
Women on Boards

Equality and Human Rights Commission

RPC rating: validated

The assessment is now fit for purpose as a result of the department's response to the RPC's initial review. As first submitted, the assessment was not fit for purpose.

Description of proposal

The Equality and Human Rights Commission (EHRC) has published a document "How to improve board diversity: a six step guide to good practice". The guidance sets out practical steps that companies, search firms and recruitment agencies may take to improve diversity in boards.

Impacts of proposal

The guidance will affect businesses with a board of directors and executive recruiters and executive search firms. It is estimated that 107 businesses will read the guidance each year, based on the number of times the guidance has been downloaded in the first year.

The regulator assumes, based on an earlier review, that familiarisation will be undertaken on a one-off basis by two managers within each business governed by a board and one manager within each executive search firm. Based on EFTEC reading speed data, managers are expected to take approximately half an hour to review the guidance. At a wage rate of £24.76 (including an uplift for non-wage labour costs), the total one-off cost of familiarisation is around £2,650.

The regulator also expects indirect benefits to businesses resulting from enhanced decision-making, reputation and performance. This is based on evidence from several studies, which are referenced within the assessment. However, for the purpose of this assessment, these have not been monetised.

Quality of submission

The original assessment of the impact of this guidance was rated not fit for purpose by the RPC. The rating was based on the inclusion of costs relating to potential changes to best practice and the lack of evidence supporting these cost estimates.

The revised assessment now excludes these costs and explicitly states that the guidance does not add any additional legal requirements. It also states that any resulting change in business behaviour is likely to be negligible, based on the small number of businesses that are expected to read the guidance each year (107). The RPC finds this reasonable, however, the assessment would have benefitted from an explanation of the likely changes in business behaviour that may result as an indirect effect of the guidance. The assessment would benefit from discussing these effects and the quality of the evidence supporting them, rather than omitting them completely.

The assessment helpfully outlines other indirect impacts of the guidance on business. It does so in a proportionate manner, by providing an explanation of the potential indirect effects despite being unable to monetise these.

The regulator has not provided the source for the assumed hourly wage of senior managers. The RPC has cross referenced the rate assumed by the EHRC (£20.60 per hour) with the 2017 Annual Survey of Hours and Earnings (ASHE). The rate used by the EHRC broadly aligns with ASHE data on the median hourly wage for senior managers (£20.50). The assessment would have benefitted from referencing the source of its estimates, especially as there is a discrepancy between the rate used in the assessment and the rate reported by ASHE, albeit a marginal difference.

It is not clear why the regulator has assumed that the familiarisation costs will occur in the first year alone, especially as this methodology is not consistent with other EHRC assessments. Despite this unjustified assumption, it is likely that the EANDCB remains accurate. The cost of familiarisation is estimated at around £2,650. The total cost would, therefore, still round to zero in EANDCB terms if this cost continued each year, throughout the ten-year appraisal period.

Departmental assessment

Classification	Qualifying regulatory provision
Equivalent annual net direct cost to business (EANDCB)	-£0.3 million (initial estimate) Zero (final estimate)
Business net present value	Zero

RPC assessment

Classification	Qualifying regulatory provision
EANDCB – RPC validated ¹	Zero
Business impact target score ¹	Zero
RPC rating (of initial submission)	Not fit for purpose



Anthony Browne, Chairman

¹ For reporting purposes, the RPC validates EANDCB and BIT score figures to the nearest £100,000.