

Business, Energy and Industrial Strategy Committee

Oral evidence: Corporate Governance: delivering on
fair pay, HC 928

Tuesday 17 April 2018

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Members present: Rachel Reeves (Chair); Vernon Coaker; Drew Hendry; Stephen Kerr; Peter Kyle; Mr Ian Liddell-Grainger; Albert Owen; Mark Pawsey; Antoinette Sandbach; Anna Turley.

Questions 1 - 66

Witnesses

I: Sam Smethers, Chief Executive, Fawcett Society; Brenda Trenowden, Global Chair, 30% Club; and Alice Hood, Joint Head of Equality and Strategy Department, Trades Union Congress.

Examination of witnesses

Witnesses: Sam Smethers, Brenda Trenowden and Alice Hood.

Q1 Chair: Thank you very much for coming to give evidence to our Select Committee today on corporate governance and fair pay. This session today is on gender pay reporting and the gender pay gap, before we move on to look at executive pay in a further evidence session. For the record, will you introduce yourselves and where you are from, and then we will crack on with the questions?

Sam Smethers: I am Sam Smethers. I am Chief Executive of the Fawcett Society.

Brenda Trenowden: I am Brenda Trenowden, the Global Chair of the 30% Club.

Alice Hood: I am Alice Hood, Joint Head of Equality and Strategy at the TUC.

Q2 Chair: Thank you very much. The first question from me is to all of you. Is the annual gender pay gap information sufficient? Should organisations be required to disclose any further information related to their gender pay gaps and, if so, what information would that be? We will maybe start with you, Sam.

Sam Smethers: I wanted to say up front that we welcome gender pay gap reporting. We think it has been an important step forward and we have been supporting it throughout. We have also said all the way through that we thought it could be stronger, and there are a number of ways in which we think gender pay gap reporting could be strengthened. First, we think the threshold of 250 employees is too high and it should come down. We recommended 50 as a threshold and we understand that Government might be sympathetic to that over time, but they wanted to start off with 250. About a third of employees are covered by that, so there are still quite a lot of women who are not covered by current gender pay gap reporting requirements.

We are also interested to see whether it is possible to address intersectionality within the data. I know that is not necessarily straightforward, but it is important for us to think about which groups of women are particularly disadvantaged. Where we have black and minority ethnic women in the labour market, where are they and where is their pay in relation to other women and men in the workforce? Thirdly, we would also like to see part-time and full-time data separated out. At the moment, it is not and we think that is a bit unfortunate in terms of how the numbers are calculated. I could go on, but perhaps I should let others comment. They would be my top three.

Brenda Trenowden: Certainly we would agree that we should be looking at 50. That was the number that we had as well. We also agree



HOUSE OF COMMONS

that we need to see a distinction between part-time and full-time employment. We would like to see reporting requirements that do not exclude equity partners and owners as well. Finally, we would like to see a narrative as mandatory and an action plan. That is very important, because the numbers themselves do not explain enough and it is important to have the narrative as well.

Alice Hood: We too would like to see a lower threshold in terms of the size of the companies required to report. We also see the issue around data about part-time working as something that is really key. We know this is one of the major drivers of the gender pay gap, so unpacking the breakdown of the part-time workforce and the part-time gender pay gap would be really useful in adding a bit more meaning to the data. Absolutely, we would want to see a mandatory narrative explaining what the driving factors in each organisation are behind the gap. We would also like to see a mandatory action plan, so a requirement on organisations to set out not only their understanding of the drivers behind the gap in their organisation, but what action they plan to take to address them.

Q3 **Chair:** Brenda, can I just pick up on something you said about the pay of equity partners? My understanding is that the big accountancy firms did, after some pressure, include equity partners in their pay reporting, but it is not mandatory. They did not have to do that. Law firms, by contrast, have not included equity partners. Given that equity partners are, almost by definition, the highest-paid in their organisations, will that not skew the data? Should the rules be tightened so that those law firms cannot, in a way, get away with excluding the highest-paid people in their workplaces, probably the majority of whom are men?

Brenda Trenowden: Precisely. If we look at the investment banks and some of the big companies, the big pay gap comes in with those top positions. All the professional services firms have different structures, so we would also include consultants in that. That gives a very unfair picture right now, because those are the important roles where we need to see more gender balance. Yes, we think that all firms should have to include the ownership part of the firm as well.

Q4 **Chair:** One thing that seems to be a mistake in the way that the Government have asked the reporting to be done is about the way that bonuses are treated for part-time staff. The pay is done on an hourly basis so, if you are part-time, it is not that only half of your pay is included. It is sort of pro-rata'd, but the bonuses are not done in that way. If you are part-time and you earn a bonus of £5,000, for example, and you have a colleague who works full-time and gets £10,000, it will look like your bonus is only half. That presumably needs to be ironed out for the next round of pay reporting. Have you put that to the Government, Sam?

Sam Smethers: Yes, I think that would definitely improve the way the data could be interrogated because, at the moment, there are big



HOUSE OF COMMONS

discrepancies. The gaps are generally much bigger for bonus payments, but we cannot tell who is getting a lower bonus because of the number of hours they are working or because they are not being properly rewarded. What is behind that discrepancy? If you could separate that out, it would be helpful.

Q5 **Stephen Kerr:** There is a startling number of companies—1,557—that did not report. Admittedly more companies seemed to have reported than was expected, but there is still this gap. What do we do about that? Do we need some sort of sanctions?

Sam Smethers: Yes. We have always said that there needed to be a sanctions regime alongside this. Government did not always agree, to be honest. When it started, there was no sanctions regime proposed. The appetite for sanctions grew over time, to give the EHRC enforcement powers or at least scope to use its enforcement powers, but they have to go to court in order to impose a fine. We think that that requirement to go to court should be removed; it should be much more straightforward to fine employers that do not report. We are just talking about non-reporting at the moment.

Q6 **Stephen Kerr:** The whole process can take 260 days to a year.

Sam Smethers: They cannot claim they do not know about it, so why have they not done it? Do we really need to give them another 260 days, if we are honest? No, I do not think we do. It would be good to see that sanctions regime a bit more streamlined and generally quicker and easier to impose. Give them some time to catch up with everybody else before a fine is imposed, but not such a long window.

Brenda Trenowden: By next year, we need to have some set fines in place and be very clear on the sanctions regime. That will act as an added incentive for everyone to report.

Q7 **Stephen Kerr:** There is little incentive at the minute, given that you can go most of the next year without having to comply and there are no penalties.

Brenda Trenowden: There is an incentive in terms of the reputational risk that companies face, but I think that will fade over time. In the first year, you will see a lot of outing of those that have not reported. We know that investors are starting to ask about people that have not reported but, if companies continue to fail to report, over time that reputational risk will fade. That is when we need to have those clear set fines in place and a very clear sanctions policy.

Q8 **Stephen Kerr:** The TUC has submitted that the “process was overly long and complex”, so presumably you are in the same place?

Alice Hood: Very similarly, we have said all along that, to make this meaningful, we will need a good sanctions and compliance regime in place. To be fair to the Equality and Human Rights Commission, within



HOUSE OF COMMONS

the powers that they have been given, they have set out a clear plan and they are now in the process of writing to employers and starting that process. My understanding is that the endpoint could be unlimited fines in the courts.

Q9 Stephen Kerr: What does “unlimited fines” mean? Think of a number. I think the penalties need to be more specific.

Alice Hood: As colleagues have said and as we have said throughout the process, a more streamlined and faster process will help to drive action. All of this should ultimately be about requiring employees to understand what is driving those pay gaps and committing to take action to close them. The other point that this perhaps raises is a lack of clarity about precisely which organisations are covered. We know that there was an original estimate of around 9,000, but there have been higher estimates given. It is therefore difficult to see at the moment precisely how good that level of compliance has been. Again, I know that work has taken place on that, but it would be good to see next year a much clearer picture of precisely what numbers we are expecting to report.

Q10 Chair: Is the number of companies that did not report on time—1,557—a definitive number? Do we know how many companies have not reported? Crucially, does the Equality and Human Rights Commission know which have not reported?

Sam Smethers: You would have to ask them that question. They did not seem to know the definitive number of which should be reporting beforehand, so how can we know the missing number now? I do not know. I have my doubts about the precision of some of these numbers, but perhaps the data sources have improved since then. I do not know, but it was always frustrating that you could not get a definitive number out of Government at the beginning.

Q11 Chair: Have any of you heard from companies that have said that they still, at this stage, do not understand what they are supposed to be doing? I am trying to understand why 1,557 companies are risking perhaps unlimited fines, which is what the legislation says. Do you have an idea of why they have not reported this data, Brenda?

Brenda Trenowden: Some companies have not taken it very seriously. I know that a number of companies I have spoken to have taken it very seriously, have put big teams on it, big stakeholder engagement and really thought about their plans. I know there are other companies that just think it is a box-ticking exercise and do not feel it is incredibly important. There is some of that, and I have also spoken to one institution that did not think they had to report, when they have more than 1,000 staff in London. I was amazed that they did not think they had to report.

Q12 Peter Kyle: Name names.



HOUSE OF COMMONS

Brenda Trenowden: I could not possibly do that, but there has been a little confusion still with some organisations.

Q13 **Chair:** Do you think that there is more that the EHRC or the Business Department could do to help some of those firms that perhaps do not understand what is required of them, or do you think I am being too generous?

Sam Smethers: I think there is more that could be done. You have to think about what they are engaging with, if they genuinely do not know about it. They must know about other reporting requirements. They are engaging with the HMRC. Whoever they are engaging with, put the information in that source. It has to be seen as central to what they do and what they are about.

Q14 **Chair:** Do you think that the right part of Government is in charge of the enforcement and rules around this, because most companies have to interact regularly with HMRC for example, as you say, Sam? They perhaps do not have to interact with the Equality and Human Rights Commission. Is there a problem that businesses do not know that this is for them because it is not coming from a Department or part of Government that they usually interact with?

Sam Smethers: That might be an issue. I do not think it is a problem where the enforcement lies, but it is an issue as to what information sources and regulatory bodies they respect and engage with. There is no reason why that information could not be directed through those arms of Government or agencies, but back into the commission. I do not see why the ultimate enforcement has to change, but you could at least locate the information in a place where they would definitely see it, engage with it and treat it as a serious obligation.

Q15 **Chair:** Do you have any idea of how bad non-compliance is compared to other new demands on businesses? I am thinking for example of automatic enrolment into pensions. I do not know how many companies that employ more than 250 people did not automatically enrol people into pensions by the deadline. Is there something particularly bad about this 1,557 number, or is that what you would usually expect at this stage of a cycle?

Sam Smethers: I do not know what the non-compliance has been for other sources or obligations. It depends on how you look at it. I was actually quite pleased that we got to as many as we did, if I am honest with you, because I was worried that we would not get as many employers taking it as seriously as they have. I am a glass-half-full person; I think, "At least we have 9,000 employers engaging with it. That has to be a good thing," but I think we should assiduously go after the ones that have not reported now.

Brenda Trenowden: If you think about GDPR, everybody is all over that and taking it very seriously. Part of that is probably because the sanctions there are quite high. People realise that there are big penalties



HOUSE OF COMMONS

if they do not meet them. We probably do not have to go as far as GDPR, but further than we are now in terms of penalties.

- Q16 **Antoinette Sandbach:** Brenda, in your experience in relation to the campaigns that you have run to get women into senior positions on the board, do you see a link between female representation on the board and a company's gender pay gap?

Brenda Trenowden: I think it is less about the representation on the board and more about the representation in the executive committees and senior leadership teams. If we look at financial services as an example, and it is an area I know well as that is the area I work in and I have spoken to a lot of those companies, when you look at the top of a lot of the financial services companies, you have some all-male executive teams. A lot of those companies are the same ones that have the biggest gaps. That is not always the case, but there is a strong link there. It is harder for the boards to influence it, but much easier if you have more women in the senior executive teams. That is what a strong linkage might be.

- Q17 **Antoinette Sandbach:** Is that something you agree with too, Sam?

Sam Smethers: Yes, absolutely. Where you get more women involved, you tend to get more women coming through behind them. You get better decision-making. Board performance improves. There has been lots of evidence about company performance and women's representation in senior positions, so I would support what Brenda is saying.

Brenda Trenowden: The role-modelling piece is really important, and setting norms. What we heard from a lot of women is, if they look up and they do not see any women in senior leadership positions, they think, "I am wasting my time in this organisation actually. I am not going to break through." It also influences dominant culture, and culture is one of the biggest pieces here. If you do not have an inclusive culture where everyone can thrive, you can throw as much diversity as you want at it, but it is not going to stick. We need to see more diversity at the top and that will help change the culture, but it takes quite a long time.

Alice Hood: As Sam said, there is lots of evidence about the impact that having diverse teams has on the quality of decision-making. Probably the only thing I would add to the points that have already been made is around those slightly lower tiers of management doing the work to get women into those roles as well. There is a danger that, in focusing exclusively on the highest levels, we lose sight of that progression.

- Q18 **Antoinette Sandbach:** At board level, is pay equal between men and women? Are you able to tell that from the reporting that has happened so far?

Sam Smethers: All we have is quartile information about where women and men are in organisations and average figures, so we cannot tell that from the data that is published. We would like more granular data and



that is one of the conversations we are having with Government, getting to some of that more granular data. At the moment, it does not tell us that.

Q19 Antoinette Sandbach: What is your experience, Brenda?

Brenda Trenowden: We do not see that transparency in terms of board pay. You can go through annual reports and find it. We have not done that work ourselves but, because it is very transparent in the listed companies and it is in the annual reports, it is probably more equal at board level. We have the same structural problem that we have in companies, which is that there are still not enough women on the boards. When you look at it in the whole, you will still see the gap.

Q20 Antoinette Sandbach: You have spoken about those middle-management tiers and encouraging people to work on through and go up the ladder, as it were. What more could companies do to support women into those senior leadership positions?

Alice Hood: There is a whole range of activity around genuinely flexible working and part-time opportunities at more senior levels. We know that IFS work and work by many others has shown that, when women go into part-time work, pay progression pretty much halts, so there should be good-quality part-time and flexible work at those levels. There should be work in terms of targeted recruitment at lower levels of the organisation, so in STEM sectors for instance, quite carefully targeting recruitment to encourage women and girls into apprenticeships and then into training positions and so on. We could probably spend a whole hour on that.

Antoinette Sandbach: We had better not.

Sam Smethers: Can I jump in on that one, because I think there is a really important point about flexibility and part-time work? It is something that we consistently argue for. We argue that we should have a requirement that all jobs are default flexible-working jobs, unless there is a good business reason for them not to be. You start with a different assumption: you start with a flexible-working assumption in the workplace and you ask the employer to justify why it is not, rather than where we currently are now, which is a male model of work, which is effectively a fairly static model of work that you occasionally stretch and adjust. It is just the wrong way round and we need to flip it over. A lot of these things would change much more rapidly if we made a different assumption, but it requires a different mindset. Ultimately, it requires a requirement on employers to do that, rather than just expecting them to do that voluntarily. We can still say that not every job can be done flexibly, but most could.

Brenda Trenowden: It is interesting to look. Unilever has that policy and I like to call it agile working, because I think "agile" has a better connotation. They have that policy and they have a positive pay gap. The culture has really shifted there, so you are absolutely right: that works. We are asked to talk to companies a lot about what more they



can do, and I am very encouraged that the discussion has moved on from back in 2010 when we started about why companies should do this. Now the discussion is what they can do and how they can do it. First and foremost, if the CEO or head of the organisation is not fully committed to this as a business priority and one of their top five priorities, nothing is going to happen. People know that, if it is important to their boss, they will do it.

Secondly, organisations need to do more analysis. The gender pay gap analysis is really helpful in having those discussions. The Women in Finance Charter and Hampton-Alexander are targets that CEOs sign up to for women in their leadership teams, but they need to do some really good analysis of where their problems are and diagnose them, and then set targets. Put it into the balanced scorecards of their managers, measure it regularly and make people very accountable.

We then need to see things like sponsorship. Women we know are overmentored and undersponsored. Men are sponsored much more than women to move up through their organisations. Companies have to put in clear sponsorship programmes and think about the gender language in their job adverts, have balanced shortlists, balanced interview panels, look at their allocation of work and their promotion rates.

One thing that we see is that, if you bring in 50-50 at graduate level and that first promotion is not 50-50, you ask why. Have you hired substandard women? That is unlikely. That is where the biases start to come in. A lot of people talk about unconscious bias training. We know that bias is a big part of it, but you need to do more than that. People need to be calling out biases and create an environment where people can help each other. We all have biases and we need help in checking those biases. It is a very complex issue but, once again, if the CEO or the head of the organisation is not fully committed and does not see that this will make their business better, nothing is going to happen. We need to hold people to account.

Q21 Chair: Sam, can I just pick up on something you said before about wanting greater granularity in the data? At the moment, data is published in quartiles. What do you want to see that is different? You mentioned previously the split between part-time and full-time, but is there anything else you want to see in terms of the granularity of the data?

Sam Smethers: We argued for deciles of data when we submitted our evidence originally to the consultation. If we are honest, you cannot really deal with pay inequality, which we know is a subsection of this issue—it does not happen everywhere, but it does still happen. We are talking about the illegal practice of unequal pay for equal work or work of equal value—unless you have full transparency. That is the uncomfortable truth about all of this. Ultimately, the pressure for that kind of data and that level of data is growing, just from women themselves who are now suspicious of that practice, maybe within their



HOUSE OF COMMONS

organisations. You could also have more transparency around objectivity, so what criteria are being applied here as to why one person is getting X pay over somebody else getting Y? If you had at least objectivity transparency, it might help to give some reassurance as to the justification for differences.

Q22 Peter Kyle: Alice, the TUC has achieved a 0% gender pay gap. How did that happen? In my experience, those sorts of things do not happen by accident, so how did you achieve it?

Alice Hood: We have a woman general secretary and a lot of women in our senior and middle-management posts. We are quite a small organisation with quite a flat pay structure. We recognise unions for bargaining and we have worked with them on things like equal pay audits and name-blind recruitment and promotion. We offer enhanced maternity and paternity packages, and so on.

Q23 Peter Kyle: There has been a concerted effort to achieve a 0% gender pay gap. You did not just suddenly look and it was 0% by accident. Was this one of your targets? Were you driven towards this?

Alice Hood: Gender pay gaps broadly and equal pay specifically have been a core concern of the union movement for many years. It has been a part of how we think about ourselves as an employer as well, in terms of our own practices.

Q24 Peter Kyle: When we turn to your members and look to some of the unions specifically, it is a very different picture. When I looked at my own union, the GMB, it is 32%. Unite is 30%. UNISON is 16%. These are pretty appalling. Were they not asking you? Were you not telling them? Why has this happened in an organisation that you represent and do policy support for? How was this allowed to get to the point that it is today?

Alice Hood: Unions are reflective of society and, just as we have seen with organisations across the economy, yes, unions have shown gender pay gaps in their reporting. There is quite a varied picture among our unions and the factors behind them are complex and varied.

Q25 Peter Kyle: I want to pick you up on that one point. When you say it is reflective of society, the first two of those unions I read out are double the national average. For me, as a committed member of one of these unions, that is quite a bitter pill to swallow.

Alice Hood: To take your example of the GMB, which is actually my union as well, I know that this is an issue that they have been very well aware of and working hard to tackle for some years. That brings me back to the broader point about what we want to happen as a result of gender pay gap reporting. What we want to happen is to understand what the drivers are behind gender pay gaps and develop the right strategies to address them. In the example of the GMB, they have been undertaking annual equal pay audits to check that they are paying equal



pay, and they have found that they are. They have also been looking more broadly at the gender pay gap and the kinds of roles women are in in the organisation. As with other unions and other organisations across the economy, they have found a concentration of women in lower-paid and more administrative roles, and they have been taking active steps to address that. In the example of the GMB, they have narrowed their gender pay gap by 5% in four years, through taking very concerted action.

Q26 Peter Kyle: The first thing you said when I asked about the TUC was that you had a female general secretary. It is interesting that none of the other unions you have just referenced or we have talked about do. Do you think that is an issue?

Alice Hood: There are quite a few women general secretaries out there and there are a lot of brilliant women in other senior roles and at all levels within the movement. We recognise that gender pay gap reporting has shown that there is work we need to do to get our own houses in order, but we are working hard to understand the drivers of the gaps and work with our own unions to develop tailored solutions to address them. It is probably also worth just reflecting that there are some things that sit behind the data, as the whole story is not necessarily told by the headline data. A lot of unions employ people like cleaners in house rather than outsourcing them. We know that cleaning as a profession is dominated by women and it is not a particularly well-paid profession, but cleaners employed directly in house by unions are better paid and have better terms and conditions than those who are outsourced.

Q27 Peter Kyle: I have seen some of the promotional material being put out by some of the unions. Unite put out some material saying one of the key reasons you need to join Unite is because workplaces in which we are active have a smaller gender pay gap and yet they themselves have one that is almost double the national average. This is not just about the workplaces that they are representing; this is about them as organisations. I noticed that Sam was nodding her head when I suggested there should be more female general secretaries. My point is about whether there is something structural. What are the specific challenges that are impeding progress within the unions themselves? Why is it so difficult a challenge for them?

Alice Hood: Like in many other organisations, it is a picture of occupational segregation, in terms of there not being as many women as we would want to see in the more senior roles and more women concentrated in the lower-paid roles. That is not good enough and we know that there is work to do. The unions have all been very upfront about that and many of them have been working on it for some time, in terms of initiatives within their own unions to address it.

Q28 Peter Kyle: As the representative body for them, what can we expect in the next year in terms of progress?



HOUSE OF COMMONS

Alice Hood: We will be working with unions where they would like our support. We are always happy to give it, but I am keen that we do not lose sight of this as a bargaining issue for millions of members for whom unions have this sort of information and are going to be using it to go away and negotiate with employers to try to address the gap.

Q29 **Peter Kyle:** Alice, I have to say, if you were sitting here and we were talking about a FTSE 100 company, if I said to you, "They have a gender pay gap of 32%. What progress would you like to see in the next year?" I can guarantee you would say, "I would like it to be 0% next year." Do you have the sense of ambition? Do you have the sense of determination? Do you have the lack of tolerance for a failure within the movement itself that we expect of others?

Chair: Or is she just a good diplomat?

Alice Hood: There is absolutely an ambition to take a good hard look at the information that has been thrown up by gender pay gap reporting, understand what the drivers are behind those figures and take action to address the gaps. In terms of your point about going from a gap to 0%, it speaks to the broader point that this is quite a blunt tool. If, for instance, you were an engineering company that has a gender pay gap, and you do a lot of really good targeted work to bring in young women engineers, that could have the effect of widening your gap in the first instance, because those young women engineers would be on the starting salaries in the relatively junior roles within the organisation. What we do not want to see is figures being used in such a blunt way that companies are discouraged from taking that much more meaningful long-term action.

Chair: That is why the narrative reporting is really important for businesses to be able to explain what they are doing.

Brenda Trenowden: I was just going to jump in in Alice's defence and say that even the FTSE 100 companies we would not expect to go from 30% to 0% in a year. One of the companies that has really been taking this very seriously, which I spoke to yesterday, said they were concerned with the expectation of how quickly the gap would be eliminated. They are doing lots of great work, but it takes time. They said that people expect to see massive improvement next year, but it is not going to happen that quickly. That is where, on Alice's point, the narrative is incredibly important in managing expectations.

Q30 **Drew Hendry:** I was going to ask what you thought about the role of employers' recruitment and promotion policies and what it plays in reducing the gender pay gap, but you have largely answered that by talking earlier about flexible working and the equality of treatment for part-time work, so I will drill down a bit further on that, if that is okay. We know that the figures show that men are paid more because they are often in higher-paid roles. According to the ONS, the median pay gap for people in their 30s is very slim, but of course it increases exponentially



HOUSE OF COMMONS

when you enter the 40s and even further in their 50s. How much impact do you think social and welfare policies have on that trend?

Sam Smethers: When you say social welfare, are you talking about benefit regimes? What exactly are you referring to?

Drew Hendry: They are the policies that support people in work, which could include benefits, but, for example, leave for carers and other policies that might fall into that description.

Sam Smethers: There are a couple of things to highlight there. One is that, until very recently, we have done very little to support returners back into the workforce. There is a fund now that Government have identified and they are spending some money to focus on returners. Obviously they are disproportionately going to be women. It is not just about after having a baby, but also after taking any caring break from the labour market. Once you drop out, it is hard to get back in. There is a really important role for Government and for policy to think about how you can both retain and attract back into the labour market those who have fallen away from it.

The other thing is definitely around supporting those who need to take breaks around family leave or carers' leave. At the moment, we do not have paid carers' leave, but it would be good if we did. We need to support fathers to take time out to care for children and we need to adjust what is currently still overwhelmingly a mother's role to care for a baby. She might choose to share a bit of her leave with her partner but, actually, if we started from the presumption of equality, you would not build a system like that. You would create a more generous leave period for fathers from the beginning and we are keen to see that shift. At the moment, our system is not supporting what families want. It is not delivering equality in the workplace, so we need to take this year to achieve that step change and that is what we would like to see.

Q31 **Drew Hendry:** Before I widen that question, to clarify, do you think that policies over more childcare and so forth would have an impact? For example, in Scotland, there has been a decision to increase available free childcare from 600 hours to 1,400 hours. Do you feel those kinds of policies would help to reduce the gender pay gap?

Sam Smethers: Yes. We have always described childcare as an infrastructure service. At the moment, it is treated as a private decision that families make and it is a very patchy network of support that is struggling to survive as a business, in many cases. Actually, it should be part of our national infrastructure. Employers benefit from it, families benefit from it and the economy benefits from it, but we do not value it and we do not support it properly. Actually, the price that parents pay for childcare is very high here compared to parents on the continent, so we would like to see a different attitude to childcare.



Alice Hood: That point on childcare is absolutely key. The only thing I would say to supplement it is that we did some work last year looking at the costs of childcare and how quickly they are rising in relation to wages. We are finding that that gap is widening, so, rather than improving, things are becoming more difficult for families. The cost of childcare is increasing four times faster than wages. In London, that was seven times faster over the last 10 years, so it feels like this is a key moment in terms of that.

The other thing I would add is to reinforce the point around men's roles in parenting and providing support for them, so meaningful, well-paid paternity leave and improvements to shared parental leave that enable fathers to take that more active role that they tell us they want to. The support is not there in terms of well-paid leave, which knocks on in terms of meaning that workplace cultures are not changing either.

Brenda Trenowden: I would agree. It has been interesting to see companies like Aviva that have introduced the same leave for men as women and are starting to encourage more men to take it up. There are two issues: one is that we do not have the same benefits for men taking parental leave as women, but also the stigma that goes with it for men. We need a lot more role-modelling of men taking parental leave, because we hear the same things: men want to take it, but they feel that they cannot.

Q32 **Drew Hendry:** Following on from that then, should it be mandatory for companies to submit an action plan that details how they intend to go about addressing the gap? If that is the case, just to pick up on some points made earlier, should there be a requirement to make that move, albeit with the difficulties, to a 0% gap? If that is the case, are there any unintended consequences that we should be aware of there?

Sam Smethers: It is difficult to mandate a 0% gap for companies, because you do not know where their starting point is. Just bear in mind that is a bit like turning a tanker; it is going to take a long time. You need a strategic approach over a long period of time, and that is part of the education, both of your own workforce and the wider public. It is not going to change overnight, but I absolutely think mandating an action plan is right. The focus has to be on that. The value of this whole process is about what they learn about the organisation and what they are going to do about the problem. That is the point of the whole exercise.

Brenda Trenowden: We think that companies with gaps above 50% should be targeting to get it lower than 50%. Those that are between 50% and the average should aim for the average. I agree with Sam that we need to have tiers. If you are at this end, you are going to move, and the ones that are close to 0% should be aiming to get down. There has been work done by the Association of Accounting Technicians looking into this, and their view is that 0% is very hard to mandate for everyone, because of turnover and things. They think that 3% is a reasonable



target that companies can maintain. I think there should be tiers or stages, but we should really be celebrating those companies when they reach those tiers, so that there is more incentive. It almost becomes like a league table or a competitive sport. Who can move from this tier into that tier? That provides some incentive for companies.

Q33 Drew Hendry: Finally, this is just a question for Alice, again discussing the role of the trade unions. How important is the role of collective bargaining in organisations to support women in the workplace on this issue?

Alice Hood: It is incredibly important. We know that the ILO finds that the gender pay gap is lowest in countries that have a high level of collective bargaining coverage. We know from very practical examples from this country that unions, day in, day out, negotiate enhanced maternity provisions, enhanced parental leave and better flexible working provisions. They take action on equal pay and they negotiate in all different kinds of companies strategies that are appropriate for those workforces and those organisations. You would expect me to say this, but it is absolutely critical to getting this right.

Sam Smethers: Can I just chip in on this? We published "Sex Discrimination Law Review" in January, and one of the interesting things about that is absolutely we supported the TUC line on collective bargaining, but we also said you cannot take away the individual right to bring their own claim. In other words, a collective bargaining process may be a good outcome, but it may not necessarily be the best outcome for every individual involved in that process. The right to challenge on equal pay remains the individual's right, so it is really important to retain that within the system.

Q34 Chair: Brenda, can I just follow up on a point that you made about the staging posts, so if you are above 50%, maybe aim to get to 50% and then down to the average? I wonder whether you might want to look at doing that within sectors. There are some sectors that are better than others, but within sectors as well there is a huge range. We have previously mentioned your sector, the finance sector. Perhaps we should say that, within a sector, if the range is between 0% and 30%, they should all try to get to the average in that sector. Construction, for example, seems to have a real problem, along with finance and education, so maybe there should be staging posts like that, rather than trying to expect everyone to get down to 3% straightaway.

Brenda Trenowden: That is a good idea. Clearly there are sectoral issues in this. We have done a lot of research on looking at university students and which sectors they aspire to, and there are a lot of perception issues there. To be fair to some of the sectors, that would make a lot of sense.

Q35 Chair: Again, your experience would predominantly be in the financial services sector of the economy, but do you get the impression that there



HOUSE OF COMMONS

is much collaboration within sectors about what they can do to address this or aspire to be the best in financial services, the best in construction or whatever sector it might be, or, for the sectors that are already doing well, to be the best in class there?

Brenda Trenowden: I am not sure that there is a lot of collaboration within the sectors, although I know that, when the Women in Finance Charter came out, there was a lot of discussion between companies about how they can get comfortable with this and the challenges they face. There was some collaboration there. What we are trying to do in the 30% Club, and we have found a lot of take-up, is that we have said that the FTSE 100 CEOs who have signed up to our target of 30% women in leadership teams can put forward their group head of HR to a best practice group to share what the challenges are and what they are doing. We have a lot of take-up on that and a lot of agreement that people do not see that as a big competitive advantage. They are happy to collaborate and learn from others, and that is across sectors. We are looking across the whole of the FTSE 100 there and actually have 36 CEOs signed up to our targets for 2020, so we expect to see some good collaboration.

The other area in which we have seen great collaboration is with investors. We have a very big investor group. Here in the UK, we have 32 members and almost £11 trillion in assets under management represented, and that group comes together once a quarter. These are competing asset managers and pension funds, but they all sit and collaborate on which companies they think are doing well and which ones are laggards. They will then go in as a group to their investee companies and challenge the CEOs and chairs on what they are doing. We are seeing more and more collaboration on this than we have before, and sometimes it is cross-sector, which is very encouraging.

Q36 **Chair:** In a previous evidence session on Carillion, we asked the former head of the remuneration committee why the chief executive had a pay rise for two years in a row despite the fact that the share price was falling and all the other problems that we now know exist in the company. We were told by the chair of the remuneration committee that the aim was to get the chief executive into the top half of the league table for chief executives. I do not support that strategy, but do you think that chairs of remuneration committees might, in the future, try to get their businesses into the top half or the top quartile of the league table for getting rid of their gender pay gaps?

Brenda Trenowden: Absolutely. We think that the chairs of remuneration committees should very much be tasked with this as a mandate, and we also think that chairs of the nomination committees should very much have a mandate to be responsible to help oversee pipeline development within companies. Both of those are important.

Q37 **Mark Pawsey:** I would like to ask about what activities employees themselves can take to reduce the pay gap. I am wondering first of all if



HOUSE OF COMMONS

I might ask Sam because, in your evidence, you said that women are not being provided with the data necessary to identify unequal pay. In the report that we have just seen, will there be some female employees in some organisations who will be surprised at the nature of the gap within the organisation they work in?

Sam Smethers: The challenge we have is that you have an average figure that is sometimes interpreted to mean that somebody working next to me is earning 18% or 20% more than me. There may well be unequal pay in an organisation, but the average figure is not telling you that. You can only get that by having a comparator and currently you cannot get that kind of level of detail. The BBC scenario, where you could find out about specific individuals, does not come through gender pay gap reporting. That was an additional requirement on the BBC that they had to comply with for the licensing settlement. It is nothing to do with gender pay gap reporting, and that is the problem we have: individual women can still be experiencing unequal pay and not know about it. That is why we always say, "Ask what your colleagues earn." Find out about pay in your organisation, because that is the only way you are going to be able to challenge it.

Q38 **Mark Pawsey:** Following that, *The Guardian* has suggested that there should not be individual salary negotiations. Would you support that and what role is there then for a collective negotiation? Is the information available? Have people got the tools to do that?

Alice Hood: It is to a wider point about the need for simple and transparent pay systems. Unions have talked about this for many years. The Equality and Human Rights Commission has very clear guidance about high-risk pay systems, in terms of the red flags that indicate there might possibly be a problem with equal pay, so high levels of local managerial discretion over pay, low transparency about starting salaries, bonus payments, often, and performance-related pay. All of these have been flagged as potential factors and high risks.

Q39 **Mark Pawsey:** Is the development of the road we are taking that all of this will become transparent and we will be in a situation where employees will be available to negotiate their salary directly with their employer?

Sam Smethers: We are a long way from that, to be honest.

Q40 **Mark Pawsey:** Are we heading that way?

Sam Smethers: There is growing pressure, but we are still a very long way from it. I would not want to predict that that was going to come, but the culture around pay secrecy is changing. There is a lower tolerance for that. People are beginning to question that. The more we talk about pay and the more we have this debate in the public domain will shift that culture. If you go to other countries, they have a very different attitude to pay, but here it is a very taboo subject still. We have a long way to go before we really crack that.



HOUSE OF COMMONS

- Q41 **Mark Pawsey:** Given where we are now then, do you agree with Claer Barrett of *FT Money*, who says that women should be a little bit tougher in negotiating? Perhaps, Brenda, that is one for you; should women be a little tougher?

Brenda Trenowden: Yes.

- Q42 **Mark Pawsey:** Should they be a little more willing to up sticks and move somewhere else if they do not get what they believe they deserve?

Brenda Trenowden: Absolutely. I mentor a lot of women, and I find that there is always a hesitation about pay. Some research will say women ask for the pay and it is not received well, and then they do not get the pay. Women are also much more loyal and, on average, they are more resistant to move. They need to recognise that, if they are not getting paid enough, they need to move.

- Q43 **Mark Pawsey:** Are employers taking advantage of that reticence to move, in your view?

Brenda Trenowden: I do not think it is intentional. Often there is a lot of subjectivity and bias. Virgin Money, for example, has this tool so that, when they are looking at pay negotiations and bonuses, something will pop up, an app, which says, "If you pay this bonus, do you know what that will do to the pay gap in the organisation?" It is just reminding people that, by doing this, you are impacting the overall pay gaps. There probably needs to be more analysis and discussion around what we are paying on average and how pay relates to ranking.

I heard that, several years ago, when one bank looked at their bonus payments, the women had higher appraisal ratings on average, but the men had the higher bonuses. Until they looked at it that way, they had not appreciated that that was happening through the organisation. There are a lot of biases that happen but, until you do the analysis, look at it and as a management team have an honest discussion, it is sometimes hard to spot it.

- Q44 **Mark Pawsey:** We know that there are larger numbers of women in part-time work than men. Does the comparison between part-time and full-time work make this even more complicated and difficult to assess? When they come to do their negotiations, are they in a weaker position because of the flexibilities that they might have been asking for?

Brenda Trenowden: Anecdotally, I know that a lot of women who have more agile arrangements feel that they have been given some great privilege, so they are more hesitant to ask for things when, actually, they are doing a great job and delivering. They need to be more confident. There are often three bits: there is a little bit around encouraging women to be more forthcoming and confident, there is a piece around training managers about this, and one of the other big shortcomings we see in many companies is that we do not train managers anymore. We have in the Chartered Management Institute the concept of the accidental



manager, so people who perform well on sales targets and things and get given a management role, but are given no training whatsoever and may not even want to be managers. They do not think about these things, do not coach women and do not think about how women and men present differently. There is a very big piece around organisations coming back to that, and then organisations need to look about fixing the biases in their processes. There are three stages: there is a bit about women, a bit about enlightening and training women and men who are managers, and then there are organisations looking at where they have biases in their processes.

Q45 Mr Liddell-Grainger: I am quite interested in the experiences that you have gleaned from this first part of the exercise, and the experiences of companies reporting. What lessons are you taking from this and what lessons do we need to enshrine in the future? What is the TUC doing?

Alice Hood: A key lesson is the importance of using this moment to do some much more detailed work to understand what the causes of gender pay gaps are and, at a very detailed level, what those causes are organisation by organisation. That is how you develop the right tailored strategy, and that is why we have been so keen on a mandatory narrative and a mandatory action plan, in terms of actually seeing some progress as a result of the reporting.

The key learning for us has been that, at the moment, the quality of the narratives that are out there is very variable. Some of them are very thoughtful and have clearly given a lot of thought to the different factors at play within their organisation and what might be appropriate to address them. Others are highly defensive and presenting occupational segregation as the explanation for their gender pay gap, rather than as the symptom of a problem that requires action. We would be keen to see some progress over the coming year in terms of requiring those narratives, looking at building more quality into them and requiring the action plans to follow.

Brenda Trenowden: I would agree. The initial analysis has created some difficult discussions in organisations and they need to do more of a deep dive. One organisation told me a couple of years ago that they thought they had a problem at the VP level in their investment bank with promotions and, when they did the data analysis, they found that women spent six years longer in role than men before promotion. Then they realised, "Wow, we really do have a problem," so we need more analysis. I very much agree with Alice on that. Not only action plans, but we really have to start looking at outcomes and really encouraging companies, "Okay, you have reported your numbers. What is your action plan? Show us the results of what you are doing." We need to hold companies accountable, and hopefully employees are starting to feel more comfortable now that this has come out, challenging their employers and asking, "What is happening? What are we doing on this?"



In the initial reporting, we had some issues around data being correct or not correct. We have to be very good on auditing or being able to police some of that, really understanding, if companies do not report accurately, if we are able to go back, find that out and challenge some of the numbers that look a bit dubious. The most important thing is looking at the narrative and the action plans, and making sure that we do not just let them announce an action plan and let it go away, but we follow up on that.

Sam Smethers: The most valuable thing about all of this is getting the whole country talking about the gender pay gap and getting these big organisations focused on the gender pay gap. That would not have happened without gender pay gap reporting. Actually, however crude we say the league tables are, they do kind of focus the mind. Having all this media scrutiny, this issue is not going to go away. It is going to get bigger. There is going to be even more appetite to see whether there has been progress next year. Having spent more than 10 years of my life talking about these issues, it is really satisfying to at least have got to this point. It is a very disruptive space at the moment and we do not quite know how it is going to land and what is going to happen next, but it has been a really valuable exercise even just for that. Clearly we need to get on to the action plans and solving the problem.

Q46 **Mr Liddell-Grainger:** On the back of that, for a smaller company that is under pressure all the time by generally reporting VAT or whatever, do they have the resources to be able to do this? The smaller companies tend to have a slightly larger turnover, because people move on. Do they have the resources to do it? If they do not, do you think we should be looking to give them resources of some sort to make sure they can report in the right way and at the right time? As you said, it is quite problematical and there is no fixed medium for this. It seems to go up and down, and have different sizes. I am just interested in smaller companies.

Sam Smethers: There are some great tools out there to help them. I know of some; Gapsquare is very good, for example. They can draw on those tools to fill a gap if, genuinely, they do not have the expertise in the organisations. I recognise what you are saying, but there is plenty of help available to them. Again, you have to go back to what the purpose of it all is. The purpose is that we have a productivity gap and we are underusing women's skills in our labour market. That is a business cost to them. Ultimately, it is in their interests to do it and they will learn something about the organisation through the process.

Brenda Trenowden: Smaller companies are perhaps a little less complex. Some of the larger companies that acquire lots of companies may have many different payroll systems and fields, and more of a challenge in trying to harmonise the data, whereas smaller companies are probably simpler in terms of the data and the systems they have. I do not discount that they have a lot on and do not have as many resources



HOUSE OF COMMONS

as the big companies, but it may be a slightly simpler exercise for some of the smaller companies, perhaps.

Alice Hood: As Sam said, there is lots of good guidance and advice out there. The calculations, as they stand in terms of the current requirements, are relatively simple. The point that Brenda makes is really interesting about bigger companies and more complex structures. They have clearly more resources to do the reporting, but more complexity to deal with.

Q47 **Mr Liddell-Grainger:** Brenda, given what you have said, how trustworthy are the figures?

Brenda Trenowden: That is a very good question and I have not audited them, so I am not in that position.

Mr Liddell-Grainger: I know you have not, but give us a guesstimate. Go on; surprise us.

Brenda Trenowden: I am sure there are companies that have not taken it seriously enough and their numbers are probably faulty. I know from speaking to some people that they did not really go into all the detail, whereas other companies have spent a lot of time on it. I would like to think that, on average, most companies were quite accurate, but I am sure that there are lots of flaws there. I guess the question I would put back is: do the Government have the resources to audit these figures?

Q48 **Mr Liddell-Grainger:** You could say that about VAT; you could say that about almost anything in a company. We have had Melrose in front of us and that was an interesting conversation, I seem to remember. You have to take a guesstimate somewhere along the line and say if this is honest or not. That is what we do and that is why I am asking the question.

Brenda Trenowden: Directionally, they are pretty accurate. We have seen some pretty horrendous numbers. Rather than get into the absolute detail of if it is 36%, 38% or 40%, in general we are looking at the trends and saying the big gaps are where the problems are that we need to address. On average, directionally, most of the numbers are probably not too bad.

Q49 **Mr Liddell-Grainger:** Do you agree with that?

Sam Smethers: If we had had the financial services sector reporting gaps of under 20%, I would have been a bit sceptical, but we have not had that. We have had pretty ugly numbers, so I think people have engaged with it faithfully in that sense, probably on the whole, but we have no way of knowing that. It is the process, the plan and the outcome that we are interested in.

Q50 **Vernon Coaker:** Could you say something about the pay gap across the regions of the UK and the variation in those figures across the regions?



Sam Smethers: I do not have the numbers to hand. I know that the London pay gap has traditionally been bigger, because you have more extremes in London but, to be honest, I do not have that data to hand, so cannot answer that question.

- Q51 **Vernon Coaker:** We have some data here in front of us of 2017 figures, because the 2018 figures have not been processed by region yet. They are quite shocking. If you take my own region, the east midlands, it is approaching around 14%. London is the biggest at 50% and has only declined half a per cent since 1997. Do you have a view as to why that is, what the reason for that is or what we could do about closing those gaps? Northern Ireland is -3% or -4%, so that looks quite good. For everybody else there is a real problem.

Sam Smethers: I could have a go. Essentially, there are big drivers in certain regions. In London you have the financial services industry, which is heavily dominant there, so that will skew the numbers. In some parts of the country, you will have more of a public sector employer compared to private sector employer presence, which would mean you probably have a smaller gap, so there are different things in play in different regions. Without going into some of the detail in each of those regions and doing a bit of a profile, it is hard to answer the question, but those are the kinds of things that skew the figures.

- Q52 **Vernon Coaker:** It is interesting from that table, which is 2017—and the 2018 figures will presumably come out in due course—to see the regional difference, yet alone the national figure if you aggregate it. Something is going on there as well.

Sam Smethers: There is an opportunity with the combined authorities and the metro mayors to start to look at this data on a regional basis and think about closing the pay gap in our region. This is something we are looking at in Greater Manchester and the west midlands with our devolution project. This is a skills issue; this is a local economy issue. How do they address closing the pay gap within their powers and remit?

- Q53 **Vernon Coaker:** That is a very interesting point. Are you saying that that is something you have already started to pick up with the new mayors—that they should make that a priority for themselves in how they drive that forward?

Sam Smethers: Yes, we have a project about making devolution work for women, looking at two regions. It is really important because, at the moment, all the metro mayors are men and only 12% of the combined authorities' representatives are women. It is an absolute disaster as far as equality is concerned, so we have to get them to focus on their core agenda in terms of delivering for women. If they do that, they will also deliver their own priorities. At the moment, they are not going to see it. This will make them see it.

- Q54 **Vernon Coaker:** Would you also be talking to the Scottish Government, the Welsh Government and so forth? How does that work?



HOUSE OF COMMONS

Sam Smethers: I have a team of 10 people.

Vernon Coaker: You have done a lot with that already.

Sam Smethers: We are just doing those two regions at the moment but, actually, Wales has not been bad in terms of the devolved Administrations. Similarly, Scotland has done better in some ways than the Westminster Government in progressing the equality agenda.

Q55 **Vernon Coaker:** One of the figures we got was from the McKinsey Global Institute, which said that all the regions would gain something between 5% and 8% of GDP if they closed their gender pay gap. It is not just a moral and a social issue, which of course it is, but it is actually an economic driver as well.

Brenda Trenowden: That is the key point: getting people to understand that this is an economic and business issue. In Canada, where I come from, the new Government and certainly the Finance Minister talk about this all the time as an economic imperative, in saying they will not deliver their growth strategy unless they improve productivity, which means getting more women into the workforce and moving them up through the ranks. The Finance Minister has very much made this a Budget priority as well. On everything they announce in the Budget, they look at the gender impact, the gender lens and how they are helping to deliver economic growth and productivity through this. You are absolutely right: if we can get the regions to understand that this will help drive the economy, it will start to make a change.

Vernon Coaker: That Canada work is very interesting. It would be quite interesting to see some of that. Do you have any access? Could you have a look and see if you have it? I do not know whether the Chair agrees, but I think it would be quite interesting to see some of the work that Canada has done to try to increase the awareness of the economic imperative, as well as the social and moral case. Obviously, there is a social and moral case as well, but the economic driver would be quite interesting for the Committee to see.

Chair: We will follow up on that, thank you.

Q56 **Drew Hendry:** To what extent, if any, should we expect to see different gender pay gaps in different sectors?

Sam Smethers: You should expect it and we do see that, yes. It is common.

Q57 **Drew Hendry:** Could you expand on that a wee bit?

Brenda Trenowden: There is a bit about perceptions to start with. From research that we did two years ago with 20,000 university students on where they wanted to go in terms of work, financial services was the fourth choice for young men but it was the 12th choice for young women. There was a real perception issue there around financial services, as an example. If you look at where we see the biggest gaps—in construction,



HOUSE OF COMMONS

mining, engineering and tech—there is an issue around STEM subjects and schools, and there is work to be done to go right back to the schools and look at how we teach these subjects and how we encourage more girls to go into these subjects, not just at school level, but also at university level, and then how we are recruiting.

I know that many companies, including De Beers for example, have really taken this on in a big way. They are looking into how they can go into schools to start encouraging more women. We are seeing some great work from companies like BHP Billiton in that regard, but there is certainly going to be a difference across sectors.

Q58 Chair: Were there any sectors that any of you were surprised by when you saw the data, positively or negatively?

Sam Smethers: I was not particularly, to be honest. We are keen to look at the tech sector a bit more. That is an important area to have a look at. We are interested in finance because that is one of the worst, but I did not feel particularly surprised by it. Some of the public sector gaps were slightly bigger than I expected.

Q59 Drew Hendry: Brenda rightly mentioned the issue of STEM. In 2017, five times more men than women were accepted to study engineering. Can I just push a bit on that as a panel? What more do you feel needs to be done to encourage women into the STEM environment?

Alice Hood: In terms of what the unions have been doing, I know that this has been a really big area of focus for those who represent members in this sector, but also our education unions, which have been doing work right from the very early years in terms of dispelling gender stereotypes and encouraging girls, at the early stage, to think about STEM as an area that is interesting for them, where they can have a role. I know that Prospect, which has a lot of members in the wider STEM sector, has done a lot building on that, in terms of working with employers around their recruitment and also on how they retain women in this sector, because we know there are still relatively high levels of women who might enter STEM professions and then drop out, particularly after pregnancy and maternity. We know that pregnancy and maternity discrimination is a huge issue across the economy, but it is something that unions have been looking at in particular as part of their work around women's access to STEM, perhaps to provide you with some more information.

Q60 Drew Hendry: Going back to the gender pay gap in general, do you think the Government have a responsibility to bridge the gap, as opposed to the different sectors?

Sam Smethers: The Government have a responsibility to put the right policies in place and to address all the causes of it. At the moment, we are not seeing that; we are not getting that kind of concerted action across all the causes. To implement gender pay gap reporting without doing something about flexible working, leave entitlements, STEM subjects and so on is just not going to close it, because it is not enough



HOUSE OF COMMONS

to put that requirement on employers and say, "It is all for you to make the change." The Government have a job to do to create a better environment for education and employers to operate, and then we will start to close the gap. We are only seeing a very partial part of the solution at the moment.

Q61 Drew Hendry: Finally, can you tell us of any sectors or businesses that have successfully closed their gap? If so, how did they go about it?

Brenda Trenowden: Unilever is one. They have a positive gap. I know that Paul Polman has personally been driving this, but also his whole team. I mentioned earlier that all jobs there are agile, and that helps. They have made a concerted effort. In the UK, 50% of their management team is women, and so they have looked at driving a very inclusive culture. Also, look at the fact that they are very committed to lots of other stakeholders other than just shareholders, in terms of some of the environmental work they do. It brings a lot more purpose and also helps drive the positive culture there, so it is a good example of a company that has closed the gap and has gone a bit beyond it.

I have interacted a lot with Vodafone, and Vodafone is doing quite a lot. Once again they are looking at increasing their parental leave policies, and they were the first company to introduce a global policy on that, which sends out a strong signal. The companies where the leadership has taken a big stance and been very public about how important it is tend to attract more women and keep more women. It comes back to culture. In the companies where you do not see senior leadership talking about this very much and taking an active role, it is very hard to attract and to keep women.

Q62 Peter Kyle: Chair, can I ask a quick question? In what timeframe did Unilever achieve that?

Brenda Trenowden: I am not sure. I have not got that information, but I could certainly come back to you with that.

Chair: Thank you. That would be very helpful.

Alice Hood: As a small point of interest, Unilever was one of the examples where we know that the union was very much involved in working with the employer around those strategies and things like enhanced parental leave arrangements and so on. It is interesting that that is the example that you chose too.

Q63 Anna Turley: We have talked a lot about some of the wider tools—transparency, accountability, setting out the economic as well as the social value—but one of the things that we hope would work is more of a stick. One of the tools that there is in the armoury is that the Financial Reporting Council has a corporate governance code, which all businesses have to sign up to. What improvements do you think could be made to that to encourage the transparency agenda, and are there specific requirements in terms of the gender pay gap that you would like to see



go into that code?

Brenda Trenowden: On behalf of our investor group in the 30% Club, we have given input into the FRC and the corporate governance code. The things that we highlighted—I mentioned them earlier—were making the nomination committee responsible for overseeing the development of the diverse pipeline and succession planning. The provisions were principles I, J and K of the nomination committee's responsibilities. We think they are incredibly important. Provision 17, expanding the remit of the nominations committee, we once again said was critical.

Provision 23 is encouraging the reporting on the progress of diversity and inclusion, and the outcomes, so making sure that companies are not burying this in the back of the annual report but are very prominently reporting on that. The requirement for open advertising of the chair and the non-executive directors of companies we think makes a difference as well. Overall, more transparency and more reporting is exactly what the gender pay gap is doing, but also around the narrative piece should very much be in the corporate governance code.

Q64 **Anna Turley:** Can I ask others to share their views?

Sam Smethers: I would defer to Brenda on that. I do not have any knowledge of the corporate governance code, to be honest.

Alice Hood: Similarly, more transparency is good but, in terms of the detail of the corporate governance code, we could perhaps follow up with a note.

Q65 **Anna Turley:** Do you think there is enough enforcement if companies are falling behind with the code and not living up to their expectations? Is there anything we need to do to strengthen what happens if they do not meet their expectations?

Brenda Trenowden: That is a difficult one, because with the way we have the comply-or-explain code, we do not have strong sanctions. We are having many more investors holding companies to account and that is making the difference. That is probably more powerful than anything, and we are doing our level best to be absolutely encouraging. When you read today about what Sacha Sadan is saying at LGIM about how strongly they feel about voting against companies where they do not see progress, that is the strongest follow-up that we can have.

May I just add from when we talked about Unilever? I have just had the figures through here to clarify. Their management positions were 41.8% in 2010 and they are 50.7% now, so that is the sort of timeframe. It has taken some time, but that is quite a good move and 41.8% was already very good in 2010.

Q66 **Chair:** That is very helpful. On 15 May, we are going to be taking evidence from business about the gender pay gap and what is happening in their organisations. If you were the Chair of this Committee, who



HOUSE OF COMMONS

would you invite along to give evidence and what would you want to find out?

Sam Smethers: I would get some of the big tech giants in, because they think they are squeaky clean and that they do not have this sort of problem, but clearly they do. I would get some of the big brands in, to be honest—some big brand names.

Brenda Trenowden: I would say the investment banks. I would definitely look at some of the financial services companies with the biggest gaps. I very much want to hear from them about what they are doing.

Alice Hood: You might want to see a mixture of organisations that have the very biggest gaps and organisations that have been able to make some progress and have a story to tell about how they have been able to do that.

Sam Smethers: What about Ryanair? Get Ryanair in.

Chair: That is what I wanted; I wanted some names, Sam. Thank you.

Brenda Trenowden: Property sector companies is an area we have been focusing on in our investor group, and we see them as laggards in this space.

Chair: I hope you will be watching and listening on 15 May. I really appreciate the evidence today and think it has been a very thorough and informative session for all of us, so thank you very much.