



UK
FINANCE

Gender and Ethnicity Pay Gap Report for UK Finance

Snapshot date 5 April 2020

Pay gap reporting Overview



Overview

- Companies who employ more than 250 employees are legally required to undertake gender pay gap reporting on an annual basis. The legislation requires these companies to report the following:
 - Their mean and median pay gap,
 - Their mean and median bonus gap,
 - The percentage of male and female employees who received a bonus payment
 - The percentage of males and females in each pay quartile.
- UK Finance is not legally required to undertake pay gap reporting but has elected to do so on a voluntary basis as discussed and agreed with MCo and the Inclusion Network as part of our inclusion strategy. The government does not require any Company to undertake ethnicity pay gap reporting but many companies elect to do this on a voluntary basis.
- In accordance with the government requirements for gender pay gap reporting, the figures must be calculated using a specific reference date - this is called the 'snapshot date'. The snapshot date each year is 31 March for public sector organisations and 5 April for businesses and charities. The data used to prepare this report is based on active employees of UK Finance as of 5 April 2020.

What is the pay gap?

- The pay gap is a straightforward measure to show the difference in the **average hourly rate of pay** between two groups in a workforce (e.g. men and women or BAME and non-BAME colleagues), regardless of job role or seniority.
- Establishing the pay gap provides a framework within which pay gaps between groups can be surfaced so that we can think constructively about why these pay gaps exist and what to do about them. For example, the pay gap can highlight if women or BAME colleagues are concentrated in lower level jobs at UK Finance.

The gender pay gap and unequal pay – what is the difference?

- Establishing our pay gap is **not the same** as measuring 'equal pay'. The gender pay gap is the difference between the median and mean of men and women's pay irrespective of the roles they perform – across the UK, a sector or an entire company.
- Equal pay is paying males and females equally for like work, work of equal value and work rated as equivalent. This has been a legal requirement since 1970. Other discrimination legislation also makes it unlawful to pay someone less because of their race or ethnic origin.

Calculating the pay gap

How do we calculate the pay gap?

- The pay gap is determined by calculating the **mean** (average) and the **median** (middle) hourly rate of the groups of workers that we wish to compare (e.g. male and female colleagues or white and non white colleagues).
- The difference between the mean and the median hourly rate of pay of the groups which are being compared is shown as a percentage
 - A **negative** percentage figure indicates a pay gap **in favour of female/BAME colleagues**.
 - A **positive** percentage figure indicates a pay gap **in favour of male/non BAME colleagues**.
- All colleagues who were employees of the Company at the snap shot date have been included in the data.
- We have calculated 'hourly pay' in accordance with employees basic annual salary and any allowances they receive.

Pay quartiles

- The pay quartiles are calculated by ranking all hourly rates paid across the business, from lowest to highest and then dividing them into four equal sized groups from the lowest paid quartile to the highest paid quartile. The quartiles also show the percentage of men and women/BAME and non BAME colleagues in each group.
- The quartile distribution is intended to provide insight about the 'glass pyramid' or how the comparison groups (e.g. male and female colleagues or BAME and non BAME colleagues) are distributed across our Company. The calculation of the quartiles will also pick up on pay gaps at the top of the organisation, even if the mean and median figures have masked this.

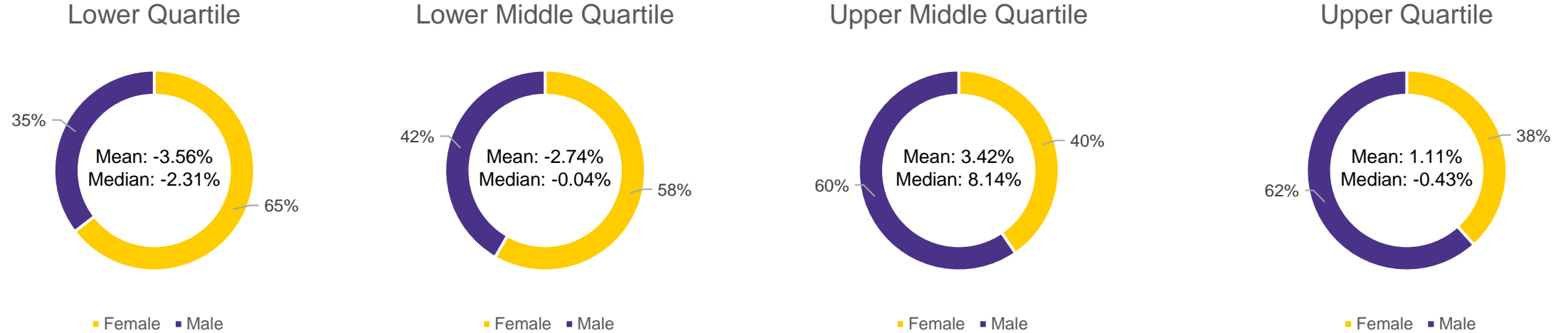
Summary of findings from the data

Gender hourly pay gap



- Overall our **mean** (average) gender hourly pay gap as at 5 April 2020 was **20.93%**.
- Overall our **median** (middle) gender hourly pay gap as at 5 April 2020 was **27.66%**
- Our own analysis shows us that this pay gap is attributed to the following factors:
 - Whilst women make up 50% of our workforce we have more men than women in the highest ranking roles at CEO, MD and Director level. These roles all fall in the upper pay quartile.
 - We have a larger proportion of women concentrated in the most junior roles at EA and Administrator level. Roles at this level are in the lower quartile.
 - The four pay quartiles (p.5) reflect this concentration of women across our workforce with female colleagues making up 61% of the lower and lower middle quartiles and 39% of the upper middle and upper quartiles.
 - Whilst these roles are competitively rewarded by reference to the market, the fact that so many of them are held by women has the effect of reducing the average pay and bonuses of women in our Company.
- Achieving real progress in reducing our overall gender pay gap relies on:
 - improving the gender balance at the most senior levels of our business which is work which is already underway.
 - attracting more men to our secretarial and administrator roles and breaking down the occupational stereotypes.

Pay quartiles – gender hourly pay gap



- Overall our **mean** (average) gender hourly pay gap as at 5 April 2020 was **20.93%**.
- Overall our **median** (middle) gender hourly pay gap as at 5 April 2020 was **27.66%**
- In order to determine the quartiles, all employees are ranked in order based on their hourly rate of pay from the lowest paid to the highest paid. The data set is then split into four equal groups or 'quartiles' from the lowest paid quartile to the highest paid quartile.
- On the snapshot date of 5 April 2020 50% of our workforce was female and 50% of our workforce was male.
- The proportion of men and women in each of the four quartiles is shown on the chart above.
- Overall, 61% of female colleagues are concentrated in the lower and lower middle quartile with 39% of female colleagues in the upper middle and upper quartiles.
- When we look at our colleague data on a pay **quartile** basis the hourly pay gap is significantly smaller (less than 4% in all but one of the 8 measures) across all four quartiles including the upper quartile.

*A **negative** percentage figure indicates a pay gap in favour of female colleagues

* **positive** percentage figure indicates a pay gap in favour of male colleagues

Gender bonus gap

Summary of findings from the data



- Overall our **mean** (average) gender bonus gap as at 5 April 2020 was 50.36%.
- Overall our **median** (middle) gender bonus gap as at 5 April 2020 was 37.68%
- Our own analysis shows us that this bonus gap is attributed to the following factors:
 - The most senior level positions receive the largest bonus payments and we have fewer female than male colleagues in these roles in the middle and upper middle quartiles (Only 39% of roles in the middle and upper middle quartile are held by female colleagues).
 - The bonus pay gap is calculated in accordance with actual bonus received rather than full time equivalent. We have a higher proportion of female colleagues than male colleagues who work part time (11 out of 15 part time colleagues are female) meaning that they receive a pro rated bonus in accordance with their working hours.
 - Bonus payments are pro rated for all colleagues who join part way through a bonus year. During 2019 we had significantly more female new joiners (19), than male new joiners (10), which meant that a higher proportion of female colleagues received a pro rated bonus payment to reflect shorter tenure.
 - The data includes the CEO bonus payment which was a role occupied by a male colleague. As there is only one role at this level and there is a significant gap between CEO and other roles, this has skewed the data set upwards as reflected by the mean being significantly higher than the median.
 - Broadly the same number of female colleagues (12.5%) as male colleagues (12.6%) did not receive a bonus. This is broadly because none of these colleagues were employed by the Company during 2019 which is the performance year that the bonus relates to.

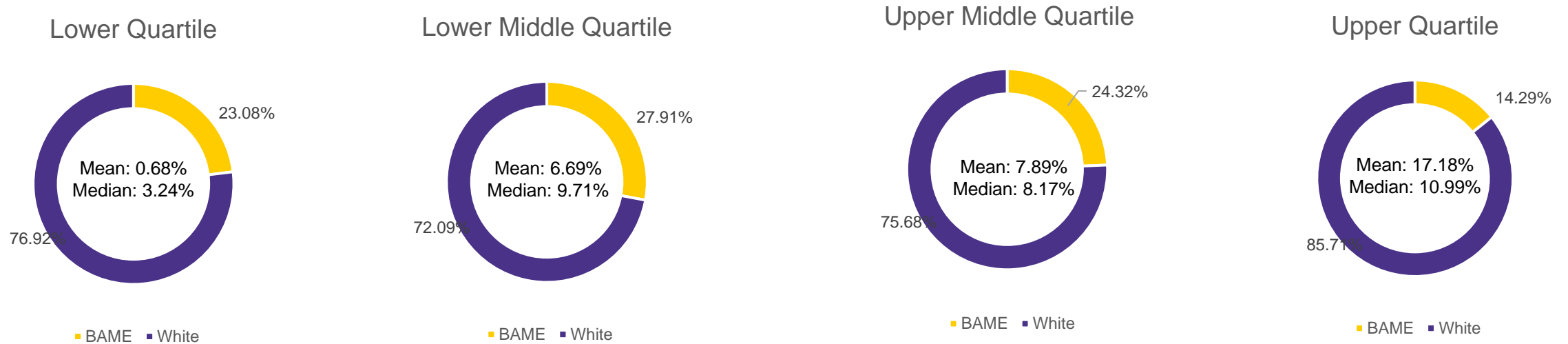
Ethnicity hourly pay gap

Summary of findings from the data



- Overall our **mean** (average) ethnicity hourly pay gap as at 5 April 2020 was 23.07%.
- Overall our **median** (middle) ethnicity hourly pay gap as at 5 April 2020 was 21.50%.
- We have a robust data set for ethnicity with 86.5% of our colleagues voluntarily disclosing their ethnic background. Based on those who have voluntarily disclosed their ethnicity, approximately 22% of our colleagues are BAME (for comparison purposes the proportion of people in the UK from a non white background is 14%).
- Colleagues who have not disclosed their ethnic background have been excluded from the calculations.
- Our own analysis shows us that this ethnicity pay gap is attributed to the following factors:
 - BAME colleagues are well represented across each of the four pay quartiles including the upper quartile, but we do not have any BAME colleagues in the most senior level roles of our business at MD/CEO level. These roles are all in the upper quartile.
 - Whilst the proportion of BAME colleagues is representative of wider UK society in every quartile, the overall pay gap for ethnicity is impacted by the smaller size of this population relative to the non BAME population.
- When we look at the ethnicity pay gap by quartile the gap is significantly smaller across all four quartiles including the upper quartile.
- Achieving real progress in reducing our overall ethnicity pay gap relies on achieving proportionate ethnic minority representation at the most senior level of the business (Director/MD/CEO level).

Pay quartiles – ethnicity hourly pay gap



- Overall our **mean** (average) ethnicity hourly pay gap as at 5 April 2020 was 23.07%.
- Overall our **median** (middle) ethnicity hourly pay gap as at 5 April 2020 was 21.50%.
- In order to identify the quartiles, all employees are ranked in order based on their hourly rate of pay from the lowest paid to the highest paid. The data set is then split into four equal groups or 'quartiles' from lowest to highest.
- On the snapshot date of 5 April 2020 out of all colleagues who had voluntarily disclosed their ethnic background 22.4% of our workforce was BAME.
- The proportion of BAME and non BAME colleagues in each of the four quartiles is shown above.
- Overall BAME colleagues are strongly represented in broadly equal measure across the lower, lower middle and upper quartiles. Representation is lower in the upper quartile although this is in excess of the benchmark figure of 14% for wider UK representation. .

Ethnicity bonus pay gap

Summary of findings from the data

- Overall our **mean** (average) ethnicity bonus gap as at 5 April 2020 was 53.53%.
- Overall our **median** (middle) ethnicity bonus gap as at 5 April 2020 was 33.33%.
- Our own analysis shows us that this bonus gap is attributed to the following factors:
 - The most senior level positions at MD and CEO level in the upper quartile receive the largest bonus payments but we have no BAME colleagues in these roles.
 - Whilst BAME colleagues are broadly equally represented across the lower, lower middle and upper middle quartiles (between 23.08 and 27.91%), there are significantly fewer BAME colleagues in the upper quartile (14.29%)
 - The data includes the CEO bonus payment which was a role occupied by a non BAME colleague. The CEO remuneration is significantly higher than all other roles in the business which has skewed the data set upwards as reflected by the mean being significantly higher than the median.
 - 16.67% of BAME colleagues did not receive a bonus. This is because none of these colleagues were employed by the Company during 2019 which is the performance year that the bonus relates to. Had these colleagues been employed prior to 30 September 2020 they would have been eligible for consideration for a bonus.

Further information



Please refer to the diversity and inclusion section of our Company website for more information on actions that we are taking to reduce our diversity pay gap and promote diversity and inclusion at UK Finance.