



CIPD

Championing better
work and working lives

REPORT | *April 2019*

Not just a number: lessons from the first year of gender pay gap reporting

The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has 150,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

Report

Not just a number: lessons from the first year of gender pay gap reporting

Contents

Introduction	2
Methodology	4
Findings	4
Conclusions	14
References	16
Appendix	17
Endnotes	18

Acknowledgements

This report was written by Edward Houghton, Mel Green, and Charles Cotton at the CIPD.

The authors would like to thank colleagues at the CIPD for their input and guidance, in particular Jon Boys, Claire McCartney, Katy Adalar, Helen Ablett, Robbie Hurley and Ben Willmott.

1 Introduction

It has been acknowledged for some time that the systemic inequality that women experience in the labour market is a significant and persistent barrier which both damages the prospects and health of women, as well as limits the potential of economic prosperity. The forms this inequality takes are numerous – from sexual harassment, limited career progression and lack of opportunity in work, through to differences in pay between men and women in work. This latter inequality relating to differences in pay has caught the attention of UK policy-makers and business leaders alike, becoming an emotive signal of a continued lack of gender parity in the UK.

The moral argument for reducing inequality is clear and must be paramount above all other reasons, but there are also numerous economic benefits to realising gender parity. Broad estimates show that removing gender differences in the workplace could significantly impact the UK economy. For example, McKinsey estimates that the UK could add £150 billion to annual gross domestic product by 2025 if gender parity was achieved (McKinsey 2015). And at the individual level, PwC estimate that closing the gender pay gap could boost overall female earnings by around £80 billion. This equates to an average pay rise of £5,500 per year for each working woman in the UK (PwC 2018).

Unfortunately, the UK has some way to go before gender parity is achieved. OECD data shows that the UK's gender pay gap is 16.5% for full-time employees, above the OECD average of 13.8%, and is the twenty-ninth largest of 35 OECD countries for full-time employees (OECD 2017). And while labour participation for women is high in the UK, a large proportion of this is part-time (40% of female employment). Major barriers to full-time employment include high childcare costs, which keep women in part-time work as 68% of full-time earnings for the family's second income are essentially taxed away as childcare costs (OECD 2012).

In light of this the UK Government introduced new regulations in 2017 that require UK organisations to report gender differences in pay for their workforce. When doing this the Government was clear: the UK's gender pay gap cannot be closed without meaningful action by UK business, and to better drive action organisations should have to report the size of their gender pay gap on an annual basis.

Gender pay gap reporting: what is it?

Gender pay gap reporting regulations came in from 5 April 2017, with organisations in Great Britain with over 250 employees required to publish a set of indicators on a government website annually, starting by 4 April 2018. Information which is published on the government portal must also be published on the organisation's website and be available for a minimum of three years – and it must also be accompanied by a signed declaration by the organisation that the information is accurate. If organisations fail to report, the Equality and Human Rights Commission (EHRC) can investigate and take enforcement action (EHRC 2006).

Gender pay gap reporting is intended to nudge employer behaviour in several ways: first, by heightening reputation risk for organisations with high gender pay gaps, to prompt critical discussion and debate within organisations about the reasons why gender pay gaps may exist and what can be done to reduce them, and to promote competition between organisations to reduce gender differences in pay. The ultimate aim of the regulations is to prompt organisations to reduce gender differences in pay by ensuring they transparently report their gender pay gap on a publicly available platform.

Although not obligatory, the Government also expects most employers to publish a narrative explaining why the pay gap exists, and an action plan for closing it alongside their gender pay gap figures. These action plans are designed to demonstrate to stakeholders, including employees, the actions organisations are committed to, and the impact of steps they've been taking to close their gender pay gap.

Gender pay gap reporting offers a unique opportunity for HR professionals to highlight the potential value and impact the profession can have on significant business and societal issues. Gender differences in pay represent a topic of considerable interest to many stakeholders, and one which is very much in the public eye. Many of the issues surfaced in the gender pay gap debate, for example inclusion, progression, and reward, are areas which people professionals have considerable expertise and unique knowledge.

You can find out more about gender pay gap reporting by visiting the CIPD's factsheet: www.cipd.co.uk/knowledge/fundamentals/relations/gender-pay-gap-reporting/factsheet

Gender pay gap reporting: illuminating idea or a simple blunt instrument?

In many ways the introduction of gender pay gap reporting can be viewed as a pilot for the mandatory reporting of other workforce information. As trust has continued to decline in organisations following the financial crisis of 2008, subsequent recession and a slew of corporate governance scandals, growing pressure has been exerted on organisations to 'show their working' with regards to the management and treatment of the workforce. In this light the success of gender pay gap reporting could lead to improved transparency on many other forms of workforce information.

However, as with most pilots, the first year of reporting has been fraught with problems, namely:

- **Confusing the gender pay gap with equal pay:** a lack of awareness amongst the public meant that the data reported for the gender pay gap was often interpreted as evidence of different levels of pay for the same work: something which has been illegal since the 1970 Equal Pay Act. As it is illegal to pay men and women differently for jobs of the same value, the reason for pay gaps, in theory, is unlikely to be direct discrimination of women, yet this is a common narrative used to describe the issue.
- **Reliance on a single measure for a complex issue:** a variety of factors are known to influence gender differences in pay, one of which may be discrimination within the workplace. However, this is likely not the single cause, nor in some environments may it be the largest factor creating gender differences in pay. Mandatory reporting of a set of numbers, without an appreciation of these other complex and related factors, may blind businesses and policy-makers to the real cause of disparities in pay that must also be tackled through focused action.
- **Increased burden on organisations to report and justify their position:** some commentators note that the requirement to report is more red tape and bureaucracy to tackle an issue that simply isn't a problem of business, and that businesses are being unfairly blamed for. This view recognises that the gender pay gap is a sign of deeper, more complex issues beyond the workplace (for example in education) that require greater attention.
- **Bias in the way gender pay gap data is reported:** the way the Government's online portal requests data appears to be biased: the portal asks respondents to report how women earn x% less than men, a statement which assumes discrimination (IEA 2018).

While gender pay gap reporting has been successful in prompting large employers to publish their figures, what is important is that these employers act to reduce, where relevant, the size of their pay gaps. It is unlikely that the size of gender pay gaps will have changed significantly by the second year of reporting in 2019. In fact, by some estimates, at its current rate it will take almost a quarter of a century (24 years) to close the UK's gender pay gap (PwC 2019). It is therefore difficult to know whether, after just one year of reporting, gender pay gap reporting is having any effect on closing the gap.

It's clear then that gender pay gap reporting in the UK is very much in its infancy. With this in mind we set about investigating gender pay gap reporting from the perspective of HR to understand their views and to find out whether or not HR practitioners are ready to realise its potential.

2 Methodology

We conducted a cross-sectional survey of mid-level and senior HR professionals in February 2019. In total 731 UK-based employees working for organisations of over 250 employees responded to the survey, which was administered by YouGov through their panels of participants. Participants were incentivised for their participation and were selected following a process of pre-screening to ensure they were relevant to this study.

More information about the methodology can be found in the Appendix.

3 Findings

The gender pay gap reporting deadline in 2018 was the first point in time when organisations of over 250 people were required to report key measures relating to the gender pay gap. In the section below we explore the reflections of senior HR professionals to the first year of gender pay gap reporting.

1 The HR perspective on gender pay gap reporting: reflections on year one

In 2018 10,532 organisations reported gender pay gap data for 2017/18. Over three-quarters (77%) of reporting employers stated that median hourly pay was higher for men than for women in their organisation, while 14% of employers stated median hourly pay was higher for women. Nine per cent stated that median hourly pay was the same for women as for men, stating that there was no gender pay gap in their organisation. The median gender pay gap in year one was 9.3% and the mean was 13.3%. The proportion of women in the highest paid quartile of workers was 39.2% (House of Commons Library 2018).

We asked respondents to provide an indication of the size of the gender pay gap in their organisation to explore the perceptions of HR professionals and understand whether or not they are aware of their organisation's gender pay gap. These results are shown in Table 1.

Table 1: Results of 2018 gender pay gap reporting

Median pay gap result	%
Our median pay gap was 0% – there was no gender pay gap between men and women	20
Our median pay gap between men and women was 0.1–4.9%	15
Our median pay gap between men and women was 5.0–9.9%	11
Our median pay gap between men and women was 10.0–14.9%	6
Our median pay gap between men and women was 15.0–19.9%	4
Our median pay gap between men and women was 20.0% or above	6
Don't know	37

Base: n=731

We note some important differences between official figures and the perspectives and understanding of HR professionals, mainly that a higher proportion of respondents thought their own organisation has no gender pay gap, and second, that over a third of respondents don't know the size of their own organisation's gender pay gap. We think this could be due to several reasons:

- The official figures are not subject to audit and therefore incorrect or inaccurate data may be published via the online portal. In 2018 several organisations resubmitted data ahead of the deadline, and over 140 published a pay gap of 0%, far more than expected.
- HR professionals may not have the full information about the size of their organisation's gender pay gap, nor may they be involved directly in understanding and mitigating against it. This may explain the relatively high number of respondents highlighting that their organisation had no gender pay gap in 2018. This is further highlighted by the large number of 'don't know' responses (37%).

Is paying women more than men the answer?

Given that gender pay gaps are influenced by several factors, including sector, social norms and education outcomes, it is possible for gender pay gaps to exist in which women are paid more on average than men. This tends to occur in industries or occupations dominated by women, such as early-years education and nurseries. This is far less common, however, as even highly female gendered industries are not immune to the more typical gender pay gap in which men are paid more than women.

Any gender pay gap, no matter who it appears to favour, should be addressed through meaningful action. Gender parity can only come by addressing the systemic issues that create gender pay gaps, as well as addressing organisation and industry-level issues that might exacerbate them. Therefore, HR practitioners should aim to implement practices that bring parity and fairness into their practice for all gender identities.

What do HR professionals think cause their 2018 results?

Of the 311 organisations who reported that they had a pay gap, the three most commonly cited causes of the gap were:

- occupational or industry segregation, such as male-dominated sector or jobs (45%)
- part-time working pay and progression penalty (31%)
- unconscious bias among leaders and line managers (27%).

Overall, the reported causes of the gender pay gap were largely consistent across organisations and are as we expected from respondents. Interestingly these findings are in line with published evidence but omit an important factor often cited in research: women tend to incur a much greater wage penalty for bearing children compared with men, and as such need support through maternity, during and beyond their return to work (for example via flexible working) (Bertrand et al 2010, Kleven et al 2018).

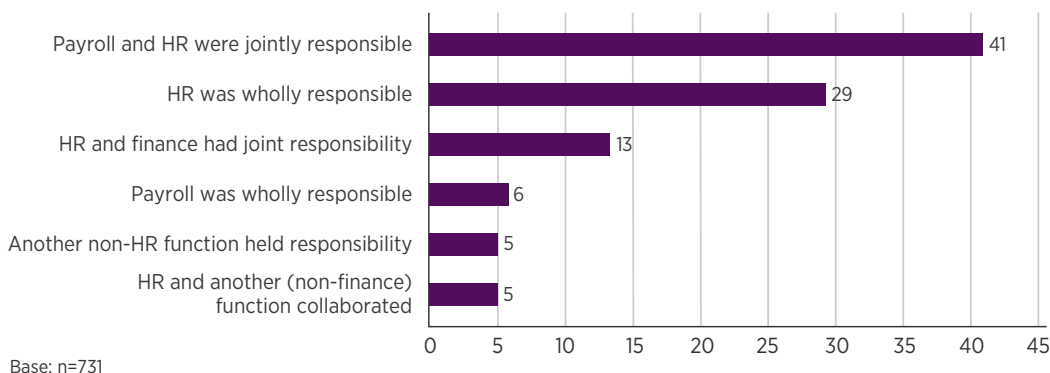
Who compiled gender pay gap reports in 2018?

Gender pay gap regulations do not state which professional or expert should compile the data for the gender pay gap report – this decision is left to the organisation to decide. Therefore, it is useful to know *which function compiles gender pay gap reporting data*.

Our findings highlight that in 89% of employers, HR has either sole or joint responsibility for compiling gender pay gap data, and in two in five organisations payroll and HR were jointly responsible for compiling their organisation’s gender pay gap response for 2017/18 (41%). Three in ten reported HR was wholly responsible (29%). Just 5% of respondents said a non-HR function held responsibility.

Of those who said HR and payroll were responsible for compiling data, 24% said they also had support from management, 17% had support from finance and 15% had support from legal, risk and compliance.

Figure 1: Responsibility for compiling 2017/18 gender pay gap response (%)



This data highlights the importance HR should attach to compiling gender pay gap data, and that the HR profession should look to prepare for gender pay gap reporting throughout the year leading to the annual reporting deadline.

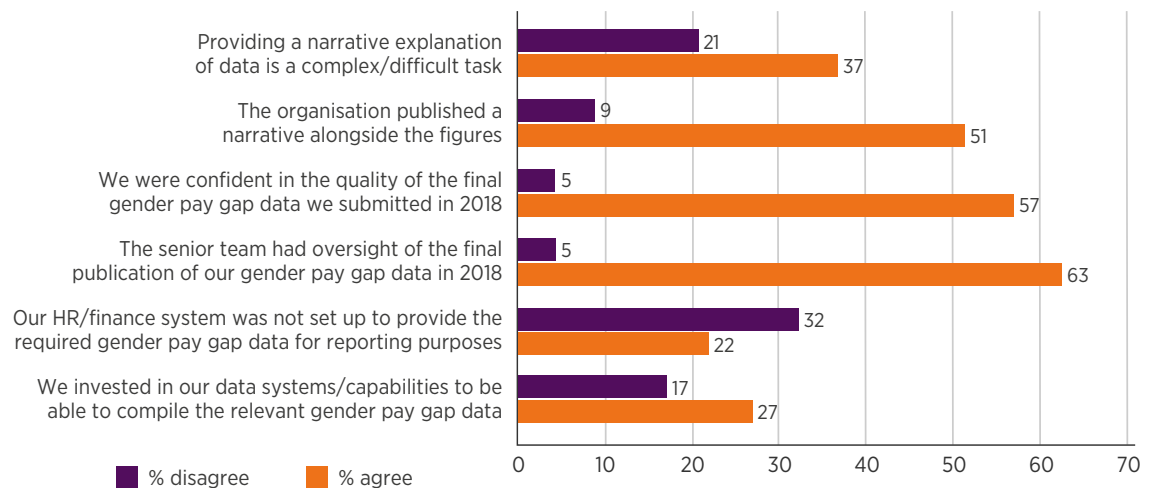
Imperfect reporting: HR’s experience of compiling gender pay gap data for the first time

While the outcomes of reporting (the publishing of data) has attracted much attention, little is known about the perspectives and experiences of those compiling gender pay gap information. To remedy this gap in insights we asked HR and management professionals their experience of compiling data in 2018. We found that:

- **Technologies that are needed to compile the data are not in place.** Twenty-seven per cent agreed that their organisation has invested in their systems or capabilities to compile pay gap data, while 17% disagreed that this is the case. Surprisingly, 38% of respondents don’t know. Our data also shows that just two in ten (22%) agreed their systems are set up to provide that information. This appears to highlight a potential barrier in the technologies that are required to compile relevant data.

- **Senior teams play an important role in signing off the final submission.** Almost two-thirds (63%) agreed or strongly agreed that the senior team has sight of the final publication of pay gap data. Just 5% disagreed. However, 26% don't know whether their senior team has this sight, highlighting that some HR functions should look to understand the extent to which their senior team are on board.
- **Confidence in the quality of the submitted data is moderate.** Around three in five (57%) of HR professionals are confident with the quality of the final gender pay gap data they submitted in 2018.
- **Providing a narrative to explain the gender pay gap proved difficult for many organisations.** The majority said their organisation (51%) had published a narrative and just 9% said their organisation didn't publish a narrative report. Thirty per cent of respondents didn't know whether they had published a narrative on their gender pay gap.

Figure 2: HR's experience of compiling the 2018 gender pay gap report (% agree and % disagree)



Base: 731

Awareness of certain areas of gender pay gap reporting is lowest in the public sector. For example, those in public sector organisations were more likely to say that they didn't know whether their organisation invested in systems and capabilities to be able to compile the relevant gender pay-gap data (36% versus 45%). Public sector respondents are also less likely to:

- know whether the senior team has oversight over reporting (24% selecting don't know in the private sector versus 32% in the public sector)
- whether they are confident in the quality of reporting (25% in the private sector versus 36% of public sector respondents not knowing the quality of reporting)
- whether their organisation published a narrative alongside the figures (28% not knowing in the private sector versus 37% in the public sector).

The gender pay gap explained: what are its main causes?

In the UK, the gender pay gap is calculated by comparing the average (such as the median or mean) hourly pay and bonuses of various groups of workers. The analysis can be carried out at several levels, such as by employer, industry, profession, region or nation. Pay gaps can be calculated by using more than one employee characteristic, such as ethnicity and age. This approach accounts for intersectionality – the idea that we all have multiple, overlapping identities that can impact experience at work.

Gender pay gaps have been shown to be caused by several factors, the biggest of which being the occupation group of an individual, which accounts for 23% of the difference in pay. Second most influential are differences in working pattern, for example full-time to part-time work, accounting for 9% of the difference in hourly pay. Although often cited as a key factor, age was found to have limited negative effect on gender differences in pay (ONS 2018). Other factors known to shape the size of gender pay gaps are also reported, and may be categorised as follows:

- **External factors:** the size of an employer's gender pay gap can be influenced by such external factors as the availability of child and/or elder care, the quality of school careers advice, how certain jobs are perceived by society, the proportions of male and female apprentices in the supply chain, and the age of employees.
- **Internal factors:** factors such as the structure and implementation of pay and bonus systems, the provision of flexible working opportunities, promotion selection criteria, and the language used in job adverts can influence the magnitude of pay gaps.
- **The pay gap calculation:** there are several calculations that can be used to determine pay gaps, and as such each will generate a different final pay gap. This will include how deferred pay, such as an employer's pension contribution, is considered, or how benefits such as company cars or gym membership are treated in the calculation.

Understanding the impact of these three factors is important because it will inform the size of the pay gap. Many pay gap figures are incorrectly attributed to unfairness in pay practices, but there may be other external factors at play. It's important organisations and their stakeholders try to understand the reason behind the pay gap figure, and then take action.

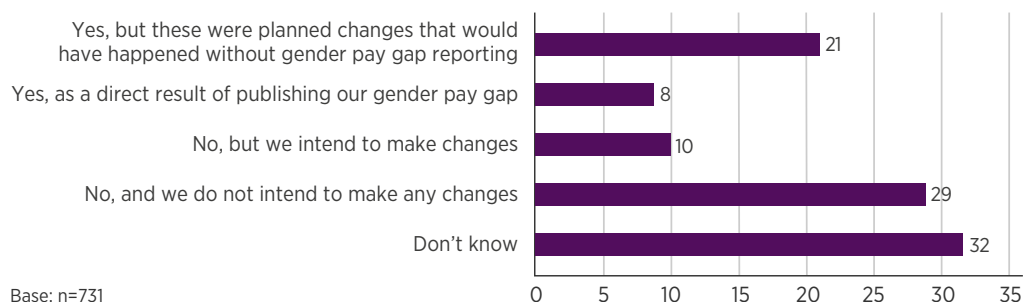
To enable this more effectively HR professionals should look to develop a comprehensive and clear narrative that puts the figures they report in context and describes the action they plan to take. An important action to enable this is an equal pay audit, which will help to highlight where there may be disparities in pay.

Lots of noise but little action: reporting in 2018 didn't lead to changes in practice

Action planning is an important outcome of reporting gender differences in pay. We asked respondents what, if any, action their organisation had taken – such as implementing new policies, interventions, processes or putting new systems in place.

Three in ten (29%) said their organisation had not yet made any changes to pay because of gender pay gap reporting and did not intend to do so. Just 8% of respondents had made changes as a result of the new reporting requirements; however, a fifth (21%) of respondents said they would have done so regardless of the new requirement to report this information.

Figure 3: Organisations' actions on pay following gender pay gap reporting 2018 (% agree)



Overall, private sector organisations are more likely to be taking some action on pay compared with public sector organisations, with 32% of private sector organisations indicating they have made changes compared with 23% of public sector organisations – this could be because of many reasons, including general pay restraint in the public sector and increased public scrutiny into employee reward, compared with the private sector.

We also asked what other action, aside from pay, organisations are taking in response to their gender gap report. These are outlined in Figure 4.

Figure 4: Actions taken in response to 2018 gender gap reporting (% taking this action)



Organisations with an action plan are focused on improving their inclusivity

A surprisingly low number of organisations stated that they had a gender pay gap action plan: just 124 organisations (17%). Of these 124 organisations, the most common commitments to action are:

- to promote and/or implement flexible working practices for both male and female employees (42%)
- reviewing recruitment policies, practices and procedures to ensure equality and remove bias (41%)
- reviewing career development and leadership development programmes such as targeted mentoring, coaching and training for females (40%)
- actively monitor recruitment with gender or other protected characteristics in mind (40%).

Reporting does not yet appear to be prompting open conversations about the gender pay gap within the workplace.

Respondents indicated how HR communicates with employees about their organisation's gender pay gap, as highlighted in Figure 5. Less than a fifth (17%) of respondents stated that action plans and targets are shared with employees, highlighting a potential lack of transparency.

Figure 5: Methods of communicating gender pay gap to employees (% using these methods)



Key findings

Less than 10% (only 8%) of organisations have acted as a result of publishing their gender pay gap data.

This appears to highlight that organisations have yet to recognise the implications for gender pay gap reporting and to connect the results of their analysis to changes in practice. Many did report that actions are ongoing, irrespective of the gender pay gap reporting process, but there does appear to be a need to ensure actions are connected to the outcomes of the reporting process, and clear narratives that outline if and how progress is to be made.

When actions are taken, they tend to be focused on flexible working and recruitment practices.

This highlights the strategic approach HR professionals are taking to tackle the gender pay gap. These practices are more likely to lead to change over the long term but could lead to short-term negative consequences, for example recruiting women into low-paying roles, so to improve the talent pipeline to senior positions. These effects will need to be outlined by HR teams in their action plans.

Over half (51%) of those surveyed stated they have produced a supporting narrative alongside their gender pay gap data.

It's encouraging to see HR professionals are producing narratives that describe and support their data submission. Narrative descriptions are key to putting data in context, and our survey highlights that in the first year of reporting a slim majority of HR professionals are producing narratives alongside their data.

There is a lack of awareness and understanding of HR professionals to gender pay gap reporting and its impact.

Some questions appeared to generate high levels of 'don't know' responses from participants, suggesting that not all are aware of the importance of gender pay gap reporting, nor are they aware of what their organisation is doing about it.

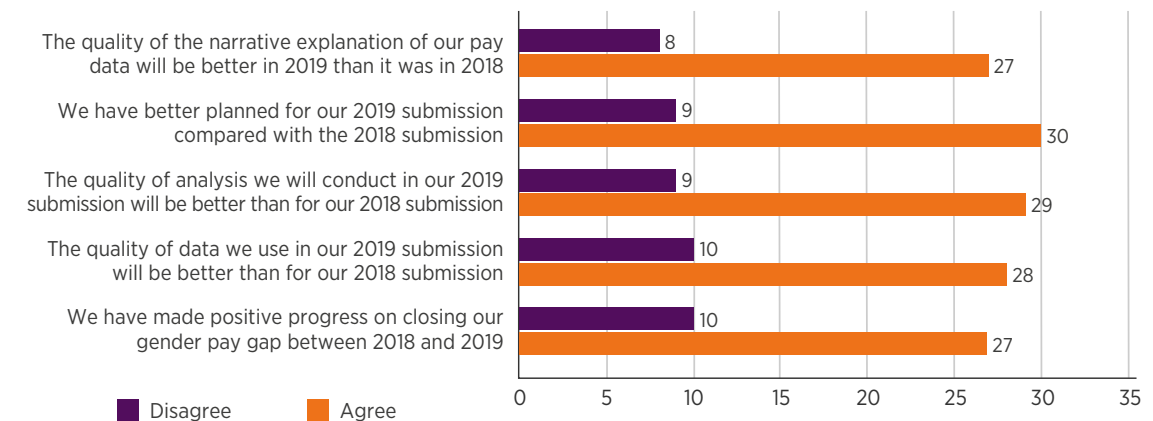
2 Looking forward: is HR prepared for gender pay gap reporting in 2019?

In addition to measuring the impact of the first round of gender pay gap reporting in 2018, we also explored the outlook of HR professionals on reporting in 2019.

As noted previously, it is unlikely significant change in organisation gender pay gaps will occur between 2018 and 2019; however, we expect HR professionals' perspectives and expectations may change over this period as they become more accustomed to the process and outcomes of reporting. For this reason, we decided to explore the perspectives of HR in the run up to the reporting deadline in 2019.

Our analysis shows that in general HR professionals do appear to be positive towards reporting in 2019, with almost a third (30%) noting they have better planned for 2019's reporting deadline, while only 9% disagree. However, we note a large number of 'don't know' responses to these questions, highlighting that some HR professionals may not have been directly engaged in compiling and reporting data in 2018, so have no view on the planning for 2019 (Figure 6).

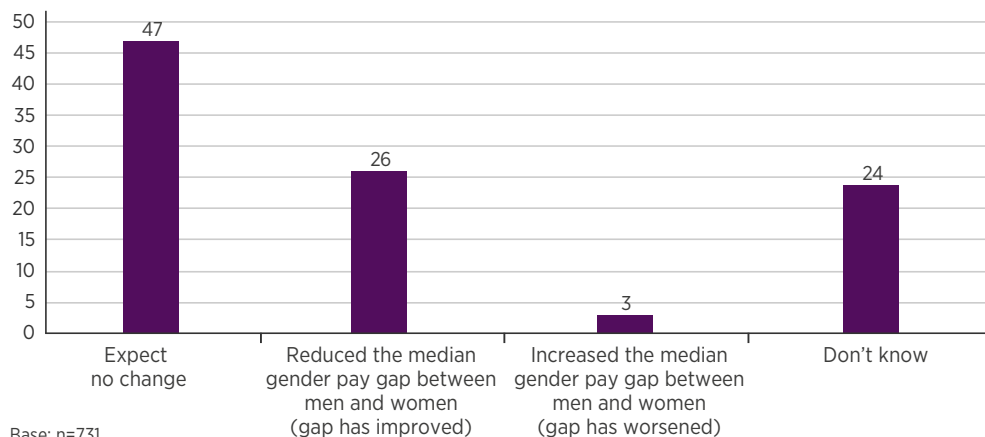
Figure 6: Perspectives on 2019 gender pay gap reporting (% agree and disagree)



Base: 731

In addition to this we asked HR professionals whether they expect their gender pay gap to grow, reduce or remain static in 2019 when compared with 2018. Our data highlights that almost half of organisations do not expect to see a change in their gender pay gap between 2018 and 2019 (47%). Positively, 26% expect that the gap will improve, reducing the median gender pay gap between men and women. Just under a quarter (24%) do not know whether the pay gap will change, and 1% said this is the first year they would be reporting their gender pay gap (Figure 7).

Figure 7: Expectations of gender pay gap change between 2018 and 2019 (% agree)



Base: n=731

We note a cautious optimism amongst HR professionals that their gender pay gap is most likely to remain static, or potentially decrease. But there are some who expect an increase in their gap – this may be due to the implementation of short-term measures such as recruiting more women into an apprenticeship, which may initially widen the gap, but over time this should narrow as women progress into more senior and higher-wage roles.

Key findings

Over a quarter (26%) of HR professionals expect their gender pay gap to have improved. It is positive to see most HR professionals expect to see a positive change, or no change in their gender pay gap between 2018 and 2019. As noted we do not expect the first year to have a significant impact on the gender pay gap, because of the complexity of the issue. However, this appears to show that HR professionals see the issue as something that is improving, as opposed to one that has worsened because of the requirements to report.

HR professionals are positive about planning for the 2019 submission. A common challenge ahead of the first year of reporting was a lack of up-front planning by HR teams. For 2019 HR professionals appear optimistic that they have planned better for 2019, although we note many ‘don’t know’ responses may mean that many do not have the right information to be able to comment on the extent of planning undertaken. Even so, respondents were more likely to agree than disagree to positive statements of preparedness for reporting in 2019.

3 Organisation inclusivity: is it linked to gender pay gap reporting?

It is possible to measure how inclusive an organisation is by measuring an organisation’s *inclusion climate*.² Inclusion climate assesses employment practices, the inclusion of employees in decision-making and how difference is valued and integrated into the business.³ We asked respondents several questions about the inclusivity of their organisation, using a previously validated set of measures developed by Niishi (2013).

We then created an average score for each respondent,⁴ which indicates their organisation’s overall climate for inclusion. We define a ‘strong climate for inclusion’ as 2.49 and below, and a ‘weak climate for inclusion’ as between 2.5 and 5 on a five-point scale.

We found that organisation inclusivity is linked to several pay gap reporting outcomes.

Strong inclusion climates are linked to positive action

We found that strong inclusion climates are linked to perspectives on reporting in several ways:

- **Strong inclusion climates make it more likely that organisations use pay gap data to understand if their inclusion agenda is working.** Sixty-eight per cent of those whose organisation has a strong climate for inclusion have used their pay gap data to consider whether their diversity and inclusion agenda is effective, compared with 32% of those in a weak climate for inclusion.⁵ This could mean that gender pay gap reporting is supporting organisations who are already inclusive to improve their practices.

- **Weak inclusion climates are related to inaction on pay gaps.** Fifty-nine per cent of those working in a weak climate for inclusion are taking no action to reduce the gender pay gap, and gender equality more generally, compared with 41% in a high-inclusivity climate.⁶
- **Narrative information was more likely to be reported in organisations with strong inclusion climates.** We found a positive correlation between inclusion climate and the publication of a narrative. Respondents working in organisations with a strong climate for inclusion were more likely to say that their 2018 gender pay gap report contains narrative information.⁷

High commitment and focus on value

We also found that inclusion climate is related to other aspects of diversity reporting. For example, employees in strong inclusion climates were more likely to state that their senior leaders are supporting progress on ethnicity pay gap reporting.

In addition, those in a strong climate for inclusion were more likely to say that lack of interest by senior leaders isn't a barrier to ethnicity pay gap reporting (45%) compared with those in a weak climate for inclusion, where 32% said this is not a barrier.

Are more inclusive organisations more likely to be positive about their progress between 2018 and 2019 reporting deadlines?

We found that organisational climate for inclusion is linked to positive progress between 2018 and 2019 pay gap reporting. Those working in an organisation with a strong climate for inclusion were more likely to:

- agree that they have made positive progress in closing their gender pay gap between 2018 and 2019⁸
- think that the quality of data to be used in 2019 will be better than 2018⁹
- agree that the quality of analysis in 2019 will be improved from 2018¹⁰
- feel they have better prepared for their 2019 submission, compared with 2018¹¹
- indicate the quality of their narrative explanation will be better in 2019 than 2018.¹²

Key findings

Inclusion climate and reporting are related. The question of 'why report' is a common one, but our innovative analysis appears to highlight an important link between organisations that are more inclusive (for example have a strong inclusion climate) and those that are positive towards gender pay gap reporting. We are unable to demonstrate a causal relationship, but these findings appear to show that gender pay gap reporting could be a useful signal of organisation-level inclusivity, something of interest to stakeholders such as regulators and investors.

Strong inclusion climates are related to positive gender pay gap reporting actions.

Our findings demonstrate that more-inclusive organisations tend to demonstrate positive gender pay gap reporting behaviours, such as producing supporting narrative information, and utilising reporting to consider the impact of inclusion strategies. This is a positive development that should encourage researchers and practitioners alike to further develop gender pay gap reporting as a part of a wider inclusion agenda.

4 Conclusions

Discussion and implications for the people profession

- **Collecting and reporting gender pay gap data is possible, and organisations can do it successfully. However, many HR professionals need support.** Our findings confirm that it is HR and payroll colleagues who appear to be owning gender pay gap data reporting. This confirms our understanding that this activity should be led by HR and is a strategic priority for the function, given the exposure gender pay data provides to workforce issues such as inclusion, progression and pay. HR should own this process and work to make it effective, and as our results demonstrate, there are several areas in which HR professionals should look to improve so they are able to deliver effective results in the future – including addressing technology barriers, and developing clear narrative information.

Struggling with your gender pay gap data? The CIPD has a wealth of resources to support you in calculating your gender pay gap, and working out what to do next. Check out the CIPD's factsheet and guide: www.cipd.co.uk/knowledge/fundamentals/relations/gender-pay-gap-reporting

- **Analysing the data is the first step towards meaningful strategic action.** Our data shows that actions, when they're taken, tend to be focused on macro issues of female progression, and inclusion strategy. Very few organisations appear to be acting at the level of setting and managing pay, and instead have oriented action towards tackling barriers of progression. This should be interpreted as a positive sign that HR professionals are looking at tackling gender differences in pay by addressing issues in a strategic manner: addressing potential causes of the gender pay gap in their organisation by considering issues of progression, support, and development. This is likely to lead to long-term changes in gender differences in pay, but in the short term could lead to a growth in the size of the gender pay gap.

However, this shouldn't stop the people profession from evaluating on a regular basis whether employees are being rewarded in a fair and effective manner. An equal pay audit will help ensure that people doing similar jobs are being rewarded in a similar fashion.

- **HR leaders should facilitate discussion within HR and across the business on how to take meaningful action to address the gender pay gap.** Our survey found that employee involvement in discussions relating to the implications of gender pay gaps is very low. Although organisations appear to be publishing/communicating their pay gap to internal stakeholders (employees), very few are consulting employees directly about how to act to improve the gender pay gap. In addition to this, not all HR professionals completing this survey were confident in their knowledge of their gender pay gap, highlighting gaps in internal function-wide communications. HR professionals should work collaboratively, both within the function and across the business with employees, to interpret gender pay gap data and in the development and delivery of gender pay gap action plans.

- **Organisation inclusivity is positively linked to gender pay gap reporting.** Finally, our findings highlight a possible link between inclusion climates and perceptions of gender pay gap reporting, illustrating that gender pay gap reporting could play a valuable role in demonstrating inclusion climate to external stakeholders. While more evidence is needed of the relationship between reporting and inclusion climate, HR professionals should look to understand their broader inclusion climate and look to improve their actions on inclusion.

Implications for policy-makers and business leaders

We note the following recommendations for policy-makers and business leaders:

- **Numbers are not enough for meaningful action.** Large employers should be required to publish both a narrative and an action plan on their website, and a link to them on the government reporting portal. Our data shows that not enough action planning is happening in organisations. Gender Pay Gap Reporting Regulations should be updated to require organisations to produce a clear narrative, explaining the reason for their gender pay gap figures, and an action plan, outlining the initiatives adopted, progress to date and hopes for the short, medium and long term. The narrative and action plan can be one document or two. Policy should avoid a prescriptive approach to action planning that may result in boiler plate reporting, and instead offer principles and a framework for action planning that enables meaningful and context-specific actions to be taken.
- **The Equalities and Human Rights Commission should enforce the publication of action plans and investigate when compliance issues occur.** To ensure meaningful action plans are being both developed and reported, the EHRC should expand enforcement action to include spot-checks on organisations to understand action taken against the published action plans and investigated when organisations fail to publish such reports. This may require more resources be allocated to the EHRC to ensure that enforcement is effective.
- **More research into the impact of gender pay gap reporting needs to be carried out and used to improve current regulations.** Gender pay gap reporting is still very much in its infancy, and little is known about the effectiveness of the policy in reducing gender pay differences over the long term. Critical research should be carried out to assess the impact and value of gender pay gap reporting from various stakeholders' perspectives.
- **Senior business leaders must focus on interrogating the reasons behind their gender pay gap** and work closely with their HR function to lead with action over the long term. Change will not come overnight, and it will require considered long-term strategies that are developed by senior teams and delivered organisation-wide. Senior business leaders should ensure they are looking at the detail in their gender pay gap data to understand the root cause and are developing clear actions with their HR teams. Finally, they should ensure that the HR team is supported to bring about change over the long term.

Conclusion

Gender pay gap reporting represents a unique opportunity for the people profession to step into a leadership role and demonstrate the impact they can have on addressing an issue that is not only relevant to the workplace, but to wider society. The issue of gender pay differences is one which has caught the interest of many, and while more education needs to be done as to the reasons for gender pay gaps and what can be done about them, the process of reporting appears to be an effective way of further surfacing the issue of gender inequality. Reporting alone is unlikely to fix the gender pay gap, but with more emphasis on actions and greater encouragement on business to take a leadership role, it is likely that over time positive progress can be made.

5 References

- BERTRAND, M., GOLDIN, C. and KATZ, L.F. (2010) Dynamics of the gender gap for young professionals in the financial and corporate sectors. *American Economic Journal: Applied Economics*. Vol 2. pp228–55.
- EQUALITY AND HUMAN RIGHTS COMMISSION. (2006) *Equality act 2006*. London: The Commission for Equality and Human Rights. Available at: www.legislation.gov.uk/ukpga/2006/3/pdfs/ukpga_20060003_en.pdf [Accessed 15 March 2019].
- GOVERNMENT EQUALITIES OFFICE. (2018) *Reducing the gender pay gap and improving gender equality in organisations: evidence-based actions for employers*. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/731288/Gender-Pay-Gap-actions_.pdf [Accessed 14 March 2019].
- HOUSE OF COMMONS LIBRARY. (2018) *The gender pay gap – briefing paper*. Available at: <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN07068> [Accessed 12 March 2019].
- INSTITUTE OF ECONOMIC AFFAIRS. (2018) *The gender pay gap reporting measures*. Available at: <https://iea.org.uk/wp-content/uploads/2018/03/Gender-Pay-Gap-Reporting-final.pdf> [Accessed 12 March 2019].
- KLEVEN, H., LANDAIS, C. and SØGAARD, J-E. (2018) *Children and gender inequality: evidence from Denmark*. Working Paper 24219. Cambridge, MA: National Bureau of Economic Research. Available at: www.nber.org/papers/w24219 [Accessed 19 March 2019].
- MCKINSEY. (2015) *The power of parity: how advancing women’s equality can add \$12 trillion to global growth*. McKinsey Global Institute. Available at: www.mckinsey.com/featured-insights/employment-and-growth/how-advancing-womens-equality-can-add-12-trillion-to-global-growth [Accessed 15 March 2019].
- NISHII, L.H. (2013) The benefits of climate for inclusion for gender-diverse groups. *Academy of Management Journal*. Vol 56, No 6. pp1754–74.
- OECD. (2012) *Closing the gender gap: act now*. Available at: <http://www.oecd.org/gender/closingthegap.htm> [Accessed 20 March 2019].
- OECD. (2017) *Gender wage gap data*. Available at: <https://data.oecd.org/earnwage/gender-wage-gap.htm> [Accessed 20 March 2019].
- ONS. (2018) *Understanding the gender pay gap in the UK*. London: Office for National Statistics. Available at: www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/understandingthegenderpaygapintheuk/2018-01-17 [Accessed 20 March 2019].
- PWC. (2018) *PwC women in work index 2018: closing the gender pay gap*. Available at: www.pwc.co.uk/economic-services/WIWI/women-in-work-index-2018.pdf [Accessed 20 March 2019].
- PWC. (2019) *PwC women in work index 2019*. Available at: www.pwc.co.uk/services/economics-policy/insights/women-in-work-index.html [Accessed 18 March 2019].

6 Appendix

Data collection

This report is based on cross-sectional survey data, exploring senior HR professionals' perspectives on gender pay gap reporting in their organisation. Data collection, conducted by YouGov, was undertaken from the 24 January to the 21 February 2019.

The total sample size was 731. The figures in this report are unweighted.

Participant criteria

All participants in this survey work in an organisation with 250 employees or more, the size at which organisations are required by legislation to report on their gender pay gap. In addition, to be included in the survey, they had to work at least eight hours a week, either as a permanent employee, on a fixed-term contract or a temporary contract through an agency.

We were interested in HR and management perspectives of gender pay gap reporting. Therefore, to be included in the study, respondents had to work in an HR or corporate management function, with a minimum of middle management level responsibility. Finally, all respondents indicated they have significant involvement in decision-making, or influence, within HR.

Those that selected 'don't know' to most questions were removed from the sample. However, there are some survey items when a relatively high number of respondents indicated they didn't know the answer to the question. Where this is the case, this is highlighted in the report.

Sector, business size and industry

A breakdown of the size, sector and industry of respondents is provided below.

Sector	Private sector	479
	Public sector	183
	Third/voluntary sector	67
Business size	250 to 499	105
	500 to 999	119
	1,000 or more	501
Industry	Manufacturing and construction	81
	Professional services	158
	Health, education	133
	Transportation	34
	Retail, hospitality and leisure	98
	Other	181

Analysis methodology

To better understand the relationship between perspectives on gender pay gap reporting and an organisation's inclusion climate, respondents answered several questions about their organisation's practices for inclusion.

We used a previously validated measure of climate for inclusion (Niishi 2013), which measures three aspects of organisational practices (implementation of fair policies and practices, valuing of difference, and input in decision-making) across 14 items.

Sample items include: 'this organisation has a fair promotion process', 'employees of this organisation are valued for who they are as people, not just for the jobs that they fill', and 'in this organisation, employee input is actively sought'. Respondents indicate their agreement on a five-point Likert scale, from strongly disagree to strongly agree.

We created a composite score of inclusion climate for each respondent, representing their average response across all items ($\alpha=0.941$). Respondents that said 'don't know' to multiple inclusion climate questions were not given a composite score – a total of just two respondents.

This composite score was used in correlational analysis. For example, whether respondents' agreement that their organisation will have better quality analysis and narrative in their 2019 gender gap report is positively related to their organisation's inclusion climate (see page 13).

We also used this composite score to assign respondents to one of two categories: strong climate for inclusion and weak climate for inclusion. We define a 'strong climate for inclusion' as 2.49 and below, and a 'weak climate for inclusion' as 2.5 and above.

Overall, 54% of respondents indicated their organisation had a strong climate for inclusion, and 46% a weak climate for inclusion.

These categories were used to investigate the difference in responses for those in weak versus strong inclusion climates – for example, whether respondents in a weak climate for inclusion were more likely to be taking no action to reduce their gender pay gap and improve gender equality (see page 13).

7 Endnotes

- ¹ Here we have taken the median value of all companies for both the median and mean gender pay gap.
- ² Nishii (2013).
- ³ Sample items include: 'this organisation has a fair promotion process', 'employees of this organisation are valued for who they are as people, not just for the jobs that they fill', and 'in this organisation, employee input is actively sought'.
- ⁴ $\alpha=0.941$
- ⁵ $\chi^2=17.365$, $p=0.000$
- ⁶ $\chi^2=41.014$, $p=0.000$
- ⁷ Spearman's $\rho=0.283$, $p=0.000$
- ⁸ Spearman's $\rho=0.230$, $p=0.000$
- ⁹ Spearman's $\rho=0.257$, $p=0.000$
- ¹⁰ Spearman's $\rho=0.240$, $p=0.000$
- ¹¹ Spearman's $\rho=0.209$, $p=0.000$
- ¹² Spearman's $\rho=0.230$, $p=0.000$

CIPD

Chartered Institute of Personnel and Development
151 The Broadway London SW19 1JQ United Kingdom
T +44 (0)20 8612 6200 **F** +44 (0)20 8612 6201
E cipd@cipd.co.uk **W** cipd.co.uk

Incorporated by Royal Charter
Registered as a charity in England and Wales (1079797)
Scotland (SC045154) and Ireland (20100827)

Issued: April 2019 Reference: 7862 © CIPD 2019

