

Step by step

Closing the gender pay gap in retail

2020/21

Interim Report
Published July 2021



Foreword

Despite the impact of the pandemic on the wider economy, we are encouraged by the number of retailers who have taken the time to focus on producing a Gender Pay Gap (GPG) report now rather than taking advantage of the Government's suspension of the reporting deadline to October 2021. Reporting across retail was at 36%, slightly above the industry average. At least two retail companies have elected to publish their Ethnicity Pay Gap as well as their Gender Pay Gap.

We have reviewed the reports published by May 2021, in collaboration with PwC, analysing the data and narrative, highlighting practices and insights shared by those companies who chose to submit their data.

Although one might argue that these interim figures do not give an accurate picture of this year's reporting due to furlough and the wider impact of the pandemic, they do not detract from the continued importance of focusing on transparency and meaningful action to address pay inequalities in the workplace. Elimination of the gender pay gap in retail will not happen overnight, however, every step in that direction can help to make a difference in closing wage gaps, and advance the broader diversity and inclusion agenda.

A complete report will be published after the October deadline. I wish to thank Katy Bennett and Miles Thomson at PwC as well as Lucy Wykes at DiR for producing this interim report.



Tea Colaianne
Founder and Chair DiR

Headline findings

Following the Government Equalities Office's (GEO) suspension of the gender pay gap reporting deadline for 2019/20, and given the ongoing focus on COVID-19, reporting announcements were significantly slower in 2020/21 than in earlier years. On 24 February 2021, the GEO announced a delay in enforcement for 2020/21 reporting until 5 October 2021 and the usual reporting rush towards 5 April didn't happen.

While slightly under 25% of companies reported prior to 5 April 2021, reporting continued steadily throughout April and May and was 32% as at 31 May 2021. Reporting within the retail sector was slightly higher than the wider market, at 36%. To some extent this may reflect the relative size of retail organisations, as there is a tendency for large organisations to report more consistently and, compared to other industries there are proportionately more retailers with large employee populations. Based on the limited group who had reported by 31 May 2021, we observed the following trends:



(1) **Low pay gaps** – The retail sector consistently has some of the lowest pay gaps within the market. This is primarily driven by the large workforces of many retailers and similarities in pay levels for the (prevalent) junior roles, which are often well balanced between men and women. However, further reductions in the pay gap since reporting requirements were introduced are encouraging to see.



(2) **Stable median pay gaps** - Median pay gaps represent the gap between the 'middle' male and female employees in an organisation. For many retailers, over 50% of staff work in shop floor or distribution roles and median gaps may illustrate the difference between these roles. A string of high-profile equal pay cases is currently going through the courts and these are likely to determine whether the roles of predominantly female shop floor workers and predominantly male distribution centre staff are considered of equal value. Employers in retail should carefully monitor these developments and ensure they are confident they can justify any differences in pay between certain roles.

(3) **Renewed focus** - Recent times have given rise to unprecedented challenges for many businesses, but we anticipate a return from lockdown with a heightened focus on the Environmental, Social and Governance (ESG) agenda and long-term strategy. With this context and against the backdrop of social inequality highlighted during COVID-19, we expect inclusion, diversity and fairness to be focus areas for employers, employees, customers and investors. Transparency and reporting on gender and other diversity characteristics is one of the clearest signals that businesses can make to show that they are committed to driving change and holding themselves to account in this important area.

Mean and median pay

Retail companies with more than 250 employees have to report their mean and median gender pay gaps and bonus pay gaps.

What does each measure tell us?

Mean: This considers all the data with equal weighting, including outliers.

Median: This only looks at the midpoint, and so effectively ignores outliers and anomalies.

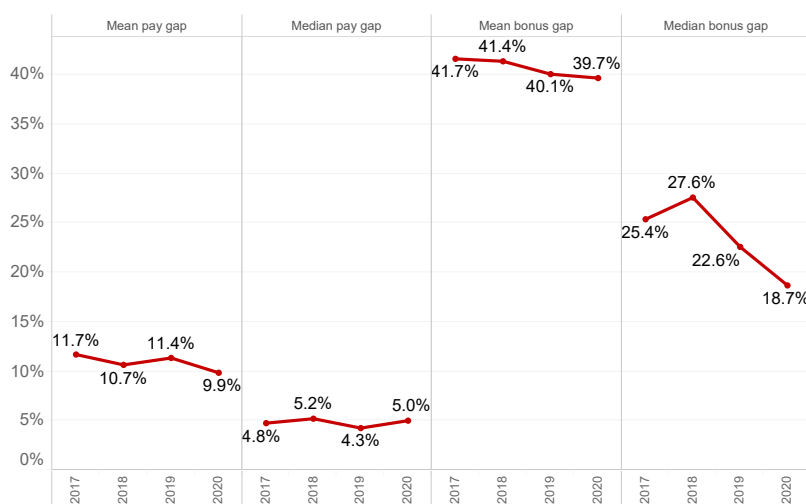
Which is a better measure?

It depends. The median pay gap considers the difference between the 'middle' man and woman in an organisation and may therefore give a better indication for mean

and median pay gaps for an individual or for the structure of the workforce. However, the mean pay gap considers all individuals (including the highly-paid executive outliers) and gives a more clear indication of overall gender balance within an organisation.

Equal pay

A gender pay gap doesn't necessarily indicate women are being paid less than men for performing the same work, which is illegal. But it does reveal the extent to which men hold a disproportionate amount of the top jobs and women occupy more lower-paid roles than men. For those who have reported, furlough has created significant distortions in the gender pay gap reported figures this year.

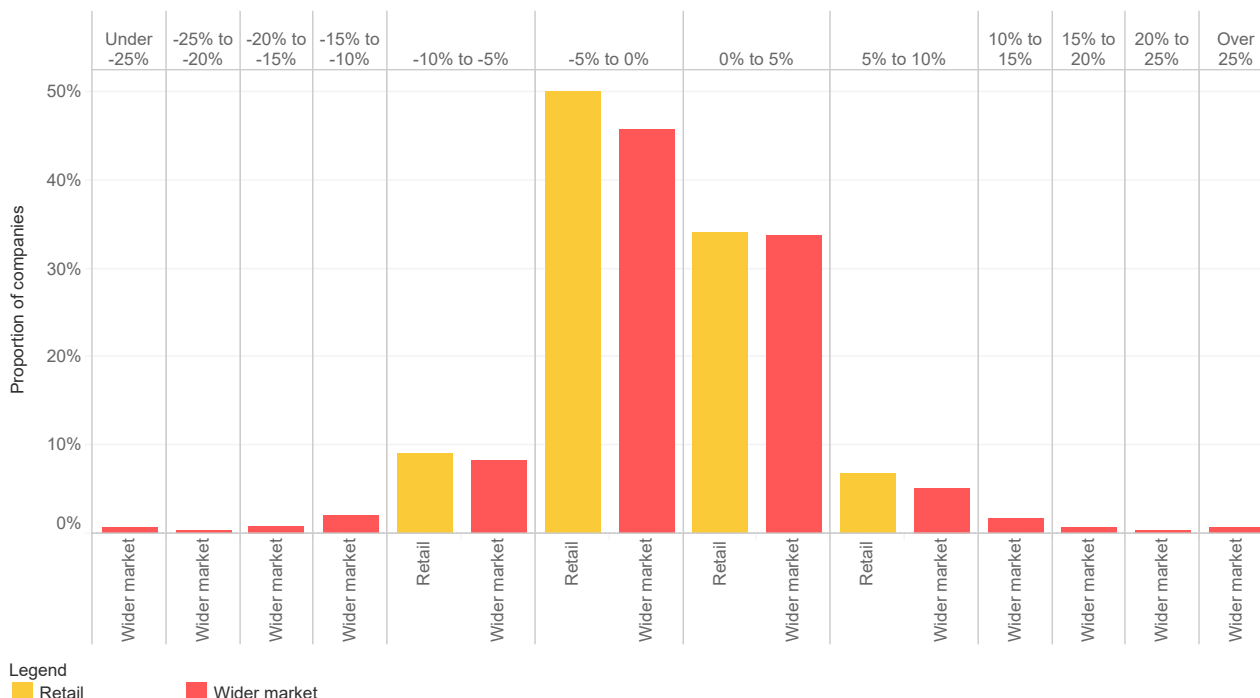


Note that the analysis presented is based only on those retail companies who have reported prior to 31 May 2021 and who have consistently reported in prior years.

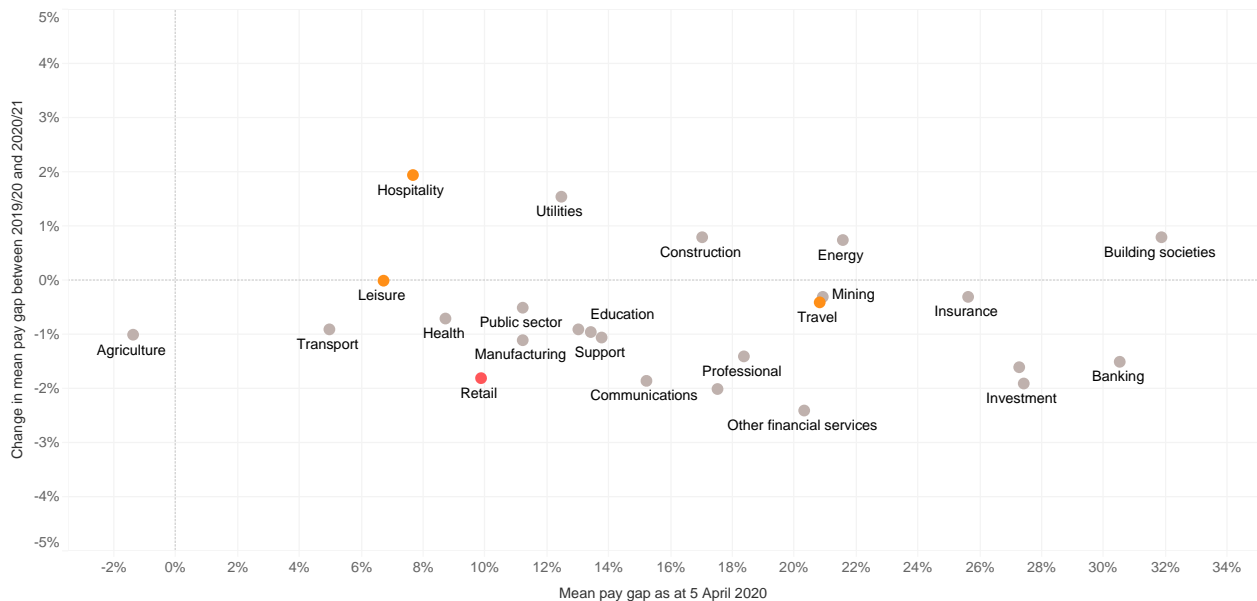
How far has the industry come?

As illustrated in the chart below, retail companies were much more likely to have changes in the mean pay gap between -10% and 10% than the wider market, where some companies saw large shifts in the size of the pay gap between 2019/20 and 2020/21. This reflects the fact that most retailers have large, stable workforces and therefore require significant shifts in employee numbers for the pay gap to move. One such change

would be the impact of COVID-19 but it appears that those who have reported so far have not seen the large swings in the pay gap which we have seen in some other sectors. This could be due to the fact that retailers who have reported to date didn't use furlough (e.g. those in the grocery sector or others who remained open), or that they 'topped up' their employees to their normal salary and were therefore unaffected.



Changes in average pay gaps by sector



As illustrated above, companies within the retail sectors have some of the lowest pay gaps within the market. Those who have reported to date saw progress - with one of the largest falls in pay gaps. However, given the majority of employers are yet to disclose, it will be important to monitor the progress of the industry as the full picture becomes clear.



How is the industry responding?

Retail companies are continuing to respond to the gender pay gap in various ways. Across the reports published, shared actions include focusing on celebration and recognition, internal progression, recruitment and attraction, retention and development, as well as using technology and data to map gender representation.

Culture of Inclusion

In order to achieve positive and sustainable change, there is a collective acknowledgement amongst the reports submitted that retailers need to create a culture of inclusion to give all employees the ability to have an ongoing sense of belonging in the workplace. In particular, the reports highlight the need for environments where people can be congruent, speak out on issues that affect them, and access the support they need to fulfil their potential. Notably, the need to see role models to aspire to has been highlighted, and companies are starting to better showcase their female talent in what are often male-dominated fields such as technology.

The importance of listening has also been highlighted. Retailers are using insights gained from engagement surveys to help

identify specific areas for action to ensure women and ethnic minorities feel equally able to build, sustain and thrive in their long term careers. There is recognition of how important employee networks are in creating allyship across businesses by giving a safe space to connect and share experiences. All of the retailers who published reports have introduced dedicated gender networks to help drive the gender diversity agenda across their businesses. One leading retailer has introduced a Diversity Board to ensure they listen to their people to help inform priorities. Another retailer facilitates informal ‘watercooler chats’ so colleagues can meet new people and make contacts in different parts of the business.

“By listening, educating and by seeking diverse products and suppliers, [our company] will be an environment where everyone feels a real sense of belonging and where everyone is truly welcome.”

Employee health and wellbeing is becoming more important with companies recognising that they need to do more to support their employees in this space. One large retailer has developed a wellbeing framework, with another launching a Women’s Health Week focusing on

key topics such as menopause and Breast Cancer Awareness month. Other best practice examples include weekly wellbeing newsletters, signposting to internal and external resources and 24-hour access to support whenever and however people need.



Flexible working

The demands of COVID-19 on business has meant retailers have had to accelerate their approach to flexible working for colleagues to better balance work and home. Companies are starting to remove the so-called ‘motherhood penalty’ by making more roles open to flexibility and shifting working practices towards output rather than hours worked, particularly in senior positions. Companies are acknowledging that they need to promote and encourage flexible working practices if they are to attract more female talent at all levels, particularly if someone is returning to work part-time. Retailers are

also demonstrating their commitment to modernising their businesses and supporting a healthy work-life balance by revisiting and updating policies, such as the introduction of family leave policies.

Best practice examples include introducing equal parental paid leave, paid pregnancy loss leave, career and sabbatical break policies to retain talent, and career coaching programmes for new parents returning to the workplace. One retailer is introducing a fully hybrid office and remote working model to benefit parents and carers to further support their careers. A site based example is the introduction of scheduling tools in stores by a leading retailer to support employees’ preferred working patterns and work a wider variety of shifts.

Companies are also using technology to develop more agile and flexible ways of working to reflect these changes to working practices. An example is a large retailer who is supporting managers with digital learning tools to drive empowerment, embed management behaviours and enable teams.

“We support decisions that are right for colleagues’ individual circumstances... our parental policy ensures both primary parents and partners are able to take more dedicated leave to care for a new child, and have the opportunity to work at times that best suit them.”

External recruitment

To attract diverse talent and mitigate bias through selection, companies are continuing to refine their external recruitment practices. Objective selection tools, such as structured interviews and psychometrics, are being introduced alongside balanced interview panels.

Best practice examples include equal opportunities questionnaires for applicants, interview and assessment template tools, and internal and external gender-balanced hiring targets. Across the published reports, there is a general trend towards upskilling recruitment teams and empowering them to have more effective conversations around diversity and inclusion with hiring managers throughout the recruitment process. One leading retailer has refreshed their recruitment processes to ensure consistent candidate experience, only working with recruitment agencies who share their focus for an inclusive workplace, and is taking steps to measure their progress so they can continue to improve.

Succession planning

Across the published reports, retailers have identified that promoting talent from within is imperative to addressing the GPG. Numerous organisations cite in their reports that they recognise how much more needs to be done to address gender

parity at a senior level. Many retailers have instigated plans to strengthen female representation, including setting internal targets to increase gender and ethnic minority representation in both senior and mid-level management to ensure they have a diverse future talent pipeline.

Through initiatives such as mentoring and dedicated management training schemes, retailers are starting to address the 'opportunity gap' to encourage female workers to advance their careers. One large retailer is championing female progression through dedicated development programmes with groups of high potential female senior managers which is sponsored at board level. Another supermarket company advertises all vacancies internally and gives robust developmental feedback to all candidates regardless of the outcome. A large online retailer encourages more women to develop their careers through early talent initiatives. A further example is a large retailer's 'Great Conversations' programme facilitating regular discussions on career development and progression.

"We are committed to taking clear, positive and inclusive actions that will help us achieve gender balance at every level of our business."

Training and development

Throughout the published reports, there is a recognition that more can be done across the sector to build inclusive leadership teams through training and development. Organisations are becoming focused on equipping leaders to be fluent around diversity and inclusion, and for them to demonstrate their personal commitment and accountability to improve fairer gender representation. This can be seen by responsibility for reporting the gender pay gap falling under the executive leadership team with either the CEO, MD or People/HR Director personally signing off the figures.

Examples of building an inclusive leadership team include clear and visible Executive sponsorship, reverse mentoring schemes that involve the most senior leaders in the sector, the introduction of diversity and inclusion workshops for managers, launching development programmes specifically for top leaders, as well as representation targets forming part of bonus payments.

“We have a clear ambition to be more inclusive for all and are taking significant steps to help us realise the change we all so passionately want to see.”

Data and Analytics

The importance of having accurate data and regularly mapping gender representation across a business is being recognised by retailers. Companies are using tools such as dashboards, inclusion indexes and benchmarking analysis to help leadership teams better understand their teams, and help inform strategies for improvement. Collecting regular insight and feedback from teams has also been identified as helping to break down potential barriers around gender diversity. Across the reports published, there is a common trend of encouraging employees to disclose their personal information via the appropriate system beyond gender to capture ethnicity as well as other characteristics to help organisations gain a better understanding of the demographics of their people.

“Our working world continues to change, and using data both internally and externally to measure and drive our performance will be the key to our success. Our gender pay report is just one of the many data points we use to review our internal culture and performance.”



Collaboration

Retailers recognise the benefits of collaborating with external partners such as Diversity in Retail (DiR) to support high-performance female leaders with unique development opportunities, taking part in initiatives such as DiR's Global Female Leader Programme and Ethnic Minority Future Leaders Programme, and sharing industry data and knowledge.

“Our objective is to be very open in sharing our data, the progress we make, what is working and what is not. And also to be open to constructive feedback and learn from others to adapt our approach.”

Impact of COVID-19

It is widely recognised that women have been disproportionately affected by the impact of COVID-19 on the economy. Since the pandemic struck in March 2020, women have been more likely to be working fewer hours, temporarily absent from work, or dropping out of the workforce totally, than men. Research has shown that a significant proportion of working mothers feel they have lost hours or work during the pandemic due to lack of childcare, something particularly relevant to the retail sector which tends to employ significantly more women than men.

The furlough scheme has been used extensively in sectors such as non-food retail which tend to be dominated by low-paid, part-time predominantly female-held jobs. At its peak in May 2020, 8.86 million employees were on the scheme with women making up the majority of workers on furlough.

For many employers, the pandemic and more specifically the use of the furlough scheme and the resulting complexity when reporting their gender pay gap, has meant an unpredictable impact on results. This has not only made comparisons with previous and even future years potentially problematic, it has also meant the overall gender pay gap in an employing organisation on the surface may have gone up or down which in reality is not the case.

The accompanying narrative therefore is key. Throughout the reports published, organisations have explained the approach they have taken with regards to furlough, the impact of any anomalies on the data and, most importantly, outlined their action plan for reducing the gender pay gap going forward.

Ethnicity Pay Gap Reporting

Whilst there are currently no legal requirements in the UK to report the ethnicity pay gap, we are encouraged that some retail companies, including John Lewis and Sainsbury's, have voluntarily disclosed their figures for 2020. This is also in line with an uptake in numbers to report ethnicity pay gap figures. Despite a lack of government mandate, companies within the DiR community and the wider retail sector are aiming to move forward with ethnicity pay gap reporting.

“We are publishing our first Ethnicity Pay Gap. This is an important part of being transparent....we need to hold ourselves to account as we continue to work towards having better representation at senior levels in our business.”



Key considerations for retail employers:

- If you are yet to disclose results as of April 2020, when do you plan to do so? Have you considered a joint 2020 & 2021 report to present the full picture on pay gaps?
- If you did not disclose as of April 2019, will you do so voluntarily as part of April 2020 and/or 2021 reporting?
- Are you monitoring the impact of other reporting requirements globally? For example, will you be impacted by the proposals for similar regulation in the Republic of Ireland?
- Have you calculated or considered the impact of COVID-19 (for example, employees furloughed in April) on your reporting numbers? How will you communicate this impact?
- Have you considered reporting on diversity more widely than gender? If and when this is required, will you have the data available given the prevalence of disconnected workers in retail?



About DiR

Diversity in Retail (DiR) is a unique Collaboration Community of companies from across the Retail sector who are devoted to increasing diversity and inclusion. We believe that through collaboration we can amplify the impact of individual diversity initiatives, together we can have a bigger, louder voice for the good of the industry. Our mission is to support companies across the retail industry to create diverse and inclusive environments and positively impact 1 million employees globally by 2025.

Get in touch

To discuss gender pay gap reporting, or related diversity and inclusion issues, please get in touch.

info@diversityinretail.com

About PwC

At PwC, we recognise that promoting diversity and inclusion is the right thing to do. From a business perspective, we also recognise that a diverse workforce drives innovation, improved working environments and enhanced customer service. Our own diversity journey illustrates that organisations need a diverse workforce to have impact and serve our communities, stakeholders and clients. Through our global diversity and inclusion framework, we bring together an unmatched combination of industry, business, strategy, talent, HR, analytics and technology expertise and work with our clients to develop and execute their own strategies.

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