An open approach to close the gap

Greater context and accuracy is needed from companies for gender pay gap reporting to have an impact

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The first round of gender pay gap reporting, published in April, revealed that 78% of companies have a gender pay gap that favours men. The law requires all companies and private sector organisations with over 250 employees to reveal the differences in pay between their male and female staff.

Some big names were revealed to have significant gaps, with the largest including Ryanair (71.8%), J.P. Morgan (54%), Capita Resourcing Limited (50.8%), Clarins (UK) Limited (49%), Merrill Lynch International (46.7%) and EasyJet (45.5%).

Inspired by the initial reporting data, on 2 August, MPs published a report calling for more action to be done to ensure the closing of the gap. The Business, Energy and Industrial Strategy (BEIS) committee called for companies to go further than the current requirements with proposals for organisations to publish a narrative to explain their gender pay gap data and provide details of what progress they are making to reduce it.

The committee notes that current regulations only require around half of employers to report their data and they do not require organisations to publish any accompanying explanation or action plan for addressing the pay gap.

Rachel Reeves MP, chair of the BEIS committee and Labour MP for Leeds West, said that transparency on gender pay can 'only be the first step' and the government and businesses must take the lead in closing the gap.

Reeves continued by stating 'the gender pay gap must be closed, not only in the interests of fairness and promoting diversity at the highest levels of our business community, but also to improve the country's economic performance and end a monstrous injustice.'

First steps

That the opening round of reports should been seen as merely the first stage towards addressing the issue seems fairly uncontentious. Reporting statistics without having a plan to improve would surely be a fruitless endeavour.

'While 10,000 organisations have now reported their gender pay gap, we know that a significant proportion have failed to provide a narrative or action plan alongside their numbers,' comments Claire McCartney, diversity and inclusion adviser at the CIPD, the professional body for HR and people development. 'This is concerning, as without them, firms cannot be held accountable for ensuring that real progress is made towards gender parity throughout their organisation.'

'We therefore welcome today's recommendations … that organisations should be required to publish a narrative and action plan. The new requirement means that firms will need to take the time to understand the reasons why the gaps are there, think about what needs to be done sustainably to reduce them and then take meaningful action in the areas that will make the biggest difference.'

However, one aspect of the BEIS committee's recommendations that has caused some controversy is the call for an expansion in the number of companies who are required to report. The committee recognises that the gender pay gap is higher in smaller businesses and as such calls upon the government to widen the number of organisations that are required to publish gender pay gap data to all those with over 50 employees.

Accuracy is paramount

This may on the surface appear to be a sure-fire way to ensure greater action is taken, however, the recommendation needs to be balanced against the weight of regulatory burden placed on the shoulders of small and medium-sized enterprises.

The gender pay gap reporting exercise requires considerable resource, which is less easily available to small businesses. It also brings with it the risk that there may be reporting irregularities, which distort the true figures, as smaller sample sizes mean small blips in data can skew results disproportionately.

The committee acknowledges the potential resource burden and has adopted the proposal, advanced by ICSA in its submission to the committee, that rather that the current 'big bang' system where all firms report on the same day, it would be better for firms to include the data in their annual report, forming part of their normal reporting cycle and potentially reduce costs.

Missing data

The fact that some professional firms have chosen to exclude partners from their reporting data, also leads to questions about how reflective the published data really is of the state of gender employment figures in certain sectors.

Law firms were singled out by the committee and it chose to write to all of the 'magic circle' law firms about the issue. So far only one, Allen & Overy, has chosen to voluntarily update its figures. The decision for firms to not class partners as employees for the purposes of disclosure 'made a mockery of the system', according to Reeves.

The law firm situation clearly demonstrates the challenges around ensuring that organisations comply with the spirit of the regulations and do not merely see it as a compliance exercise.

As Laura Hinton, chief people officer at PwC, who gave evidence to the committee, said: 'Without robust action plans and greater accountability, we are unlikely to see the gender pay gap reduce significantly any time soon … Creating an inclusive culture, where flexibility is embraced by all and leaders are responsible for setting a clear tone from the top, is the vital ingredient in driving action.'

These concerns about the way the data is gathered and reported are shared by Bernadette Barber, director of Chadwick Corporate Consulting, who says: 'the splitting of data by quartiles rather than a more granular analysis means the picture provided by the current statistics is of limited quality.

'For example, by having no age-based breakdown, it tells us nothing about when the gender pay gap starts and how it changes over a woman's working life. It tells us very little about the extent to which the gap is skewed at certain levels of seniority. And until we are a few years into the reporting cycle, it will not be able to tell us how effective the new measures are in achieving their objective of driving change.

'So for me, I would be asking businesses that are already subject to the rules to do a little more work to make the data really useful and require them to publish direct to their own employees to ensure transparency with these key stakeholders, rather than extending the requirements to additional companies before there has been proper opportunity to assess how much real change the reporting will actually generate.'

The report by the BEIS committee also criticised current regulations for 'failing to clarify the legal sanctions available to the EHRC [Equalities and Human Rights Commission] to pursue those failing to comply and we recommend that the government rectifies this error at the next opportunity.' Without a clear sanctions regime it is an unfortunate fact that organisations may be less likely to make addressing the gap a priority.

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Meaningful Progress

It may be oft argued that increased diversity across the workforce translates to better bottom lines, but the reporting figures from April show this is not enough by itself to encourage firms to further support women's career aspirations.

As Barber suggests: 'The pay gap is a symptom of the more limited career opportunities and progression many women suffer and the impact this has on individual career choices and aspirations will not be fixed overnight. We need to change how employers ensure fairness and build pipelines, as well as instilling greater confidence in individual women about their ability to build a career that truly reflects their talents.'

Requirements for partner disclosure alongside clarity on penalties appear to be natural next steps. The proposal for companies with over 50 employees to be required to report could also have a positive impact – however, the need for accurate reporting data is essential if meaningful progress is to be made of closing the gender pay gap and harnessing the untapped talent in the workforce. n