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Mind the Gap!

The Challenges of Gender Pay Gap Reporting

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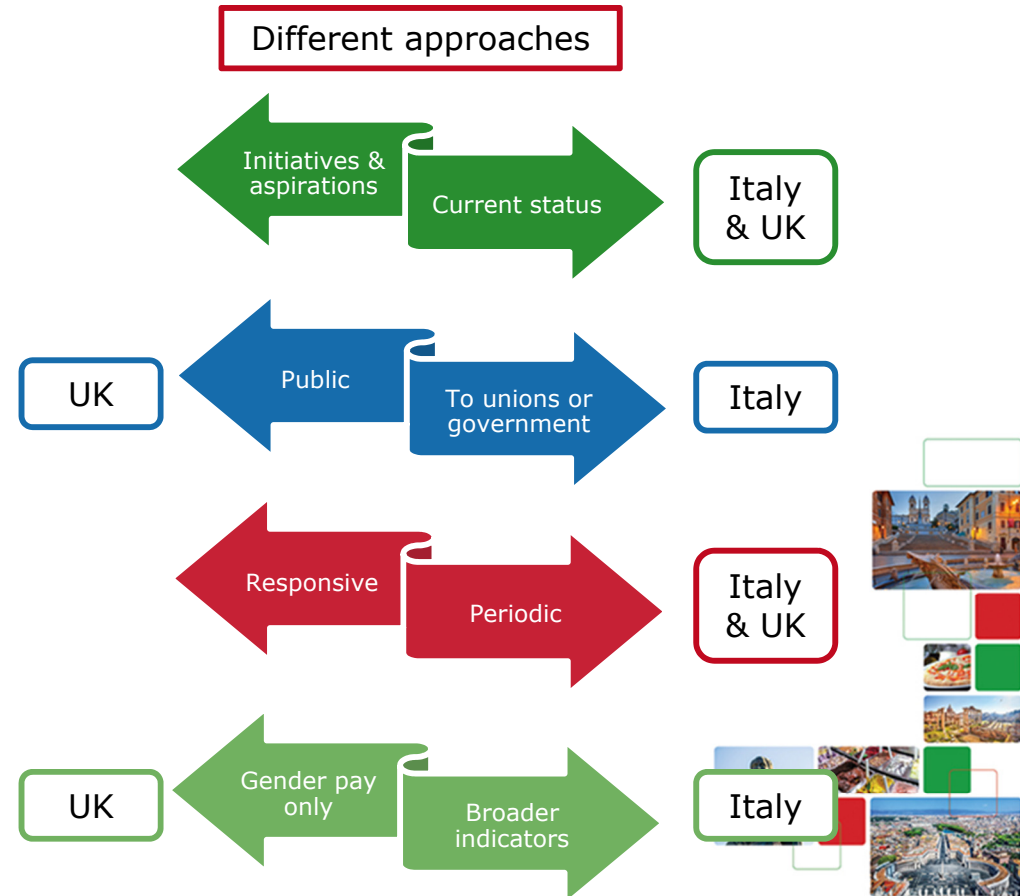
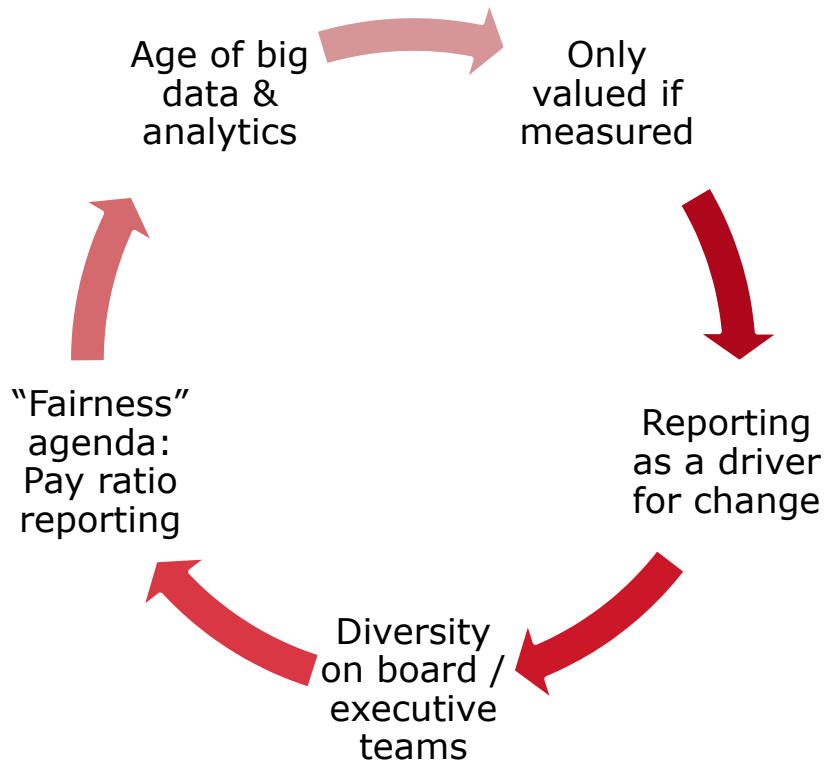
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Agenda

- Gender pay reporting: global context
- The approach in Italy
 - Purpose and context
 - By whom, on what and when
- The new UK regulations
 - Overview
 - Reporting requirements
 - Legal requirements and definitions
 - By whom and on what
 - Data gathering and analysis
 - Reporting: How and when
- Questions?



Global context



Italy



Italy's approach: part of an 'equality' agenda

Where is the law?

Legislative decree n. 198/2006, also known as «Code for Equal Opportunities»
(*Codice delle Pari Opportunità*)

What is its purpose?

Promotion of equal treatment and opportunities for men and women
Avoid any act of discrimination based on gender



Gender pay gap in context

Major contributing factors in Italy:

1

Distribution over industries: Female workers in Italy tend to cluster in industries that offer comparatively low payment for the same level of qualification (especially education, health and social work activities). In contrast, male workers are overrepresented in industries that offer high rewards for the same level of qualification (particularly manufacturing).

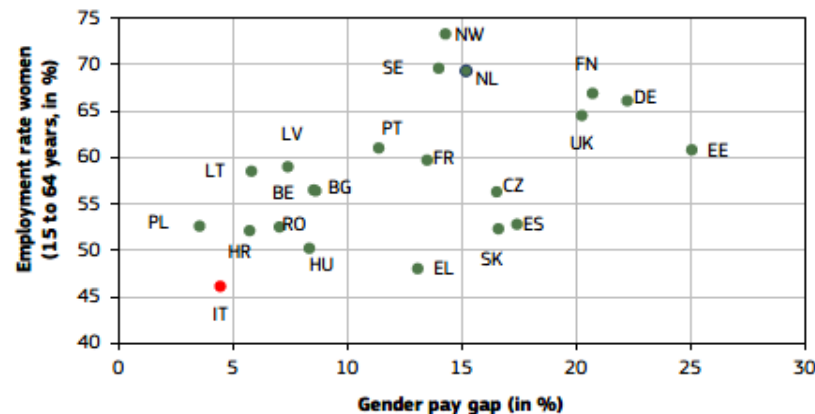
2

Working time: Female workers in Italy work more often in part-time jobs than their male counterparts. Part-time jobs are associated with lower hourly payments.

3

Temporary employment: Female workers in Italy have temporary contracts more frequently than male workers. Temporary employment is associated with lower hourly wages.

Important context factor: Employment selection



Sources: Eurostat (2015), SES (2010), HWWI (2015).

Countries with lower female employment participation tend to exhibit lower measured pay gaps (see figure above). In these countries, several low-wage activities like nursing and cleaning are executed outside the formal labour market and are therefore not considered in the measurement.

Facts & figures

Ranked 3rd out of the 28 EU countries for **unequal pay**

Ranked 26th out of the 28 EU countries for **employment rate of women** aged 20-64

Ranked 23rd out of the 28 EU countries for **overall gender pay gap**



Reporting requirements: by whom, on what and when

Employers

- ⑩ With 100 or more employees, every 2 years, to the works councils and the Counsellor of Equal Opportunities
- ⑩ On the employment status of male / female employees in relation to specified employment related data and on **pay levels**
- ⑩ No later than 30th April of the year following the two year period
- ⑩ In case of non-compliance, administrative sanction between €103 and €516 in case of non-compliance and suspension of any social security contributions exemption in case of repeated breaches

Data to be reported by employers

- ✓ Number of employees
- ✓ New hiring of employees
- ✓ Professional trainings
- ✓ Status and promotion of job levels and job categories
- ✓ Recourse to short-time work programs (*ammortizzatori sociali*)
- ✓ Individual and collective dismissals
- ✓ Retirements and pre-retirements
- ✓ Total remuneration



Reporting requirements: by whom, on what and when

Counsellor of Equal Opportunities

- ⑩ Every year to the Ministry of Labour, the Department of Equal Opportunities and the entities that appointed the Counsellor of Equal Opportunities
- ⑩ On its yearly activity towards the promotion of equal opportunities
- ⑩ In case of non-compliance, the Counsellor of Equal Opportunities is removed from his/her office

✓ Ministry of Labour

- ⑩ To the Parliament:
- ⑩ Every 2 years, in relation to the application of equal opportunities provisions and the relevant outcome
- ⑩ Every year, in relation to the application of the provisions relating to benefits and incentives granted to female entrepreneurship and relevant outcome



The UK



The UK's approach

Do you know the difference?



Gender pay gap

Unequal pay

Will it lead to change?

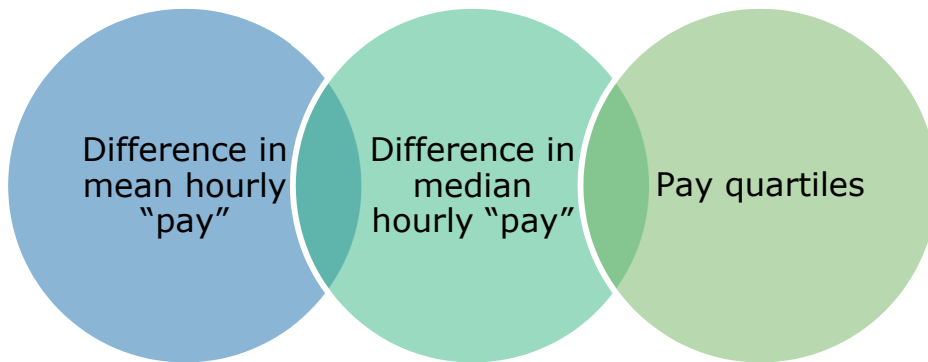
Reporting requirement gains company's attention?
Compliance for compliance sake?
Takes resource from initiatives to reporting?

Or a media storm?

Complex data - difficult to analyse and message
Confusion between gender pay gap and unequal pay / discrimination



UK pay reporting requirements (1 of 2)

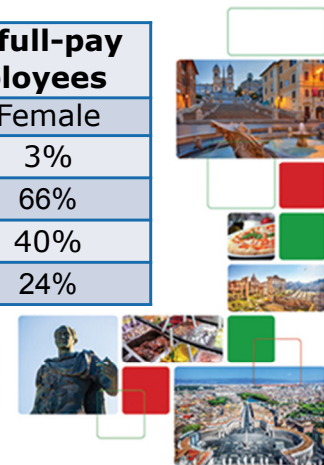


Difference in hourly rate of pay (male v female) of full-pay relevant employees	
Using mean data	Using median data
5%	2%

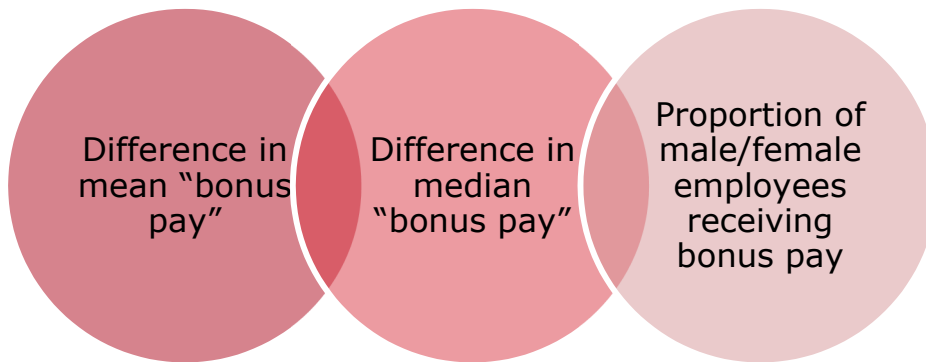
Hourly rate of pay quartiles	Proportion of full-pay relevant employees	
	Male	Female
Upper quartile	97%	3%
Upper middle quartile	44%	66%
Lower middle quartile	60%	40%
Lower quartile	76%	24%

The information set out above is accurate.

 (signed)
 Director, XYZ plc



UK pay reporting requirements (2 of 2)



Difference in bonus pay (male v female) of relevant employees	
Using mean data	Using median data
7%	3%

Proportion of male/female relevant employees who were paid bonus pay	
Male	Female
70%	73%

The information set out above is accurate.

 (signed)
 Director, XYZ plc



UK pay reporting requirements: definitions

- Basic pay
- Pay for leave (annual leave, sick leave, paternity, adoption, maternity, parental or shared parental leave, special leave)
- Allowances
- NOT overtime, payments referable to the termination of employment or redundancy payments
- Employees who are being paid at a reduced rate or nil due to leave on the snapshot date do not need to be included in the mean and median hourly rates of pay or quartile analysis

Ordinary pay

- Payment is the relevant trigger – not the “attributed” performance / incentive period
- “money, vouchers, securities, securities options, and interests in securities” that relate to “profit sharing, productivity, performance, incentive or commission”
- Sums treated as paid to the employee at the time they attract tax as earnings – if no tax charge, then no reporting obligations
- **For the purpose of hourly rate of pay only, pro-rated if appropriate**

Bonus pay

Bonus pay: Relevant employees over the bonus period (12 months ending on the snapshot date)

Hourly rate of pay: Full-pay relevant employees over the pay period at snapshot date



Reporting: by whom and on what

Employers

- With 250 or more employees on 5 April
- Reporting obligation triggered by single entity employer.
- No need to aggregate employees across group employers.

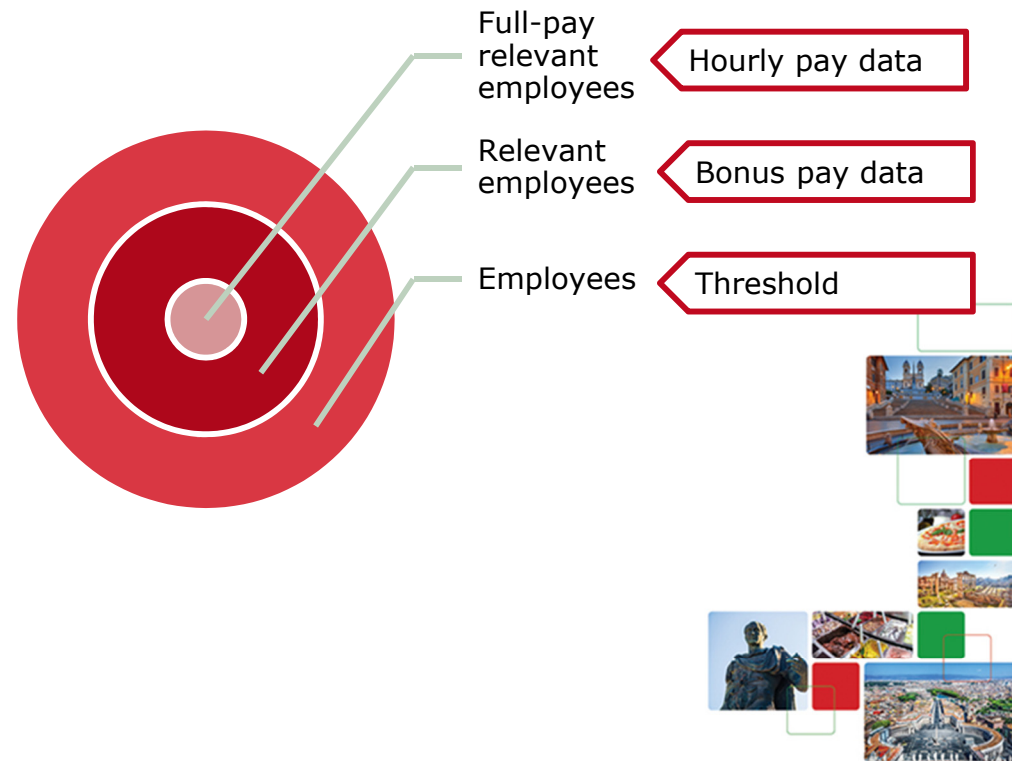
Relevant employees

- "person employed by the relevant employer"
- Explanatory note defines employment by reference to S83 of the Equality Act
- Not limited to employees working in the UK
- Partners in firms expressly excluded

Full-pay relevant employees

- Relevant employees who are not, during the relevant pay period, being paid reduced rates or nil as a result of being on leave

Headcount (not FTE)



Data: gathering and analysis

- Data sources
- Relevant employers
- Relevant employees

Included	Excluded	?
casual workers	agency workers	independent contractors who are engaged through a personal services company but who cannot or do not engage substitutes*
independent contractors with a contract personally to do work*	those working permanently outside the UK	
UK inward bound assignees with sufficient connection to UK and UK outward bound assignees	consultants engaged via a professional services company where substitutes can and are used	
non-executive directors		

*Carve out if the employer “does not have and it is not reasonably practicable for the employer to obtain the data”.



Data: gathering and analysis

- Employee data required
- Employee data gathering tips
- Payroll data
- Issues for snapshot analysis
- Issue for 12 month bonus analysis

For snapshot (hourly rate of pay) analysis

Ordinary pay and bonus pay (pro-rated) paid in that pay period
(for RELX it is a month)

For 12 month bonus pay analysis

All bonus pay paid in that 12 months (not pro-rated)



Reporting: how

Compulsory requirements

- Data must be accompanied by a written, signed statement confirming that the information is accurate;
- Information must be published on the employer's website in a manner that is accessible to all employees and the public;
- For a period of at least 3 years; and
- Information must also be uploaded to government website (TBA).

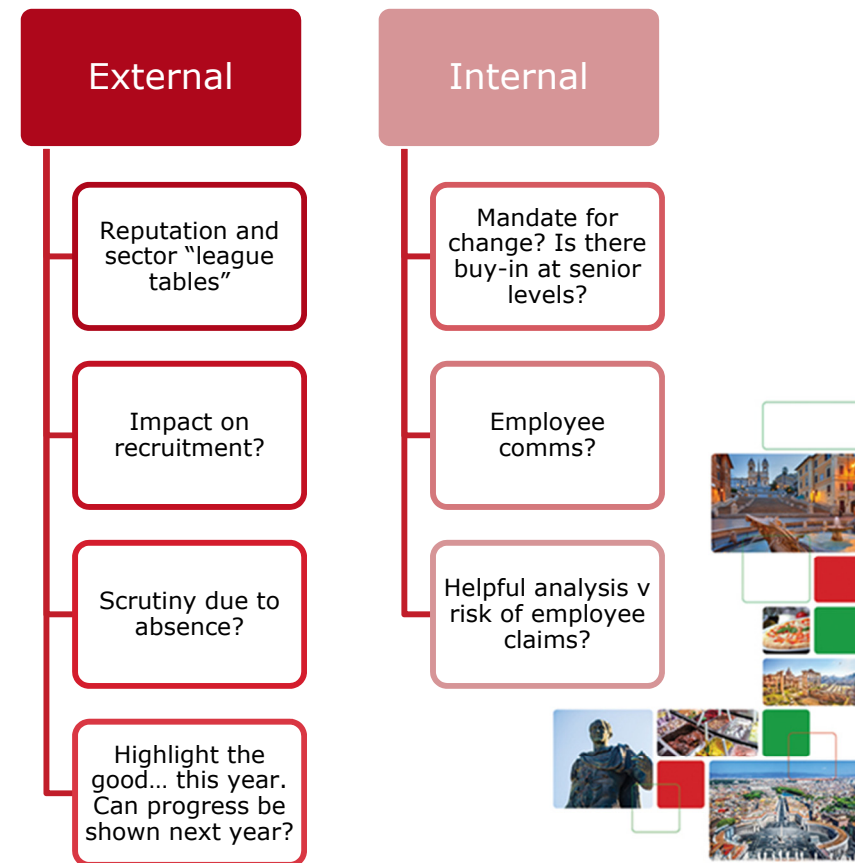
✓ Voluntary information

- Additional data?
- Aggregation?
- Additional narrative?
- Explain discrepancies?
- Highlight action plan?

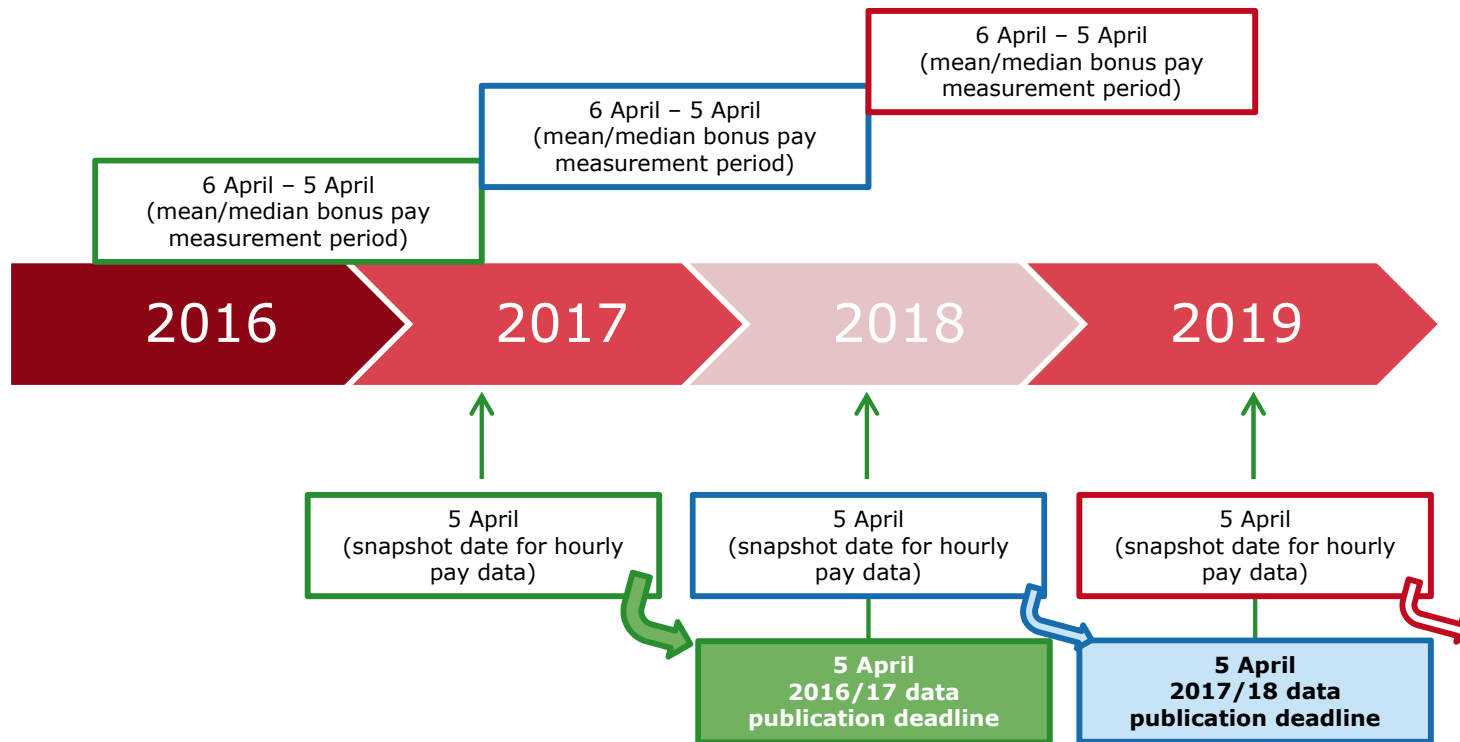


Reporting: the bigger picture

- Conducting a test analysis
- What additional statistical disclosures to make
- How to construct the accompanying narrative
- What to say about gender diversity (and broader diversity) initiatives
- Thinking ahead – how will your statistics look 1,3,5 years ahead?
- How to position this UK disclosure requirement in the context of a global company
- Disclosure tactics and related communications eg to employees



Reporting: when



Reporting: now?

- Is there benefit in voluntarily reporting now (in respect of an earlier period)?
- See, for example, Virgin Money (March 2017):

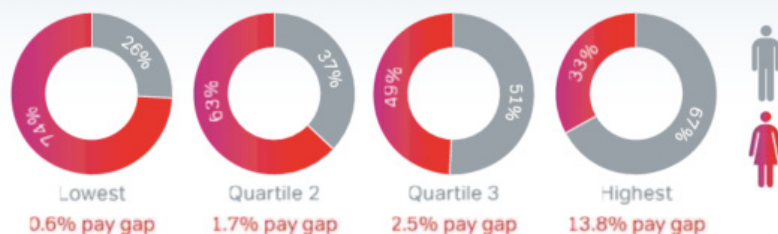
2016 gender pay gap

Virgin Money welcomes the UK government initiative to improve pay equality through collecting and reporting gender pay data, as at April each year. Whilst these requirements come into effect from April 2017, we are voluntarily disclosing our gender pay gap, as at April 2016.

We have reviewed gender pay across the Company in 2016 and are confident men and women are paid fairly for the same and similar jobs. Virgin Money's mean gender pay gap in April 2016 was 36 per cent (median 39 per cent). As explained by the Chief Executive on page 26, the gender pay gap at Virgin Money is driven primarily by two factors:

- > The under representation of women in the senior leadership team; and
- > The under representation of men in more junior roles.

2016 gender pay gap analysis



This illustration divides staff into four groups based on pay and discloses the gender balance in each quartile. There are significantly more women in the lowest quartile and the average pay for men and women is the same. In the highest quartile there are more men and the average gender pay gap is 13.8 per cent.



Questions?



Thank You

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