

Employer views of
the Gender Pay Gap
Reporting
Regulations
A report by the Pay
Equality
Research
Consortium



A GW4-funded project

A synopsis of findings

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This report outlines the primary findings from the Pay Equality Research Consortium study conducted in summer 2016. The aim of the project was to gather views from employers on the forthcoming pay gap reporting obligations. Here we present our findings on how informed employers feel, their measures of preparation and how effective they feel regulations will be in overcoming pay gaps.

Background to the study

The study adopted a mixed methods research design that included interviews and an online survey. Interviews were conducted with HR and/or Reward Managers across 20 organisations of mixed size within the public, private and third sectors. Interview length ranged from 25 to 75 minutes.

Insights gained from the interviews were reinforced by an online survey returned by 150 HR managers in organisations of all sectors and industries.

The responses of this survey covered organisations from the public (26%), private (57%) and third sectors (17%) and a range of industrial activities (Figure 1). The research team targeted organisation that were over 150 employees only. The distribution of organisation size is given in Figure 2.

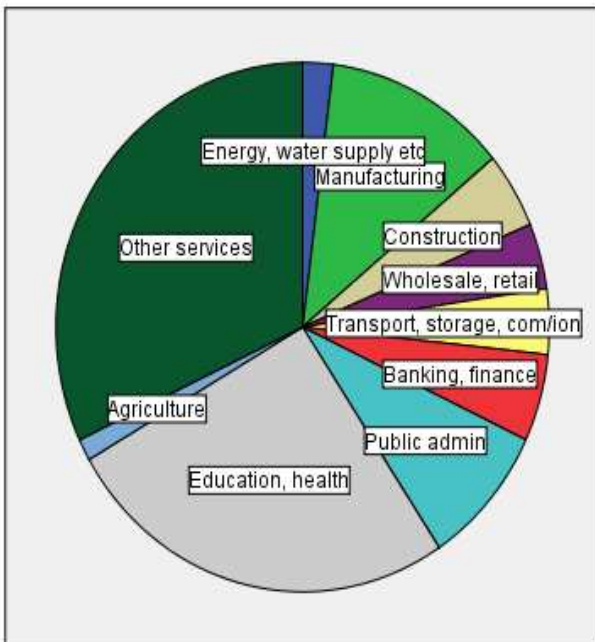


Figure 1: Industrial activity of sample

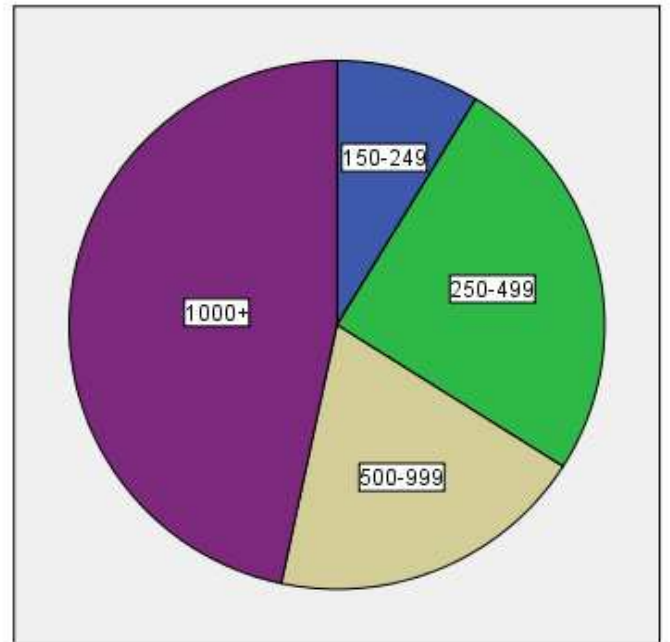


Figure 2: Organisation size

Views on the effectiveness of Gender Pay Gap Reporting.

Interviews revealed that employers have mixed views about the possible effectiveness of GPG reporting: yes, not and uncertain. The majority of interviews reflected the challenge of the task ahead and the comparatively limited impact that such legislation is likely to have. There was the feeling that this probably wouldn't work for smaller organisations; that the complexity of the measurements and the process was such that the effects of this weren't really understood. One respondent pointed to their non-compulsory nature as a reason to suggest they wouldn't have much impact.

Employers recognised that there is scope for many different explanations for pay gaps and the impact of reporting gaps will be lost in narrative. There was also the sense that public reporting wouldn't change behaviours of employees – for example “women wouldn't stop working for poorly ranked organisations” so the practical realities of needing a local employer for many would prevail.

There was a more positive perspective from larger organisations where this was seen as a ‘wake-up call’. Employers acknowledged reporting could be potentially quite powerful in sectors where comparison can be made and employees are more likely to move between employers. It was also seen as a valuable process in terms of starting the debate. As one respondent put it –“ if it gets measured it gets done”. But the need for implementation and follow through was seen as key. It was also seen as a means to start to shift cultures. In essence it was seen as being a stimulus for change (the media could play a role here too) where organisations wouldn't want to be named and shamed.

A number of concerns were raised:

- That employers would not be given the time to understand or prepare.
- That reporting pay gaps would be little more than more that rhetoric or ‘advertising’.
- That measures would be too complex
- That impact would be hard to gauge, with little to no evidence of this type of regulation having worked elsewhere.
- How gaps would be explained and qualified (potentially neutralising the intended impact).
- How the figures were going to be compiled and whether it would be a fair and true reflection of the position. This included questions around what was included and what was not, and whether fair comparisons were possible.

Strength of feeling on these issues was quantified within the survey.

	Strongly Disagree	Disagree	Agree	Strongly Agree
We feel well informed about the requirements of the new reporting regulations.	6	32	52	10
We will be prepared for the government's	2	11	67	20

requirements surrounding the reporting of the gender pay gap				
We are concerned about uncovering pay gaps	16	50	31	5
We are concerned about employees taking action or making complaints	10	62	26	3
We are concerned about not having the opportunity to contextualise/explain the presence of pay gaps	5	40	40	15
We do not have the resources to do this properly	14	55	27	4
We are fearful of looking bad compared to our competitors	13	55	30	4

A couple of our interviewees summed up the primary concerns:

“So I think it depends how it is made visible, how the statistics look. If it is just black and white this percentage, the average salary for a man in that site is this and the average salary for a woman is this. Then I think they will show a lot of pay gaps but I don’t think that is a true reflection.” Private sector employer: Manufacturing

“When I was at a meeting that involved people from BIS, okay and we were there and the first issue is to define pay; what is pay? Yeah? And we went round the table there was about 30 different companies and we all handed in a definition of what’s included and what’s excluded and why. And it’s still not clear as in terms of bonuses included. What about recognition payments? What’s the difference between recognition payments and bonus payments?” Private sector employer: Aerospace.

Overall, employer concerns with regards to the regulations were more process-related, i.e. emphasising the need to ensure they are adhering to the right procedures, than outcome-related, i.e. showing unease with respect to potential existence of pay gaps. They are also wary of not being given the opportunity to explain pay gaps. An interview participant of a large private sector company stated the following:

“I think that lack of clarity at the moment is how we will report it and I think there are some high level discussions that need to be had to make sure that we are aligned on what we’re reporting, what information we’re putting out there because obviously as soon as we put it on our intranet then it’s available to anybody internally and I guess externally as well. .. we’ve got some legal advisors and they run a seminar around gender pay reporting and actually we went through and discussed a narrative that would go alongside that reporting to explain why is it that our results are what they are ” Private sector: Manufacturing.

Preparing for Reporting Regulations

The section above demonstrates that awareness of the government regulations on gender pay gap reporting is high, yet respondents have a great deal of uncertainty as to the exact details these will include and how effective they will be. Nevertheless, companies are actively making preparations. Among the most popular measures HR managers are putting into place to meet the

demands of the reporting requirements are that they will be proactively undertaking their own pay gap analysis and auditing their data to ensure that they will meet the regulatory requirements.

	%
Training of staff on regulations and reporting requirements	29
Audit existing information on pay practices and pay rates to identify any gaps in the data	59
Undertake an internal analysis of existing data to assess the extent of current gender pay gaps	74
The adoption of policies and practices to reduce gender pay gaps ahead of the reporting period	20
Changes to IT systems or the introduction of new software packages to support analysis of data	11
Training of staff to improve the capacity to analyse our data	10
The recruitment of new staff to analyse our data	-
Using an external organisation to meet the demands of the legislation	11
None	3

These two employers reflect on their state of preparedness:

“I’m trying to make up better ways of doing things so one of the things we’re going to do is we’re going to start doing annual or even maybe quarterly checks, consistency checks on our data” Public Sector: Education

“Over the last 18 months, we have completed a job evaluation process and that highlighted some potential equality pay issues but we’ve been able to address those through implementing a pay review that we’re doing at the moment. ... We haven’t (measured pay gaps) before, no, and I was at a forum of peers yesterday and I don’t think many people have until they’ve been required to do it”. Private Sector: Leisure and Tourism.

Other preparatory practices had little support.

Conclusion and recommendations:

In sum, the GW4 Pay Equality Research Consortium study identified the following trends and tensions:

In general the employers in the sample saw the gender pay gap reporting regulations as an opportunity to focus on and explore the issue in their companies. The devil, as ever, will lie in the details. On the one hand employers are concerned about the complexity of the data that will be required. On the other, they voiced concerns about the potential requirement for a superficial presentation of data that will over-simplify a complex issue benefitting neither their female staff nor themselves.

We recommend that greater reflection and change will be achieved if employers are required to couch their data in a reflective report explaining gender pay gaps alongside an action plan of how they intend to close them.