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The gender pay gap – analysis, impact and evolution



Data is your organisational DNA

Decoding this can give you the insights and actions that will allow your business to evolve and thrive.

This paper explores three aspects of analysing your gender pay gap:

1. **Analysis** – the advanced data analytics needed, beyond mandatory reporting, to effectively narrow a pay gap.
2. **Human impact** - the financial and mental wellbeing cost to employees and organisations, of a pay gap.
3. **Evolution** – What's next for pay gap analysis in 2021 and beyond?

1. Analysis

Our research revealed that 64% believe that statutory gender pay gap reporting figures alone provide meaningless results. This stark response doesn't mean that those involved aren't interested in the figures. On the contrary, we found that:

61% of those involved in pay gap reporting are looking to conduct analysis over and above the minimum requirements.

37% will look to an external specialist to help with interpretation of their results.

In the four years of reporting, we have seen organisations producing figures that quite often don't demonstrate any measurable change. Indeed, it's questionable whether many lauded minor

improvements are in fact a result of successful interventions. It could be that some are just the fortuitous result of natural turnover.

By conducting deeper analysis of their data, organisations will be in a more informed position to target interventions effectively and efficiently.

When is a gap a gap?

When you have investors, clients, people talent and the supply chain looking at your reporting figures, why hold your hands up to a pay gap, if it might not be real? Think of it like this:

What you really want to know is how big that gap

What's the probability of an organisation's pay gap being zero?

Even with no discriminatory practices, it is highly unlikely.

needs to be in order to be at least 95% confident that it is down to gender alone. This would indicate discrimination is occurring.

Barnett Waddingham's origins are rooted in actuarial science, enabling us to evaluate this and tell you, through our pay gap tool, whether your gap is significant or not.

Explain, don't just apologise

Let's say you do have a gap but you believe that women do have an equally fair opportunity of progression and pay at your organisation.

Frustrating then to have to publicly publish and try to justify these figures.

So many gender pay narratives follow a typical theme; reconfirming a commitment to closing the gap, blame around legacy issues, long term vision and the need to do better. However, all the prospective investor, client, supply chain or job seeker really wants to know is whether discrimination is happening now – to assess the risk and value of working with you.

Our pay gap tool provides multiple tiers of analysis and segmentation. This includes the use of S-curves to illustrate, for example, the impact of excluding specific high salary job roles, which intermittently may be held by both genders. This level of analysis enables a real explanation in any accompanying narrative.

Three pieces of data to look at are:

1. Significant outliers and how they skew the data
2. Who isn't included in the data – including furloughed employees (on reduced pay)
3. The bonus gap, if you recalculate on full pay equivalent amounts

Isolate the cause

Whilst for some there may be a legitimate explanation for a pay gap, others may discover underlying discrimination (either directly or indirectly). This might be due to a specific approach to recruitment, division of work and opportunities, methods used in pay or promotion decisions and so on. It may even be isolated to an area of the business due to the outlook of certain influential individuals or, in the worst case, be specific to ethnic origin.

Without conducting analysis beyond mandatory reporting, it is impossible to know which segments within the female workforce are driving the gap. This leads to generic action planning, often with little impact and wasted resource. Not demonstrating any

The ONS₂ provides analysis across all organisations reporting on their gender pay gap, and has identified:

- There is no pay gap between full time workers below 40 – perhaps implying that the pay gap is effectively a motherhood gap
- From 40-49 years and older, the gender pay gap for full time employees is over 10%
- The pay gap is higher between higher earners

measurable improvement also leaves you with an engagement problem to solve.

We have designed our pay gap tool to go beyond statutory reporting as standard, giving you intersectional insight across ethnicity, age, working hours, salary bracket, job role, location and more, to deliver the relevant insights you need for your workforce.

2. Human impact – the wellbeing consequence

A pay gap isn't just unfair. It has far reaching, real life consequences. These are not only felt at a personal level but also impact organisations and wider society.

It is particularly important that mothers have good financial wellbeing, as this is a significant influencer on children's outcomes in life. This is comprehensively discussed in Joseph Rowntree Foundation research₃.

Employers therefore have legislative, moral and cost of absence factors to consider.



An employer's duty of care

It is an employer's duty to protect the health, safety and welfare of their employees⁴

Is insufficiently investigating and addressing a pay gap or lack of career progression, impacting an employee's financial wellbeing, a breach of an employer's duty of care?

At present, there appears to be no or little case law to consider in this area. Legislative requirements centre only on paying agreed remuneration in time and adhering to pension automatic enrolment guidance.

However, the consequences and impact of suffering a pay gap, which can endure across an employee's lifetime, cannot be underestimated. As we've seen, what some may consider to be a personal situation, collectively feeds into a much bigger picture, both to the employer and wider society.

A pay gap can have a significant impact on an employee's ability to save. This impacts not only their financial situation today but also longer term considerations, such as sufficient funding for their retirement, resulting in a greater need for state support.

The Government-sponsored Money and Pension Service, is responsible for delivering the UK Strategy for Financial Wellbeing⁵. We have contributed thought leadership to one of the Challenge Groups (Gender and Financial Wellbeing), headed by Jackie Leiper. This group specifically considers how women can be supported to achieve the 5 National Goals, which include being a nation of savers, reducing credit used to buy food and pay bills, and better debt management.

A pay gap which results in lower pay will certainly have a negative impact on women's ability to reduce reliance on credit and better manage debt.

In her role at Scottish Widows⁶, Jackie Leiper also highlights the gender pension gap; standing at £100,000.

Having a fair income that enables saving as well as covering core living costs, is absolutely fundamental to women's financial security and wellbeing.

An employer's moral considerations

Even if there is no legislative responsibility of an employer to their employee's financial wellbeing, is there a moral one?

Organisations are looking for their management team and decision-makers to better reflect the makeup of their workforce and the clients and communities they serve. It is therefore important that women progress to support this diversity of thought.

For generations, women's lack of financial independence has directly impacted their ability to escape unhealthy relationships and seek support, including timely legal assistance.

Pay and career progression for some is not just rewarding, it is a hard fought for light of financial independence – at the end of a long tunnel.

Surely, employers should not be making this an even longer journey by operating an unfair pay gap or slowing career progression.

Another aspect to consider around low financial wellbeing, is home life and the possible impact of domestic abuse: According to the Crime Survey for England and Wales (CSEW) year ending March 2020, an estimated 5.5% of adults aged 16 to 74 years (2.3 million people) experienced domestic abuse in the last year⁷ and there are many more incidents that go unreported.

Money talks and cost of absence figures shout.

The Mental Health Foundation⁸ reports a staggering 70 million work days are lost each year due to mental health problems in the UK, costing employers approximately £2.4 billion per year.

- **Insight into underlying causes** enabling action planning to be efficient and effective
- **Awareness of the impact** this is having on individuals and the organisation collectively
- **Rich texture to add to the binary data**, delivering a powerful message in your accompanying narrative

Cost of absence

There is a strong inter-correlation between financial stress and stress or mental ill health.

Barnett Waddingham research conducted in lockdown (27-29 April 2020), found 25% of men had not been negatively financially impacted by Covid-19 versus 17% of women. Whilst there was little difference between the actions men and women planned to take, we did see differences in the impact on stress.



The link is more starkly portrayed by the statistic that nearly a quarter of people (23%) who attempted suicide last year were in problem debt⁹.

How employers can incorporate wellbeing into gender pay gap analysis

To be a leader in tackling the gender pay gap, organisations can move beyond simply reporting the figures to more deeply analysing both the causes and impact this gap is having.

Overlaying qualitative employee feedback via a survey, storybook collection or focus group sessions with your gender pay gap data, if done well can deliver a 3-in-1 return.

Remember, you are always in control of your external narrative – some organisations prepare separate communications for external and internal purposes.

Because you're worth it

Investing in going beyond mandatory reporting, is worth it, as research¹⁰ indicates:

“When women are well-represented at the top, companies are 50% more likely to outperform peers.”

3. Evolution – what's next for pay gap analysis in 2021 and beyond?

Analysis of the gender pay gap and equality will be hitting the Boardroom with a renewed focus in 2021:

- **Furloughed employees** may need to be excluded from the calculations, which could substantially change reporting figures and further complicates the data handling and reporting calculation process.
- There is a **burst of top female talent** due to the redundancy wave and more roles now being open to flexible working – giving organisations a unique opportunity to recruit as part of their action plan.
- Organisations also need to **protect against losing female talent**, who, as a result of Covid-19, have been re-evaluating their lives. Research¹⁰ has highlighted that 1 in 4

women in the US are considering downshifting their careers or leaving the workforce due to Covid-19. If similarly borne out in the UK, that would have a significant impact on the ability of organisations to recruit the talent needed to close their gap.

- Board remuneration packages are being increasingly linked to **diversity KPIs**.
- Investor, supply chain requirements and M&A activity are requiring **organisational differentiation and risk reduction**, particularly with a “build back better” approach. We have already had clients approach us for help to close their pay gap because they are worried about losing clients through reputational risk
- **The Hampton-Alexander review**¹¹ published in February 2021, recommends that companies should, as a matter of best practice, have a woman in at least one of the four roles of Chair, CEO, SID and CFO, and investors should support such best practice.
- **The Equal Pay Information and Claims Bill 2020**¹² was introduced to the House of Commons by Labour MP Stella Creasy on 20 October 2020, proposing to grant employees the right of knowing what their colleagues are paid. It also proposes making it mandatory for companies with 100 or more employees to report both their gender and ethnicity pay gaps.

Beyond 2021, we see pay gap reporting evolving with:

- **The expansion of pay gap reporting**, firstly into ethnicity reporting (driven by The Parker Review¹³). Certainly the Financial Reporting Council (FRC) see the future as companies looking to solve, not contribute to, societal problems. There are growing expectations to report on all aspects of diversity including age, disability, social and educational background and other ‘protected characteristics’.

- **Sustainability**, is top of the agenda. How pay gaps impact the long term sustainability of workforces is likely to see further research and comment.

Summary

To be a leader, you need to conduct deeper analysis, beyond mandatory reporting, so you can identify underlying drivers and the impact this is having on employees and the organisation collectively. This insight will enable you to more effectively address any pay gap and provide a richer context with which to compile your narrative and support your reputation.

If you need help to deliver the analytical insight your organisation needs to make informed and prioritised decisions and reduce your pay gap, do contact us:

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[Barnett Waddingham Pay Gap Analytics & Consulting](#)

A final word – How inclusive is gender pay reporting itself?

Non-binary Currently those who are non-binary in their gender definition are, under the current legislation, omitted from pay gap reporting. This exposes this protected group to a lack of scrutiny around fair pay.

Fair pay for all Which leads to the point that surely we should all be entitled to fair pay and fair progression, whoever we are? Gender pay gap analysis focuses on the impact on women – this was necessary due to the scale of discrimination that has previously existed. However, there must be men too, who have not been treated fairly, possibly also following paternity leave or for other reasons.

Evolving gender pay gap analysis into analysis around maximising talent, skills and productivity, and fair reward for all, would surely be a logical and worthy goal.

Endnotes

1. Barnett Waddingham gender pay gap survey January 2020
2. [Gender pay gap in the UK - Office for National Statistics](#)
3. JRF [Does money affect children's outcomes?](#)
4. [Employer's responsibilities: Workers' health and safety](#)
5. MaPS [UK Strategy for Financial Wellbeing](#)
6. [Scottish Widows 2020 women and retirement report.pdf](#)
7. <https://www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/bulletins/domesticabuseinenglandandwalesoverview/november2020>
8. [Mental health in the workplace | Mental Health Foundation](#)
9. Money and Mental Health [The Silent Killer report](#)
10. McKinsey / LeanIn [Women In The Workplace 2020](#)
11. Hampton-Alexander review <https://ftswomenleaders.com/>
12. [Equal Pay Information and Claims Bill 2020](#)
13. <https://www.gov.uk/government/publications/ethnic-diversity-of-uk-boards-the-parker-review>

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