Written evidence submitted by The Chartered Management Institute (CMI)

The Chartered Management Institute welcomes the opportunity to contribute to this inquiry into the Gender Pay Gap by the Women and Equalities Select Committee, and its Chief Executive Ann Francke looks forward to giving oral evidence to the Committee on 15 December.

As the chartered professional body for management and leadership, CMI is dedicated to developing and promoting the highest standards in management and leadership practice. With a member community of over 120,000, CMI has been providing forward-thinking advice and support for more than 60 years. We know that diverse and inclusive management and leadership is a key to creating better-led and managed organisations. As such, CMI has long been a strong advocate of improving gender diversity: through our publication of pay gap data; the work of our Women in Management network (WiM) now chaired by Sue O’Brien OBE; and the publication of practical White Papers addressing women into leadership.

Our evidence on the pay gap is rooted in the National Management Salary Survey (NMSS), which has been jointly published by CMI and XpertHR – the award-winning employment intelligence service for HR professionals – since 1974. The 2015 report is based on data for 72,206 individual employees, submitted by 317 organisations.

CMI has been an active member of the Government’s Think, Act, Report campaign which has championed greater transparency and action to close the gender pay gap. We support the principle of driving changes in management behaviour by increasing transparency as a key driver. We welcomed the decision to implement Section 78 of the Equalities Act, requiring companies with over 250 employees to publish pay data. We responded to the initial consultation in summer 2015 and continue to support the Government Equalities Office in developing policy in this area.

Executive Summary

- CMI’s longstanding research demonstrates that for women over 40 the pay gap in management roles is 35%, against an average gap of 22%.
• Our data does not suggest that the gender pay gap will inevitably disappear as new, more highly education generations of women progress through the workforce. Our evidence suggests women still face a ‘glass pyramid’, which leaves them both under-represented at senior levels and sliding backwards on earnings. If anything, female managers over the age of 40 today face a bigger gender pay gap than a decade ago.

• Despite women outnumbering men at junior management levels, women are still significantly under-represented at senior levels. Unconscious bias still permeates most aspects of UK business.

• Changing business cultures to address the inequalities facing women will mean more engaging management and better workplaces. At a time when poor management and leadership have been identified as the biggest cause of the UK’s productivity shortfall, there is an enormous potential upside for the UK economy in developing more engaging workplace cultures that better suit all employees and enable improved business performance.

• Transparency is the most powerful lever we have to increase accountability and drive changes in management behaviour; more specific requirements will increase companies’ accountability to their employees and to their stakeholders and society more widely.

• CMI supports Government’s policy to require transparency about how businesses pay women. CMI agrees with the current scope of the proposed legislation to require companies with more than 250 employees to publish gender pay data by quartiles.

• Improving the position of women over 40 demands a change in business culture that engages with women in the workforce not only when they are over 40, but earlier. Many employers recognise the need for this shift in culture, which could benefit all employees – not just women – and employers themselves, by improving their ability to tap into the talent of more people and access greater diversity.

• This change needs to be owned by employers and both sexes, but should be championed by Government working with partners such as professional bodies. It involves better supporting women at different stages of their careers; providing better support to employees taking parental leave and better supporting their return
to work; providing better access to professional networks; and highlighting role models to inspire younger generations of women.

- A key option to strengthen this focus could be to require reporting on levels of female representation on the basis of management level – which CMI has argued for – as that would also create focus on the relative under-representation of women in the talent pipeline, an issue that relates to age.

**Submission**

**1. TACKLING THE GENDER PAY GAP**

**1.1 The gender pay gap among managers**

Data from the latest *National Management Salary Survey*¹ (NMSS) published by CMI and XpertHR reveals that women working in full-time management and professional roles earn 22% less on average than men. This would equate to an unpaid 1h40m every day, or 57 working days every year. This extensive survey, of 72,000 UK managers, shows that the gender pay gap now stands at £8,524, with women earning on average £30,612 and men earning £39,136. The gap rises to £14,943 for director-level women, who earn on average £123,756 compared to their male counterparts who earn £138,699.

Women managers are also missing out across all levels when it comes to bonuses, with the average man’s bonus of £4,898 almost twice that of the average woman’s bonus of £2,531.

The impact of age on these figures is significant. At entry level there is no perceptible pay gap, however this increases significantly by age: for 26-35 year-olds the gap is 6%; for those aged 36-45 years, it is 20%; from 46 to 60 years it is 35%; and for those aged 60 and above it is 38%.

**1.2 Progress over time**

The National Management Salary Survey shows very gradual progress in closing the gender pay gap.

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¹ CMI (2015) ‘Gender Salary Survey’
Fig 1: overall gender pay gap between managers and professional staff. Source: National Management Salary Survey, 2009-2015

We do not regard this as acceptable progress and therefore support Government action to accelerate this trend.

1.3 The gender pay gap, age and change over time

Data from our NMSS aligns to ONS findings that the gender pay gap increases for the 40 to 49-year-olds, as reported in March 2014 by the Department for Culture, Media & Sport, ‘Secondary Analysis of the Gender Pay Gap’.

We believe that both these data sets run counter to the idea of a cohort or generational effect, which suggests that we will simply see the pay gap disappear as today’s younger women progress in their working lives. NMSS data over the last decade strongly suggests this would be wishful thinking. Women still face a ‘glass pyramid’ that both sees fewer women reaching senior management – and sees them facing a pay gap that widens with age.

The current gap is relatively small for young women but it still persists: those aged 26-35 are paid 6% less than their male colleagues. This is little changed to a decade ago. In 2005, the gender pay gap recorded in the NMSS for 25-29 year olds was 8%, and 9% for 30-25 year olds.
However, for those now in the bracket 36-45, the gap is 20% – so, the generation which had a gap of 8-9% a decade ago has fallen further behind.

The current gap of 20% is also larger than it was for female managers of this age a decade ago (11% for 35-39 year olds and 17% at 40-44).

Likewise, the picture for older women today is if anything worse. In 2005, there was a 16% gap for 45-49 year olds, 26% for 50-54 year olds although and 7% for 55-59 year olds (a lower figure but one where women only made up 12% of the sample in this age bracket). Today, the equivalent female managers aged 46-60 are paid 35% less.

1.4 Current Government proposals

On the basis of the slow rate of change, we do not believe that the voluntary approach for employers to generate and use gender pay gap information is sufficient. Initiatives such as Think, Act, Report have been very successful in encouraging progress from some employers, and highlighting and celebrating good practice. But the slow pace of change means more active intervention is justified.

The stronger progress of the public sector in reducing the gap can also be largely attributed to the requirements of the public sector equality duty in the Equality Act 2010. This included specific requirements for public authorities to publish gender pay gap information and publish statements on equal pay. As a result, the NMSS data shows that for public sector organisations with between 250-999 employees women managers out-earn by 5%, although for organisations with 1000+ employees women are behind by 9% (sample note – this data excludes director-level results).

CMI therefore strongly backs the policy of increasing transparency on the question of how men and women are paid. Measurement is fundamental to the management of any significant business problem and this policy will drive better measurement of the pay gap. The requirement to publish data will increase employers’ accountability to their employees, to stakeholders and to society more widely, encouraging action to close the gap. We believe transparency will prove to be a strong driver of change.

1.5 Accelerating Change

One way to accelerate action to close the gender pay gap is to increase accountability by increasing transparency. We have called for Government
to require more detail from employers than a single figure for the gender pay gap, which could conceal and confuse. We believe greater transparency will improve accountability and drive quicker action from employers. This could take the format of junior, middle and senior management bands, as we have previously proposed. Such a universal banding would be simple to understand and enhance comparability. While companies of course may have numerous pay grades and, in some cases, multiple pay systems as a result of mergers and acquisitions, those grades could be mapped by employers to these three overall bands. Alternatives such as reporting by salary quartiles may have a similar effect.

We believe this requires Government to clearly specify the methodology that employers should use when presenting the gap. Whichever approach is adopted, comparability will be essential for understanding the data published by companies and to driving employers to act. Comparability will be used by management teams: without it, they will not easily be able to understand how their organisation benchmarks compared to its peers or competitors. Failing to ensure comparability would weaken the impact of the policy.

1.6 Should regulations on pay reporting be extended?

Looking at the NMSS data for managers (excluding directors), we see that the pay gap is greatest in the ‘mid large’ category, i.e. 250-999. For private sector employees in the bracket up to 250 employees, for women managers there is a 10% gap. In those 250-999 it is 17%. For the largest, where there is already greater levels of reporting, i.e. companies with 1000+ employees, the gap is down to 5%.

Therefore, we support the current scope of Section 78 in that it will apply to those organisation with more than 250 employees where the gap is greatest. To extend this to companies with fewer than 250 employees could potentially require completely new reporting arrangements which could be too onerous to smaller companies. However, given the high proportion of employment within SMEs across the UK workforce, this should be reviewed once the scheme is working for the larger organisations. In the meantime, best practice and voluntary reporting should be encouraged across SMEs.

1.7 Good Practice in Publishing the Gender Pay Gap
Employer experience on reporting to date has generally been very positive. PwC’s Diversity and Inclusion Lead, Sarah Churchman, was interviewed for CMI in September 2015\(^2\). She said that the experience of publishing their gender pay gap “has only been positive – once you publish it does create a greater accountability for doing something about it.” This added level of accountability is a strong argument for the Government’s policy on Section 78: while some employers may have already started to conduct pay audits, transparency brings accountability and action.

Think, Act, Report has also published several case studies offering insight from employers about their benefits of undertaking pay audits and reporting the findings, from leaders in the field such as Friends Life, Tesco, Genesis Housing and others\(^3\).

CMI has developed a series of recommendations to help employers close the gender pay gap\(^4\). We will keep these under review and update them as details of the policy are confirmed.

2. IMPROVING THE POSITION OF WOMEN AGED OVER 40 AT WORK

2.1 The Business Case for Diversity

The business case in favour of supporting women aged over 40 at work is a subset of the strong arguments in favour of improving gender diversity for firms. Where firms underperform in engaging, retaining and developing women above a certain age they will lose valuable employees. In the UK, women represent over half the population, outnumber and outperform males educationally at all levels, and comprise almost half the workforce.

Having women in business benefits men as well as women. This is proven in terms of hard measures like growth, return on equity, and return on

\(^2\) CMI (2015) ‘How PwC is working to close the gender pay gap’

\(^3\) Government Equalities Office (2013) ‘Gender Equality in the Workplace: Case Studies’

sales. It’s proven in terms of soft measures like engagement, customer satisfaction and it’s also proven in terms of limiting the downside\textsuperscript{5}. Diversity on boards limits the reputation and ruinous financial risks that can often occur in boards due to groupthink. Fundamentally the business case for diversity makes it a core issue for management and leadership. As BIS has rightly recognised, poor management and leadership is the leading cause of the UK’s productivity shortfall – as identified in the latest OECD Total Factor Productivity figures. There is an enormous potential upside for the UK economy in developing more engaging workplace cultures that better suit all employees and enable improved business performance.

Recent research from McKinsey & Company\textsuperscript{6} quantifies the global economic harm that could result if women – who account for half the world’s working-age population – do not achieve their full economic potential. Looking at a ‘best in region’ scenario, in which all countries match the rate of improvement of the fastest-improving country in their region, they estimate as much as $12 trillion – or 11% – in annual 2025 GDP. In a scenario where women play an identical role in the labour market to that of men, as much as $28 trillion – or 27% – could be added.

Yet, despite the strength of the economic case, often the stronger driver for change is the emotionally and personally relevant rationale. Both men and women who focus on creating a more even playing field of opportunity frequently cite that their motivation is making sure that their daughters do not experience societal career barriers.

Importantly from the perspective of achieving diversity of viewpoint and avoiding groupthink, CMI research with MoralDNA\textsuperscript{7} has found that, on average, female managers score 5% higher than men on the ethic of care at work. If employers want decision-making to be balanced and to fully reflect the potential impact on people – employees, customers and others – the ethic of care needs to be fully acknowledged. This adds to the case for diversity.

\textsuperscript{5} Airmic (2013) ‘Roads to Ruin – A Study of Major Risk Events: Their Origins, Impact and Implication’


2.2 Women and the Boardroom

2015 research from Credit Suisse\(^8\) shows that more diversified boards deliver better returns. Even having just one woman on the board starts to bring an improvement – boardrooms where there is one female have seen an average return on equity of 14.1% since 2005 compared to 11.2% for all-male boards. As the report concludes: "It is not a case of a greater ability of one gender versus the other but that a more diverse group makes for better decision making and corporate performance."

Notwithstanding the progress made in the FTSE100 through the Davies’ initiative, the evidence shows that when it comes to board recruitment however, it is not easy for women to make the breakthrough, especially for executive board roles which for many may be an aspiration from their early forties.

A 2012 report by the EHRC and Cranfield University School of Management examined the selection processes for non-executive director roles to FTSE 350-listed companies\(^9\). They found that they remain ‘opaque and subjective’, typically driven by a ‘corporate elite of predominantly male Chairmen who tend to favour those with similar characteristics to themselves’. In addition, executive search firms typically assess candidates on how they ‘fit’ in with the current Board – which, due to the male-dominated nature of existing Boards, tends to disadvantage female candidates. The consultants interviewed found that in practice many firms were reluctant to re-examine their recruitment preferences and practices to turn the aspiration of increasing diversity into reality.

Interim findings from the latest EHRC inquiry into FTSE350 executive Board recruitment, demonstrate particular issues with the role of search firms, Chairmen and Nomination Committees, and suggest the need for far greater transparency throughout the appointment process for both executive and non-executive board members.

2.3 Improving the Talent Pipeline

\(^8\) Credit Suisse (2015) ‘The CS Gender 3000’

In addition to the issue of pay, there are also fewer women in senior executive positions. Women comprise 67% of the workforce in entry-level roles, and continue to outnumber men in junior management roles, female representation drops to 43% at the level of senior management. However, at the top, just 29% of director-level posts are held by women, and we’re into single digits when we look at CEOs and FTSE executive directors.

This pyramid shape reflecting women’s lack of progression to equal representation at the more senior levels is the key issue that needs addressing. Harvard University previously recently rounded up lots of research on this subject\(^\text{10}\). We’re no longer talking about a ‘glass ceiling’, but a ‘glass obstacle course’, with lots of unseen hurdles and hard to navigate obstacles that hold women back.

2.4 Addressing Unconscious Bias

It’s old news that women confront the Old Boys’ Network, sexist assumptions, and discriminatory promotion practices. These are not only unethical, largely illegal, but still far too widespread.

In April 2015, CMI undertook a survey of diversity among 769 managers. Asked if they work in a sexist workplace, 26% of women agree – compared to 17% of men. 49% of women agree that “the old boys’ network is very much alive” compared to 44% of men. Women also strongly feel that “alpha male characteristics” are required for women to succeed, with 37% agreeing compared to just 21% of men.

When asked what they regard as their organisation’s biggest challenges in creating a diverse workforce, the biggest challenge identified by women is seen as being unconscious bias affecting recruitment and promotion – identified by 55% of women under 40, and 42% of those aged 40-plus.

There are many cultural assumptions and barriers of unconscious bias that beset women. From an early age, children grow up with books showing the dad with the briefcase and the mum with the apron – the definition of success and what merit looks like can be different for women. Too many workplaces, in part due to the lack of gender balance, do not have role models that the talent pipeline can identify with. According to

Professor Susan Vinnicombe the issue of “leadership self-efficacy where women do not believe they can be a leader in the way they see leadership defined”, is too often put down to lack of confidence, as opposed to the unconscious bias of definitions of success\textsuperscript{11}.

Many women are also overlooked in terms of career progression or pay rises because of their discomfort with self-promotion, which has been described as the ‘Tiara Syndrome’. Many feel that there is a trade-off between being successful and being feminine – a huge cultural challenge to be overcome.

### 2.3 A real commitment from the top

Achieving greater diversity among senior management means overcoming cultural barriers which are often deeply embedded within the behaviours of those responsible for leading UK’s organisations. Indeed, more focus needs to be given to supporting executives and chief executives in championing corporate values and a sense of purpose that embodies social purpose and focuses on longer-term performance, not just short-term shareholder return. Chief Executives and boards should be rewarded for their ability to deliver value to all stakeholders – not just shareholders. For example, link bonuses to revenue growth, job creation, diversity, and not just financial results which can be achieved through cost-cutting and asset-stripping.

A good example of best practice in ensuring equality lies at the heart of the business culture is Unilever. Since making gender balance a key priority in 2009, Unilever has seen significant progress. By the end of 2014 43% of managers at Unilever were female – closing in on their target of 50% – and women’s representation at senior leadership positions had doubled.

### 2.4 The importance of flexible working

Research from Ernst & Young\textsuperscript{12} found that flexible working could play a huge role in boosting productivity. It found that £11.5 billion could be added to the UK from flexible working through more productive use of available flexible working hours, with two in three firms saying flexible working helps motivation, commitment and employee relations.

\textsuperscript{11} CMI & Women in Management (2013) ‘Women in Management – Tackling the Talent Pipeline’

\textsuperscript{12} Ernst & Young (2015) ‘The Future is Flexible’
The importance – and effectiveness – of flexible working in enhancing diversity has also been identified by CMI research. In a survey of 769 managers in April 2015\(^\text{13}\), among possible practices to increase diversity, offering flexibility was the most frequently-offered practice (83%). Of these, 27% felt it had a significant impact. Many fewer, 47%, had introduced mentoring and coaching; 15% of these felt it had a significant impact.

There is also much more that organisations can do to offer enhanced return to work schemes to prevent parenthood being a barrier to progression. Citi has developed an extensive programme to support parents\(^\text{14}\).

2.5 Leadership Development Programmes and Role Models

The other top drivers identified for supporting female progression were providing leadership development programmes (a key factor in helping women progress); extending mentoring and coaching opportunities; and identifying male role models who can support women.

Findings from CMI’s report ‘The Business Benefits of Management and Leadership Development’\(^\text{15}\) showed that mean and women reported different types of development as being most effective. While business school and professional body qualifications were rated as the top two most effective routes for both sexes, coaching – either by line manager or external practitioners – was ranked more far more highly by women, whereas men preferred short courses.

Professor Tom Schuller argues that the lack of “vertical social capital” is one of the reasons women do not always realise their potential in the workplace\(^\text{16}\). In many cases women lack the vertical connections with

\(^{13}\) CMI (2015) ‘Delivering Diversity’


\(^{16}\) CMI & Women in Management (2013) ‘Women in Leadership’
senior male employees. Mentoring and sponsorship can help break down these barriers.

In CMI’s 2014 White Paper on the power of role models, James Bardrick from Citi commented: “If organisations lack enough female role models, then some of us men have got to actively get on with it and be the role models and mentors ourselves … to make sure that talented women do get opportunities, with appropriate encouragement and sponsorship to develop their careers.”

RECOMMENDATIONS FOR SUPPORTING WOMEN

It is clear that more needs to be done to support all women in the workplace. Measures to achieve this can include:

- Sustained leadership commitment and accountability
- Company-wide targets on both equal pay and representation at all levels
- Driving inclusive leadership through training – including unconscious bias training and a comprehensive commitment to professional management and leadership
- Increase transparency in the recruitment, retention and development of female talent
- Engaging all stakeholders, including making this a male agenda.

Looking at specific measures to help women beyond the age of forty include:

- Ensuring better access to opportunities for retraining and developing professional skills. For example all-age support for Apprenticeships, including the new higher-level Apprenticeships being developed through the Trailblazer scheme. Government should ensure that skills budgets are not withdrawn from older people.
- Supporting access to quality part-time work for women to suit personal circumstances—whether they relate to child care, care for other...
dependents such as parents, or other reasons. There is relatively little high quality flexible working and part time working and government could help support and champion initiatives looking to address this. One example is Lifeshifter, an online exchange connecting employers to high-skilled women who want to work flexibly. Such opportunities may be particularly beneficial to older women compared to head-hunters who may retain traditional attitudes.

7 December 2015