ICAEW welcomes the opportunity to comment on the Women and Equalities Select Committee inquiry exploring the gender pay gap launched on 4 November 2015.

We would be happy to discuss any aspect of our comments and to take part in all further written or oral consultation in this area.
ICAEW BACKGROUND

1. ICAEW has developed a number of initiatives to support gender equality in the workforce. Our ‘Women in Leadership’ and ‘Back to Work’ programmes are designed for women returning to the workforce and to provide advice, networking opportunities and CPD programmes that give women opportunities to get ahead. Beyond this ICAEW has a focus on developing our members throughout their careers and this encompasses when they take time out of the workplace for families or sabbaticals. This involves regularly holding focus and research groups to identify the practical and emotional barriers facing women in the workplace.

2. As a professional body with members in both large and small businesses, we understand the challenges faced by member firms. PwC is one of these firms and they published their gender pay gap analysis in November 2014. One of PwC’s key findings was that the pay gap is often the result of not having enough women in senior positions. Organisations therefore need to work harder to address any barriers to women progressing in work and returning to the workplace after a break if we are to close the gender pay gap. This is particularly true for older women returning to work.

3. ICAEW programmes to support women in the workforce are taken advantage of by a range of firms and employers. Our member firms implement a range of initiatives to help women achieve their potential, including Board level mentoring schemes, women’s leadership programmes and diversity training. This best practice needs to be shared across professions to allow a joined-up approach to tackling pay disparity.

TERMS OF REFERENCE

4. This response focuses on the last three of the seven specific issues identified in the terms of reference for this inquiry:

Point 5: Should the regulations on gender pay reporting be extended to organisations with fewer than 250 employees?

Point 6: Would voluntary measures regarding what employers do with gender pay gap information be sufficient to create change within organisations? What could be done to ensure that information about an organisation’s pay gap is translated into action?

Point 7: Which mechanisms would most effectively ensure that policies designed to narrow the gender pay gap are fully complied with? Is there evidence from other countries or policy areas of what might work best?

SUMMARY OF ICAEW MAIN POINTS
5. ICAEW supports the Government’s initiative to publish the gender pay gap generally and to publish it specifically for the over 40 age group. To create a real impact however, we believe it is important to address the following additional issues.

6. If Government is to reach its economic and productivity targets then there needs to be greater recognition of the added value women bring to businesses. Better support structures to attract and retain older women in the workforce will increase the talent pool available to businesses therefore raising the overall standard of the workforce. Equal pay is one of many important factors in supporting women to help them achieve their potential.

7. Other factors include a positive competitive environment for talent where transparency is promoted and businesses compete with each other on their diversity reputation in order to attract future employees. When businesses realise the loss pay disparity brings to their talent pool, it provides an important incentive for enacting real change.

8. If gender pay gap disclosure is to be effective then there needs to be consistent guidance on how it is collected, presented and audited to prevent manipulations. The accountancy profession is well placed to review figures given their depth of expertise.

9. Given that reporting across all companies will only become mandatory in 2016, businesses with fewer than 250 employees should not immediately be asked to disclose due to the regulatory burdens it would create. This should, however, be reviewed at a later date based on how the reporting requirements work for larger businesses and should not necessarily be ruled out in the future.

RESPONSES TO SPECIFIC QUESTIONS

Q1: Should the regulations on gender pay reporting be extended to organisations with fewer than 250 employees?

10. While ICAEW believes that there is a case for all organisations to be obliged to publish gender pay gap information, the voluntary TAR scheme illustrates how difficult this is to do. Since 2011 more than 280 firms signed up to the scheme, but only 5 have actually published. This implies that businesses may have found it more onerous than they had anticipated. It seems probable that companies with fewer than 250 employees are likely to be even less well equipped to cope with the extra regulatory burden.

11. In the case of smaller businesses, reporting gender pay gap could result in the involuntary disclosure of individual salaries. This would be even more likely when looking at the older age group in isolation.
12. When mandatory gender pay gap disclosure does take place, and even if it were to be extended to organisations with fewer than 250 employees, we remain unconvinced about this forming part of an organisation’s financial statements. It could alternatively, for example, be disclosed somewhere on a company’s website.

13. Therefore, we suggest that until the reporting process is reviewed and assessed for organisations above 250 employees that organisations with fewer than 250 employees should not be expected to publish gender pay gap figures. There is however much more that could be done to promote the benefits on a voluntary basis in the meantime.

Q2: Would voluntary measures regarding what employers do with gender pay gap information be sufficient to create change within organisations? What could be done to ensure that information about an organisation’s pay gap is translated into action?

14. Forcing compliance based on theoretical equality arguments can be less effective than persuading businesses on economic terms. Voluntary measures regarding what employers do with gender pay gap can be effective providing:

- There is a positive competitive environment for talent, created through transparent reporting.
- The economic contribution women bring to business is recognised. Gender pay is not just a matter of fairness, but is critical to businesses economic aims. Not taking advantage of half the potential talent pool or alienating half of a business’s customer base risks organisations missing their business goals.

15. The motivations for pursuing diversity are not only ethical but also commercial. A recent McKinsey study identified that gender-diverse companies are 15% more likely to outperform their competitors. Benefits have been shown to arise in areas ranging from consumer reception to employee commitment.

16. Having a gender diverse workforce makes an organisation better representative of its clients, and more attractive to the future employees they want to recruit. It is therefore desirable for businesses to have a strong reputation on diversity and inclusion; including a positive record on gender pay gap. Recent research by ICAEW showed that millennials in finance and business want to be known for their ethics above other factors like adding value to the economy.

17. Large businesses are starting to compete with each other on how well they support diversity. These organisations are not just competing for bigger profits, but a better reputation, and this is an important incentive for equality and ensuring information on an organisation’s pay gap is translated into action.
18. Businesses are changing and as the UK economy lags behind other countries in productivity, it is important that we encourage women to take on and remain in top jobs. Having poor gender pay gap figures could mean women entering the workforce look to other organisations that have a better record, which should force poor performing businesses to act and change.

19. Even with mandatory reporting, we still need to look beyond the numbers and policy and reflect on how organisations can create work environments that inspire and facilitate women to progress in the workplace. The pipeline of women into the top professions needs to be developed as well as greater recognition from businesses of the significant economic uplift it could deliver. This is partly what ICAEWs mentoring and development programmes seek to address.

Q3: Which mechanisms would most effectively ensure that policies designed to narrow the gender pay gap are fully complied with? Is there evidence from other countries or policy areas of what might work best?

20. Publishing the gender pay gap will only be effective if properly enforced and audited. Different versions of pay gap reporting can give different answers and trends. There needs to be a consistent way to measure and publish pay gap differences and bonuses to give an accurate reflection of an organisations performance.

21. If businesses are able to manipulate the display of figures to reflect themselves more positively, the incentive to achieve actual change is reduced and is contrary to the Government’s policy intention. Audit and assurance mechanisms could provide robust methods to ensure this.

22. Malaysia is an example of a country that is examining policy to encourage more women into work. This comes at a time when Malaysia has slipped in the global rankings for gender parity, despite a ban on gender discrimination. The World Economic Forum 2013 Global Gender Gap Report placed Malaysia 102nd out of 136 countries. In January, the Malaysian Government called for ‘pioneering women leaders’ to inspire younger women to ‘break the barriers’ and highlighted the importance of lifelong learning in returning to work. ICAEW alongside the Malaysia government and the chartered accountancy profession runs a ‘women in leadership’ programme to help businesswomen into top jobs. This is an example of where Government policy needs to be backed up with real and practical solutions. Banning gender discrimination in Malaysian law was insufficient to implement gender parity. It is not until you engage with people on the ground and share best practice that real change occurs.

CONCLUSION
23. The Government should work with business if measures to reduce the gender pay gap are to be successful. Creating policy is only the first step, practical solutions that highlight the benefits for employers are also very important in generating change. Whilst ICAEW supports disclosure to help drive diversity, we believe that more needs to be done in getting women into leadership roles and measures to assess an organisation’s inclusivity should be established.

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i Hunt, V., Prince, S., Layton, D. “Why diversity matters”.  
ii Bhattacharya and Sen, 2004  
iii Ijas, 2012