

# Gender Pay Gap Reporting event



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**As the dust settles from the rush to meet the first gender pay gap reporting deadline, EY's Assurance team brought employers together to discuss the first cycle of reporting and the lessons learned.**

The existence of a gender pay gap has been long suspected, but, until now, there has been no structured evidence to nudge businesses, Government and society at large into taking action to close the gap. The gender pay gap regulations<sup>1</sup> require private and voluntary sector organisations with 250 or more employees to publicly report their gender pay gap and gender bonus gap information on an annual basis.

On 21 May 2018, EY's Assurance service line brought together senior professionals, including heads of HR and heads of diversity from leading organisations to discuss the first cycle of reporting and the lessons that can be applied to the second cycle.

Speakers at the event included:

**Maggie Stilwell**  
Managing Partner for Talent  
UK & Ireland, EY

**Anna Jakobsen**  
Senior Manager, Climate Change and  
Sustainability Services, UK & Ireland, EY

**Simon Feeke**  
Senior Manager, Culture, Diversity & Inclusion,  
UK & Ireland, EY

**Joanna Gregson**  
Principal (legal), Equality and Human Rights  
Commission (EHRC)

**Dr Berkay Ozcan**  
Associate Professor of Social Policy at the London  
School of Economics

During the interactive event, delegates were invited to participate in a live polling exercise that asked a number of questions related to gender pay gap reporting, including how confident delegates were about the accuracy of their disclosures and the extent to which they knew the ethnic profile of their workforce.

This report summarises the main points discussed at the event.



# EY's analysis of the first reporting cycle

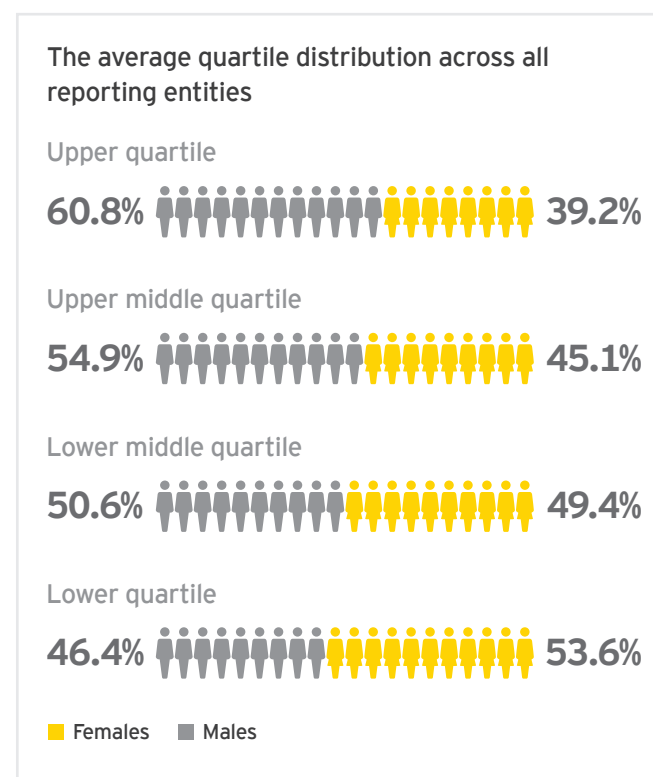
The first cycle of gender pay gap reporting has revealed a clear – and stark – picture of differences in levels of pay between men and women across the UK. Of the 10,462 employers that had reported by 2 May 2018 (around 600 organisations submitted their reports after the deadline), 77% revealed that they pay men more than women and only 9% of entities paid men and women equally, EY's Anna Jakobsen told delegates.



## 77%

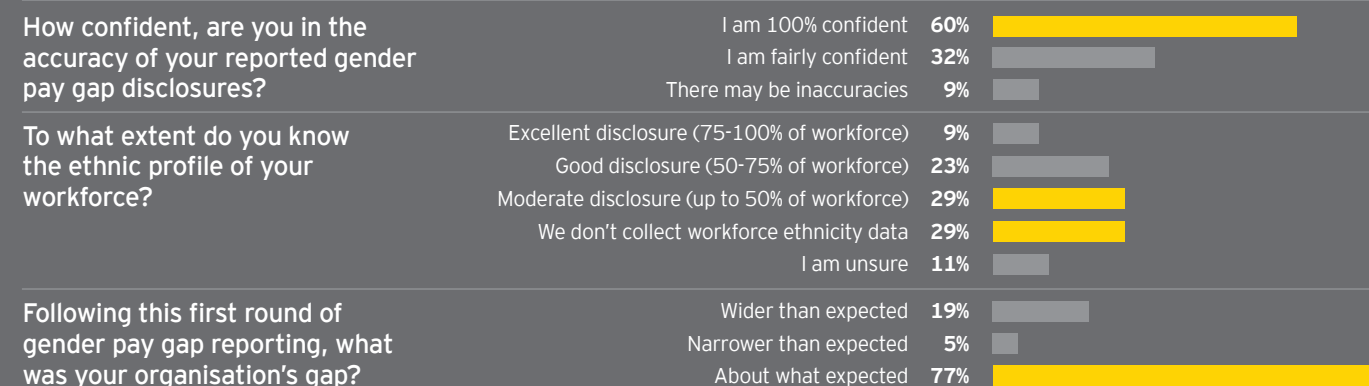
revealed that they pay men more than women

## The results: Women are under-represented at the top



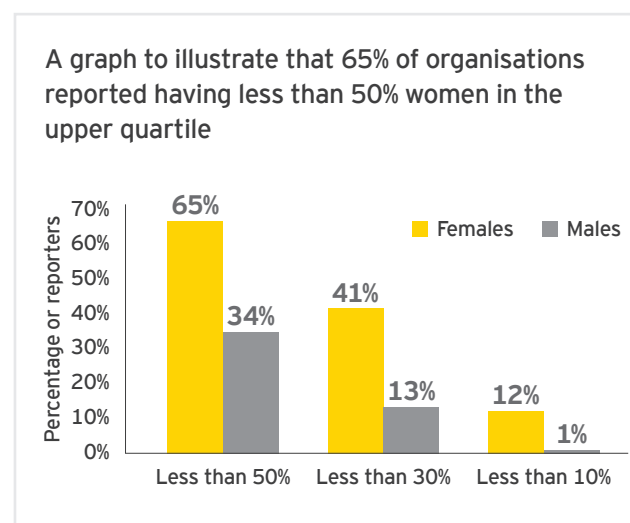
"The gender pay gap is often explained by a lack of women in senior [and therefore higher paid] roles," Jakobsen said, pointing out that just six FTSE 100 CEOs are women. The gender pay gap reporting data reveals that, at 53.6%, women are over-represented (more than 50%) in the lower pay quartile and, at 39.2%, under-represented (less than 50%) in the upper pay quartile. Sixty-five per cent of organisations said they had less than 50% women in their top pay quartile.

## The view from the room: we asked the 70 people in the audience ...



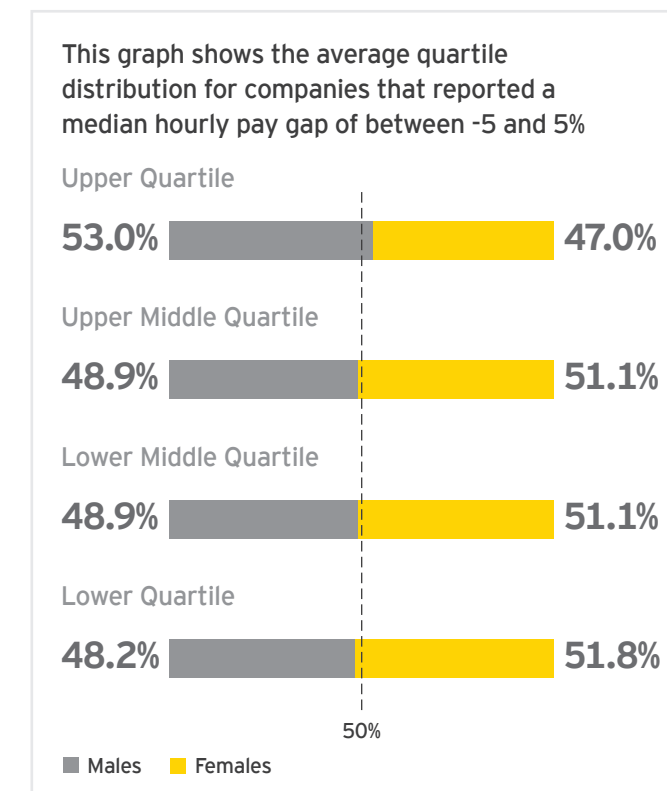
## The results: Male-dominated industries are driving lower female representation at top pay quartiles

The graph below illustrates that 65% of organisations reported having less than 50% women in the upper quartile. This is compared to 34% of organisations that reported having less than 50% men in the upper quartile. 41% reported having less than 30% women in the upper quartile, and 12% reported having less than 10% women at the top (which is driven by the fact that many of those companies operate in traditionally male industries where women are underrepresented across all pay quartiles).



However, over 100 entities reported having less than 10% females at the top even though they have over 30% females at the bottom two quartiles. There could be a number of explanations for this. It could be down to a drop-off at middle manager level which we often encounter in our work with clients, or it could possibly be down to a recent surge in male-dominated companies striving for gender-balanced recruitment which, in the short term, could affect the number of females at entry level more than at top levels.

## Low gaps on average correlate to more equal representation of women across organisations



On average, organisations with very low or zero-pay gaps had better female representation across the board although, as Jakobsen pointed out, there were exceptions. For example, the education sector has high female representation across all quartiles but its gender pay gap is still high, at 21%.

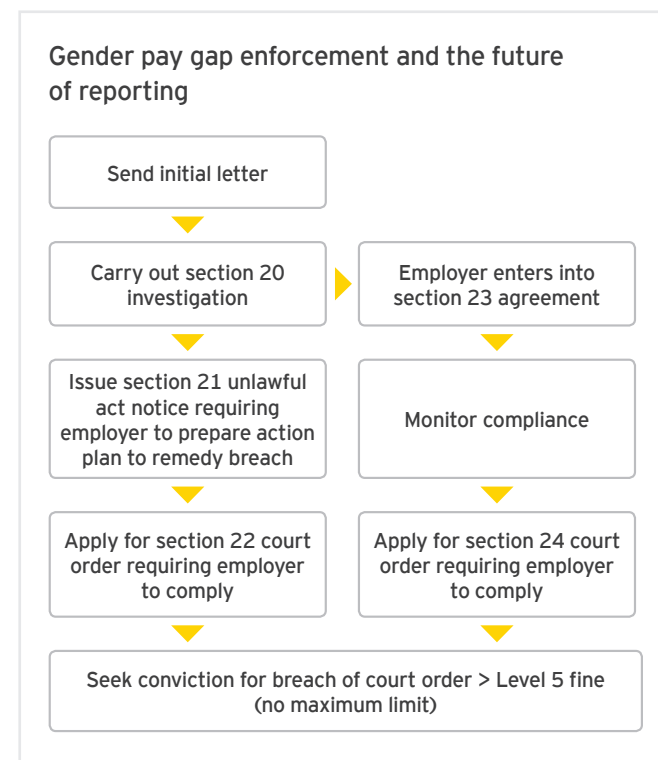
## The enforcement landscape

The EHRC is responsible for enforcing the regulations under the 2006 and 2010 Equality Acts. Joanna Gregson, who leads the legal team at the Commission, told delegates that 95% of employers with 250 or more employees had now either complied with the rules or confirmed that they are not covered by them.

The EHRC's primary responsibility is to ensure that those employers affected by the regulations report on time and accurately. In the first cycle of reporting, over 10,000 employers reported by the deadline, with 1,500 of those reporting in the final 24 hours.

When an employer fails to report, the Commission must give them a chance to put things right by writing to them, giving them a 28-day period to report online or explain why they haven't reported.

If non-compliant employers don't respond to this initial approach, the EHRC has the powers to investigate them under section 20 of the Equality Act 2006. The investigatory process involves issuing a public notice that the regulations have been breached, requiring an employer to remedy the breach and, ultimately, issuing a fine for non-compliance. As yet, there is no maximum limit on such fines.



It is at the point that a public breach of notice is published that reputational damage occurs for a company, Gregson told delegates. The Commission currently has 200 employers in its sights for enforcement action. Letters to all non-compliant organisations were sent on 9 April and investigations were expected to commence in mid-June.

In addition to its focus on non-compliant employers, the EHRC will also be investigating and taking enforcement action against those organisations that it believes have submitted improbable data. Jakobsen told delegates that many reporting entities had got their calculations wrong, with multiple organisations having to restate their data several times.

### *While the data itself doesn't create change, it's what we do with it that counts, Gregson told delegates*

Gregson outlined several purposes of enforcement. These included ensuring employers complied with their reporting obligations and holding those that did not report to account in order to deter non-compliance. "It's important that compliant employers don't feel short-changed and feel that other employers are getting away with it," she said. Enforcement also helps to increase transparency around the gender pay gap. While the data itself doesn't create change, it's what we do with it that counts, Gregson told delegates. The data that enforcement helps to gather encourages employers and others to tackle the causes of the gender pay gap. For example, it helps employees to understand the pay landscape and enables them to have informed conversations with employers about their own remuneration. Finally, enforcement allows progress on closing the gender pay gap to be measured.

## Why do we have a pay gap?

Now that we have irrefutable evidence that a gender pay gap exists, attention must turn to tackling its root causes.

Dr Berkay Ozcan, an EY alumnus, told delegates that the most likely explanation for the gender pay gap is the different types of jobs that men and women do. He described this as "horizontal" and "vertical" segregation. Within horizontal segregation, workers allocate themselves into different jobs and women tend to allocate themselves into degrees (English literature versus finance), sectors (social policy versus accounting) and job roles (paediatrician versus brain surgeon) that are lower paid than those that men choose.

"Horizontal segregation is partially explained by preferences or upbringing or gender norm socialisation," Ozcan told delegates. "The private sector's role in changing these preferences is very limited because they are set at an early age. One of the root causes of the problem starts from schooling. With gender pay gap reporting we are trying to fix the problem at too late a stage. The private sector can do very little about it. The Government needs to act."

Employers have a bigger role to play in tackling vertical segregation, which happens within organisations where men and women are sorted into different levels of hierarchy. "We haven't found an aspiration gap among women but we have found strong preferences for the types of jobs they want when they became a parent," Ozcan said. He added that these preferences were partly explained by the "motherhood gap" - one of the most predictable barriers to progression and strongest predictors of vertical segregation.

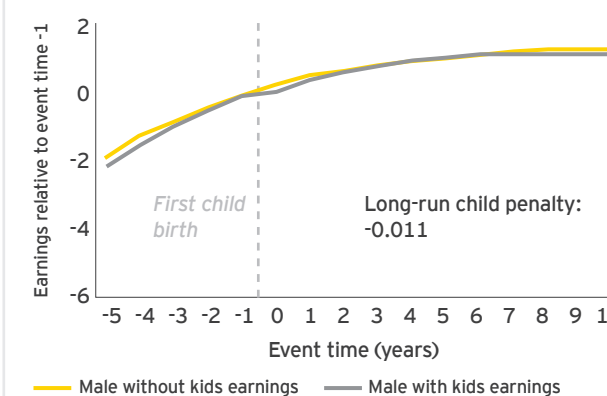
### *"There are still very resistant gender norms out there against mothers with children working"*

Dr Berkay Ozcan  
EY alumnus

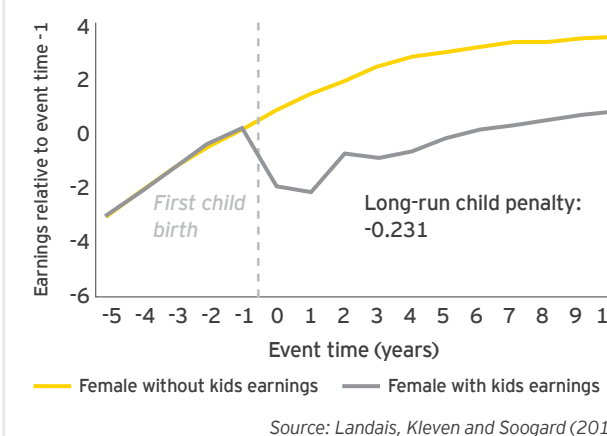
Social policies such as maternity leave and shared parental leave do matter, but not to a large degree. Denmark, well known for its progressive social policies that protect families and promote gender equality, still has a gender pay gap.

### Denmark: The country with most gender-egalitarian Family Policies

#### Men who have children vs men who don't Earnings impact



#### Women who have children vs women who don't Earnings impact



While employers can introduce initiatives that make it easier for mothers to return to work full-time, such as workplace crèches and breastfeeding facilities, changing the culture to make this the norm is very hard. In a large-scale survey conducted across multiple nations and years, respondents were asked if they thought women should work outside the home full-time, part-time or not at all when they are married but without children. Full-time work is supported when women have no children, but support for full-time work falls dramatically if asked, 'What if they have children under school age?' "There are still very resistant gender norms out there against mothers with children working," Ozcan said. "The private sector or Government alone can't do anything about it. They need to work together."

# Practical solutions for closing the gender pay gap

Despite these societal challenges, many employers are pushing ahead with practical solutions for closing the gender pay gap. EY's Simon Feeke told delegates that an EY study of FTSE 250 websites and supporting documents revealed that the top three remedies for addressing the gap were flexible working, recruitment and talent development.

## Top three cited interventions for closing the gender pay gap



"Flexible working is moving away from being associated with parenting and is increasingly being regarded as essential to the modern workplace," Feeke said. However, some organisations are still struggling with presenteeism and men, in particular, feel unable to share domestic responsibilities; two years after shared parental leave legislation came in, only 2% of eligible men take this time off.

More clearly needs to be done to ensure that flexible working is not seen as a career-damaging move. The insight gained from our diversity and inclusion assessment and advisory work with more than 100 client organisations has revealed four ways in which leading employers are building a flexible working culture:

1. They focus objective setting and subsequent performance appraisals on outputs, not inputs
2. They take a pragmatic approach to flexible working, realising one size won't fit all
3. They support the wellbeing of remote workers
4. They use flexible working as a central part of their employee value proposition, to attract and retain diverse talent

Many organisations are making good progress on diversity at entry-level recruitment through setting clear targets, investing in outreach work and de-biasing their recruitment processes. However, these positive actions still don't seem to be considered appropriate for senior-level recruitment and it will take years for entry-level recruitment to have an impact on diversity and inclusion at senior levels.

Leading organisations are doing three things to address this:

1. They are setting clear targets, making public declarations about their aspirations and monitoring their performance. Crucially, they are making the business case to the organisation that diversity and inclusion leads to better business performance. Our analysis of FTSE 250 organisations revealed that less than 10% of the index have publicly stated their targets for female representation across their businesses. While the majority of these organisations said they were working towards meeting the Hampton-Alexander Review recommendation to have 33% female representation on boards, one organisation said it would increase the number of women in technical

roles and another said it would look at salary thresholds for female employees. Our analysis also looked at the ethnicity pay gap, revealing that very few FTSE 250 companies have publicly stated targets for black and ethnic minority representation across its business.

2. They are incentivising recruiters to deliver balanced shortlists. Harvard Business Review research shows that when only one woman is on a shortlist, she has little chance of being appointed because she is an outlier, but equal representation makes her a real contender, giving a woman a fairer chance of being appointed.
3. They are recognising and addressing the additional factors women might take into consideration when contemplating a move. For example, who do they meet during the recruitment process? Do they meet enough role models?

Beyond the recruitment stage, our work with clients shows that leading organisations are doing the following to develop their talent:

1. They give all staff a clear pathway to career progression. Importantly, they take away the discretionary element of career progression, creating a level playing field.
2. They identify and start working with potential talent much sooner. This includes thinking about the critical experiences these individuals need to progress.
3. They second women into areas of under-representation and give them the support and sponsorship to succeed, but with the opportunity to go back to their old role if it doesn't work. One engineering company that did this enjoyed a 100% success rate, and women have gone on to be highly successful in the organisation and act as role models for other women.



Two years after shared parental leave legislation came in, only **2%** of eligible men take this time off

In August 2017, the EHRC conducted research on gender, ethnicity and disability pay gaps. As part of this study, Gregson told delegates, the Commission came up with six key recommendations for government, employers and other stakeholders within society to implement:

1. Unlocking the earning potential of education by addressing differences in subject and career choices, educational attainment and access to apprenticeships
2. Improving work opportunities for everyone, no matter who they are or where they live
3. Making jobs at all levels available on a flexible basis
4. Encouraging men and women to share childcare responsibilities
5. Reducing prejudice and bias in recruitment, promotion and pay decisions
6. Reporting on progress in reducing pay gaps



# What next for reporting?

With the first cycle of reporting, we have only uncovered the tip of the gender pay gap iceberg. Ozcan pointed out that gender is not binary; rather, it is a spectrum and we have not even begun to address the gay pay gap and the sexual orientation pay gap.

Beyond this, the Equality Act 2010 protects nine other characteristics from discrimination. While some employers have started to monitor the pay gap across some of these other characteristics – EY, for example, has collated figures on its ethnicity pay gap – Ozcan believes it may be too early to expand pay gap policies to these other areas.

“There is more to do on it,” he said. “It doesn’t mean we should stop it. We should try to improve how we measure categories more accurately, but I don’t think there is going to be an immediate solution about how to expand these things to those other categories of discrimination or how to accurately make organisations report them.”

Meanwhile, the EHRC will continue to enforce the gender pay gap regulations on an ongoing basis. It is considering the case for reducing the reporting threshold for employers and introducing extra reporting measures, such as comparing the pay of part-time women versus full-time men. The Commission’s Gregson told delegates that she believes gender pay gap reporting will eventually become self-sustaining.

We don’t know exactly when that will happen, but, for the second cycle of reporting, there are lessons to be learned from year one. In April, there was a last-minute rush to report, Jakobsen told delegates. Of the 10,000 employers that had reported by the deadline, just under 8,000 reported in the last two weeks. Organisations underestimated the complexity of the regulations, the time it would take to collate the data and the number of stakeholders they would need to engage to make the calculations, Jakobsen said, adding that employers

should take these learnings into the second cycle of reporting and start early. Crucially, they will need to demonstrate the improvements they are making in the second cycle. The key thing is to look at your data, identify the risk areas and put a plan in place to address them.

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**Anna Jakobsen**  
Senior Manager, Climate Change and Sustainability Services, UK & Ireland, EY

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### References

<sup>1</sup> There are two sets of gender pay gap regulations: one for the private sector (the Equality Act 2010 (Gender Pay Gap Information) Regulations 2016) and one for the public and voluntary sectors (the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017).