



CMI UPDATE ON GENDER PAY GAP REGULATIONS.

April 2017

CONTENTS

| | |
|---|-----------|
| About this briefing | 4 |
| Foreword by Ann Francke | 5 |
| 1. What is the gender pay gap? | 6 |
| 2. What are the regulations? | 8 |
| 3. Pay reporting in action | 10 |
| 4. Additional resources | 11 |

ABOUT THIS BRIEFING

This paper provides a quick guide for managers on the pay reporting regulations introduced in April 2017.

It outlines the key planks of the policy and aims to provide managers with the essential facts about what will be required of the employers that fall within its scope.

It also summarises the ‘business case’ for the policy, which has been strongly supported by CMI on the basis of extensive evidence about the gender pay gap that persists across sectors. CMI was a member of the Business Reference Group formed by the Government Equalities Office (GEO) to consult on the development of the regulations.

This paper has been updated to reflect the final version of the regulations as announced in December 2016, with further revisions made for the launch in April 2017.

Supporting diversity is core to good management and leadership, to improving productivity and to delivering strong and sustainable business performance.

FOREWORD

ANN FRANCKE



Ann Francke MBA CMgr CCMi FIC
Chief Executive, CMI

We are entering a period of unprecedented transparency about how businesses pay their employees.

Rules introduced in April 2017 mean employers with 250 or more employees are required to measure how they pay men and women – and to publish that data over the next 12 months. Across businesses, public services and the voluntary sector, this information will account for nearly half the UK workforce.

This is entirely to be welcomed. Our evidence shows that women still earn, on average, significantly less than men: as much as 26% less among managers working for large employers, according to the latest data published by CMI and XperHR.

More than forty years after the Equal Pay Act, how can that be the case?

The answer lies in the fact that the gap, in most cases, is not the result of unequal pay. Instead, it reflects the failure to achieve a balance of men and women in senior management roles, or to attract and retain women in some of the better remunerated occupations.

The problem we face isn't so much that women aren't receiving equal pay for equal work – but that they aren't getting equal work.

This short guide acts as a 'need to know' briefing for managers. Of course, most managers won't have anything to do with the technical work

of calculating and reporting on companywide pay data. But they have a central role in changing the cultures of our organisations and tackling the underlying causes of the gender pay gap: issues like the cultural assumptions that make women opt out, or the under-promotion of women, a problem highlighted by our latest research.

Diversity delivers better financial results, better culture and better decision making. That's why CMI Women and our open-source Blueprint for Balance tool are so important to CMI. It focuses on the six key areas where employers can do most to change cultures and deliver better balance.

Managers must embrace this new period of transparency and make sure that they're part of the solutions that businesses need.

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

Ann Francke MBA CMgr CCMi FIC
Chief Executive, CMI

1. WHAT IS THE GENDER PAY GAP

The regulations introduced in April 2017 aim to close the 'gender pay gap', a separate concept to the long-standing principle of equal pay.

Equal pay is straightforwardly about whether men and women are paid equally for equal or similar 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, describes any difference between the average pay of all women and men in a group. That could be calculated across the economy or in a particular profession such as management. Or it could be established for a particular organisation, which is the focus of the new regulations.

As such, it reflects a number of factors, especially the relative lack of women in senior management jobs.

So, in a given company, women and men could be paid equally at every grade, avoiding any illegal behaviour under equal pay law – but if the women are mainly in junior roles while men dominate higher-paid management ranks, the company would still have a gender pay gap.

It's this gap which will be mainly addressed by the new regulations – although the greater levels of transparency may also help to identify and enable employers to address any persistent cases of unequal pay.

What's the scale of the problem?

The latest data from XpertHR and CMI, based on analysis of pay data for over 60,000 individuals, shows that the gender pay gap among managers stands stubbornly high at 23%, and 26% among the larger organisations covered by these regulations.

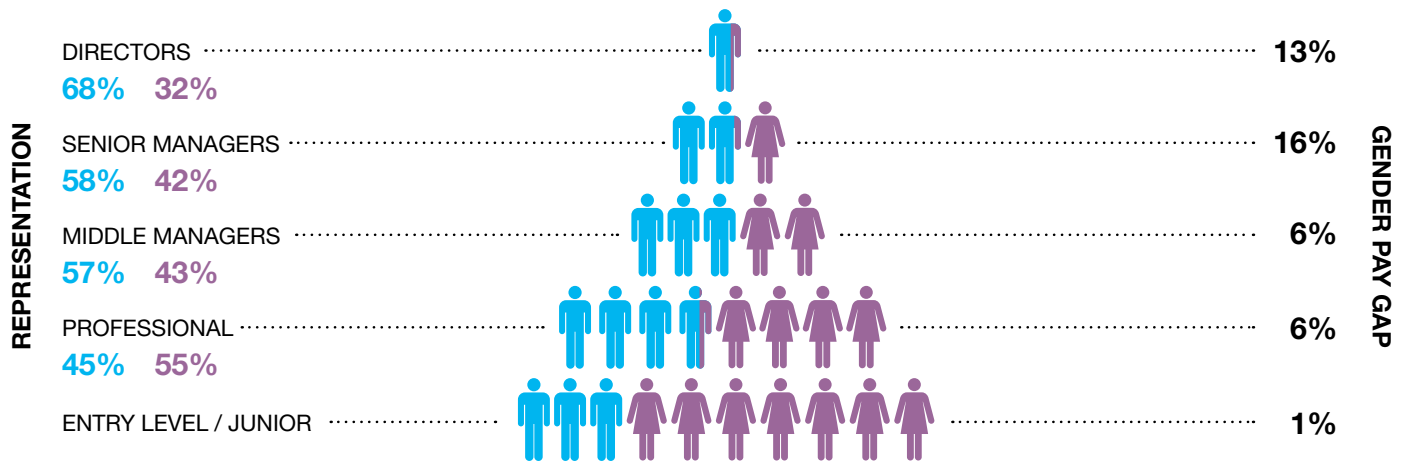
A key reason for this is the under-representation of women in senior management roles. Our analysis showed that men were as much as 40% more likely to be promoted in the previous year, with 14% being promoted compared to 10% of women. That's a trend confirmed over time: tracking analysis over the last five years shows that among managers who have stayed with their employer for five years, 47% of men were promoted compared to 39% of women.

The result? Women are under-represented in senior positions and earn less, something that CMI has described as a 'glass pyramid'.



Male managers are
40%
more likely than female managers to be promoted

WOMEN ARE UNDER-REPRESENTED IN SENIOR POSITIONS AND EARN LESS



The business case for action

There is a strong business and economic case for closing the gender pay gap and for tackling its twin issue, the under-representation of women in management roles.

Research from McKinsey & Company¹ has quantified the benefits of women fulfilling their economic potential and playing an identical role in the labour market to that of men to be as much as £150bn a year to the UK economy – or \$28trn globally by 2025.

The latest research from Credit Suisse², published in September 2016, confirms its 2014 findings about the business benefits of diversity. It finds that diversified boards deliver better results, with an 18% return on equity premium for companies with gender-diverse senior leadership teams. As their first report states: “It is not a case of a greater ability of one gender versus the other but that a more diverse group makes for better decision making and corporate performance.”

That’s a perspective consistent with CMI’s research with MoralDNA³, which has highlighted the dangers of groupthink in management decision making. It found that, on average, female managers score 5% higher than men on the ethic of care at work. If employers want decision-making to be balanced and to fully reflect the potential impact on people – employees, customers and others – the ethic of care needs to be fully acknowledged. Increasing diversity in management roles is an important way of achieving that.

¹ McKinsey Global Institute and McKinsey & Company United Kingdom, *The Power of Parity: Advancing Women’s Equality in the United Kingdom* (2016)
 McKinsey & Company (2015) *The Power of Parity: How Advancing Women’s Equality Can Add \$12 Trillion to Global Growth*

² Credit Suisse (2014 and 2016) *The CS Gender 3000*

³ Steare, R., Stamboulides, P., Neville Lewis, P., Plas, L., Wilton, P., Woodman, P. (2014) *Managers and their MoralDNA*

2. WHAT ARE THE REGULATIONS?

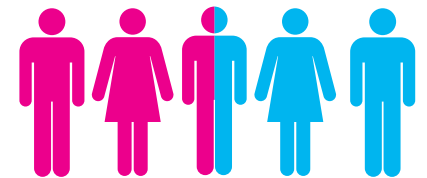
Who do they affect?

The new rules arise from the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

They require employers in Great Britain with a headcount of 250 or more – across the private, public and voluntary sectors alike – to publish information relating to pay and bonuses for male and female employees.

For the purposes of the regulations, headcount is calculated on the basis set out in the 2010 Equality Act, which includes employees, workers and agency workers, and some self-employed people.

In total, thanks to the decision to include public sector employers, the regulations cover around 9,000 employers, employing more than 15 million people. That's nearly half the UK workforce.



The regulations cover nearly half of the UK workforce.

What is the timeline for the regulations?

The first annual 'snapshot' date – that is, the pay period that forms the basis of what companies report – is 5 April 2017.

Employers in the private and voluntary sectors need to publish their first year's data by 4 April 2018. Public sector employers have to publish their data by 30 March 2018.

Where will the information be published?

There are two parts to the publication requirements.

Firstly, employers will be required to publish their data on their own websites. Data has to be retained online for three years. This requirement is to be welcomed, as it will help identify trends over time – and recognise employers who show progress.

Secondly, data will be required to be uploaded to the dedicated government website, **genderpaygap.campaign.gov.uk**.

What needs to be published?

The main requirement is for employers to publish the required information on pay and bonuses, with a statement from a suitable executive confirming its accuracy.

The regulations do not require employers to publish any explanation or commentary, but CMI strongly encourages employers to take that opportunity on their websites. Commentary can help put the raw data in context, explain changes over time, and outline the organisation's approach to diversity. That's highly relevant to an employer's reputation among existing and potential future employees, as well as its customers, investors and the public more widely.



What do employers have to publish?

The regulations require employers to calculate and publish four key pieces of information: the gender pay gap based on men and women's average salaries; the gender bonus gap over the previous year; the proportion of men and women receiving bonuses; and the numbers of men and women in each pay quartile.

CMI contributed to the development of these measures and welcomes the requirements. Overly simplistic reporting requirements would have hidden as much as they revealed, but these requirements will give a rounded picture of the state of pay in an organisation and help highlight areas where action may be needed.



1. The gender pay gap

Employers have to calculate and publish the difference between men and women's pay – with women's pay expressed as a percentage of men's pay – as calculated by both the median and the mean.

The median will provide a good indication of the 'typical' pay gap in the organisation, while the mean will include the effects of both high and low earners, which is useful as women are often under-represented in more senior, high-paying roles.

These numbers are to be calculated using the 'snapshot' for the pay period that includes 5 April.



2. Gender bonus gap

The regulations also require data on bonuses, not just basic pay. Again, this includes data on both the mean and median value of bonuses paid to men and to women. For bonuses, the calculations include bonuses paid over the previous 12 months.



3. Who gets bonuses?

In addition to identifying the value of bonuses, employers have to show the proportion of men and women who receive bonuses. CMI and XpertHR analysis shows that not only do women tend to receive smaller bonuses, they are less likely to receive them at all – an issue that will be highlighted by this part of the regulations.



4. Numbers of men and women in each pay quartile

Finally, employers are required to publish the proportion of men and women working in each pay quartile, when employees are ranked from lowest- to highest-paid. This indicator in particular will shine a light on the absence of women in senior roles in many organisations. Analysis of national pay data shows that 60% of employees in the lowest pay quartile are women and over 60% in the highest quartile are men.

3. PAY REPORTING IN ACTION

Many leading employers have already acted to assess whether they have a gender pay gap – and have published the findings as part of their efforts to address any gaps arising. Deloitte is one such employer. Their example provides insights into how, and why, employers are working to measure and close their gender pay gap.

CASE STUDY

Deloitte.

While the issue of the gender pay gap saw increasing public attention in 2015, at Deloitte we have been focused on this for some time. Gender diversity at leadership levels remains a challenge for many businesses, albeit there is an ever increasing understanding of the issues that hold women back in the workplace and the ways in which to tackle them.

Deloitte supported Government proposals to require larger employers to publish their gender pay gap and published our data in 2015 in our annual Impact Report. We must be open and transparent about the gender issues that face our business; reporting our gender pay gap was a way we could achieve this.

Our gender pay gap results did not surprise us, instead serving to confirm what we knew – that the challenge for us as a business is increasing the number of women we have at senior levels. When we look across our organisation as a whole our gender pay gap stands at 17.8% (around 1.3% below the national figure); however, the pay gap between male and female employees at each grade is significantly lower, at 1.5% on average.

In FY14, we set an ambition that 25% of our partner group would be women by 2020 and 30% by 2030.

We understood achieving this ambition would require sustained and meaningful action and where needed, cultural change.

Since this time we have implemented a range of actions to increase the number of women we recruit (at both an entry and experienced-hire level), ensured that development opportunities for women are clear, relevant and bespoke to the individual, and worked hard to provide a working

environment that truly enables all employees, men and women to balance a successful career with family life.

This focus has been critical to the progress we are now making – we have embraced agile working as a business priority, ensuring our people are able to work in a way that suits them and the business, and have introduced our award-winning Time Out scheme, which enables all our people to take a month's unpaid leave each year, for any reason.

Our relentless focus on respect and inclusion, of which our "Ask Yourself" film is a part, has also helped to ensure that we provide the working environment needed – one where our people are judged on the value they can bring to our firm. Alongside this, our return-to-work programme, open to individuals who have been out of the workforce for more than two years, is enabling senior women who had not previously considered re-starting their career to do so.

In addition, our re-designed Working Parents' Transition Programme has enabled those returning from maternity, paternity, parental, and adoption leave to do so with the support needed.

We recognise it is only through a combination of culture change and targeted actions that we will achieve greater gender diversity. This change must be meaningful and sustainable over the long term. We are mid-way through our journey, but are absolutely clear that reporting our gender pay gap has played a key role in accelerating progress.

This case study was developed with Think, Act, Report and is reproduced with permission. See Additional Resources for more.

4. ADDITIONAL RESOURCES

- **CMI Women** – CMI Women aims to inspire and support women throughout their careers and provide organisations with a Blueprint for Balance so they can benefit from being gender diverse. CMI Women is working to help create high performing, balanced teams; to support men as agents of change; and to tackle the ‘missing middle’, nurturing talent and supporting progression through the talent pipeline. www.managers.org.uk/cmi-women
- **Blueprint for Balance** – being developed by CMI Women, the Blueprint for Balance is an innovative open-source tool for employers to share and learn from good practice in improving gender diversity. It’s structured around six key areas, covering pay and rewards; skills and career development; promoting leadership equality; balanced recruitment; mentoring and sponsorship; and flexible working. www.managers.org.uk/cmi-women/blueprint-for-balance
- **National Management Salary Survey** – find the latest information on the gender pay gap among managers from CMI and XpertHR at www.managers.org.uk/mindthepaygap – and discover more about XpertHR’s salary surveys, including the National Management Salary Survey, at www.xperthr.co.uk
- **Gender pay gap website and resources** – the website for employers to upload their pay data as required by the regulations. It also includes resources to help employers close their gap and there’s a dedicated phone helpline for people who have questions as they’re inputting their data. <https://genderpaygap.campaign.gov.uk>
- **Implementation guidance** – detailed guidance for employers on how to implement the gender pay gap regulations, and a reporting template, are available from Acas. www.acas.org.uk/genderpay
- **Think, Act, Report** – the government-led campaign to maximise female talent in the workplace. It offers a framework for action and employer case studies including the Deloitte case study reproduced here and others from leading employers like Tesco, PwC, and Friends Life. Topics covered include carrying out gender pay analysis, supporting female talent, enhancing provision for parents and setting targets to drive action. www.gov.uk/think-act-report
- **Trailblazing Transparency** – a 2016 report from the Government Equalities Office in partnership with Deloitte which outlines the importance of transparency for closing the gender pay gap, how businesses can benefit and actions employers are taking. www.gov.uk/government/publications/trailblazing-transparency-report-on-closing-the-gender-pay-gap

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The Chartered Management Institute (CMI) is the only chartered professional body for management and leadership, dedicated to improving managers' skills and growing the number of qualified managers.

Our professional management qualifications span GCSE to PhD equivalent levels, including the unique Chartered Manager award, which increases earning potential and improves workplace performance.

We provide employers and individual managers with access to the latest management thinking and with practical online support that helps them to embrace change, create high-performing teams and keep ahead of the curve.

With a member community of more than 130,000 managers and leaders, we promote high standards of ethical practice through our Professional Code of Conduct, and help managers to build their expertise through online networks, regional events and mentoring opportunities.

For more information go to:

www.managers.org.uk/mindthepaygap

and join the conversation

@cmi_managers #genderpaygap

Chartered Management Institute

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