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Committee: Administration and Regulation Committee

Date: 27 February 2018

Subject: Gender pay gap reporting

Report by: Service director, HR and monitoring officer

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Implications:

Legal ✓ **Community safety**

Equalities ✓ **Environment**

Financial ✓ **Consultations**

Staffing ✓ **Other**

Wards affected: none

Purpose

1. This report seeks to advise the Administration and Regulation Committee of the council's obligations under the Gender Pay Gap (GPG) legislation introduced in April 2017 that requires all public sector employers of 250 or more employees to capture specific gender pay gap data at a snapshot date of 31 March 2017 and to publish this data by 30 March 2018.

Recommendation

2. **Administration and Regulation Committee is recommended:**
 - (i) **To be aware of the council's statutory responsibilities under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 to calculate and publish its gender pay gap data by 30 March 2018 and annually thereafter, and**
 - (ii) **To recommend the attached gender pay gap data for submission to Council on 20 March 2018.**

Background

3. Gender Pay Gap legislation (developed by the Government Equalities Office) introduced in April 2017 requires all public sector employers of 250 or more employees to publish by 30 March 2018, their gender pay gap for full-pay relevant employees in scope as at the snapshot date of 31 March 2017.

Schools must report separately where they employ 250 or more. There are no Luton schools covered by the legislation. Gender Pay Gap reporting must be repeated annually and the data must remain on the website for three years from initial publication.

4. The Gender Pay Gap is expressed as a percentage in favour of males or females.

Report

5. The Gender Pay Gap covers the difference in the average hourly earnings and annual bonus pay of men and women, regardless of their role or seniority. The council is required to calculate the following Gender Pay Gap data:
 - gender pay gap (mean and median averages)
 - gender bonus gap (mean and median averages)
 - proportion of men and women receiving bonuses and
 - proportion of men and women in each quartile of the organisation's pay bands
6. The council's pay approach supports the fair treatment and reward of all staff irrespective of gender with pay systems and grades aligned to nationally negotiated pay spines.

Employees are expected to move through the relevant pay range for their grade; the longer period of time in a grade the more they are expected to earn, irrespective of gender.

The council has adopted the Foundation Living Wage (FLW) and those earning less than £8.25 an hour on the snapshot date (31 March 2017), with the exception of apprentices, received a living wage supplement to bring their basic hourly rate of pay to £8.25.

The FLW increased to £8.45 from 1 April 2017 and this will be reflected in the Gender Pay Gap analysis for 2018. For completeness, the committee agreed to implement the most recent uplift in the FLW (to £8.75 per hour) at committee on 30 January 2018.

7. The overall Gender Pay Gap is defined in two ways, firstly as the difference between the mean (average) hourly pay of men and women expressed as a percentage of the mean hourly pay of men.

Secondly, it is defined as the median (actual midpoint) hourly pay of men and women expressed as a percentage of the median hourly pay of men.

Hourly pay at the council has been calculated in accordance with the regulations and includes shift premiums and allowances, clothing and car allowances and bonus/market supplement payments paid in the relevant pay period (March 2017 pay). The calculations exclude overtime payments.

8. Bonus payments can be a significant element of overall remuneration in some sectors, although less so generally within the public sector.

However, the regulations define bonus pay as any remuneration 'in the form of money, vouchers...' that relates to 'profit sharing, productivity, performance, incentive or commission.'

For the purposes of the gender bonus calculations therefore both the long service award and market supplement payments, which are paid as recruitment or retention incentives, have been included in the calculations.

9. Appendix 1, Section A sets out the gender pay and bonus gap data that the council is required to publish.
10. The council is committed to the principle of equal opportunities and equal treatment for all employees, regardless of either:

- sex
- race
- religion or belief
- age
- marriage or civil partnership
- pregnancy/maternity
- sexual orientation
- gender reassignment
- disability

The council has a clear policy of paying employees equally for the same or equivalent work, regardless of their sex (or any other characteristic set out above). As such, the council:

- carries out pay and benefits audits at regular intervals,
- evaluates job roles and pay grades as necessary to ensure a fair pay structure, and
- publishes annually a Pay Policy which sets out clearly the council's pay matters

11. The council is therefore confident that its gender pay gap does not stem from paying men and women differently for the same or equivalent work.

Rather, the Gender Pay Gap is the result of the disproportionately high number of females occupying roles with lower salaries and allowances, compared to male employees occupying these roles.

Conversely, the bonus pay gap show a disproportionately low number of males receiving market supplement payments and the long service award compared to female workers.

However, male employees receive relatively high market supplement payments compared to female employees because they are predominantly full time employees.

12. The table in Section A (Appendix 1) depicting pay quartiles by gender, shows the council's workforce divided into four equal-sized groups based on hourly pay rates, with band A including the lowest-paid 25% of employees (the lower quartile) and band D covering the highest-paid 25% (the upper quartile).

In order for there to be no Gender Pay Gap, there would need to be a ratio of men to women in each band reflecting exactly the Council's gender make up (ie 66.9% female and 33.1% male)

13. Across the UK economy as a whole, men are more likely than women to be in senior roles (especially very senior roles at the top of organisations), and women are more likely than men to be in front-line roles at the lower end of the organisation.

The overrepresentation of women in bands A and B, ie below overall median pay explains why there is a gender pay gap in favour of men for both mean and median pay.

14. Women in bands A and B are typically in administrative roles that do not attract allowances or supplemental payments or in front line care roles which do.

However as women are more likely than men to have had breaks from work that have affected their career progression, for example to bring up children or to care for elderly relatives, they may also not have progressed as far in the incremental scales as their male counterparts.

Women are also more likely to work part time, and many of the jobs that are available across the council on a part-time, term time only basis are at the lower end of the pay scale, for example catering staff in the school meals service, home carers and support workers.

15. The vast majority of organisations have a Gender Pay Gap, and the council's gap appears to compare very favourably with that of other local authorities and organisations (ONS Annual Survey of Hours and Earnings). Please refer to Appendix 1 section B for comparative data with the wider public, private and third sectors.
16. At 8.3% and 13.3% the council's mean (average) and median (mid-point) gender pay gaps in favour of males are, therefore, markedly lower than the norm.

This is encouraging given the range and nature of services provided by the council with a number of traditionally low paid services, such as refuse collection and school catering services, retained in house.

17. In contrast the mean gender bonus pay gap for the Council is 8.1% in favour of females due to the nature and circumstances in which the 'bonus' is paid.

In line with the regulations, recruitment and retention incentives in the form of market supplements and the long service award have been taken into account for the purposes of the bonus calculations.

The former are paid to 'hard to recruit' posts or posts with proven retention difficulties, predominantly associated with social work, at a level which reflects the market.

These market supplements are paid in arrears twice a year committing the recipient to repay the monies should they leave the council before the end of their annual agreement, thereby serving as both a recruitment and retention tool.

18. 87% of those in receipt of the market supplement bonus payments were females (at the snapshot date) with cash amounts paid in the 12 months prior to 31 March 2017 varying, due to the length of time in post and market rates, between £1000 and £5500; the range of payments in the same period to male recipients was between £2600 and £5500.

Part time working and time spent in post, accounts for the differential in the range of market supplement payments and explains the swing in favour of males for the median gender payment.

19. In respect of the long service award, employees who have accrued 25 years continuous service with the council received shopping vouchers to the value of £200 in the 12 months prior to 31 March 2017. All recipients, irrespective of gender receive the same value of vouchers.
20. **Action plan** – the council recognises it has limited influence over the subjects that individuals choose to study or the career choices that they make or their choices around work/life balance and part-time work. Nevertheless, the council is developing an action plan to address the gender pay gap.

21. Some of the initiatives under consideration include:

- actively promote existing employee procedures, schemes and working patterns to attract and retain employees (for example shared parental leave, flexible working, working hours/patterns, Flexi scheme, PPAs and personal development, career pathways, leadership and management programme (83% females/17% males in 2017) and market supplements)
- promote EVP and family friendly culture
- introduce a scheme for buying additional holiday, to help employees balance work and home commitments
- introduce a flexible retirement procedure
- all interviewers to undergo "refresher" training to raise awareness of unconscious bias

- positive action around recruitment processes to target underrepresentation of females at senior levels
- all job adverts to contain a strapline to encourage applicants who wish to work on a part time basis or on a non-standard working pattern
- ensure that the approach to job evaluation, local conventions and practice is gender neutral
- review the application of allowances, particularly those that are aligned to gender specific roles
- review the number of grades and grade boundaries taking into account ongoing work on the NJC National Pay Spine to ensure that proposed changes do not adversely affect the gender pay gap
- develop job roles/ job families to identify clear routes for career progression that support gender neutrality
- consider shortened pay ranges (reduced number of incremental points within grade) to minimise the extent to which time spent in post affects the gender pay gap

Proposal/option

23. Either: to recommend the attached gender pay gap data for submission to council on 20 March 2018 and for publication before 30 March 2018,
24. Or: that the council does not publish its gender pay gap data in line with the legislation

Legal implications

25. The council has a statutory responsibility under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 to produce and publish its Gender Pay Gap data by 30 March 2018 and annually thereafter.
26. Although the Regulations contain no sanctions for non-compliance, the explanatory note to the Regulations states that non-compliance will constitute an unlawful act under s.34 of the Equality Act 2006.
27. This report has been agreed with John Newman, Solicitor in Legal Services on 12th February 2018.

Staffing implications

28. This is the first time that the council, alongside other public sector organisations, has been required to calculate and publish its gender pay gap data.
29. Whilst there are no direct staffing implications as a result of this report, there is reputational risk to the council, if on publication of the data, it compares

unfavourably with other public sector employers, particularly that of neighbouring authorities.

Without an accompanying 'dialogue' this could adversely affect employee relations with the Trades Unions and could affect recruitment and retention within the workforce.

30. To mitigate the risks in this regard, the Communications team have been fully briefed in order for the council's GPG publication to be accompanied by Intranet articles to explain the data, Q&As for employees, press releases to deal with media interest and links to the government website where the results will be published.
31. This report has been agreed with Angela Claridge, Service Director, HR & Monitoring Officer on 12 February 2018.

Equalities implications

32. There are no additional equalities implications apart from those outlined within the report.

Financial implications

33. There are no financial implications within the report.
34. This report has been agreed with Dev Gopal, Service Director, Finance and Audit on 12 February 2018.

Consultation implications

34. There are no consultation implications within the report.

Appendix

Appendix 1 - Luton Borough Council Gender Pay Gap Data for Publication

List of background papers

Local government act 1972, section 100d

None

Luton Council Gender Pay Gap Data for Publication

- The mean gender pay gap for Luton Council is **8.3%** in favour of men.
- The median gender pay gap for Luton Council is **13.3%** in favour of men.
- The mean gender bonus gap for Luton Council is **8.1%** in favour of women.
- The median gender bonus gap for Luton Council is **9.4%** in favour of men.
- The proportion of male employees in Luton Council receiving a bonus is 2.45% and the proportion of female employees receiving a bonus is 6.47%.

Pay quartiles/data by gender

Band	Males	Females	Description
A	30.7%	69.3%	Includes all employees whose hourly pay places them in the lower quartile
B	26.8%	73.2%	Includes all employees whose hourly pay places them above the lower quartile but at or below the median
C	35.3%	64.7%	Includes all employees whose hourly pay places them at or above the median but below the upper quartile
D	39.5%	60.5%	Includes all employees whose hourly rate places them in the upper quartile
Overall	33.1%	66.9%	Breakdown by gender of all full pay relevant employees

The figures set out above have been calculated using the standard methodologies used in the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

A. Comparison with other organisations

	Luton BC	2017 ONS ASHE private sector(provisional)	2017 ONS ASHE public sector(provisional)	2017 ONS ASHE Non-profit/mutual association (provisional)
Mean gender pay gap	8.3%	21.1%	17.7%	19.4%
Median gender pay gap	13.3%	23.7%	19.4%	22.1%

B. Comparable rates at Luton

Hourly Pay	Number of in-scope employees	Range – hourly rates	Mean (Average) hourly rate	Median (mid-point) hourly rate
Males	978	£4 - £96.75	£14.73	£14.19
Females	1979	£4 - £66.48	£13.51	£12.31

Bonus Payments	Number of Recipients	Range of payments	Mean (Average) bonus	Median (mid-point) bonus
Males	24	£200-£5500	£3068.61	£3500
Females	128*	£200-£5700	£3317.55	£3172.30

- One female received both long service award and recruitment and retention incentive (market supplement)