



Government Equalities Office

Closing the Gender Pay Gap

Responding to this Government consultation

Before completing this form, please refer to the Government consultation on closing the gender pay gap that provides background detail to all of the questions:

<https://www.gov.uk/government/consultations/closing-the-gender-pay-gap>

Depending on your views and experiences, it is estimated that this survey will take approximately 10-15 minutes to complete.

The closing date for responses is **6 September 2015**. Responses received after this date will not be considered.

Disclosure of responses

Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 [FOIA], the Data Protection Act 1998 [DPA] and the Environmental Information Regulations 2004).

The Government may publish responses received from organisations. If you want other information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory code of practice with which public authorities must comply and which deals, among other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the department. The Department will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

YOUR DETAILS

Please complete the following:

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Are you completing this consultation as an (tick one):

Individual	
Organisation	X

If you are responding on behalf of an organisation, please complete the following:

Company name	ShareAction
Company address	16 Crucifix Lane
Address 2	
City	London
Postcode	SE1 3JW
Country	United Kingdom
Email	
Contact number	020 7403 7800
Number of staff in company	23

Please select what type of company it is (tick one):

Business representative organisation/ trade body	
Charity or Social Enterprise	X
Business	
Legal representative	
Local Government	
Professional body	
Public Sector	
Trade Union or Staff Association	
Other, please specify	

YOUR RESPONSES

Q1: Publication of gender pay information will encourage employers to take actions that will help close the pay gap. Do you:

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

Do you want to provide any further comment in relation to your answer above (Q1)?

ShareAction (formerly FairPensions) is a registered charity established to promote transparency and responsible investment practices by pension funds and other institutional investors. We are a member organisation and count amongst our members a growing number of NGOs and trade unions, as well as over 40,000 individual supporters. We also work with a number of charitable trusts and foundations who are part of the Charities Responsible Investment Network.

Our viewpoint is informed by our opinion of what will make publication of gender pay information as useful as possible for responsible investors, to enable them to make a meaningful comparison on performance in different businesses, and enable them to play a full part in tackling this important issue. From this perspective, we see the gender pay gap as a significant issue of concern because of the potential loss of productivity caused by the failure to maximize the potential of women employees; which in turn represents a financially material consideration for mainstream investors.

Consistent and meaningful disclosure of pay gap information by firms would be welcomed by the investors we work with as a foundation for engagement upon this theme. As stated by the National Association of Pension Funds, the publication of workforce information including, but not limited to, gender pay would, “assist investors to make more informed investment decisions and to act as better stewards of their investee companies.”¹ There is a real gap in data available for investors to assess where companies have issues with their workforce management, not least on gender diversity. Transparency on this issue would allow for substantive engagement by investors with the firms in their portfolio to encourage proactive solutions to the gender pay gap. Engaged investors are increasingly concerned about productivity issues and are looking at workforce pay and conditions. Better data will help investors focus on the issue, and if investors take more of an interest this will actuate change amongst employers.

¹ National Association of Pension Funds, ‘Where is the workforce in corporate reporting?’ June 2015, page 2, available at: http://www.napf.co.uk/PolicyandResearch/DocumentLibrary/~/_media/Policy/Documents/0439-Where-is-the-workforce-in-corporate-reporting-An-NAPF-discussion-paper.pdf.

One of our areas of work is helping investors call for better wages for low-paid workers. The Living Wage represents an example of investors' interest in workforce productivity and conditions. For investors, paying the Living Wage also serves as a tool to mitigate reputational risk. A fund manager at Aviva Investors stated: "*Failing to provide a decent living wage and safe working conditions is unacceptable for any company in any sector. Consumers understand this. There exists a clear financial opportunity for companies that take a lead, and considerable risks for those who do not.*"²

The gender pay gap is most pronounced at the lowest level of pay. Two-thirds of workers in low paid positions are women. Addressing the issue of the gender pay gap thus goes hand in hand with efforts to address low pay. Doing so would have benefits at a macro-economic level in terms of consumer spending and, depending on how the changes are introduced, may well lead to productivity improvements at a firm level also. According to a London Economics Survey, where companies have made the investment in their workforce to pay the Living Wage, they have reported material decreases in staff turnover, absenteeism and sick leave.³ The publication of firm-level data on the gender pay gap could help to catalyse these types of positive changes.

One further consideration for this consultation is the effect of the gender pay gap on women's pensions and living standards in retirement. It is important to get further transparency on this. Women retiring in 2015 have an income that is, on average, 25 percent lower than men.⁴ It is encouraging to see that you have identified the long-term consequences of the gender pay gap as part of this consultation.⁵ It is crucial for both female workers and for employers that women build up enough savings to enable them to retire once they reach normal retirement age.

The European Commission has stated that, "*As pensions replace working age income, an inbuilt symmetry exists between what happens in employment and what occurs in retirement. In this way, the pay or earnings gap naturally predate the pensions gap, which can be seen as the old age sequel of the earnings gap. Indeed, many of the concepts that link gender inequality and the earnings gap can find ready parallels in pension's inequality.*"⁶

² Neil Brown, SRI Fund Manager, Aviva Investors. '*International Investor Coalition Urgently Calls for Improved Working Conditions in Electronics Manufacturing Facilities*,' July 2010, available at: <http://trilliuminvest.com/wp-content/uploads/2010/07/Press-Release-Investor-Statement-on-Working-Conditions-July-22-2010.pdf>.

³ An independent study of the business benefits of implementing a Living Wage policy in London. London Economics, February 2009, available at: <http://tinyurl.com/5vul7rh>.

⁴ Gender Pay Gap Consultation, paragraph 1.4.

⁵ *Ibid.*

⁶ European Commission, '*Men, Women and Pensions*,' Platon Tinios, Francesca Bettio and Gianni Betti in collaboration with Thomas Georgiadis, page 8, available at: http://ec.europa.eu/justice/gender-equality/files/documents/150618_men_women_pensions_en.pdf.

Q2: Transparency on gender pay will have an impact on (tick as appropriate):

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	Don't know
Encouraging girls and women to consider working in a wider variety of occupations and sectors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Encouraging employers to develop their female talent	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Encouraging employees to take up flexible working or shared parental leave	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Encouraging employers to support flexible working or shared parental leave	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Encouraging employers to adopt good practice on how to manage/support a multigenerational workforce	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Helping those who have a stake in the organisation such as investors, shareholders and clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Helping employers to address equal pay in their organisation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

Q3: Employees or other interested parties (e.g. shareholders) may want to gauge how an employer's gender pay gap compares with similar organisations. How important do you think comparability is (tick one)?

- Not at all important
- Very unimportant
- Somewhat unimportant
- Somewhat important
- Very important
- Extremely important
- Don't know

Do you want to provide any further comment in relation to your answer above (Q3)?

Pension investors have a direct interest in supporting and encouraging the long-term success of companies they are invested in. Transparency surrounding the gender pay gap in companies could, therefore, be one way for such investors to promote success and mitigate the risks of companies in which they invest through addressing social issues such as the gender pay gap. This is also in line with the government's progress regarding the transparency in supply chains provision of the *Modern Slavery Act 2015*, where businesses are required to report on what they are doing to eliminate slavery in their supply chains.⁷

Without clear comparability between the reporting of different organisations, it will be difficult for investors to establish a benchmark on which to base their engagement with companies. The ability to compare companies will also allow investors to engage with companies more effectively, as comparison with other companies can be used to motivate companies to change their practices. Comparability will also help investors to make more informed decisions about which companies to invest in.

ShareAction welcomes the emphasis in the consultation document concerning the interest which shareholders may have in comparing an employer's gender pay gap with other similar organisations. We note that, with regard to the gender pay gap, investor interest is not just limited to this comparison. Investors have called for comparability on a range of human capital management topics. Institutional investors have limited time and resources to research and engage with companies. ShareAction's 2015 Asset Managers Survey identified that resource constraints were cited as a barrier to the conduct of stewardship activities for 83 percent of the survey's respondents.⁸ If information was comparable, it would speed up the process, reduce costs for investors and allow for more effective investor stewardship.

We believe much richer information is needed regarding human capital management. At present, there exists minimal workforce reporting despite its relevance to firm financial

⁷ Modern Slavery and Supply Chains Government Response, available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/448200/Consultation_Government_Response_final_2_pdf.pdf.

⁸ ShareAction, 'Responsible Investment Performance of UK Asset Managers: The 2015 ShareAction Survey,' Stefano Galdiolo and Camilla de Ste Croix, page 12, available at: <http://action.shareaction.org/page/-/Survey%20Report-2015.pdf>

performance. However, there is a clear appetite amongst investors for increased workforce reporting as called for by the National Association of Pension Funds.⁹ Data on the gender pay gap would be one important element of this.

Q4: Do you think the regulations should specify where the employer publishes their gender pay gap information - for example, a prominent place on their public website?

- Yes
- No
- Don't know

Q6: Do you think that any additional narrative information published by employers should be:

	Tick one
Voluntary and not set out within the regulations or non-statutory guidance	<input type="radio"/>
Voluntary, not set out within the regulations, but set out in the non-statutory guidance	<input checked="" type="radio"/>
Set out within the regulations	<input type="radio"/>
Other, please specify	<input type="radio"/>

Q7: How often do you think employers should report gender pay gap information?

	Tick one
Every year	<input checked="" type="radio"/>
Every 2 years	<input type="radio"/>
Every 3 years	<input type="radio"/>
Other	<input type="radio"/>

Q10: Private and voluntary sector employers in Great Britain with at least 250 employees may fall within the scope of the proposed regulations. Do you think this threshold is appropriate?

- Yes
- No
- Don't know

⁹ NAPF, *Where's the workforce in corporate reporting?* June 2015, available at: http://www.napf.co.uk/PolicyandResearch/DocumentLibrary/~/_media/Policy/Documents/0439-Where-is-the-workforce-in-corporate-reporting-An-NAPF-discussion-paper.pdf.

If you said 'no' to Q10, do you wish to provide any further comment below?

We would like to see this standard applied to companies with smaller workforces. Setting the bar at 250 employees also significantly departs from other European country's approaches.

For instance, as your consultation has identified, Finland requires those employing above 30 people to produce an equality plan, and Sweden requires companies employing above 24 persons to produce an action plan for equal pay every three years.¹⁰ In comparison to these thresholds, 250 would seem unreasonably high.

Q11: The cut off period for any calculation of the gender pay gap will need to be specified in the regulations. Which of the following do you consider preferable (tick one)?

- 1 January
- 6 April
- 1 October
- The year-end date for each organisation
- No preference
- Other

If you said 'other' to Q11, please specify which date you would prefer and why below:

¹⁰ Gender Gap Consultation, page 20.

Q12: The Government is considering a number of actions to help support employers implement the proposed regulations. How helpful do you think the following measures would be?

	Very unhelpful	Not very helpful	Neither helpful or unhelpful	Somewhat helpful	Very helpful	Don't know
Helping employers to understand the new regulations e.g. through workshops and seminars	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Helping employers to calculate their organisation's gender pay gap e.g. through access to software	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Helping employers with other types of supporting analysis e.g. analysis of representation of women at different levels within the workforce	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Helping employers to address the issues identified by a pay gap analysis	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other, please specify	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q13: Do you think there are alternative ways to increase transparency on gender pay that would limit the cost for employers, for example reporting to the Government via the existing PAYE system?

- Yes
- No
- Don't know

If you said 'yes' to Q13, what alternative(s) would you suggest?

We believe there are alternative ways to increase transparency on gender pay but would like to highlight that if this is viewed purely as a regulatory burden and the costs associated with disclosure, businesses will miss out on the advantages of taking the gender pay gap seriously. Disclosure is necessary, but it is not sufficient to ensure equality in the work place. Companies that have embraced addressing these issues have proved to wield positive results. Steps that have already been taken which the government could point to are set out below.

Increasing transparency cannot be the only approach to minimising the gender pay gap; leadership must also be involved. As investment consultant Mercer has emphasised, "*Formal accountability turns out to be insignificant in increasing gender diversity when divorced from true leadership engagement.*"¹¹ There is a plethora of evidence to suggest that companies with the highest record of promoting women to top roles are more successful than companies who fail to do so. In this regard, this is of direct interest to investors.

The 30 percent club is currently working to encourage and support chairmen to appoint more women to their boards.¹² The 30 percent club understands that encouraging a gender balance on boards facilitates stronger leadership, all-round board performance and increased corporate performance for both companies and their shareholders.¹³ ShareActions' Realigning Interests, Reducing Regulation report¹⁴ makes recommendations about improving the diversity of pension fund governance to improve the quality of decision making, avoid group think and make pension funds more representative of their membership which links to the female 'pension gap.'

The Government's work on promoting women on boards of listed companies is having an excellent impact. ShareAction suggests that the Government focuses on the number of women on boards in other institutions and expands the process beyond the FTSE 350 to also address diversity in pension provision. We believe that the issue of female representation on governing boards is particularly relevant for pension funds because of their societal function.

¹¹ Mercer, 'When women thrive, businesses thrive,' page 8, available at: <http://www.mercer.com/insights/point/2014/when-women-thrive-businesses-thrive/pdf-services-download-when-women-thrive-businesses-thrive.html.html>.

¹² <http://30percentclub.org/about/what-we-do>.

¹³ <http://30percentclub.org/about/who-we-are>.

¹⁴ ShareAction, Realigning Interests, Reducing Regulation available at: <http://action.shareaction.org/page/-/ReducingRegulationReport.pdf>

Q16: Do you consider there are any risks or unintended consequences that warrant dropping or modifying the implementation of section 78?

- Yes
- No

Q18: How do you think the Government can work with business to support women to return to work and progress in their career after having children?

There are number of ways the Government could work with businesses to support women to return to work and progress in their career after having children. For instance, there could be better paternity policies, affordable child care, the provision of careers advice, public awareness campaigns on fatherhood, the option for longer paternity leave, and support for flexible working hours.

Holistic thinking across a range of government policies is necessary to address the issues which impact women returning to work and progressing in their careers after having children. Two examples of these issues are pensions and the gender pay gap in combination with women working part-time time. If women are not able to earn enough pay to cover basics, such as child care, they will not be able to return to work. Due to the impact of the pay gap particularly after having children, the gender pay gap means that women receive worse pensions and therefore have to rely on State pensions. This, together with the fact that women live longer than men and that life expectancy is rising,¹⁵ has resulted in higher numbers of women living in poverty during retirement.

Furthermore, the gender pay gap in combination with women working part-time in order to accommodate caring for children has also resulted in women's exclusion from auto-enrolment schemes as employers only have to enroll employees who earn more than £10,000 pounds per annum. Three-quarters of people in part-time employment are women and 63 percent of people earning £7 per hour or less are women.¹⁶

Q19: How do you think the Government can make sure that older women are able to fulfill their career potential?

Providing investors with meaningful and comparable information on the gender pay gap and other workforce productivity factors will increase the pressure that investors put on companies

¹⁵ The European parliament's Committee on Women's Rights and Gender Equality has highlighted that life expectancy in the EU is rising by two and a half months every year, page 3, available at: <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+COMPART+PE-549.448+01+DOC+PDF+V0//EN&language=EN>.

¹⁶ PensionsWorld, 'Auto-enrolment still excludes most vulnerable, argues Portal Financial,' 29 June 2015, available at: <http://www.pensionsworld.co.uk/pw/article/auto-enrolment-still-excludes-the-most-vulnerable-argues-portal-financial-12335307>.

to improve workforce productivity in relations to their peers and best practice. This would benefit all workers, not just older women.

Thank you for your time in completing this consultation.

You may email or post your completed response as follows:

By email: GenderPayGapConsultation@geo.gov.uk

By post:

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