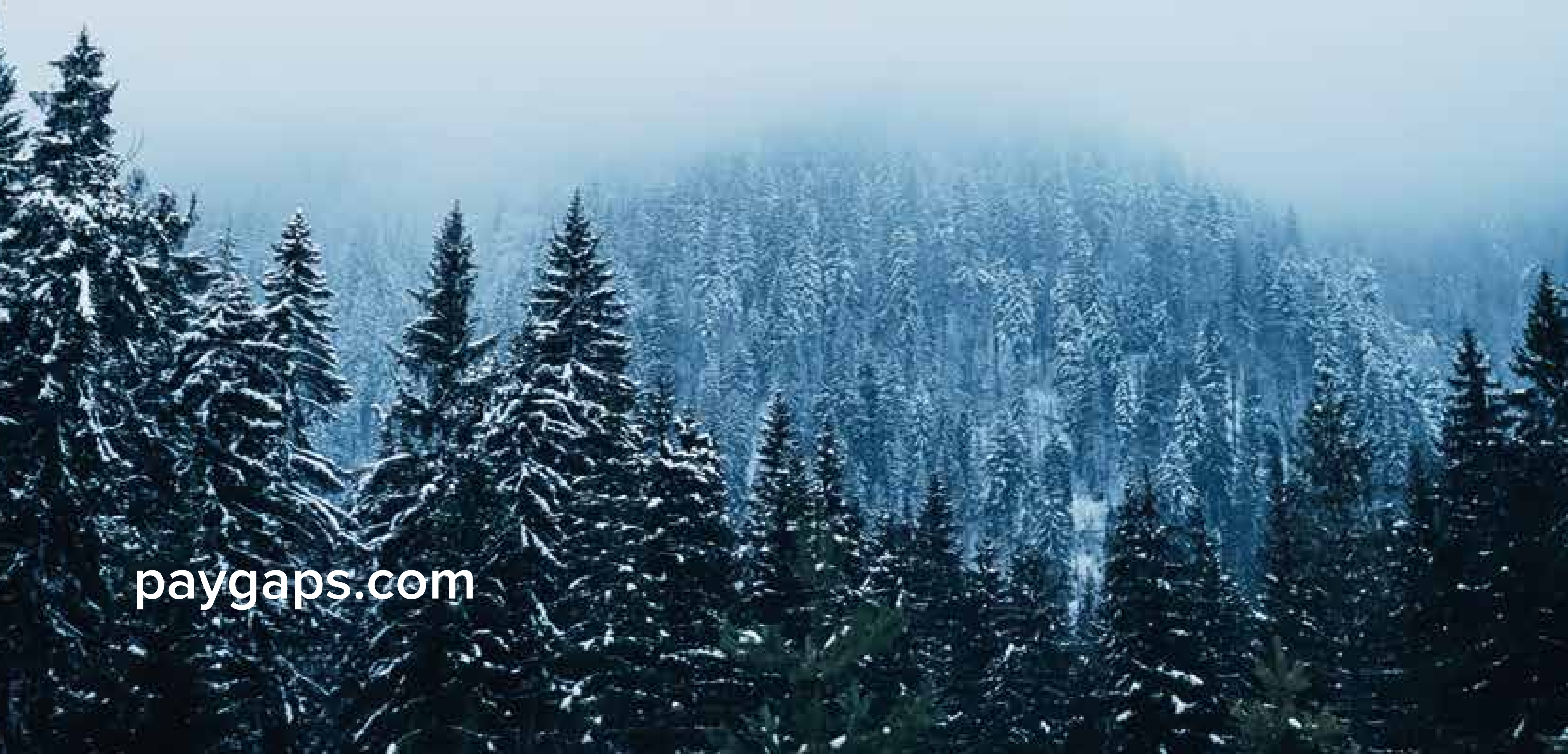
PULSE REPORT February 2019

# Gender pay gap reporting

Analysis of the first 1,000 submissions of 2019



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## With just under two months to go until the second gender pay gap reporting deadline only 10% of organisations have released their reports and whilst some have taken the opportunity to build on their initial report, others have merely provided the statutory figures again.

By the 12th February 2018, 767 reports had been submitted. This year has seen a 31% increase, but whilst the number has increased, the content, accuracy and compliance still need to improve for many organisations.

For the 85% of organisations that have reported for a second time, this should have been an opportunity to share with employees, investors and potential talent the progress they have made and what they intend to accomplish by the next deadline.

Some organisations have done this and even though their numbers are not the lowest in their industry, their approach sets them apart from their peers.

The only way stakeholders are properly engaged is if organisations take the opportunity to share a high level of detail in their reports. Without this reports are reduced to nothing more than a series of headline numbers which never tell the complete story.

### Analysis of the data

The data was obtained from the .GOV gender pay gap reporting service under the Open Government Licence v3.0. To ensure data integrity was maintained, submissions that are clearly from 2017 have been excluded leaving 967 valid reports.

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# Headline figures

This page shows the average pay and bonus gaps from the first 1,000[1] submissions as well as a comparison of the percentage of women in the lower and upper quartiles. The sector table shows the worst to best performance using median pay gap; the last column 'quartile difference' is calculated as follows: upper-lower quartile.  A negative value means the proportion of women in the highest paid roles is **less than** the proportion of women in the lowest paid ones.

| Sector/industry | No. of orgs | Mean paygap | Median paygap | Mean bonus | Median bonus | Quartile[2] difference |
|---|---|---|---|---|---|---|
| Construction | 29 | 23.2 | 25.5 | 27.2 | -36.7 | -29.0 |
| Financial and insurance activities | 65 | 26.8 | 21.1 | 47.7 | 28.0 | -26.4 |
| Mining and quarrying | 5 | 18.6 | 20.0 | 6.3 | 30.8 | -20.8 |
| Education | 101 | 13.6 | 17.9 | 3.8 | 0.4 | -13.5 |
| Information and communication | 45 | 19.9 | 17.7 | 27.9 | 20.2 | -20.5 |
| Professional, scientific & tech | 94 | 17.0 | 15.7 | 31.5 | 6.3 | -18.6 |
| Electricity, gas, steam & aircon | 18 | 14.5 | 15.5 | 18.9 | 11.6 | -18.3 |
| Activities of households as employ... | 1 | 15.5 | 14.9 | 39.2 | 53.2 | -24.5 |
| Public sector | 176 | 10.2 | 11.9 | 6.0 | 3.1 | -10.5 |
| Water supply, sew, waste mgmt. | 8 | 7.5 | 11.0 | 1.6 | 13.0 | -16.5 |
| Administrative & support service | 143 | 9.6 | 9.5 | -83.9 | -92.7 | -10.9 |
| Other service activities | 39 | 10.4 | 8.3 | 16.7 | 11.4 | -12.3 |
| Real estate activities | 28 | 10.3 | 7.9 | 13.6 | -5.4 | -16.0 |
| Transportation and storage | 37 | 10.2 | 7.6 | 10.5 | 6.3 | -10.1 |
| Manufacturing | 126 | 10.9 | 6.4 | 31.7 | -7.2 | -14.6 |
| Public admin & defence; comp ss | 63 | 7.0 | 6.3 | 1.0 | -3.7 | -8.2 |
| Accommodation and food service | 48 | 9.3 | 5.4 | 14.9 | 6.1 | -10.0 |
| Wholesale & retail trade; repair | 77 | 11.0 | 5.3 | 25.8 | 1.0 | -10.6 |
| Arts, entertainment and recreation | 28 | 7.0 | 2.5 | 13.0 | 4.1 | -7.9 |
| Human health and social work | 74 | 5.1 | 2.0 | -9.8 | 51.6 | -4.7 |
| Agriculture, forestry and fishing | 1 | 23.4 | 0.0 | 61.0 | 63.0 | -16.9 |
| Activities of et orgs and bodies | nil | | | | | |
| No sector | nil | | | | | |

1. 33 submissions have been removed because they are clearly 2017 reports.
2. This is the percentage of women  in the UPPER pay band of the organisation minus those in the LOWER band. A negative number indicates that there are less women in the upper pay bans

## Problems with the data

Most people have heard the computer expression '**garbage in - garbage out**', but what does it mean in the context of the data in a gender pay gap report? If you want to track the progress of a sector over a number of years then the quality of the data must be high or else the change you see could be due to a degree of inaccurate data instead of actual change over time.

Whilst the metrics required for the report seem quite straightforwards there are three strages at which errors can be introduced:

**1**

### An element of the data has been incorrectly captured.

Anything from an inaccurate payslip amount to an allowance that has been incorrectly coded. The raw data has been compromised because of a lack of adherence to the legislation or far worse a miscomprehension. We have seen examples of both and the only way to mitigate them is to seek third-party verification of the data and the processes used to collate it.

**2**

### A headline figure has been incorrectly calculated.

This can be incorrect data and/or poor interpretation of the methodology. We have seen incorrect assumptions made regarding salary sacrifices; if this affected mainly women, rather than men in an organisation, then it might explain the 69 instances where the bonus gap is greater than 100% in the first reporting year's submissions.

**3**

### Error made when typing values into form on .GOV site.

By examining the data we have seen many examples of this type of error including the wrong sign used on a pay/bonus gap (-8.5% instead of 8.5%) and also where the quartiles have been entered the wrong way around (lower = upper, etc). The .GOV site has basic error checks, but it doesn't spot everything. A thorough data check should be part of the process.

## Example

An organisation has 9 female employees earning hourly rates in the **range** £10-90. Say one woman earns £10, one earns £90 and the remaining seven all earn £70. Now lets work out the median pay by interpreting the guidance literally and then correctly:

✕ median hourly rate: the pay rate in the **middle** of the **range** = **£50**
£10 (+40) **£50** (+40) £90

✔ median hourly rate: the **middle** value(s) in the list from low to high = **£70**
£10 £70 £70 £70 **£70** £70 £70 £70 £90

## Analysing the gaps in the data

31.3%

Just under a third of all organisations have made one or two administrative errors when carrying out the reporting process. Whilst they may seem less important than getting the figures correct, they do suggest that the organisations in question have either not read the legislation carefully enough or that they have chosen not to follow it. This should be worrying to the employees of these organisations because for whatever reasons are given it actually boils down to the fact that we didn't care enough about this to:

a) give it enough resources;

b) lead this from the top; or

c) get someone to double check it.

### Most frequent omission

29.6%

244 private/voluntary sector organisations failed to provide a link to their written report.

The legislation states that the yearly reports must be published on the employer's website in a manner accessible by employees and the public, for a minimum of three(3) years. Some of the links provided were broken and just threw up a page not found error.

### Who is responsible for this report?

9.6%

79 private/voluntary sector reports were signed by a person below the required management level, and in a few cases, the reports were signed by people external to the organisation.

The legislation states that the figures and confirmation of accuracy statement, must be signed by either a director (or equivalent), a partner (LLP) or the most senior employee. The potential brand/reputation damage can be severe; imagine the message conveyed to the employees when the report has been signed by the '**payroll assistant**' or '**office staff**'.

## Data correlation

We have found a very strong correlation (220% increase) between those organisations whose reports are signed off by someone below the senior leadership team and with reports which do not clearly articulate the reporting year to which they are attributed.

This insight suggests that not enough thought has been put into constructing these reports and that this topic is not receiving enough support from the senior leadership team. These reports also have a higher chance (80% increase) of not possessing a valid web link to their report. Both points are very clearly stipulated in the legislation.

# Industry focus: Finance and Insurance activities

This update contains data from 63 organisations that identify as being in finance and insurance. Two have been removed because they clearly aren't part of this industry. i.e. **CentreParcs**.

Even though the industry averages are the second worst behind Construction, there are some encouraging compliance trends which are continuing in this, the second reporting year.

## Overview of industry vs UK average

| PAY GAP | BONUS GAP | WOMEN PAY QUARTS | WOMEN IN QUARTILES | PAY GAP 2017 |
|---|---|---|---|---|
| 21.0% MEDIAN | 27.9% MEDIAN | 59.9% LOWER | 33.6% UPPER | 22.2% MEDIAN |

| PAY GAP UK | BONUS GAP UK | WOMEN PAY QUARTS UK | WOMEN PAY QUARTS UK | PAY GAP 2017 UK |
|---|---|---|---|---|
| 10.4% MEDIAN | -6.4% MEDIAN | 53.6% LOWER | 40.3% UPPER | 11.8% MEDIAN |

## Industry trends and insights

**250 TO 499 OR 1,000 TO 4,999**
typical employee size

**BALANCED**
gender ratio

**0.9%**
drop in median pay gap

**100%**
correct reporting person

**one**
potential data error

**11%**
drop in median bonus gap

**14%**
failed to provide a link to their written report

# Top tips

## Providing proper context

The second reporting deadline is now within two months. Whilst last year there was merit in comparing ones figures against those of the ONS or wider/global data, this no longer holds true.

The ONS data is based on a sample of 1% of all working **employees** across the UK whereas gender pay gap reporting covers all **employers** with 250 or more employees. This fundamental difference in methodology should be enough to disuade organisations from this inaccurate comparison and encourage them to find another more appropriate source.

When comparing themselves organisations should first consider what exactly they are trying to compare; is it just the figures or is it their culture or leadership. Gender pay gap reporting is far more than a string of numbers and as such it should not be reduced to that level.

## Own your numbers and steer your narrative

This is not the time to be coy about your numbers; it's a legal requirement to publish them, so you must assume that all your employees, shareholders and your potential future talent already know the numbers. What they don't necessarily know is the unique set of circumstances that have led to them. Imagine the difference in optics given an identical set of figures and their change from last year to this:

> We had a **21.2%** pay gap **last year**, and a **23.8%** pay gap **this year**.

> **This year** our mean pay gap is **23.8%**; this is three percent higher than **last year's 21.2%**. This is because after analysis of the first year's figures we found that our talent pipeline was delivering more male candidates than females. We adjusted our messaging and our pipeline of female candidates grew. Our most recent intake was 80% female which has increased our mean pay gap due to the imbalance of female graduates at the lower levels of our organisation. We expect this to normalise within three years and we are monitoring the progress of all of our graduates regularly.

## About Women on Boards

Women on Boards exists to provide **information, encouragement and connections** to help women get to the top within their own company or to take on a board or committee role as a non-executive director (NED), trustee or governor. We are breaking down the barriers to entry to the boardroom and building the pipeline of board-ready women. WOB operates from the principle that as talent and ambition are equally distributed between men and women, organisations in all sectors need to work towards gender balance at board and leadership level, in order to reach their full potential.

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## About paygaps.com

paygaps.com is the trading name of STAFFMETRIX limited, an innovative start-up whose mission is to bring the power of data analytics to organisations that do not have the time, money or resources to unlock the insights contained in their human capital data. Our applications aim to bring transparency and accountability to all types of pay gap that exist within organisations, industries and sectors across the UK ang globally.

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