

# Business, Energy and Industrial Strategy Committee

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

Tuesday 15 May 2018

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

Questions 67 - 228

### Witnesses

**I:** Kevin Goodman, Group Director of Organisation and Development, Babcock; Sophie Dekkers, UK Director, easyJet; Sheila Flavell, Chief Operating Officer, FDM Group; Jo Volk, Director of Talent and Development, Balfour Beatty.

**II:** Louise Meikle, Director of HR, Slaughter and May; Laura Hinton, Chief People Officer, PricewaterhouseCoopers; Sheila Wild, Founder, Equal Pay Portal; Seamus Nevin, Head of Policy Research, Institute of Directors.

Written evidence from witnesses:

- [Balfour Beatty - written evidence](#) | [PDF version \(81 KB\)](#) 
- [Institute of Directors - written evidence](#) | [PDF version \(102 KB\)](#) 

## Examination of Witnesses

Witnesses: Kevin Goodman, Sophie Dekkers, Sheila Flavell and Jo Volk.

**Chair:** Thank you very much, all four of you, for coming to give evidence to our Select Committee today on corporate governance and the gender pay gap. We have a lot of questions to get through. There is a lot of interest in this session this morning, which is great. We will start with Antoinette Sandbach.

Q67 **Antoinette Sandbach:** I want to ask a general question to you all. How did your respective companies cope with publishing or dealing with the gender pay gap reporting requirements?

**Sophie Dekkers:** Good morning. We have been voluntarily reporting our gender pay figures since December 2015 as part of our annual reporting. It is something we were doing for two years prior to the requirement to do it as part of the legislation, so we did not have any challenges or issues with the reporting.

**Sheila Flavell:** We were the sixth in the country to report and we did not have an issue. In fact, we have now compiled the results for this year and we will be reporting before the end of the month or in early June. We have an ADP payroll system and we have been running this data for a few years, so it was not anything new to us. We were quite excited about reporting.

**Kevin Goodman:** It was a little more complex for us. We had to look at centralising our payroll, which we started to do three years ago, and we were moving towards being able to do this reporting, so it really fitted into the timescale we were working towards.

**Antoinette Sandbach:** How about Balfour Beatty?

**Jo Volk:** We started early, because we had at the time a number of different payroll systems, so we had to build an IT system, to be able to bring the data together. We wanted to do some test runs to check for accuracy, but we were fine in the end.

Q68 **Antoinette Sandbach:** For those of you who have already been analysing your figures, does that mean that there were no surprises to you when you reported, particularly given the differentials that have appeared in some of your reporting?

**Sheila Flavell:** I work in the technology sector. Although we had been running reports, we did not know the criteria that were going to be asked of us under gender pay gap reporting until they came out. We were not surprised. We were pleased, but we certainly were not complacent. We very quickly started to build strategies around how to make improvements or how to maintain the 0% that we have.



**Antoinette Sandbach:** What about easyJet?

**Sophie Dekkers:** For us, given that we know that the higher paid population are the pilots and we know that the majority of them are male, it was not a surprise that the figures were skewed that way. 94% of our pilots are male and they earn over £100,000, so the salary skew towards that was not a surprise and we already have some initiatives in place, which I can come on to talk about in a bit, to help that. Knowing our population, it was not a big surprise.

Q69 **Antoinette Sandbach:** For Balfour Beatty and Babcock, which did not have centralised pay systems, did it throw up issues that you were not aware of previously?

**Jo Volk:** Although we did not have one system at that time, we are very close to the data, so we are very well aware that we are 84% male. It gave us the opportunity to look at the detail underneath that. Our triangle is very literal. We have more females at the bottom of the organisation and fewer as you go towards the top. Interestingly, the pay position is the other way round. On average, we have more females in the upper quartile paid better than men. It gave us the opportunity to get very close to our data and think of more actions we can take once we are very close to the detail of it.

**Kevin Goodman:** It was very helpful for us, because it got us to the data within employing entities, and we could see where some of our businesses are doing well and some of our businesses are struggling. Over half of our businesses are just below the national average, but that means that less than half are greater than the national average, so we have some challenges.

Q70 **Antoinette Sandbach:** When you use the national average, do you mean the 9.7% or the 18%?

**Kevin Goodman:** I am using the 18%.

Q71 **Anna Turley:** Thanks for all those responses. That is really helpful. How did you find the type of data that was asked for? Given that I am sure all of you sign up to closing this pay gap and that is the ultimate outcome we all want, do you think the right questions were asked and the right information was gathered? Is there anything that could be added in future reports?

**Sheila Flavell:** It is a start. By the beginning of March, 1,800 companies had reported, and then there was a huge rush of another 9,000 or so companies that reported by the end of March, so it is a start. Until we get all companies with over 250 employees on board we should not broaden it out, but we should be looking at partners. If you think about the law firms, PwC reports partners, but law firms do not and they are predominantly male. That should be included. We should be splitting between full and part-time work, and eventually we should be looking more at ethnicity and age, but through time.



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**Kevin Goodman:** The metrics were really useful. The important thing for us is, while it could be improved, it would be nice to have a number of years with the same metric so we can measure improvement. That is the real motivation for us, to look where we are now and see how we can improve it and make it better. To keep the same metrics over a number of years would be really useful.

Q72 **Anna Turley:** Do you think, building on that, there should be action plans published alongside or a requirement for action plans to be published?

**Jo Volk:** We are comfortable with the current reporting requirements. A combination of our own employees, stakeholders, clients and the people we want to attract into the organisation will keep us on point. We are taking action, because for us it is critical not to be passive on this. Our employees will take a view. The women we need to attract into construction will certainly take a view, so we intend to be, for ourselves, very assertive. We feel at the moment the current reporting requirement is sufficient.

It is important to continue to explain the difference between equal pay and gender pay. We have had to spend quite a lot of time going over that and explaining it, so anything we can do to continue to make sure that that is clear would be helpful to all of us.

**Sophie Dekkers:** I agree. I completely agree with all the points. Kevin's point about keeping the same metrics is really important. If we want to measure change, we need to keep the same metrics. Back to Jo's point, it is exactly that. Employees now, given the visibility that lots of companies have now with this gender pay, will not let that stay quiet. It is not about reporting. It is about the dialogue that this has created, and the fact that this has created a very open dialogue and one that companies need to respond to internally as well as externally. It is not necessarily now about reporting. It is the stimulation of the discussion that is going to engender the change.

Q73 **Anna Turley:** Can I just grab one more, Chair, particularly to the two construction companies we have here? With construction, there is a lot of subcontracting and lots of layers. Are you doing anything to drive that down through your supply chains as well? How are you working with all those that you subcontract to?

**Jo Volk:** There is a huge opportunity there. We already do some pieces with our supply chain, but that is a further opportunity. The one thing that we also need to communicate is that we see this very much as a marathon, not a sprint. We need to take action in the supply chain, in our organisation, as a sector and with the Government, and it is going to take us time. We are fishing from a pool of 9% female engineers. We are not passive on it, but it will naturally take a period of time. Yes, we will certainly need to influence the supply chain more than we do.



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**Kevin Goodman:** Visibility is very important. We can encourage our suppliers to comply. We can talk about working in partnership, but above all we can give the evidence of our position and share our experiences. That will get change down the supply chain.

Q74 **Antoinette Sandbach:** I wanted to come back on Jo saying that you need to work with your supply chain. Do you set a target for female apprenticeships in your organisation in engineering at 50%?

**Jo Volk:** We have targets for what we call our emerging talent population. That is a combination of apprentices, graduates and trainees. It is a stepped target. We hope that, as STEM action and ultimately T-levels and things like that come in, the target gets higher. At the moment our target is 20%, but we are above that. I think it rises to 50% in 2025. As the funnel of applicants hopefully gets bigger, our targets get wider.

Q75 **Antoinette Sandbach:** Is that standard practice in the construction industry?

**Jo Volk:** I do not know. Kevin, do you have targets?

**Kevin Goodman:** Our target is to constantly look to improve it. 10% of our apprentices over the last four years have been female, but if you go year on year we have been improving it. One of the things we are finding is that how we recruit apprentices makes a difference. Traditionally we recruited apprentices by having big open evenings and they would come along, but now that we are digitally recruiting we are getting more female applicants.

Q76 **Antoinette Sandbach:** It is just that we did a visit to the Sheffield Advanced Manufacturing Research Centre and only 7% of the apprentices on the course were women. It was quite shocking. It seemed to me that there were not targets being set at that point. Do you have a target?

**Kevin Goodman:** A year-on-year improvement is our target.

Q77 **Antoinette Sandbach:** What is your current level of female apprentices?

**Kevin Goodman:** It is 12%.

Q78 **Drew Hendry:** Good morning, everybody. Sophie, what median gender pay gap and bonus gap did easyJet report this year?

**Sophie Dekkers:** Our median was a 45.54% pay gap and on bonuses it was 32.16%.

Q79 **Drew Hendry:** Did you publish an action plan alongside your gender pay gap report, detailing actions and targets that you wanted to take?

**Sophie Dekkers:** We have talked publicly, quite a few times, about the Amy Johnson Initiative. The Amy Johnson Initiative is about encouraging more female pilots at the new-entrant level, coming into the company. As an industry, around 6% of our pilots are female and we have to try to



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change that. There are similar challenges to the construction industry. It is about the pipeline and starting at the beginning. Part of the Amy Johnson Initiative is supporting getting to 20% new-entrant female pilots by 2020. You could argue, "Why would you not go for more than that?" We were at 6% when we launched it in 2015; we have got to 13% today, and we want to get to 20% by 2020.

We are going into schools and getting female pilots to go into schools. What is really interesting, from research we have done, is that over 55% of males had decided they wanted to be a pilot by the age of 10, and for females it was only 44% at the age of 16. It was beyond that age before they decided to become pilots, so it is a systemic thing. We need to start at the grass roots. That is why our ambitions are still quite aggressive but have to be realistic, because we have to get the pipeline there by working from the schools upwards.

To add to that, Girlguiding is reviewing the badges it has in the 21st century, and it is introducing an aviation badge, which we have set up in conjunction with it. This is about trying to start at the much lower levels to get this broader pipeline to feed into the funnel, as you explained, Jo. The Amy Johnson Initiative is something we have set targets for, and we are well on our way to achieve those. That will certainly be the biggest step change, but, as I say, it will not be next year or the year after that we see a big shift in that 45.54%. It is going to take a while for them to filter through the cadet scheme and so on.

**Q80 Drew Hendry:** By definition, you feel there is quite a lot to do. What lessons do you feel easyJet has learned from the way it has operated in the past?

**Sophie Dekkers:** The research has made us realise that we need to be starting to filter in at primary school level, so that is definitely a big learning for us.

**Q81 Drew Hendry:** What I am asking is specifically what behaviours you need to change within the company. What has led easyJet to come to this point and what kinds of things does it need to look at now? What is happening, not just in terms of what you want to do, which sounds good, but what lessons you have learned as a company about the way you operate in terms of gender?

**Sophie Dekkers:** It is something we have always had, which is flexible pilot working hours. Some pilots are on full time; some are on 50% operating hours. People do not necessarily realise that you can work part time as a pilot. It is about providing visibility of the existing pilots' working conditions, but it is not just about the pilot population. Yes, that is skewing the majority of our results, but even within the company we have set up a women's network. That is something that I have set up.

I am passionate about mentoring younger women and showing them that, if you put your hand up and take opportunities, you can move up



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through the company. I am doing quite a lot of work internally, within the business, to make females realise that they can achieve anything. Interestingly, today we have just announced the appointment of our new chief marketing officer, Lis Blair, who was internal. She has worked in the company for five years and she was on flexible hours. It just goes to prove that you do not have to be a full-time employee to be on the board level. It is about providing visibility of that and having an open conversation. It is something that nobody really realised was achievable, so it is about that dialogue and discussion.

**Q82 Drew Hendry:** How does easyJet's gender pay gap compare with other airlines?

**Sophie Dekkers:** We are similar to other airlines. Some are higher; some are lower. Ryanair, for example, has a much bigger pay gap, but it only has 1.4% female pilots, compared with our 6%. If you look at BA, it only has a 10% gap, but that is because it employs a lot of the ground handlers itself, whereas we do not. We use a third party to do that, so within BA's numbers you have the pilots at one end, but you also have a very large male population of ground handlers at the other end, which means its results are much more balanced than ours.

**Q83 Drew Hendry:** You mentioned being able to get the number of female pilots up and you touched on the executive level. How is easyJet tackling the issue of getting more women to the senior executive roles?

**Sophie Dekkers:** The women's network is very much part of that. Today, with the new roles announced, we now have 40% females on the board, so that is a great step in the right direction.

**Q84 Drew Hendry:** Why is it not 50/50?

**Sophie Dekkers:** It is just due to the proportions that we have. Previously when we had Carolyn as our CEO we had more of a 50/50, so it is literally just the change. Currently we have seven males and five females, so it is literally the CEO change that has made that difference. As I say, it is about encouraging more women in the business to go for the promotions and have the encouragement. For example, as part of the women's network, we have had RADA in Business coming in and doing workshops on things like building personal impact, communicating with impact and trying to make women able to be more visible and confident to be more visible within the business.

**Q85 Drew Hendry:** Given all these actions and the acknowledgment that there have been problems in the past, how long will it take for easyJet to get to a successful position, and what do you see as a successful position, in terms of the gender pay gap and equality in those positions?

**Sophie Dekkers:** It would not take much for us to be able to do it, excluding pilots. We are pretty much there.

**Q86 Drew Hendry:** Just to take that issue, how long is it on that one? Then



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go on to the pilots.

**Sophie Dekkers:** We have not necessarily set a specific time on it. We are almost there already.

Q87 **Drew Hendry:** Within a couple of years, you would see that as being achievable.

**Sophie Dekkers:** It should not be that far away, because we have flexible working and so on. With the pilots, as I say, we have this target of 20% by 2020, but we have to recognise that those are new recruits, so it will take a while for them to get up to senior captain level. It takes around six years to get from new entrant up to captain level, so it will take time for those new entrants in that 20% to get up into the captain level to redress the balance slightly.

It will take a lot longer, as I have explained, because you have to start at the school years to build that funnel. It is not as if we can go out to the industry and steal them from other airlines. The global average is 4% female pilots, so there are not lots we can go and grab from another airline. Rather than trying to skew the results by employing lots of females from another airline, it is about changing the industry.

Q88 **Drew Hendry:** I have one final clarification on that point about training your own and getting there, as you said, within six years. What percentage do you think you will get to in six years' time?

**Sophie Dekkers:** We have aimed for 20% by 2020. That will be your 20% coming in at new entrant level, and then they need to go through six years to get up to senior captain level, but it will still be around that sort of level.

Q89 **Drew Hendry:** With the existing pilots and those new pilots going through the scheme, what figure do you believe you will have at the end of six years?

**Sophie Dekkers:** It is fair to say it would be around 20%.

Q90 **Drew Hendry:** It would still be about 20%, even with existing and transfers.

**Sophie Dekkers:** Yes, it would, for them to get through.

Q91 **Chair:** Sophie, can I build on that slightly? The data you published says that you have a median pay gap of 45.5%. You said right at the beginning that you had been compiling this data previously, so it was not a big deal for you to publish this. What was your gender pay gap the year before and the year before that?

**Sophie Dekkers:** It has always been very similar, because of the proportion of male pilots. 75% of our population are crew and pilots.

Q92 **Chair:** You also said that you have increased the proportion of pilots from 6% to 13%. Is your gender pay gap falling at the moment?



**Sophie Dekkers:** Not yet, because that 6% to 13% is made up of new entrants. New entrants come in at around £40,000, and it will take up to six years for them to get up to captain level. That is when you will start to see the changes in the numbers.

Q93 **Chair:** Do you have a target or an ambition for where your gender pay gap will be next year?

**Sophie Dekkers:** No, we have not set a specific target, only because it will take time for that to change. We would rather at least keep it the same, if not try to improve it. It is going to be about that filter to come through, so we are not setting a specific target.

Q94 **Chair:** If you have a target to increase the proportion of pilots to 20% by 2020, and that is seven years after you started your Amy Johnson Initiative, what would you expect your gender pay gap to be by then?

**Sophie Dekkers:** We started it in 2015, so it has taken us five years to get to there. We have not modelled forward what the numbers will be at this point. It is more around trying to change the whole industry and the perceptions of the industry, rather than being able to necessarily say, "It is going to be 40% or 30%" or whatever. We would not like to project that at the moment.

Q95 **Albert Owen:** My set of questions is the same as Drew Hendry's, but to both Babcock and Balfour Beatty. What median gender pay gap and bonus gap did you report? Did you publish an action plan alongside it? What lessons have you learned and what actions are you going to take?

**Jo Volk:** Our mean gender pay is 27% and our median is 33%. The proportion of women receiving a bonus is 25% and, for men, 37%. Yes, we published an action plan at the time of reporting. In terms of what we intend to do, it goes back to the "marathon, not sprint" point. It would be quite easy for us in construction to boost our number of females by hiring people into functional roles, but that is where the majority of our females are today. They are in professions like HR, communications and legal professions.

We want to build our operational and technical workforce, which is significantly harder. A cruel truth for us is that, in the short term, our pay gap may get worse, because we are focusing on building our early career population. They tend to be lower paid initially. Therefore, that may have a negative effect on our gender pay.

Q96 **Albert Owen:** I understand what you are saying about the marathon and sprint, but the reality is that you produced this report. You are not happy with it and you want to move forward. What actions are you going to take to resolve that in the short term?

**Jo Volk:** There are a number of things. We work very hard on schools engagement. We have 280 STEM ambassadors in the company. We engaged with 7,000 schools last year alone. This is all about talking to



people who may not be considering careers in construction, particularly from disadvantaged backgrounds.

We also put a lot of work in to develop the females that we have. We have mid-level career development support. Almost 100 people went through that last year with what they described as life changing results. 50% of them had progressive career moves after they had been on the programme.

Our female baseline is 16%, but for all of the activity we looked to outperform 16%. We have more than 16% engaged in development activity, more than 16% being hired and more than 16% in our succession pipeline. We are trying to outperform our current position, but it is a layered strategy, covering everything from how we hire people, changing the language that we use and changing the imagery that we use: no more men in hard hats. We talk more about the kind of work that we do, as opposed to what we look like when we do it.

It is everything from attraction, to development, to progressing the women we have. We also do a lot of work with expert organisations who can help us to learn. We work with organisations like WISE—Women into Science and Engineering—and invite them into the organisation to help us understand what we can do differently and better. There is a significant array of activity underway. There is also an acknowledgement that all of that will naturally take time to bear fruit.

**Q97 Albert Owen:** I will come back to some of those points in a minute, and ask Mr Goodman on the same issues about your reporting, your action plan and what lessons you have learned.

**Kevin Goodman:** We reported a pay gap of 16.2%. On the bonuses, the numbers are 20.9% male and 22.2% female. What are we doing? There are three issues for us. First, we operate in a traditional engineering sector. We have to attract more women. Put simply, we need to recruit more women and we need to pay the women we have better than we do. They need to be in the more highly paid jobs. We need to find a way of doing that.

The way of doing that is to put a lot of effort, as my colleague has talked about, into attraction, by getting into schools, but another part of attraction is creating entry points for people who want to come back into work after family commitments. We are working a lot on that. We established a women's network. We got 100 of our women in a room with our chief exec and we said, "What are we doing wrong?" They told us very bluntly what we were doing wrong. We are working very hard to put that right. Attraction is very important.

We are using our female graduates to go and recruit apprentices, so we are getting the number of apprentices up. Our graduates are going into schools to talk about how engineering is not a dirty trade that your daughter should not go into or whatever. That is very important. We are



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working very hard on attraction. We are then working very hard on development.

We have talent pools of emerging talent. 54% of people in those talent pools are male, but now 46% are women, so we are getting pretty close. Our businesses are identifying and trying to operate flexible working programmes and development programmes, to encourage more women to stay and develop their careers with us. Development is really important, and then retention is really important. It is about making it easier for people to stay and work with us.

**Q98 Albert Owen:** You both mentioned going into schools. Why is this relatively new and why has it not been successful in the past? What are you doing differently now that you did not do in the past? Were you a bit complacent or were you just basically saying, "So long as the gaps are filled, it is okay"?

**Kevin Goodman:** No, I do not think so, but we have learned lessons. We have been doing it for a number of years, and we did a number of initiatives with schoolchildren over a number of years. Five or six years ago, we started a lot of this. We did not realise the size of the problem, if I am honest with you. Part of it is about getting teachers to understand, because career choices are made quite young. We do a lot of tours around our facilities with primary school teachers and they suddenly say, "I did not realise it was not dirty with hammers and whatever". We have been doing it for a lot of years, but we are getting more sophisticated. One of the lessons we have learned is to use our employees much more as ambassadors.

**Q99 Albert Owen:** You have both said that, and I am pleased about that. How does the construction sector compare with other sectors in the pay gap and the gender gap?

**Jo Volk:** It is one of the worst.

**Q100 Albert Owen:** Why do you think that is? Is it about the things you touched on, or is it cultural?

**Jo Volk:** There is a cultural legacy there. There is a perception of what construction is like. In the past, perhaps there was not the focus on diversity that there is today. For us, the reason for the pay gap is that we are more than 80% male. We need to increase the number of females, but also the number of females in senior operational and technical roles. At the moment, they are skewed to functional positions.

**Albert Owen:** Do you agree with that?

**Kevin Goodman:** Yes, exactly. I see it very pragmatically. We need to recruit more women and make sure that more women get in more highly paid roles, and that is the challenge we have set ourselves. We have not set targets. We have merely said to every one of our business units, "You have to improve it", and we are auditing the improvement.



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Q101 **Albert Owen:** Respectfully, is that not a bit woolly, though? You have done these reports. You understand the problems. You are not setting targets. Is that because you are going to fail? Are you really taking this seriously enough as a company? You have centralised this now. You probably have better data and you can work on it, so what are you going to do about it in the short and medium term?

**Kevin Goodman:** I can assure you, Mr Owen, that we are taking it very seriously and there is a commitment at very senior level. We are setting targets for improvement for our businesses, and we are holding our management teams to account to improve it. We are working very hard to improve this. We are fully committed to it.

Q102 **Albert Owen:** As a final question, you said it was a marathon, not a sprint. Are we going to miss a generation of young women who may want to go into this if we do not really concentrate? This is my final part, if you could bolt it on. Is there enough careers provision in schools? The curriculum is pretty tight. I come from a different part of the UK, but I have noticed how careers development has been pushed out, where core subjects are being taught instead. Could you comment on that?

**Jo Volk:** Anything we can do to work on the STEM and the careers thing would be a huge benefit, because then we can work in tandem with that, rather than that being in isolation. Yes, I would definitely support further work around STEM, the T-levels and the careers, because it all comes together.

Q103 **Albert Owen:** Is the issue with schools, training providers, Government or a combination of them all, including you?

**Jo Volk:** I would include us in that, for sure. We need to take action as an organisation. There is a huge opportunity for the construction sector. Things like the Construction Industry Training Board, the sector deal and the National Retraining Scheme give us an opportunity to put diversity at the heart of it as opposed to the margin. There is a role for Government as well in valuing engineers, valuing careers in construction and helping us with the positive marketing of the role construction plays in society. It is something for us all to do.

Q104 **Chair:** Kevin, you said right at the beginning that you would like the metrics to stay the same for a bit, so you can measure how you are doing against them. Where would Babcock want to be next year, in terms of its gender pay gap? What is your ambition?

**Kevin Goodman:** I have said that we have not set targets. We are looking for year-on-year improvement and the metrics staying the same allow us to measure that. We are going round each of the business units and we are asking each of the boards of those business units to give us how they are improving and the steps they are taking. We will be in a better position to understand what targets are achievable after this year. We have not set targets. We have just said it has to be improved.



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Q105 **Chair:** If a manager in part of your business does not do that, what are the implications for him or possibly her?

**Kevin Goodman:** It is part of the general targets on diversity and inclusive process. It is part of the targets for all managers and they are judged on how they meet that.

Q106 **Chair:** They have not done very well so far, Mr Goodman. I am wondering whether anything has changed. Presumably your aspiration has always been to try to improve diversity. It is now measured. You want those targets to stay the same so you can see how you are doing against them. I am just asking whether anybody will be held to account for delivering the improvement that you say you want to see.

**Kevin Goodman:** It is a target for our executives, and they will all be held to account to improve the gender diversity in our business, but also for our general diversity initiative. We have a separate board that meets on diversity issues, which has directors from all of our—

Q107 **Chair:** Who chairs that?

**Kevin Goodman:** It is chaired by me or the chief exec, if he is available. The people who attend it are operational directors. This is not an HR initiative. This is an initiative that is important to the business. We believe this is crucial to the success of our business that we recruit talent from every sector of society, and if we are not doing that we are limiting the talent available within our business. That is our total commitment.

Q108 **Chair:** Jo Volk, do you have a target for where you want to be next year or in five years' time?

**Jo Volk:** Around gender diversity?

**Chair:** And the gender pay gap.

**Jo Volk:** We have targets at the moment, in that we have a three-year D&I action plan, which has general targets around diversity. Some parts of our business have specific gender targets. We need to get that across the whole business rather than some parts of it. We intend to take quite a nuanced approach. Some parts of our business are almost gender balanced. The investments part of our business, for example, has nearly a 50/50 gender balance.

Q109 **Chair:** Do you have a target or an ambition about where you want to be next year or in five years' time on the numbers we are talking about today for the gender pay gap?

**Jo Volk:** We will be setting targets.

**Chair:** You will be setting targets.

**Jo Volk:** Yes.

Q110 **Chair:** Who will be held to account for whether you meet those targets?



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**Jo Volk:** Like Kevin, we have a steering committee, which is responsible for tracking and guiding all action related to diversity. We will report through that group. That is made up of members of the executive team.

Q111 **Chair:** As a member of the executive team, will your chief executive have as one of their key performance indicators to reduce the gender pay gap or to meet whatever target you set?

**Jo Volk:** I do know whether he has it as a specific target; I do know he has said in public that it is a personal priority for him.

**Chair:** If you do not know now, it would be good if you could come back to us on whether one of his key performance indicators is reducing or meeting the target that you set. Perhaps this goes for you as well, Mr Goodman, and indeed all of you. Could you come back with that information as to whether it specifically is a KPI for the chief executive, and, if not for the chief executive, whether it is a KPI for anybody in the organisation. The Clerks will come back to you and follow up on that.

Q112 **Mark Pawsey:** My questions are for Sheila Flavell of FDM Group. We are particularly interested in your business, because you have reported a median hourly rate gap of 0%. I hear that you are saying that women are the same as men in your organisation. Can you confirm that is the case?

**Sheila Flavell:** That was the case for 2017. It is still the case for 2018. Our mean gap has reduced slightly. As of this morning, I have the figure of 5.6%.

Q113 **Mark Pawsey:** Mr Coaker will ask you some questions about how you achieved that, but could you also tell us the position on bonus pay?

**Sheila Flavell:** The bonus pay is 18.4% at the mean and 12% at the median.

Q114 **Mark Pawsey:** Perhaps Mr Coaker will investigate why that is the case, but is that representative of the sector you work in as a whole?

**Sheila Flavell:** No, not at all. The tech sector is quite similar to construction and finance, in fact. I do not know whether we are unique, but we are unusual: 28% of our workforce are female and the industry average is 17%. We have worked very hard over many years. We have a number of initiatives. Do you want to know about them?

Q115 **Mark Pawsey:** I am sure Mr Coaker will ask about them. Would you describe your business as exceptional in its sector?

**Sheila Flavell:** Yes.

Q116 **Mark Pawsey:** You have spoken to us about a comparison with other companies in your sector in the UK. How would you rate internationally? Would you be even better on an international comparison?



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**Sheila Flavell:** FDM is a global organisation. Wherever we are in the world, I often speak to Governments about female representation. Four out of five women join FDM because of the women in tech initiatives that we run. As we are in the UK, we seem to be in Australia, Canada and the United States.

Q117 **Mark Pawsey:** Your company is leading in an international sense as well.

**Sheila Flavell:** Yes, we call ourselves a queue leader.

**Mark Pawsey:** Thank you for that. I know Mr Coaker will follow those up.

Q118 **Vernon Coaker:** Following on from what Mr Pawsey has been asking, Sheila, as we have heard this morning, one of the reasons often given to explain the gender pay gap is that an industry or a sector is male-dominated, yet you have achieved a 0% gap even though your sector is male-dominated. It would be interesting for us to hear how you have achieved that and what particular initiatives you have pursued that have enabled you to get there.

**Sheila Flavell:** The company has been in existence for 27 years. There were three people who founded the business, and I was the first employee. With me joining the company, we ended up with a 50/50 gender split. We have maintained that from that day to this day.

50% of our management team continue to be women. We grow our own in FDM. To give you an example, a woman who was a receptionist 20 years ago is now the top woman in the company. Because we grow our own, we do not get into complex pay negotiations. I believe men are a bit better and more aggressive than women in pay negotiations. We try not to get into that. People come in at an entry level and they grow through the company. We have career development plans. We have very clear pay structures, which the leadership and the organisation are accountable for.

Q119 **Vernon Coaker:** How do you differ from others? Many companies or sectors say, "We try to grow our own people. We try to ensure that everybody has the opportunity to get on". They say all of the things you have just said, and yet you have delivered it. Why is what has happened with you different? It is a compliment. Why has it worked well with you and not so well elsewhere?

**Sheila Flavell:** We have some informal activities.

**Vernon Coaker:** What are they?

**Sheila Flavell:** We have mentoring; we have women in tech advantage sessions; we have female champion sessions; we sponsor a lot of female industry awards, like the everywoman in technology awards; we have rising stars breakfasts. We have a tonne of those.

Q120 **Vernon Coaker:** I am sorry to interrupt, because this is really interesting. Is that methodical and planned for each individual?



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**Sheila Flavell:** Yes. We have personal development plans for the women. In fact, we have to be careful that we do not discriminate against the men. We thought that this year we were going to have a negative pay gap, which worried us slightly. It is about creating a balance. It is embedded in our culture, and it starts from the board down. Our chairman is retiring shortly. Although we are looking for the best person, if we find ourselves with a female chairman we will all be delighted. It starts from the C-suite. It is a commitment from the top. It is just embedded in the culture of FDM.

We have even started a returners programme. 94% of returners are women. We have recruited about 100 in the last 12 months. We get 100,000 applications a year to join our business. We work with 212 universities; we have flexible working; we have enhanced our maternity benefits.

Q121 **Vernon Coaker:** Sheila, excuse me for interrupting. What is the gender breakdown of the 100,000 applications? Do you know?

**Sheila Flavell:** We get 100,000 applications. In a lot of those applications, the people do not have the right to remain in the country in which they are applying, so we have to scrap them.

**Vernon Coaker:** I will not go there.

**Sheila Flavell:** We have to filter down to get to a sensible number. I could not tell you how many female applicants there are.

Q122 **Vernon Coaker:** One of the things we have been discussing here is trying to encourage more female applications, particularly into construction and engineering. It would be interesting to know whether what you have done has impacted on the number of applications into your sector, or is it different for you compared with the others?

**Sheila Flavell:** We have created female-friendly branding. We target women. We target them from school age and at universities. As I say, we work with 212 universities. We have our standard branding, and then that. We focus on it completely.

Q123 **Vernon Coaker:** It would be really interesting to know how the applications have changed in nature since you have been doing some of this.

**Sheila Flavell:** We have been doing it for the last 10 years.

Q124 **Vernon Coaker:** Did you have a starting point? "This is what it was 10 years ago, and this is what it is now". I suppose that is what I mean.

**Sheila Flavell:** When we started, we did not measure our data in the way we do now. We measure everything now, and we have done for a number of years. I can look to see what data we have, to get us to the 20%.

**Vernon Coaker:** It would be interesting. If it is reasonably accessible,



that would be helpful.

- Q125 **Chair:** In the last evidence session on the gender pay gap that we had, we took evidence from Brenda Trenowden from the 30% Club. One of the things she spoke about was how long it takes a woman to get promoted in an organisation compared with a man, and the proportion of women being promoted compared with the proportion of men. Sheila, you say that you measure everything. She thought this was a key determinant of whether you had a good or a bad gender pay gap. Is that something in your organisation? Are you good at promoting women? Do you have metrics on that?

**Sheila Flavell:** I personally do not know whether we have the metrics. I can find out from our HR department. But we are very good at promoting women. In fact, we are very good at promoting older women, like me. We have recruited a number of women in their 60s in the last few years. The oldest woman, although she would not like me to say, is 66. We have a few of that age. I am in my 60s as well. Age is not a deterrent in FDM. Old is gold.

- Q126 **Chair:** I guess what I am trying to get at is whether there is an issue in organisations: women are happy that they are at the level they are at, they do not apply for promotions, people do not suggest they go for promotions and they end up plateauing, whereas a man is pushing for a promotion or someone is suggesting it to him. That is one of the reasons why women in their 30s, for example, have children and then think, "This is not the time". By the time it might be the time, they have been forgotten about.

**Sheila Flavell:** Yes, I would agree with that. Most women are fairly low down in organisations. Women lack confidence, and that is a fact. We are currently putting 100 people through our returners programme. That programme is overseen by an ex-wing commander from the RAF, who is a woman. She left the forces to join civvy street, to join FDM. From speaking to her lately, the main problem we have with returners is that they are not confident; they do not feel they are good enough. In fact, one of the first returners we placed out with one of our clients wrote me an email saying, "Thank you for believing in me when I did not believe in myself". She is not unique; that is very typical.

With women, you have to push them. You have to push them and you have to pull them. You have to continuously instil confidence in them, in my experience.

- Q127 **Chair:** It is really important that organisations recruit women so you have that pipeline, but what happens when they get there also matters. You have to promote them and encourage them to move up to the next level, and to stay in your organisation.

**Sheila Flavell:** Absolutely, yes. They tend not to put their hands up, as the men do.



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Q128 **Peter Kyle:** The spotlight is still on you, I am afraid, Sheila. None of the successes you have described have happened by accident.

**Sheila Flavell:** No.

Q129 **Peter Kyle:** What was the motivation behind making them happen in the first place?

**Sheila Flavell:** Quite simply, our business model is that we bring in people—it used to be graduates and now it is ex-forces and returners, who are predominantly women—and train them for up to 16 weeks. We employ them; they are our people. Like PwC or Accenture, we deploy them on to the client side.

Q130 **Peter Kyle:** I am going to stop you there, because you are describing how you do it. I am trying to ask why you do it. What was the original motivation?

**Sheila Flavell:** I am just coming to that. We have about 250 mainstream clients. They started asking for more women. We work with most of the banks you could think of. We work across all sectors, because these days most organisations are underpinned by technology. Their technology departments were predominantly men, and they were feeling pressure, because they perhaps had targets to have more women in the organisation. The call came from our clients: “We need more women”, and FDM started building in strategies and initiatives to recruit more women. We have to supply our clients with the people they want.

Q131 **Peter Kyle:** The original motivation for making this change to your business model or the way you do business came from your clients and the success of your business commercially.

**Sheila Flavell:** Yes. As part of the product our clients wanted, they needed a better gender balance. We also have 75 different nationalities and ethnic backgrounds who work for us as well. It was not just women they wanted; they wanted disabled people and people from ethnic backgrounds. They wanted a real balance.

Q132 **Peter Kyle:** Commercial reasons were the primary cause for starting this process, but you have now described a cultural change within your organisation. Presumably, this has become an end in itself for you as a business. Is that fair to say?

**Sheila Flavell:** Culturally, as mentioned earlier, we have always tried to make sure we had good balance within the operational side of the business. From the clients’ perspective, they wanted better balance. Yes, I absolutely agree.

Q133 **Peter Kyle:** You said earlier that, when you got the figures ready for last year’s declaration, you saw how it was 0% and then you very quickly designed strategies. It surprises me that you had not designed the strategies before seeing the figures to deliver it.



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**Sheila Flavell:** That is an interesting question. I had never thought about it that way. We worked very hard for a number of years to create gender balance. We have monitored and measured our stats. As soon as you walk out of the lift, there is a television screen in front of you with the diversity stats on it, which we are very proud of.

We were more conscious. From last April to now, we have been much more consciously aware of what we are doing. Once you get to 0%, you certainly do not want it to be going up. We are now focusing even more on trying to figure out what else to do. We are looking at other people's reports; we are listening to other organisations.

I am in total agreement with the gender pay gap reporting. Once it is bedded in, I hope it is not just for companies who have over 250 employees; I hope it goes down to the next level. Those smaller companies will one day have over 250 employees, and it would be best to start now rather than later.

Q134 **Peter Kyle:** Finally, in the discussion you had with Vernon Coaker, you said that you are advertising to and targeting women more. Are you finding the opposite? Now your figures have been published—and clearly there might be women out there looking for organisations that recognise and value the role of women in the workplace—are you finding that you are positively attracting talented women to you in a way you were not three or four years ago? Are you becoming a destination for talented women?

**Sheila Flavell:** Yes, we are. We have always been a destination for talent. We are definitely seen as the destination for talented women. But women do not have a natural network.

I could speak about the returners programme. We had one of the early returners programmes, and we had no one to follow. Therefore, we did not know where to find the women; we did not know where to look. We spent a lot of money on advertising, just throwing it out there. We spoke to Mumsnet and as many networks as we could find.

What was our biggest challenge? We had the programme set up; we had the trainers good to go. The problem was that we could not find the women. They are 48% of the population, but we could not find them. It is still a challenge. We are finding them, because we have employed 100. It is the course where we have the greatest number of drop-outs as well, because a lot of women who come in get a bit willocky after a few weeks, think, "I am not ready to go back to work", and bail out, unlike the other programmes with ex-forces and graduates.

**Peter Kyle:** Did you say willocky?

**Sheila Flavell:** Yes, willocky.

**Peter Kyle:** That is new for me.



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**Sheila Flavell:** Is that a new one?

**Peter Kyle:** I have my iPad here. Do not worry. I will find out in a minute.

**Sheila Flavell:** It means "a bit wobbly"

Q135 **Chair:** Sheila, one thing I was a bit surprised about is that, at FDM, just 22% of the members of the board are women. How many people are on the board at FDM?

**Sheila Flavell:** We have an unusual board for a FTSE 250 company. Because we have four executives on the board, we had to have the same number of non-executives, or more, actually. We have two women on the board, a non-executive director and me. As I mentioned earlier, we are hoping that our new chairman will be a female.

On that subject, I looked at the FTSE 350 only last week, and there are 24 women executive directors in the FTSE 100 and 37 female executive directors in the FTSE 250. There are 61 female executive directors in the whole of the FTSE 350, which really is very poor. I am very aware of it.

Q136 **Chair:** Your executive committee is better, at just over 40%, but everybody still has more to do.

**Sheila Flavell:** There is room for improvement.

Q137 **Chair:** I wanted to ask about sanctions and naming and shaming in driving change. I have asked this question already a little bit to Jo and Kevin. Should it become mandatory for employers to close their gender pay gaps? Are there risks associated with that? The approach so far, on this and women on boards, has been a voluntary one. As Sheila just alluded to, although progress on women on boards is good, there are still a lot of issues.

**Sheila Flavell:** It has gone backwards.

Q138 **Chair:** Is a voluntary approach the right one in this area? How long will it take to close the gap? Apart from FDM, everyone around this table has a gender pay gap. We have spoken about targets to get to 20% and so on. How many more years is it going to take to get equality, maybe not in your organisation, but in your sector? I will start with Sheila and give others a moment to think about it.

**Sheila Flavell:** It is too early to talk about sanctions. We have to get the 1,800 or thereabouts that have not reported to report.

Q139 **Chair:** How do you do that?

**Sheila Flavell:** First of all, we have to figure out why they have not reported. They have had a year to find a month's data. That is more than enough time. First of all, we have to get them to report.



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We then have to work with them. That should be easier, because the Government Equalities Office is improving its website. They do not have to have a PIN sent to them in the post. They are looking at what they can do to help organisations. Once everyone has reported, they could look at sanctions.

Q140 **Chair:** In the tech sector, what year do you think it will be before you have a gender pay gap, as FDM already have, of 0%? Will it be 10 years, 20 years or more than that?

**Sheila Flavell:** The stats suggest we are going to be short of a million skilled IT workers by 2020 or 2022, either which way is poor. My sector needs to be working very hard, very quickly, and peddling fast. There is no reason why it should not be closed, because a lot of tech jobs are very exciting and very suited to women.

Q141 **Chair:** Might it be closed in the tech sector in 10 years?

**Sheila Flavell:** I would like to think so. If we start by educating parents and schoolteachers, we might have a chance.

Q142 **Chair:** Sophie, in airlines, how long do you think it will be until we have an equal number of male and female pilots? How long do you think it will take to close this gender pay gap?

**Sophie Dekkers:** As I said before, it is difficult for us to put a date or a target on it. Interestingly, easyJet is the only airline that has come up and publicly made a commitment in terms of the 20% by 2020. It is a step in the right direction, but it would be very difficult for us to say. It certainly will not be in this generation; it will be in the next generation that we can start to build that through. You have a legacy of pilots who have been in the industry from their 20s up to their 60s. It is going to take time for that to filter through and for a change to happen. It is a way off, but we are taking these steps.

I just wanted to build briefly on Sheila's point around women and confidence. That is something we really have to work on. There was a *Harvard Business Review* article that talked about how women only apply for a role if they think they are 80% to 90% capable of doing the job, and men will do it at 50% and learn the rest on the job. It is about how we give confidence to women to do that. That is really, really important. I talked about RADA in Business. It is about giving women confidence.

There is stuff we should be doing now to help build that pipeline and show examples of women who have been able to do it. I have done five roles in 11 years at easyJet, and it is possible, but it is about having that open conversation, which is the great thing about this legislation. It is stimulating that conversation. But, yes, it is going to be a while before we can get to parity at a total industry level.

Q143 **Chair:** Thank you, Sophie. Jo and Kevin, in your sector, is it a generational thing? Is it more than that, before we get there?



**Kevin Goodman:** I fear it may be, but I take a lot from what Sheila has said. It is about changing culture. I am more interested in changing culture than in having hard targets. By that, I mean that I want total commitment to improve this, and I want people to be focused on it. That is what I have at the moment, and that will drive change. I honestly do not know how long it is going to take in the engineering sector. It is a long process.

**Jo Volk:** I feel similar. Against the 17% female engineering pool, that will naturally take time. We can make some short-term improvements. As I say, we are determined to build the right capability pool, rather than just hire more women. We would dearly love to build our technical population, our engineering population, our people out on site. One thing that may help is the changing face of construction. If you think about modern methods of construction and the digitalisation of the industry, it has the potential to be a much more attractive proposition, for all people, not just females. Therefore, we will talk more and more about that as a way to attract people into our sector, but it will take time.

**Chair:** Thank you, all four of you, for coming along and giving such thoughtful evidence to us this morning. We will now move straight into the second panel.

## Examination of Witnesses

Witnesses: Louise Meikle, Laura Hinton, Sheila Wild and Seamus Nevin.

**Chair:** Thank you very much. I think you were all here for the earlier session, and we are now looking forward to hearing evidence from the four of you on the same issue of corporate governance and the gender pay gap. You have seen how we work, so we will move straight to questions from Anna Turley.

Q144 **Anna Turley:** I would like to ask my question specifically to Slaughter and May. Could you say a little bit about your median gender pay gap and your bonus gap? Did you publish an action plan alongside that, setting out actions you would like to take forward?

**Louise Meikle:** Yes, absolutely. Our median gender pay gap was 38.5% and our median bonus pay gap was 54.8%. Both those figures were impacted by our all-female secretarial population. All of our secretaries, who make up 20% of our female employees in total, are female and they are at the lower end of our pay. It is also worth noting that around 90% of both our men and women are paid a bonus. Most of our employees are included in those bonus figures, which I know is not the same for a number of organisations, including in our sector.

In terms of an action plan, we did not specifically include an action plan. That was something we thought very carefully about. We were very open internally about our figures. We gave a presentation that we invited



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everybody to internally, and we also gave a separate presentation to our women's network. We felt there was a lot of technical detail and a lot of figures. We were very keen for people to understand the nature of the reporting, the nature of the figures, and to use that as our first year.

On the other side, we inevitably have actions around gender balance within the organisation, and we have spoken openly about those before, both internally and externally in the initiatives. As I say, we took perhaps a pure approach to the report by just focusing on the figures and making sure there was clarity and understanding about what was going on with those figures for this first year.

**Q145 Anna Turley:** I take the point that you mentioned about the secretariat distorting figures, but I am particularly interested in the top of the organisation. We heard a lot in the first session about changing the culture from the top. In the legal profession, partners are a fundamental part of that.

Perhaps you could tell me a bit about how your partnership deed works, because I understand that it is not necessarily one partner, one vote. When big decisions are being made, there is often a gender disparity. Correct me if that is wrong. For example, I have heard that you could have, say, 30% of partners being female but only having 12% of the voting rights, which means men have 88% of the voting rights. That makes it very difficult to influence issues like equal pay and bring about that culture change. Is that a true reflection of what is happening?

**Louise Meikle:** In terms of our partnership, 24% of our partnership is women. Big decisions would be all-partner decisions, and any substantive decision all partners could input in. As you say, if you take 100 as a starting point and there are 24 female partners, that would be 24 votes.

**Q146 Anna Turley:** It is one member, one vote, is it?

**Louise Meikle:** If it is a matter that is being put to a vote, effectively, yes. Obviously, a lot of things happen in the organisation that would not go to a partnership vote. For example, whether it is me or my team from a HR perspective, a lot of things would not go to the full partnership for input. When it comes to the approach we took to gender pay gap reporting, that was something I was leading on heavily, working with our executive partner. It was not something we were actively engaging with the whole partnership around, so not everything would be going to them. It would be dealt with in a much smaller way, if you see what I mean.

**Q147 Anna Turley:** The makeup of those who have votes on influential things, like the gender pay gap or who becomes a partner, is potentially even more predominantly orientated towards male membership.

**Louise Meikle:** In terms of making up partners, that is a full partnership vote—to your point about how many partners are in that. It is probably worth adding that, of our four new partners made up from the start of



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this month, three are women. Over the last six years, 38% of our new partners have been women. Those are the sorts of statistics we are seeing coming through.

When it comes to pay decisions around our employees, we have an HR process that we follow through with the respective business managers. That is not something that the partners are actively engaging with as an operational matter. In terms of our gender initiatives, they would be going to the partnership and supported by the partnership as a whole. A lot of our male partners, for example, have been mentors. We are part of the 30% Club's cross-company mentoring scheme. A lot of our male partners are part of that scheme, as well as our female partners.

Q148 **Anna Turley:** Would you say that commitment is there at partnership level?

**Louise Meikle:** Absolutely, yes, across the partnership and regardless of gender.

Q149 **Albert Owen:** Controversially, all of the magic circle law firms refused to publish their equity partner gender pay gap reports, because it was not a requirement, and you mentioned that. Some of them have done so now. Do you intend to do so?

**Louise Meikle:** We would like to see clear guidance. Two of the five magic circle firms have published the data, as have a handful of other firms. They have done so in different ways. They have had to find the best way to do that, and I applaud them for looking for an appropriate way of translating the regulations into how you can apply it to partner remuneration. We would like to see clear guidance from Government on how to do that in a way that means we can all report consistently and appropriately combine partner data with employee data.

Q150 **Albert Owen:** Why do you think they have done it? Initially they refused to and they have done it. Is it because they want greater openness?

**Louise Meikle:** There was a broader discussion, with high-profile people across both business and politics speaking out about that. We have a very simple approach to partner remuneration. There are two factors at play: one is profit, and one is the length of time as a partner. Those are the only two factors that go into partner pay. There is no decision making; there is no difference around role or responsibility.

What it would show for us is the gender balance, and that is something that we are very open about. We publish diversity statistics on our website, as do all law firms, based on our regulatory requirements. There was a sense that it was not going to tell us anything new. Without that clarity around how to make meaningful use of it, we decided not to at this stage.

Q151 **Albert Owen:** I can fully understand how you arrived at this decision, but do you understand that this could have a negative impact on public



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scrutiny and driving cultural change in your organisation?

**Louise Meikle:** Do you mean our decision at this stage not to publish?

Q152 **Albert Owen:** At this stage, do you intend to do it? Are you working on it?

**Louise Meikle:** As I say, at the moment it is very difficult to do it on a consistent basis. There are a number of aspects of the regulations that some of the other firms have highlighted as being challenges. They have published the data in their own way, but they have, for example, identified that a snapshot of data is very difficult for a partnership. A partner's profit share is irregular throughout the year and, in fact, year on year. It is different from a salary.

Q153 **Albert Owen:** With respect, let us not talk about the other companies; let us talk about you. You are here today. This is open and reported; it is scrutiny. Are you saying that you are not going to publish it or that you are working on it, to get over the problems that some of the other companies have had? I am not quite clear on that.

**Louise Meikle:** I am saying that we will be very happy to publish if we understand what we are trying to demonstrate through it, we have clear guidance on how to do that in a meaningful way, and we agree on how to collate the data so that it is comparable across different organisations. My understanding is that we want to have this data so, for example, future employees can make meaningful decisions about which organisations to join.

At the moment that is a challenge. If law firms publish it, they have to take decisions on how they deal with the snapshot point, what data they collate together and whether they put gender pay gap and gender bonus gap together, to make sure there is a way of expressing the difference of employee data and partner data together. We would be very happy to publish, but we would welcome doing that in a way that—

Q154 **Albert Owen:** I am sorry to cut across you. You have just said that future employees might be interested in this. That is the point, is it not? You want to have cultural change, and you want the best to come to your organisations. Are you not behind the curve now? Are you making things difficult for yourselves?

**Louise Meikle:** No, because what it would show for us is the gender balance within our partnership. We are very open about that. We have 24% women partners in the firm. If this is all conflated together, the gender pay gap potentially masks what is going on in the pipeline to that. We have heard a lot today about the importance of a pipeline through to those senior positions.

Q155 **Chair:** I am afraid, Louise, that what is being masked is the true gender pay gap at organisations like Slaughter and May. Nothing else is being masked. That is what is being masked. The data you published show



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that in the top quartile of your organisation 46.7% are women, but we know that is just not true at Slaughter and May, because you have just told us that 76% of the partners are male. That is pretty meaningless, is it not? If I was thinking about coming to work for Slaughter and May and I looked at your published data, I would think, "That is pretty good. At the top of Slaughter and May, almost half of them are women". When I walked in the door, would I not be a little bit surprised by the fact that three quarters of the people who are running the organisation are men?

**Louise Meikle:** It would be really helpful to understand this. All the guidance we referred to, the ACAS guidance and the CIPD guidance, was very clear that partners were not to be included in this data because it was not possible to compare them effectively. I completely agree, which is why we are very open on our website and why I am very open today. We are not trying to hide the statistics about the gender balance at the top.

Q156 **Chair:** How much on average did a partner take home in the year for the comparative gender pay?

**Louise Meikle:** My understanding is that gender pay is not about looking at what individuals—

Q157 **Chair:** Louise, just answer the question, if that is okay with you. How much does a partner take home?

**Louise Meikle:** We do not disclose that information publicly. We are a general partnership.

Q158 **Chair:** You are not being entirely open and transparent, then.

**Louise Meikle:** They are the owners of the business. We are not a company; we are not a limited liability partnership. We do not disclose those figures publicly. I am sure we can all agree that they would be in that top quartile, but, again, that would not show their actual individual pay; it would show the proportion of pay across men and women within the organisation. It would be a product of that gender balance. Our partners are remunerated equally, based on profit and on length of time as a partner. There is no gender bias within that partner remuneration.

Q159 **Chair:** If I was a young woman with a first from a top university, and I was thinking about what law firm I wanted to go and work for, and I was listening to the evidence that you are giving today to us, Louise, and I thought about whether I would like to come to Slaughter and May—whether it was an open and honest environment where women were going to progress and there was transparency and opportunity to progress—I would actually think about one of these firms that have the initiative to publish the data and be open and transparent. I would basically put a cross through Slaughter and May. Does that worry you at all?

**Louise Meikle:** We are not being any less transparent than others in terms of what we are talking about.



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Q160 **Chair:** You just said that two of the five magic circle firms did include the partners.

**Louise Meikle:** But what more is that showing than what I have already been very open about, in terms of the gender balance at senior level?

Q161 **Chair:** In truth, with all respect, it is showing the true percentages of women in the top quartile of the organisation, not the bogus numbers that Slaughter and May has published.

**Louise Meikle:** Those organisations have not necessarily gone into the detail around their quartiles. My understanding is that they have generally published their overall figures. As I say, they have had to take some different readings to their statutory requirements in order to do that, to deal with the snapshot point and to deal with total earnings. We are not yet dealing with totally comparable data here.

Q162 **Chair:** Has any work happened internally at Slaughter and May, looking at what the gender pay gap would be, even privately? I am not asking for what the result of it is. Has any work gone on around this?

**Louise Meikle:** Some high-level work has been done. As I say, it is quite simple. We have a very simple partnership remuneration structure, so it is not that difficult. At a high level, without having the accuracy, which is what concerns us, about the current position, we are not able to compare like for like. We are keen to understand why there was this exclusion and how we can make sure we input the data in a meaningful way. We would welcome guidance on that, in order to do so.

**Chair:** I think people who have heard your answers today, and the attitude of Slaughter and May in terms of giving transparent data, will hear very clearly what you have said, Louise, and Slaughter and May's attitude towards the requirement to publish the gender pay gap. We will move on now with questions from Drew Hendry.

Q163 **Drew Hendry:** I am going to continue with Louise before coming to Laura. Can you clarify something for me? You said earlier that 24% of the partners are women. What is the ratio of associates within your company?

**Louise Meikle:** For the associates, around 42% is the latest figure that is public, from last year. Our trainees, so our graduate intake, are about 50% male/female year on year.

Q164 **Drew Hendry:** Why is the percentage of partners so low compared with the percentage of associates?

**Louise Meikle:** That is obviously the question we are all trying to address. We have worked with the 30% Club for the last six years.

Q165 **Drew Hendry:** What was the answer you came up with about why?

**Louise Meikle:** There is a range of reasons. As we are trying to touch on, partnership is not for everybody, for a start. It is ownership of a



business. For both men and women, there is a particular decision you have to make there. There are obligations and duties that go with that, so it is not for everybody. We have heard a lot about having support around women. We are part of the 30% Club mentoring scheme, to try to give women access to those networks and the confidence we have spoken about.

We have a lot of internal support with our networks and our approach to family leave. We are trying to do everything we can to address that challenge and understand why it happens. But, as I say, out of our four new partners this month, three are women. Over the past six years, 30%<sup>1</sup> of our new partners coming through have been women.

Q166 **Drew Hendry:** I am interested in what you said about it not being a choice for everyone. How many associates turn down the opportunity to become partners?

**Louise Meikle:** Associates make different decisions at different stages.

Q167 **Drew Hendry:** Is it a regular occurrence that an associate will say, "No, I do not want to be a partner; it is too onerous"?

**Louise Meikle:** The build-up happens over a long period of time. We would not get to the point where we literally say, "Would you like to be a partner as of next month?" and they say, "No".

Q168 **Drew Hendry:** You said that not everybody wants to move on, and that is one of the reasons why this gap is so different.

**Louise Meikle:** Yes, absolutely.

Q169 **Drew Hendry:** That being the case, you must have an idea of how many associates turn down the possibility of becoming partners.

**Louise Meikle:** As I say, we do not have people who get to the point of being asked, "Do you as of a certain date want to be a partner?"

Q170 **Drew Hendry:** I understand. Maybe I will frame the question differently. What percentage of people drop out, then, on the road to partnership, in terms of the gender difference?

**Louise Meikle:** That is in the figures I have talked about. We have around 50/50 male/female intake in our trainees. Over the course of being an associate, that drops down to the low 40s. Then we have the figure at partnership level. That is obviously happening at different stages. Most of our partners will have been an associate for somewhere in the region of seven or eight years. There are lots of stages during that period. People may leave London; they may enter different careers. There is a very broad mix. There is no one point where they make this decision.

Q171 **Drew Hendry:** I must be honest: I still find it incredible that people,

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<sup>1</sup> Note from the witness: "the figure is actually 38%"



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having pursued this career to associate level, would not want to become partners. But let me ask you a different question, then. Given that, from what you have just told me, you clearly have that problem of a large percentage of women dropping out of the ability, which I would love to see some backup figures for, but push that to one side, what are you now going to do, recognising that problem, to actively not only promote but retain women in these partner positions? What is being done to promote women into those partnership roles?

**Louise Meikle:** There are three strands of action. One is around support and maintaining people through that pipeline to partnership. I have talked about the 30% Club. We are actively involved in that, particularly the cross-company mentoring scheme. That is about giving our female associates access to mentors in FTSE 100 companies or other professional services firms. In addition, we take part in a female leadership development programme with some of the European firms that we work with, and we have internal mentoring. There is support around people during that pipeline process.

We then have the conversations that we make sure happen internally. I touched on the engagement with all our partners. We have had training on unconscious bias and inclusive leadership. We have had gender brainstorm sessions with small groups of partners, which we have run internally. Over the course of the last year, our female partners have been hosting small discussion sessions with our female associates and trainees, going right down to the trainee level, to give them an opportunity to speak openly in a small, informal context about their career aspirations and any concerns they have.

We then have the package of initiatives around flexible working, enhanced pay for family leave and when people come back, and the support we give them if they have taken a period of family leave.

Q172 **Drew Hendry:** Can I ask you to give a very quick answer to this question? Do you feel all of that is enough to fix this clearly systemic, long-term problem in terms of the gender imbalance you have in the partner setup?

**Louise Meikle:** We are seeing progress.

Q173 **Drew Hendry:** I am asking for a very quick answer: yes or no. Is it going to fix that?

**Louise Meikle:** Yes, hopefully, through these discussions and by sharing best practice around action plans. We will hear things from other organisations, which we will be able to take on board. We will continue to look at other initiatives. We will not just stick with what we are doing at the moment. We will continue to look at new initiatives.

Q174 **Drew Hendry:** Thank you, Louise. Laura, what median gender pay gap and bonus gap did your company report this year?



**Laura Hinton:** Under government regulations, we reported a 14.2% median pay gap and a 39.5% bonus gap. From a mean perspective, that was a 13.7% pay gap and a 37.5% bonus gap. It is slightly lower overall when we look at mean. As has been alluded to in earlier conversations, we have voluntarily included our partners in our pay gap numbers. We have had to think carefully about how we do that, because, as Louise says, there is not an obvious translation. But we took the view that transparency drives action, and we wanted to be transparent. We wanted to drive that debate, so we included our partners and voluntarily publish our BAME pay gaps for our people and our partners.

Q175 **Drew Hendry:** Have you published an action plan alongside your gender pay gap report detailing exactly what actions and targets you are going to take to close that gap?

**Laura Hinton:** We have. We have a very clear five-point action plan. That was one of our key learnings. If I look at the activity and initiatives that were happening around diversity generally, but gender specifically, across the firm, we had literally hundreds of different things happening. Whether that is reverse-mentoring programmes or networking programmes, we are doing lots of great things, when you look at them individually. But history has told us—and we have been focusing on this for over 10 years now—that this was not moving the dial, and certainly not quickly enough.

We have refocused. We have said that we believe there are five things that will disproportionately impact the gap and close the gap quickly, and we are very much focused on those. I can give you the headlines of those, if that is helpful.

Q176 **Drew Hendry:** I would like to know what actions you are taking. Could you just outline those for us, very briefly?

**Laura Hinton:** The actions are, first, around leadership, tone from the top and making sure we are having conversations at the most senior level. I am a member of our executive board, and we talk about gender and diversity at every one of our meetings. That extension of leadership is around setting very tangible targets within each of our 40-plus business units for managers, senior managers, directors and partners, for gender and ethnicity. We have a very detailed target-setting process.

All of our partners were asked this year to set a specific objective around how they would personally help us to meet our targets. That is wired into our overall accountability framework, as we call it, so income for partners. This could be about role-modelling, looking at succession plans or making sure we have a diverse candidate identified for all of our critical roles. It is very much a topic on the agenda of our senior leadership team. That is the first set of actions.

Secondly, an area that is critical for us at PwC is around fair work allocation and fair access to opportunities for everybody. We do some



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fantastic work with our clients, some high-profile work and some big projects with some great clients. When we look at the analysis of the diversity of the teams on those clients, it is not as diverse. It certainly was not as diverse as we would have hoped it would be. We found that we were making assumptions: "Would women want to be on some of those high-profile engagements? There are long hours. It can involve stress". Rather than asking the women themselves, we were not necessarily including them on those programmes.

We have a very clear action plan. We have 130 resources in PwC whose job is to find the right people for the right projects in the right places. One of their key priorities now is around diversity, gender and ethnicity, to make sure everybody has fair access to those key opportunities. If we can do that, we think it will be reflected in bonus payments and, critically, it will be reflected in promotions, giving diverse candidates the best possible opportunity to get promoted, so we can change those stats. As you get more senior, we have fewer women.

I will not go into too much detail, but we are focused on recruitment to make sure we are really challenging in terms of our external pipeline and those people coming into the organisation. If we look over the last year, 47% of our external hires were female. That is an improvement for us.

We also have Back to Business, a returnship programme that we are investing in, and something called progression coaches. This has been alluded to, but it is this idea of real, active advocacy and sponsorship to help people to get through to director and partner level. This is about introducing people to their networks and really being proactive to help women in particular get there.

**Q177 Chair:** Laura, just picking up on one of the things you said there, I asked the FDM Group a question about whether it takes longer for women to get promoted than men. You mentioned that giving women exposure to higher-profile clients, et cetera, means they are likely to get promoted more quickly. Are you seeing that change? Are women now being promoted more quickly in the organisation?

**Laura Hinton:** It is not coming through in the numbers yet, but we are right in the middle of our promotion process. 46% of our director candidates, so for promotion to director, are female. Assuming they all get through the panel process we go through, that would be the highest number we have ever had. As an indicator that we are making progress, that is really helpful. I would love to see that kind of increase coming through to our partner promotions, where the percentages are still in the high 20s. We have more to do.

**Q178 Chair:** You also talked about Back to Business and bringing women back in. Of your leavers, do you see more women leaving the organisation than men or is it about equal?



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**Laura Hinton:** We do not. That is a bit of a myth that has been out there. We recruit a pretty balanced population, certainly at graduate and school-leaver level. The myth is that all of the women leave. Actually, they do not. Women and men leave in roughly equal proportions.

We have two challenges. Historically, when we had recruited people at a more senior level, they were disproportionately male, and we have worked really hard to address that. But women also get stuck in the organisation, so it takes them longer to come through to promotion. There is an element, which we have talked about a bit, around expectations.

We have done some work to understand this. Is it true within PwC that our women are less ambitious and they do not want to be promoted or come through to partner? We do not think that is true. Our women are absolutely as ambitious as our men, and rightly so. It is not that. They want to come through. There are some assumptions made around what it is like to be a partner, and we need to work harder to address that.

24% of our female partners work on a flexible contract. Interestingly, 9% of our male partners do as well. There is more we can do to make the role of partner more accessible, so that people really believe it is possible.

Q179 **Vernon Coaker:** Laura, this is just to you really, but it builds on what the Chair was asking Louise. The difference between the figures you are required to publish for the gender pay gap and the figures when you include equity partners is frankly astonishing. I am just going to read a couple out. I was staggered when I read this.

Under the regulations, women's mean hourly rate is 12% lower than men's; when equity partners are included, women's mean hourly rates are 33.1% lower. To take bonus pay at PwC, women's median bonus pay is 32.3% lower than men's; that is what you are required to publish. When you include equity partners, it is 67.1% lower, which is quite an astonishing difference. Why did you actually initially publish what you were required to do, but then a few weeks or a few months later say, "Oh goodness, we will now publish this"? Why was that?

**Laura Hinton:** The reality is that we looked at the regulations and what we were required to do, and went into process mode: "If that is what we need to do, let us pull together the data". We have been publishing voluntarily since 2014, so it was an extension of that reporting. Basically, one of the objectives of transparency is to be able to compare like with like. We specifically saw that partners have been expressly excluded, so from a transparency and comparability perspective it felt like the right thing to do at the time.

Q180 **Vernon Coaker:** It was controversial, was it not? There was a big row about the fact that it had been excluded, not just for PwC but for the other big accounting firms and so on. There was a big row about it.



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**Laura Hinton:** Absolutely, yes. With hindsight, we should have published the data on partners at the time. That has been a lesson and a learning for us. We have published the partner numbers and included our BAME pay gap, and we will continue to do that. As soon as the debate became public around whether the big firms were trying to hide something or what was going on, we were very, very happy to put those numbers out there. It was a challenge to work out how to do it, if I am honest. It would be incredibly helpful to have more clarity on what we should include.

Q181 **Vernon Coaker:** Was it the reputational damage to the companies that forced them to change, or was it the fact that they thought this is the right thing to do?

**Laura Hinton:** It was very much the latter. It is the right thing to do. We believe that transparency drives action, and that has definitely been our experience since we have been publishing. That has led to some difficult conversations within PwC. There is a lack of understanding around what equal pay is and what a pay gap is, so we have had to go through that process. But we should not shy away from that.

Q182 **Vernon Coaker:** This goes back to some of the questions from earlier. As a result of this, are people starting to say, "What, how much?" It is frankly astonishing, with the inclusion of equity partners.

**Laura Hinton:** It is.

Q183 **Vernon Coaker:** This is the question, then. Is that public scrutiny, embarrassment and reputational damage, or the desire to do the right thing now causing PwC and the other accounting firms—but I am talking to PwC—to change and say, "That is not acceptable; we are going to do something about it"?

**Laura Hinton:** That disclosure has not changed, because we were always absolutely focused on doing something about it. We know that a critical challenge for us is getting women through to partner. The size of the number surprised a lot of people.

Q184 **Vernon Coaker:** It is astonishing when you read it.

**Laura Hinton:** All of our partners are equity partners, so we do not have non-equity partners. Every one of our 900 partners is in there. It might just be helpful to put it into context. If we look at our gender pay gap excluding partners, we have a pay gap of about 13% and a bonus gap of about 37%. So that we could compare—this is not perfect—we looked at our overall income gap excluding partners, which was 17%. We then looked at those numbers for the partnership. Interestingly, the pay gap within the partnership is also 17%. When you add those two figures of 17% together, you get 43.8%. That is a factor of 81% of our partners being male. Obviously, our partners earn significantly more than our average staff member. That is how the maths works. For a lot of people, the scale of that number was a surprise. We have been very clear that it is not acceptable. We are really focused on reducing it.



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Q185 **Vernon Coaker:** This is the last question from me. There is now a table out there of all the big companies. The big four have published, but I am not sure about everybody else. There is now a table, and everybody can essentially see that these are the numbers for this year and then compare it next year. Does that transparency and that league table for how well people are doing help?

**Laura Hinton:** It definitely helps, yes. The transparency is good.

Q186 **Vernon Coaker:** Should there be a legal requirement on firms in the regulations to publish data including equity partners rather than just leaving it to your good will?

**Laura Hinton:** It would be helpful. It is the clarity point on how we do that. At PwC, we have absolutely every component of partner income in there. We were not clear that we should do. We do not know that our competitors did it in the same way. But we have been absolutely open, and being clear on how we do it, so we do not lose that comparability, would be really helpful. For me, that would be a positive step forward.

Q187 **Vernon Coaker:** Hopefully it drives change.

**Laura Hinton:** That is the plan.

Q188 **Antoinette Sandbach:** Louise, you are a law firm. You work in a law firm. You are used to advising your clients about the interpretation of regulations. What was it about these particular regulations that meant that all the lawyers in your law firm were absolutely unable to come to a decision about how to interpret them?

**Louise Meikle:** It is worth knowing that, as far as I am aware, only six or seven law firms have taken that step.

Q189 **Antoinette Sandbach:** I am asking about Slaughter and May. Please answer the question. You give advice to clients on regulation.

**Louise Meikle:** We took advice. In terms of complying with the statutory requirements, we had the advantage of turning to our internal lawyers to help with that. We did use them. But, as I say, there is scope for different interpretations. We could have chosen—

Q190 **Antoinette Sandbach:** Have you done analysis to see at partner level whether there is a bonus pay gap?

**Louise Meikle:** My understanding is that everything would effectively come under bonus, because that is where profit share comes in. Again, subject to the conversation we have had, that would be where you would put potentially all partner pay.

Q191 **Antoinette Sandbach:** Is it equal?

**Louise Meikle:** Do you mean between men and women?

**Antoinette Sandbach:** Yes.



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**Louise Meikle:** All men and women within our partnership are paid the same based on their length of time as a partner. There is no—

Q192 **Antoinette Sandbach:** It is based on the length of time.

**Louise Meikle:** That goes up to 10 years. We have a 10-year period—

Q193 **Antoinette Sandbach:** How many of the 24% of your partnership have been partners for less than 10 years?

**Louise Meikle:** I could not tell you that figure specifically, but there are also female partners who have been partners for over 10 years.

Q194 **Antoinette Sandbach:** I used to work in the law. For example, at the Bar, which is an independent profession, there is no barrier to women rising to the top. Have you done the kind of analysis about fair work allocations in Slaughter and May that PwC has done?

**Louise Meikle:** We are a much smaller organisation than PwC. Work is not allocated in any central way.

Q195 **Antoinette Sandbach:** Have you done that analysis? It is a simple yes or no answer.

**Louise Meikle:** We have not specifically looked at that, but work is not allocated through any process. We have an approach that is very client-focused.

Q196 **Antoinette Sandbach:** Without the analysis, you cannot tell whether there has been the unconscious bias that PwC talked about, where it was assumed that the women did not want to do the more difficult and challenging cases.

**Louise Meikle:** Just so I am clear, are we talking about work allocation at partner level or associate level leading up to partnership?

Q197 **Antoinette Sandbach:** I mean from partners to associates. That, in effect, gives them the experience and background to have the confidence to apply for partnership, for example.

**Louise Meikle:** We have not done a specific analysis of that.

Q198 **Antoinette Sandbach:** Having heard the evidence today, is that something that you could take away with you?

**Louise Meikle:** Absolutely, yes. I know work allocation is something we have worked with the 30% Club on, in terms of looking at how work is allocated. I am sorry; I misunderstood. I thought you were talking about partners. Within our individual practice groups, we have partners who look at associates generally and their work profiles.

Q199 **Antoinette Sandbach:** Is there an issue?

**Louise Meikle:** Not as far as we are aware, no.

Q200 **Antoinette Sandbach:** What is it that effectively means there is a 25%



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difference between the proportion of associates you have who are women and the proportion of partners?

**Louise Meikle:** As I say, people move on; they make different choices. There is nothing specific around the work that they are being given, as demonstrated by the fact that three out of four of our new partners coming through are women. There is nothing around the work allocation process that we can see that is specifically having an impact on that.

Q201 **Antoinette Sandbach:** What is it? Is it culture or attitude?

**Louise Meikle:** Our situation is not unique. It is the same across the legal profession.

Q202 **Antoinette Sandbach:** I understand that. There is absolutely no argument that says a woman is any less capable of being a partner than a man.

**Louise Meikle:** That is something we completely recognise. We have worked with the 30% Club.

Q203 **Antoinette Sandbach:** It has not made any difference, has it? I appreciate we are not talking about equal pay; this is about gender pay. From that point of view, it has been a legal requirement since the 1970s.

**Louise Meikle:** Yes. We certainly do not have any concern around equal pay.

Q204 **Antoinette Sandbach:** I understand that. I am going to move on to Laura. It is quite interesting. You said that PwC had had these kinds of mentoring programmes and various other things that had not moved the dial. Louise gave evidence to us to say, "We are part of the 30% Club. We have female leadership programmes". Your experience at PwC was that that kind of initiative did not change the figures.

**Laura Hinton:** Certainly, within PwC, history tells us that that unfortunately is true. There was a lot of good intent and lots of great conversations. There was too much focus on the women themselves to change as opposed to the culture in the organisation to change. The outputs are difficult to measure. You need key actions that you can measure and track over time. I am hopeful that that will make a far more significant difference, and more quickly.

Q205 **Antoinette Sandbach:** That is what you mean by "tangible targets". Is it possible to get to a zero gender pay gap in PwC?

**Laura Hinton:** Yes, that has to be the target. It will take time. Without a doubt, it will take time. There is a factor about being realistic. We are on a very different scale from Slaughter and May. We admit about 50 partners every year—as we know from the numbers, that is where our biggest pay gap comes from—of about 900 partners, and we have about the same number retiring. We have to change the proportions of people coming in to the partnership significantly and quickly, in order to have



the impact on the partnership as a whole. We should be aiming to get to 50% admissions of female partners within the next few years.

If we continue to do that—this is about the concept of proportionality—it will come through the pipeline. There are milestones along the way that are clear. We know what we need to do; we need to drive the action.

**Q206 Antoinette Sandbach:** You said you have set a goal for how your partners will help achieve the targets. What would you say to Louise, whose company does not seem to have been able to move the dial, about how you can get your partners on board to help change those figures?

**Laura Hinton:** Our experience of setting targets is that it really grabs attention. We are a very analytical organisation. Our partners are very analytical; they like data. They are all doing the numbers and asking, “What does this target actually mean? How do we make a difference?”

One of the lessons we learned is that gender pay targets and diversity generally were seen too much as being what HR do: “That is a people function”. By making it personal and embedded in every partner’s objectives, we have said, “You need to think about what you can personally do to make a difference in this area”. Having those targets really focused the mind.

It is easy to say, “This is a big and complex problem. As an individual partner, I cannot change it”. Our message is: “Make it personal”. For individual partners, this is about who they recruit when they are looking at end-of-year promotion processes; it is about who they choose to take to their big pitches and their big opportunities. The vast majority of the changes will happen on the ground and in the decisions that partners make.

Through setting targets at a really granular level, there was almost that lightbulb moment: “Okay, this is not something somebody else will do. It is not too big or complex. I can make a difference”. It feels as if we have shifted the momentum.

**Q207 Antoinette Sandbach:** I am very conscious that Sheila and Seamus have been sitting here quietly for the last three quarters of an hour. What key reforms do you think are needed in terms of the reporting requirements?

**Sheila Wild:** Most of them have been touched on. We need some clarity around the definitions in the regulations. This is a new form of regulation. I like to think of it as light-touch regulation with a sting in the tail. But what is missing from this is that there is no court process that will clarify the definitions. That is what we have around everything else to do with equal pay and the Equal Pay Act. If there is confusion or misunderstanding, at some point it will go to a tribunal, a court will pronounce and we will get clarity. That process is missing.



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Where we have confusion over, say, what is a bonus and what is an allowance, it is for Government to provide that clarification process and not the courts. We need clarification on how to treat partners. They should be in there, for all the reasons that have already been discussed, but there needs to be some clarification.

I would also like to see some clarification around the enforcement process. Of course, those who have not reported at all will be pursued; everyone knows and expects that. But, short of that, what constitutes non-compliance? If, heaven forbid, you have put up false figures, how is anyone going to know that? If you have mistakenly put up the wrong figures—and that will happen in the early years—who is going to differentiate between you having mistakenly put up the wrong figures and wilfully or misleadingly putting up the wrong figures?

Q208 **Antoinette Sandbach:** What would your solution to that be?

**Sheila Wild:** The Equality and Human Rights Commission has to be much more specific about how it is going to define non-compliance and who it is going to go after. It has been very helpful this year on how it is going to do that. There are pages and pages on what the appeal process and everything is. One of the ways in which you can surface dodgy figures is to invite employees to say, "There must be a bigger bonus gap than 2%. We really do not believe that". Where is the mechanism for inviting the commission in?

Q209 **Antoinette Sandbach:** I am conscious of time. Seamus, what key reforms would you say are needed to the reporting?

**Seamus Nevin:** I agree with everything Sheila has said.

**Antoinette Sandbach:** That is perfect. There is unanimity.

Q210 **Mark Pawsey:** I wondered whether I might ask what role Government should play. Sheila, you told us that you would like to see better definition and more clout. What could Government do to improve the reporting experience for business? How could they help?

**Sheila Wild:** I was very pleased to hear mention of the fact that the Government Equalities Office is improving the website. I am not an employer so I can only access the viewing service, but it is very clear that it has not been curated. I have raised this issue on my blog a couple of times. It needs to be clear that somebody has responsibility for the website—for checking that there are not duplicate reports up there and for checking that it is being done in the right way.

The Government does have some kind of responsibility for clarifying who is reporting. In my submission, I mentioned that there is no central list of who is covered. I appreciate there are difficulties because enterprises change and merge, and it is difficult to get a fixed list. But it feels at the moment that we are kind of grasping at figures. Do we really have 1,500 that have not replied?



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Q211 **Mark Pawsey:** Do you think a company or organisation could remain under the radar and evade any obligation to report?

**Sheila Wild:** Yes, they can remain under the radar. Equally, they can be over-conscientious and report two or three times. We need some kind of central list that somebody is curating, and that must be for Government to do.

Q212 **Mark Pawsey:** Seamus, are there things Government could do to make things easier for businesses to provide the information that we are all looking for?

**Seamus Nevin:** Speaking with our members, some of them found the task very difficult this time. We would hope they will find it easier in future. One thing that has come to light is that, while some firms have been able to assess statistically what their pay gaps are, they do not necessarily know the most appropriate form of action to take with that information. We need some form of information, advice and guidance on best practice and how to analyse the numbers you have so that you know what you can do, identify where the pinch points are within your organisation, and see and learn from other organisations. It could be some form of one-stop shop, a central platform or perhaps a website.

Q213 **Mark Pawsey:** Are you suggesting that the Government should provide some information on how a company might develop an action plan, for example?

**Seamus Nevin:** Yes.

Q214 **Mark Pawsey:** You are asking for a template. Are you asking for businesses to be spoon-fed?

**Seamus Nevin:** Not necessarily, no. But case studies and shared learning from others who have had the same experiences in the past would be of benefit. As we have seen from some of the evidence that has been submitted already today, companies can sometimes take action that they think will have a positive effect but it does not materialise in the way they expect it to. Understanding where common mistakes are and where misunderstandings can take place will be of significant benefit.

Q215 **Mark Pawsey:** In your evidence you suggested some change in the Corporate Governance Code. Could you explain to us what that would be and how that would help?

**Seamus Nevin:** The FRC is currently suggesting that the Corporate Governance Code be reformed to oblige firms to give greater clarity on diversity in firms. That is diversity in all forms, not just around gender but in other areas as well. We would absolutely support that. We think it is something employers should be looking at more consistently in all forms.

Q216 **Stephen Kerr:** This is on lessons learned. Seamus, by the way, what is the gender pay gap at the Institute of Directors?



**Seamus Nevin:** The Institute of Directors does not have 250 employees.

Q217 **Stephen Kerr:** Do you know what it is, though?

**Seamus Nevin:** We did an assessment. It is not great. The mean gender pay gap for hourly pay was 27.5%; the median gender pay gap was 24.23%.

Q218 **Stephen Kerr:** It is not very good, is it? What are the lessons to be learned from the data that has been gathered? I am interested to hear from Sheila, first of all.

**Sheila Wild:** There have been some positives. There have been some problems, but they are teething problems. One of the unexpected, but to me very welcome, developments is that people are looking at their pay systems. For example, they are saying, "Why are we paying 25 different allowances?" when it is clear that the allowances are driving the gender pay gap. They are saying, "Yes, we introduced some of these 10 years ago. They are no longer relevant". We are beginning to see some simplification in pay systems. As a rule of thumb, the simpler the pay system, the less likely you are to get a gender pay gap.

Q219 **Stephen Kerr:** What about talent management?

**Sheila Wild:** In a sense, talent management has always been there. It has been very much beefed up, as we have heard from a number of the contributors this morning. The relationship between talent management and the gender pay gap is becoming much more explicit, so that is very good.

What we are only just beginning to see, and which I am very keen to encourage—and I think you would be, as well—is lessons learned on a sectoral basis. Industrial sectors have their own media route. There is a journal for catering, a journal for construction and so on. One of the positives is that, for the first time, these sector-based journals are picking up on the gender pay gap and asking, "What is being done about it?"

Sectors learn from each other. That is really something that everyone needs to encourage. Government need to encourage it; the sectors themselves need to encourage it. In over 30 years' experience of dealing with these issues, once these things are picked up on a sectoral basis, that is where you really start to get exponential change happening.

Q220 **Stephen Kerr:** Do you have anything to add, Seamus?

**Seamus Nevin:** On sectoral learnings, I would absolutely agree. I would go a little further and talk about not just sectoral learning but learning from advances in social science. As an example, there is a very famous study done at the University of California, Berkeley, where they wanted to get more women on to their engineering courses, and they changed the name of the civil engineering course to "development engineering".



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There was no other content on the course, but they saw a massive increase in the number of women.

Basically, it was born of an understanding that language is very powerful and that sometimes the signalling effects of this can have a significant effect. If we apply that to job ads, we might hopefully be able to see similar effects, but that is not necessarily something that industry fully understands yet. Using the learning from things like the Behavioural Insights Team and the research it does, around the concept of nudging and what have you, can be of benefit as well.

**Q221 Peter Kyle:** Sheila, how important are these reporting practices as a driver for change?

**Sheila Wild:** They are hugely important. In over 30 years of working on these issues, having tried all sorts of things, this is the first thing that has focused minds and made people ask the right questions. Quite frankly, the fact the question is being asked at all is a new development. There is a strong tendency on the gender pay gap to jump to conclusions. It is not just the public generally who are shocked by some of the figures, but organisations have been quite shocked by some of the figures.

One thing that has bedevilled the gender pay gap over the years is complacency. People tend to think, "There is no gender pay gap here. It is over there; it is over there; it is over there. It is not us". Producing these figures has made people think, "Actually, it is us. What are we going to do about it?"

**Q222 Peter Kyle:** Can this sense of urgency be sustained year on year? Once these figures come out and it becomes an annualised event, do you think it will become normalised and not get as much attention? Is that a danger or do you think it will not happen? I mean the "naming and shaming" side of things.

**Sheila Wild:** It will not get as much detention, because there will be less shaming. Let us be clear: the media prefers shaming to a good news story. But, if there is the sectoral growth, the coverage will be where it matters. What matters most to you as an organisation is what your competitors are doing. If your competitors are closing their pay gap more quickly than you are, that is going to continue to speed you up. We will see less in the very public media, the daily papers, but much more in the sectoral-based methods of communication.

**Q223 Peter Kyle:** People in our position here asking the questions sometimes fall into the trap of thinking that you can wave a magic wand and solve this problem overnight. If you have a large organisation that is genuinely committed to change, which wants to do so from the very top, and which has a senior team, a chief executive and a chair who are willing to prioritise this and who set it as a priority, what is the time in which we should realistically expect them to turn this around and deliver tangible change?



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**Sheila Wild:** You know what the answer is: it depends. But I will give you an example. Many years ago—it is many years ago—when the Sex Discrimination Act was first introduced, the armed forces were excluded from its scope. Within five to seven years, the armed forces had been brought within its scope and I started to work with the military. The RAF was going to do it overnight, as you would expect. The Navy was absolutely brilliant. The Navy could predict to the day when it could have a woman in command of a warship, and it did.

If you have the right information in the right hands, you can predict it; you can plan it. But the trajectory will be different for each organisation because it depends on the gender profile you start with, the kind of pay system you have and other corporate initiatives like mergers. A merger can undo everything overnight because it changes your gender profile. That is why I am reluctant to say that everyone should do it within five or 10 years.

Q224 **Peter Kyle:** Should that not be a factor in whether you decide to merge or not?

**Sheila Wild:** It may well be; it could well be.

Q225 **Peter Kyle:** Thank you so much. That was incredibly helpful. I have one final question to Laura and Louise. You were in for the previous session and you heard the two representatives from the engineering sector talk about the pipeline challenges they have to get women into their organisations. For example, if there are apprenticeship courses where only 9% of young women are participating, there is a really understandable constraint on them tackling the challenge, which they are very, very keen to tackle.

51% of law graduates are women. 49% percent of accountancy graduates are women. Can you provide any single understandable explanation as to why you are not tackling this problem, other than a very deep seated cultural cancer or institutionalised sexism inside these organisations that is preventing this from being tackled? The supply is absolutely, categorically there.

**Laura Hinton:** I am happy to answer that first. As broader context, PwC is a very diverse business now. The proportion of accountancy graduates is a relevant statistic but, if I look at the profile of our graduates and our recruitment more generally, it is much broader than that. One of our challenges is that we know we are growing significantly in technology and technology consulting. A lot of the issues that were talked about this morning in terms of the STEM subjects apply equally to PwC.

Focusing on action, we are really trying to change that profile. We have set up a technology degree apprenticeship programme, which will start this year. Traditionally, somewhere between 9% and 10% of students who qualify in the technology and data science arena would be female. We have been able to reach into schools and help shape that profile. This



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year, it is 27% of the candidates who will start on the PwC programme. I would like it to be higher.

Q226 **Peter Kyle:** It is inexplicable to me as to why it is not higher. I cannot understand it.

**Laura Hinton:** That is specifically technology. That is why you have to go back into schools; you have to make science, maths, data and technology interesting and aspirational for girls. They just are not at the moment.

Q227 **Peter Kyle:** Louise, what about in law?

**Louise Meikle:** You are right. We do not have the problem other organisations have coming in. We have the challenge in terms of translating that. It is worth putting the numbers in context. We take around 80 trainees a year. We have had four new partners this year; three of those have been women. As a translation out of those partnership positions as a whole, that is 75%. If we can maintain that over a period of time, it is going to have an impact. In a partnership, people stay a partner for a long time. That is why it is going to take a period of time to move this.

Q228 **Peter Kyle:** What period will that be? If the Navy can do it in seven years, what period of time are you talking about? Then I am finished.

**Louise Meikle:** Do you want me to answer? If you looked at, say, 30%, that is something that we could potentially achieve over the next five years, with that movement of seeing women coming in and then potentially some retirements at the other end. Those are the periods of time you are talking about, given the particular structural challenges of a law firm.

**Chair:** Thank you. The two evidence sessions today have shown how important it is that Parliament has legislated for companies employing more than 250 people to publish their gender pay gap, because it is being talked about in a way that it has not before.

Antoinette said earlier that it was 1970 when the Equal Pay Act was passed by Parliament. Forty-eight years on, we see that there is still a real problem in ensuring that women are paid as much as men. The evidence session we had earlier suggested that in some sectors it might take a generation or more to address this. I do not want our daughters and our granddaughters to be having this discussion in 20, 30 or 50 years' time. It has been too long already for women to achieve equality.

I hope the transparency we are seeing and hopefully greater transparency in the future will mean that future parliamentarians and future businesses will not have to discuss this and can concentrate on the job of running businesses, rather than worrying about how we are going to get more women in and pay them a fair rate for doing the jobs they are doing. Thank you very much for coming to give evidence today.