



Voluntary Gender Equality Reporting in organisations employing 150 to 249 employees: Key Findings

Abstract

On 2 December 2010, the Government published 'The Equality Strategy – Building a Fairer Britain'. In this strategy the Government sets out a commitment to work with businesses and others to address the main challenges to equality in the workplace by developing a voluntary scheme for gender pay reporting in the private and voluntary sectors, particularly for those with 150 or more employees.

This research aims to understand transparency on gender pay gaps and workforce diversity in organisations with between 150 and 249 employees. It investigates both the propensity of organisations of this size to be open about pay and diversity in their organisation and what they do analyse and report on. The research comprised a quantitative survey of medium-sized employers¹ (defined as those with 150 to 249 employees for this survey). The survey secured 185 interviews and was supplemented by 17 in-depth qualitative interviews.

Research findings

Around one-half of medium-sized employers use discretion in determining pay

Starting pay in medium-sized businesses was determined in different ways, the most common being to start all new recruits on a set rate for the grade or role (43%). In 30 per cent of all businesses, however, starting pay was determined by the recruiting manager and for a further 20 per cent, pay was determined by a combination of the two methods.

Pay increases for promotions were also determined differentially. More than one-half (54%) of all medium-sized businesses reported that promotion increases

were set and agreed on a case-by-case basis compared with 27 per cent that stated that they had a set rate increase for each grade/role. In 12 per cent of businesses a combination of the two methods for determining promotion-related pay increases was used.

A degree of secrecy surrounds the issue of pay

In medium-sized organisations a degree of secrecy surrounds the issue of pay. In 40 per cent of these employers, staff were free to talk about their pay but the company provided no information on the subject. In 12 per cent of medium-sized employers, staff were discouraged from talking about pay, and some stated in the employment contract that staff should not discuss pay with colleagues (5% of medium-sized employers).

¹ GEO (2010) 'The Equality Strategy – Building a Fairer Britain', December 2010. HM Government: Government Equalities Office

² The Department for Business, Innovation and Skills (BIS) definition of employers by size is as follows: micro enterprises (1–9 persons employed); small enterprises (10–49 persons employed); medium-sized enterprises (50–249 persons employed); small and medium-sized enterprises (SMEs) (1–249 persons employed); large enterprises (250 or more persons employed). The employers were from the private and voluntary sectors and in: manufacturing and construction; distribution, hotels and restaurants; banking, finance and insurance; and other private services.

Most medium-sized employers have formal equality and diversity policies and say workforce diversity and ensuring there is no gender pay gap is a priority

All medium-sized employers were asked whether they had an Equal Opportunities and/or Diversity Statement. The majority (79%) said they had both, 15 per cent said they only had an Equal Opportunities Statement, and 1 per cent reported having only a Diversity Statement. There are still 5 per cent that said they have neither.

The majority of medium-sized employers (67%) reported that workforce diversity was either a very high or a fairly high business priority, and over one-half of all medium-sized employers (58%) also attached a similar priority to ensuring there was no gap between men and women's pay. Almost one-half of all medium-sized businesses taking part in the survey reported that someone within their organisation had responsibility for ensuring 'equal pay between men and women' as part of their job role, and two-thirds of all businesses surveyed provided training in equality and diversity awareness.

There is evidence of a gap between prioritisation and action

Those medium-sized employers that said ensuring diversity in their workforce was a very or fairly high priority were asked whether they had a planned approach for increasing workforce diversity. More employers identified reducing any gender pay gap as a priority than had a planned approach identifying how to do so: just over one-third of medium-sized employers that reported reducing the pay gap was a priority said they had a plan to do so. This could indicate a gap between attitude and action for employers that say that increasing workforce diversity and reducing any gender pay gap was a priority.

Most medium-sized employers hold diversity data about their employees

The analysis of any gender pay gap relies on the availability of key personnel and pay data. Most medium-sized employers (91%) collected some kind of diversity data on their employee's individual personnel/human resources (HR) record; 8

per cent reported that they didn't know whether they did or not. In just under one-fifth of medium-sized employers, key data on gender and current salary were not held on employees' individual personnel records, meaning any analysis of gender pay gaps would not be possible using their current systems.

One-third of employers that collect diversity data have analysed it

Approximately one-third (32%) of all medium-sized employers that collected diversity data on employees' individual personnel records had undertaken some analysis of the gender pay gap. A further 11 per cent planned to do so in the future. Relatively few employers reported that they analyse diversity data to look at differences in non-pay measures by gender. This indicates scope to encourage employers to make greater use of the workforce diversity data they collect and collate.

Employers believe they provide equal pay so don't need to use data to check

The main reason offered for not carrying out an equal pay review was the belief that the organisation already provided equal pay (80% of medium-sized employers that were not undertaking a formal review reported this to be the case).

Few employers report gender pay gap findings

In all, 18 per cent of medium-sized employers were undertaking a formal gender pay gap review at the time of the survey, or had conducted one in the past. Also, only four per cent of all employers (eight respondents), reported the findings of these formal reviews internally. A similar proportion stated that they reported the results of their formal gender pay gap review externally (seven respondents or 4% of all medium-sized employers overall). Over one-third of medium-sized employers that had not published gender pay gap review data were open to doing so internally but a smaller proportion were open to reporting externally (21%). The main reason offered for not reporting externally or internally on the gender pay gap was that it was not company policy to discuss pay.

Among all employers that conducted analysis of pay data (whether formal or informal), the findings were most likely to be shared with the board or senior managers.

Legislation most likely to motivate employers to undertake and report an equal pay review

Employers that were not conducting an equal pay review at the time of the survey and those with no plans to do so were asked what might encourage them to undertake such analysis. Just over one-third of medium-sized employers (37%) said that the question was not applicable to them as they already had equal pay in their organisation. The two main motivators to undertake gender pay gap analysis were reported to be that they would have to do so to comply with legislation (23%) or as a result of one or more employees making a complaint or taking action (12%). Both of these influences could be seen as 'push' factors, being an influence that required the employer to take action. Possible 'pull' factors were weak: influences such as it being good business sense, or wanting to be seen as a good practice employer were cited infrequently (by 1% and 5% respectively).

The factors that might influence employers to report gender pay gap analysis and review data externally again included a range of push and pull factors. Around one-half of all medium-sized employers said they would consider it if: advice on how to report clearly was available; if competitors did the same; if they were able to report and provide an explanation of the figures; and/or if an employee took action or complained. Just over one-half of all medium-sized employers did not think these factors would change their reporting behaviour and said they would only report externally if they were required to do so by law.

Conclusions: encouraging employers to think about equality and diversity, to act on findings and report transparently

Many medium-sized employers reported the importance of diversity and equality, but fewer had planned approaches either to increase diversity in the workforce or to reduce the gender pay gap, indicating that attitudes and actions within

medium-sized organisations did not always match. More generally, openness about pay was rare. This lack of transparency in relation to pay may influence how a business approaches gender pay gap analysis and reporting.

It is encouraging that many medium-sized businesses have the systems in place to measure and therefore the potential to analyse the gender pay gap and monitor workforce diversity. A first step would be to encourage organisations to analyse their existing data and support them in doing this, for example, through professional organisations or networks. This would be an initial step towards voluntary reporting and start to turn employer thinking into action.

The incidence of reporting on the gender pay gap among medium-sized employers was low. The most common reason given by medium-sized employers for not conducting a gender pay gap review was that they already provided equal pay. Overcoming the belief among employers that pay reviews and equality reporting are not relevant to their organisation presents a challenge.

Two of the main motivators that might make organisations analyse the gender pay gap in future were legislation or an employee making a complaint or taking action. Both of these influences could be seen as 'push' factors, and may be beyond the scope of a voluntary approach. The 'pull' factors, such as to be a good practice employer were cited by far fewer employers.

Further information

The full report produced by the Institute for Employment Studies (IES) is published by the Government Equalities Office (GEO).

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