 'alpha male' culture can hamper gender equality. It is up to senior management to recognise that such a culture exists and can exclude women. In many cases it may just be a question of taking the time to consider whether a particular activity or action could be exclusive rather than inclusive. In other cases it may require a clearly defined policy on sexual harassment (eg zero tolerance) and training to ensure all employees are treated with respect.

Finally, it is not enough to think, for example, that one woman on the Board means 'job done' or to recruit the same number of female engineers as male engineers if the women then encounter barriers if they try to move up the organisation. Senior management needs to demonstrate a continuous commitment to gender equality.

Are there any practical steps that we can take now?

Changing behaviour will take time, possibly even a generation, but there are some practical steps that an organisation can take that will help now, although they may require tailoring to the particular circumstances of an industry and most organisations will need to adopt a number of different approaches rather than just one. It is also likely that they will need to review what they have done so far to see if it is having an impact. If not they will need to adjust as necessary.

We discuss below a number of approaches that have been suggested in the gender pay gap reports published so far and in academic studies. Not all will work for all organisations and some

may be more appropriate for your organisation than others. There is no single solution or 'magic bullet' but the following are some things to try.

1. Flexible working

A review of the reports made to date have shown that most organisations are concentrating on offering 'flexible working' for their employees. This is in recognition of the fact that the pay gap starts to increase dramatically when female employees have children. Flexible working includes working part time, flexible start and finish times, term time working, job sharing and working from home.

Employees have a legal right in the UK to ask for flexible working, but employers do not have to grant it. There is no evidence of how many employers have refused but many employees have confirmed that they expect any such request to be viewed negatively. They fear it will demonstrate a lack of commitment, with a knock on effect on career progression or even job security. This perception of potential harm is the biggest barrier to flexible working and the gender pay gaps report published to date have done nothing to change this perception as there does seem to be a part time penalty. To overcome this:

- Employers need to actively promote the availability of flexibility throughout the organisation. This should be done at the recruitment stage or when promotions are offered, not just, for example, when a woman is pregnant.
- Include on any job description that flexible working is available to all and to honour this commitment if someone requests it. Be open to discussion about these at the earliest stage possible. NB: It is illegal to ask a woman during the recruitment process about how their being a parent would impact their ability to work;
- With any flexible working arrangement employers need to ensure that they can in fact offer them. If you offer, for example, working from home, the infrastructure (such as IT equipment, phone or conference facilities) must be in place to make this feasible. With regard to job sharing there should be rules in place regarding workload, attendance at meetings, holidays, contact etc so that both parties feel they are contributing equally. If you offer part time work you may need to consider things such as when internal meetings are held. If someone works Tuesday to Thursday only, for example, it is not helpful if all departmental/ team meetings are held on a Monday. Either the part timer has to miss them or make other arrangements to attend; this may not always be possible particularly if there are child care arrangements to consider.
- Some organisations now have a policy of forbidding employees from answering emails or phone calls outside of their working hours. This can help to reinforce the message that flexible working is acceptable.

ACAS has produced a useful [booklet](#) for employers and employees on how to manage flexible working. EHRC's [Working Forward](#) webpage is another good source of practical advice including their [Flexible working myth busting](#) leaflet for those employers who may feel flexible working is not appropriate for their organisation.

2. Maternity leave, paternity leave, shared parental leave and returners

For many women the gender pay gap really kicks in when they have their first child. Flexible working may help but limited maternity leave may also have an adverse effect. To counter this:

- Many employers are reviewing their policies for maternity leave to make it easier for women to take maternity leave but to return at a time that suits them. These can be increased periods of leave, over and above the statutory minimum, paying women for 5 days although they only work for 4 for the first 6 months after the birth of their child, and staggered returns.
- It is important that paternity leave (over and above the statutory minimum) is available to all new fathers so it is not just the mother who has time off. As with part time work if leave following the birth of a child or to care for other family members is only seen as an option for women it will not be seen as something that a man can request because of the potentially negative effect on his career. Women will therefore continue to be forced to take

part time or less demanding roles in order to meet their caring responsibilities and the gender pay gap will persist.

- Some organisations are allowing shared parental leave in recognition that all parents may wish to be involved in the care of their children. In some cases the policy offers all parents an entitlement to 12 months of leave, including six months at full pay, when a new child arrives.
- Maternity, paternity and shared parental leave should also be available to parents who adopt children.
- It is not just a question of allowing extended leave as it is important that the return to work is made as easy as possible. Initiatives include maintaining regular email contact with the employee in the leave period, offering catch up days back in the workplace before they return and training to get them back up speed (if necessary).

3. Recruitment and Promotion

At every stage of an employee's life cycle within an organisation the unwary employer can inadvertently increase the gender pay gap by their recruitment or promotion policies. The following are some suggestions that can help you avoid some of the pitfalls:

- Using anonymised CVs and application forms as names, schools etc can all indicate someone's gender, just as much as asking them whether they are male or female. By removing such details an employer can ensure that the recruitment process is, at least before any interviews are held, gender neutral.
- Mixed sex interview panels can help but one woman on the panel may not.
- Asking recruitment consultants and executive search firms to provide a gender balanced lists of candidates for interview.
- All shortlists to include more than one women; only having one women can be seen as tick boxing and so may be counterproductive
- Using skills based assessments rather than interviews can often help candidates who are less confident (but suitably qualified) than those who are very confident (but possibly not so suitably qualified).
- Making conscious efforts to use a wide range of methods to attract a wider group of candidates. This may be by not restricting your advertising to journals, newspapers or internal sites that are typically favoured by men or women. Or attending job fairs or graduate fairs at a wider range of universities and colleges as this may help you to reach a more diverse pool of candidates.
- Making adverts for jobs gender neutral
- Consider whether some aspects of job advertisement actually puts some people off who may be ideal for the role. An over emphasis on the need for overseas travel, for example, can detract female applicants (or others with caring responsibilities) and if it is really not necessary then don't say it!
- Telling candidates (whether new hires or existing employees looking to be promoted) from the outset that flexible working packages are available, rather than waiting for them to ask.
- Make sure the recruitment and promotion process is transparent so that all applicants are confident that they have been treated fairly, irrespective of their gender.

4. Pay and bonuses

- Not paying men and women the same for equal work is illegal but there may be cases where men and women are paid differently for comparable jobs. It might be worthwhile to conduct a pay audit to see if this is the case and then adjust wages and salaries accordingly.
- There is some evidence to suggest that if women are paid less from the outset then they will never be able to catch up. One way to avoid this is not to ask a candidate their existing

salary and then match it or improve it slightly but to set a salary in advance. Women are also less likely to negotiate a salary so a salary range is also not recommended.

- If bonuses based on a percentage of current salary or pro-rated for part time hours this can lead to women receiving less. Organisations should consider whether their bonus policy is contributing to the gap.
- Any bonus that is based on a degree of self-assessment may result in women receiving less than men. This is because women tend to under rate themselves whereas men overrate. Removing the self-assessment element may result in fair allocation

5. Mentoring and networking

After flexible working the most common policy to reduce the gender gap is to encourage mentoring and networking.

Mentoring is more common at the top end of an organisation but can be helpful at all levels.

Networking can help too but is not so useful if the employees only network with employees of the same gender. Both are useful as they can show all employees that a particular role is not the sole preserve of any particular gender and can improve the confidence of employees.

6. Quotas and targets

Lord Davies suggested that company boards should introduce quotas for female board members and this is a policy that has been tried in a number of countries but with mixed results. Norway, for example, introduced a 50% mandatory quota in 2008; even though the penalty for non-compliance was dissolution of the company by 2018 female board representation was only 38%. Spain aimed for 40% by 2017 and only achieved 22% by 2018, although as this was not mandatory this may explain the slow rate of progress. California, Australia and Canada are all seeking to impose quotas for board representation in the next few years.

Target and quotas can be applied across the workforce, not just at the senior level, but it has to be applied with some care. Some resent such targets as they feel it is a threat to their own position as a woman may be employed or promoted because she is a woman and not because she is the best person for the job. Equally some resent quotas as it smacks of tokenism: employees should be employed on merit not to tick a box! Some argue, however, that gender equality is so far behind that an instrument as blunt as quotas or targets is the only way to make an impact.

Notwithstanding this, targets have proved to be popular. The Hampton –Alexander Review, for example has set a target of 33% of board members of FTSE 350 companies should be female by 2020. The 30% Club, as its name suggests, wants 30% representation.

Many companies in their gender pay gap reports have also set themselves targets, some more ambitious than others, although very few seem to be setting targets of 50% female representation across the organisation as a whole. It will be interesting to see if the targets are met and if they are not how the organisation concerned will explain this. If targets are set it is probably best to review them every year to make sure your organisation is on course to meet them and if not to consider why and what needs to be done to ensure they are met. It is probably not a good idea just to revise targets down if it looks like they will not be met!

What next?

It does not look like gender pay gap monitoring will go away. The UK government has said it may extend the regulations to organisations employing 50 and above in the next 5 years and is considering that only organisations that can demonstrate diversity in the workplace can tender for public contracts. Other countries such as France, Portugal and Ireland are also in the process of enacting legislation.

Further Resources

- [ACAS](#) for advice on how to calculate and report the gender pay gap
- The Government's [Gender Pay Gap Service](#) – for details of who (and what) has been reported so far and advice on practical policies that help and those that are not so helpful.
- Government Equalities Office – guides on understanding your gap and developing an action plan.
- Equalities and Human Rights Commission ([ECHR](#)) – for advice, details of their enforcement policy and any organisations that have failed to comply with the regulations.
- ICAEW's [diversity community](#) - information and best practice guidance on the different areas of diversity
- ICAEW Know How - [Gender Pay Gap Reporting: the Regulations](#)
- ICAEW Know How - [Mending the Gender Pay Gap](#)
- ICAEW webinar - [Gender Pay: Mending the Gap](#)

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