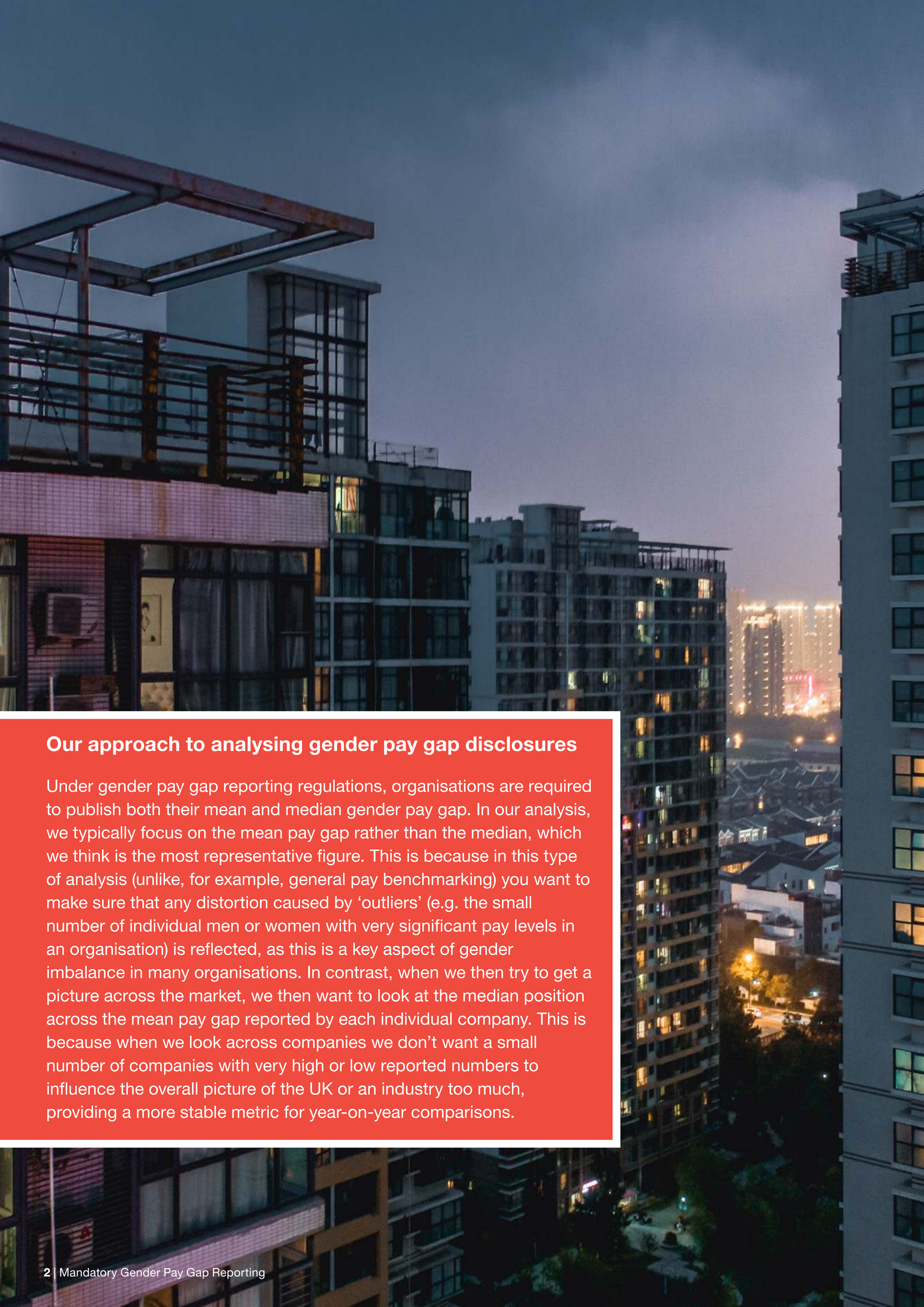
Maintaining focus on equality

Year 3 Gender Pay Gap reporting for 2019/20

June 2020

Analysis as of 17 April 2020



Our approach to analysing gender pay gap disclosures

Under gender pay gap reporting regulations, organisations are required to publish both their mean and median gender pay gap. In our analysis, we typically focus on the mean pay gap rather than the median, which we think is the most representative figure. This is because in this type of analysis (unlike, for example, general pay benchmarking) you want to make sure that any distortion caused by ‘outliers’ (e.g. the small number of individual men or women with very significant pay levels in an organisation) is reflected, as this is a key aspect of gender imbalance in many organisations. In contrast, when we then try to get a picture across the market, we then want to look at the median position across the mean pay gap reported by each individual company. This is because when we look across companies we don’t want a small number of companies with very high or low reported numbers to influence the overall picture of the UK or an industry too much, providing a more stable metric for year-on-year comparisons.

5,236

Companies disclosed

45% (4,875)

Companies disclosed in both 2018 and 2019

70%

Companies in the FTSE 100 have disclosed

Movements from 2018 to 2019

Of the companies that have published figures for both years, 55% have shown a reduction in the mean gap and 42% have shown an increase. The bonus gap has reduced in 51% of employers and increased in 47%.

In March, the Government Equalities Office (GEO) announced that it was suspending the deadline for the 2019/20 gender pay gap reporting due to the impact of the coronavirus (COVID-19) pandemic on employers.

Despite this, by 17 April 2020, a total of 5,236 employers had disclosed their figures. This represents 48% of the total number of companies that disclosed in 2018. Reflecting a trend seen in 2018, only a small number of companies disclosed prior to March, with the majority leaving disclosure until close to the deadline. This may partially explain why disclosure rates for 2019 were not higher, as many organisations would have planned to prepare and publish their disclosures in March or early April, at the time that COVID-19 began to significantly disrupt many businesses.

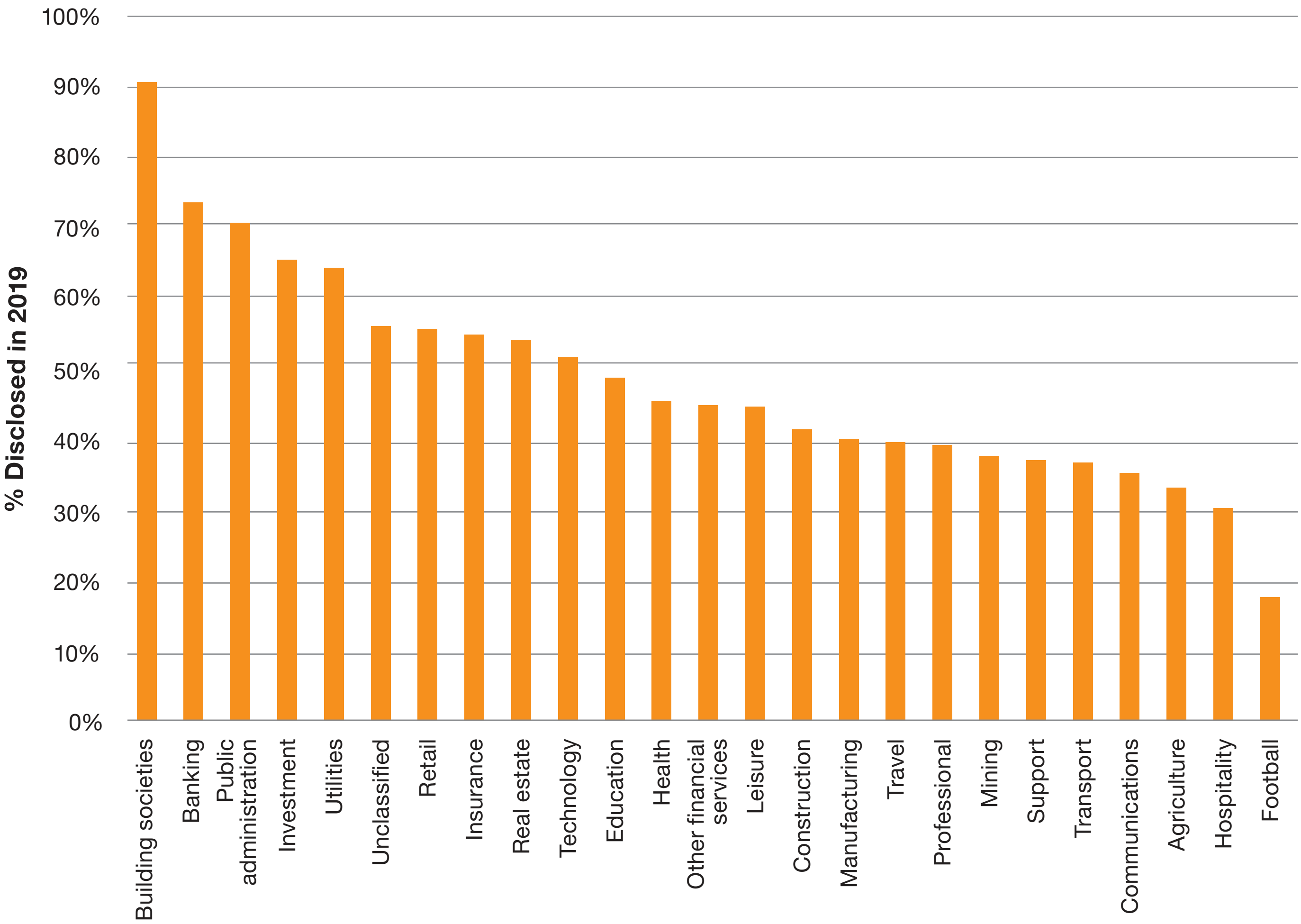
The headline figures for the pay gap show a picture that is distinctly different to the year-on-year change for 2017 to 2018 – the median of the mean pay gaps has increased from 13.1% in 2018 to 13.7% in 2019. However, this trend may well be misleading due to the significant number of companies excluded from the 2019 data set. If we compare like-for-like data, we actually see a small decrease in the median of the mean pay gap and mean bonus gap of 0.6% and 0.5% respectively. Although it does suggest that overall the year-on-year trend continues downward, it should be noted that the change remains small. Organisations will need to continue to focus hard on improving the balance of men and women in their organisations, particularly at senior levels, before we see a significant change to the overall pay gap.

Find out more at:
http://www.pwc.co.uk/genderpay

Making the decision to disclose in 2019

Despite the GEO's suspension of the gender pay gap reporting deadline for 2019/20, almost half the number of organisations continued to voluntarily disclose. In general, the size of the organisation does not seem to be a factor in this, although we note that disclosure rates were higher within the FTSE 100, where 70% of organisations had disclosed their 2019 gender pay gap by 17 April 2020. However, perhaps unsurprisingly given the differing impact of COVID-19, there is significant variation in disclosure rates by industry. As seen in the graph below, much higher voluntary disclosure rates were seen in a number of areas of financial services, while companies in the hospitality industry are, understandably, less likely to have disclosed.

% of companies by industry that disclosed in 2019 as a % of total companies in that industry that disclosed in 2018



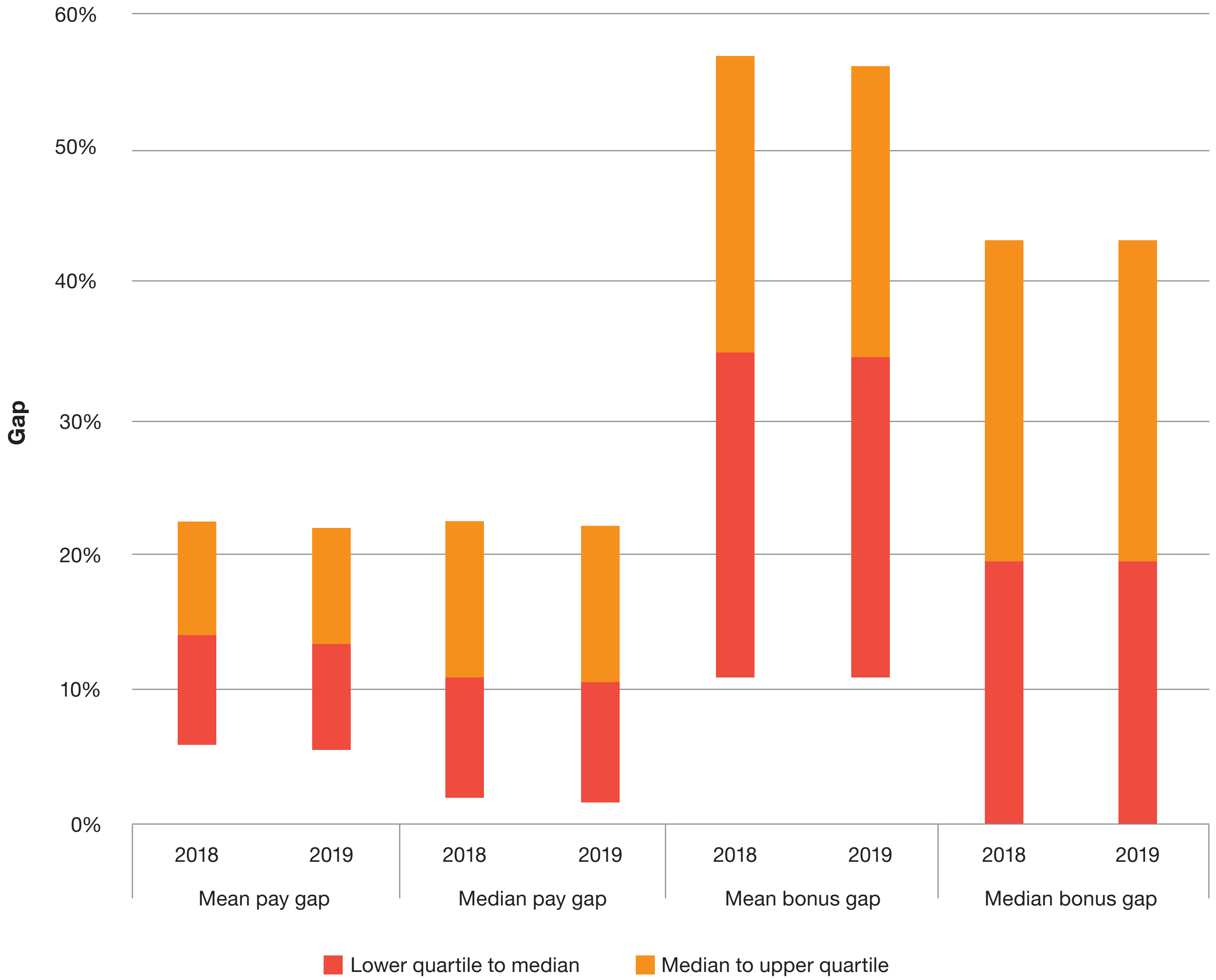
While recognising that the GEO's suspension of the reporting deadline supports the many employers who were significantly impacted by COVID-19, we continue to encourage all employers who can do so, to continue to report. This will demonstrate their ongoing commitment to meeting their diversity and inclusion goals and driving gender balance in their workforces.

Disclosing during this period offers an opportunity to reassure staff, customers and investors of your continued commitment to closing your gender pay gap. For those practically able to do so, it also offers an opportunity to reinforce your brand and its purpose, and positively engage with your workforce on these topics. More generally, it provides a chance to focus on fairness and transparency at a time when inequality has never been under greater scrutiny; whether in respect of race, economic background or caring responsibilities. There is also a risk of potential reputational damage for those companies choosing not to voluntarily disclose, especially high profile companies and those whose competitors have voluntarily disclosed. On a practical note, companies cannot track their progress to date against targets if they do not continue to calculate this data point.

2019 disclosures and year-on-year changes to the pay gap

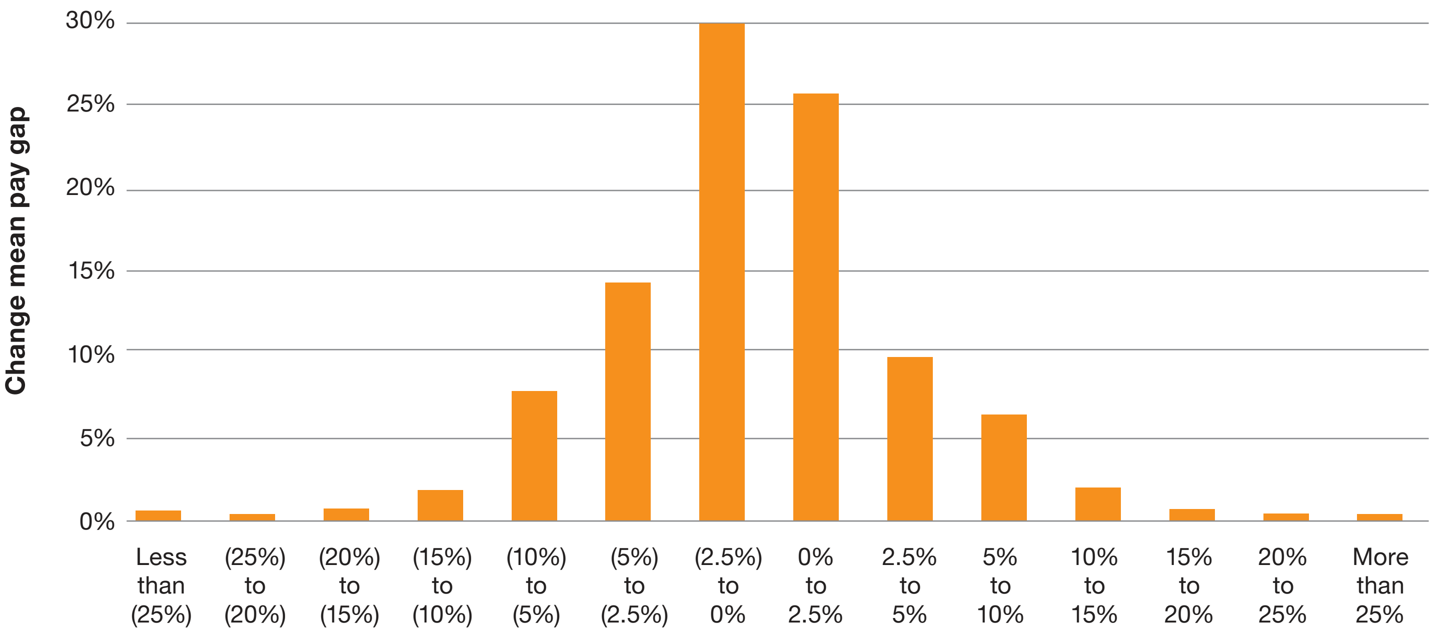
Overall, the median of the mean pay gap in 2019 stands at 13.7% and the mean bonus gap at 34.7%. As we referenced in the introduction, interpreting this is more difficult this year because we have much less data, making year-on-year comparisons more challenging. The best comparison that we can make is to focus on the 4,875 individual employers who have disclosed their pay gaps for both 2018 and 2019 and understand how the gaps have moved for these organisations. With less than half of companies disclosing, we cannot be certain that the final result will be the same, but this does give us a potential indicator of the way the pay gap is moving over time. It is positive to see that this analysis shows a small reduction in the pay gap. However, in reality the pace of change in the medium and longer term is unlikely to be acceptable to many.

Change of key figures for companies which disclosed in both 2018 and 2019



Looking beyond this to individual employers, 55% of those who disclosed in 2019 have reduced their mean gap, compared to 42% who have seen it increase. Within this, the size of the year-on-year movements in the pay gap is generally small, with c.30% of the movements in the mean pay gap sitting between -2.5% and 0%, and c.25% of movements between 0% and 2.5%. Less than 3% of companies had an increase bigger than 10% and just over 3% had a decrease bigger than 10%. This reflects the fact that in many cases significant movements in the pay gap will only be possible when fundamental changes begin to be made to the gender balance of the workforce, which may take years in some cases. This is why it is so crucial that, where they can, employers continue to report on the plans they have put in place and also on the progress against these over time.

Size of change in mean pay gap from 2018 to 2019



We also note that, reflecting a trend observed in previous years, 4.4% of companies in 2019 have disclosed figures which we believe are implausible or likely to be inaccurate. We also note that a small proportion of companies (1.05%) restated figures for 2018. Encouragingly, this is a reduction on the 3.0% who have restated their numbers for 2017. This snapshot suggests that as we enter into the fourth year of disclosures, understanding of the regulations is improving, although for a small percentage there may be more to do. Certainly it will,if anything become more important that organisations and their boards are confident in the robustness of their reporting in particular and their action plans more generally.

Looking forward

While the immediate impact of COVID-19 on gender pay gap reporting was to suspend this year's reporting deadline, the will inevitably be a longer-term impact.

For 2020/21 reporting, the reporting 'snapshot' of April 2020 will see payroll data skewed for many organisations, making comparisons with previous years (and therefore measurement of progress) difficult. Specifically, many companies may see a change in the number of staff included in the April 2020 snapshot due to many staff being furloughed, on reduced pay, or on certain types of leave that would omit them from the gender pay gap calculations.

Changes to the bonus gap may be influenced by anticipated reductions in bonus sizes in some companies; this is likely to impact some companies in the next year and others in the year after – making year-on-year changes and comparisons between organisations difficult. Finally, other anomalies in pay, such as pay increases for certain key workers, may have a knock on impact on the pay numbers used to calculate the pay gap. The impact of this will vary considerably by organisation, depending on the gender balance of the employee base overall and the proportion of staff whose pay or employment has been impacted in April.

Conclusion

At this point it is uncertain whether or how the GEO will adapt current reporting requirements to address the challenges of 2020/21 reporting (and indeed when the current suspension on the reporting deadline will end). However, regardless of these complications, we strongly encourage organisations to continue to report where they can. This will reinforce their ongoing commitment to gender balance in particular and fairness, inclusion and diversity more generally. Ultimately, gender pay gap reporting offers companies the chance to reaffirm their commitment to inclusion, equality and fairness at a time where COVID-19 and the Black Lives Matter movement mean that these issues have never had more focus.

There will inevitably be larger questions for organisations to discuss and consider in their relationship, responsibilities and role with their workforce (and indeed customers) in the coming months. In doing so, there will be opportunities to restate and reinforce a positive relationship and ownership of the inclusion agenda. There are risks however, if short-term decisions to immediate challenges are made without wider considerations of their long-term impact from a fairness perspective. Gender pay gap reporting is a small part of this important topic, but it does provide an immediate opportunity to signal your intent as an organisation to your employees and your stakeholders and ensure that dialogue remains open on your commitment to the equality agenda.

In this context, and for those able to do so, we suggest that organisations consider enhancing their reporting for 2020 still further to address these themes and use this opportunity for constructive communication not just on the gender pay gap, but on inclusion in general and other aspects of diversity, such as ethnicity. The context of COVID-19, both on the practicalities or reporting and the wider societal and economic impact, will inevitably make this more challenging. However, this context, along with that of the Black Lives Matter movement and the UK Government statistics on the disparity of COVID-19 death rates amongst BAME groups means that this transparency, particularly in relation to ethnicity, is all the more important.

Contacts

Katy Bennett
Director
M: +44 (0)7715 211210
E: katy.e.bennett@pwc.com

Brenda Trenowden
Partner
M: +44 (0)7483 329718
E: brenda.trenowden@pwc.com

Ed Stacey
Partner
M: +44 (0)7725 445168
E: ed.stacey@pwc.com

Amber Hunt
Manager
M: +44 (0)7808 797103
E: amber.j.hunt@pwc.com

Gabby Vigneswaran
Manager
M: +44 (0)7808 798003
E: gabriella.m.vigneswaran@pwc.com

Miles Thomson
Manager
M: +44 (0)7808 798627
E: miles.a.thomson@pwc.com

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