
Ofcom's annual gender and ethnicity pay audit

Year ending March 2019

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1. Overview

Our mission is to make communications work for everyone and so we are committed to diversity, inclusion and equality as one of our strategic focus areas. As a regulator we need to make the best decisions for all UK citizens and consumers. To do this effectively as an employer we need people from diverse backgrounds to help us represent the different perspectives within society.

We aim to treat all colleagues with dignity and respect in an inclusive and fair working environment, a major part of this is to build trust by ensuring a fair and equitable pay structure for all. The report explains our gender and ethnicity pay gap data for the year ending March 2019 and contains a summary of our regular equal pay audit for 2019.

It includes broad analysis of how pay rates are distributed by gender, and ethnicity across Ofcom, as well as a comparison of the pay of men and women, and colleagues from different ethnic backgrounds in specific roles.

Alongside the data, the report sets out the action Ofcom is taking to ensure a rigorous and fair approach to how colleagues are rewarded.

Our workforce targets

By the end of December 2020 we aim to have a 50% gender balance across Ofcom. In addition, we aim to have 13% of our senior leaders (our two most senior job bands) from minority ethnic backgrounds. We continue to work hard towards these targets. Currently 48% of our workforce are women and 11 of our senior team are from a minority ethnic background. We achieved our third target of 40% women in senior roles ahead of time in 2018 and at 43% we continue to track progress. We will publish a new set of five-year diversity workforce targets in the autumn 2020, as part of our annual Diversity and Inclusion progress updates.

Our diversity and inclusion goals

Our four-year Diversity and Inclusion programme which was published in March 2018 has three overarching and interlinked aims. The objectives that sit under each aim are designed to be responsive to where action is needed most year-to-year. We identify these from looking at our diversity data (we publish our workforce diversity profile each year) and our colleague survey results.

Our three umbrella goals are:

- Build a diverse and inclusive workforce to better reflect the UK population we serve;
- Ensure diversity and inclusion are central to our work practices and culture so everyone understands, supports and is accountable for diversity; and
- Ensure the different needs and interests of all people in the UK are considered when carrying out our regulatory work;

What we have done to promote fair pay

We have conducted equal pay audits since 2004 and we have tracked and published gender pay since 2012. We are also in our third year of publishing our ethnicity pay gap. We are proud of our track record in transparency around pay. We continue working to close any data gaps to make sure we can monitor our pay information as accurately as possible and as at February 2020 the data gap in ethnicity had reduced to 0.4%.

Our previous audits showed there were a small number of differences in pay levels across colleagues doing similar roles; gender was not a significant factor behind those differences. After each audit, we took action to reduce the pay gaps that we found:

- We further investigated the small number of pay anomalies and made adjustments to the salaries of individuals where there was a clear rationale to do so.
- We used the findings to inform decisions and create new controls during the annual pay review effective July each year.
- We continued with a strategy of restraining pay of those colleagues whose salaries are high in comparison to their peers or the external market.

How Ofcom is strengthening the diversity of its workforce

There are several ongoing initiatives within our Diversity and Inclusion Programme which sets out our goals for the four-year period 2018 to 2022. Our programme aims to address all aspects of diversity, with a particular focus of broadening the mix of our senior employees.

In December 2019 we introduced a new development programme, Ofcom Rise, aimed at improving the diversity of our future leaders. The focus of the targeted programme is largely based on our senior level targets for women and minority ethnic colleagues, combined with our Diversity and Inclusion programme priorities of minority ethnic progression and experience and disability. The emphasis is on intersectionality, where one or more diversity characteristics overlap. An example of this would be minority ethnic women. The cohort of 50 colleagues were selected based on performance ratings and the programme is bespoke, aimed at meeting individual development needs.

2. Gender Pay and Bonus Gap

Since 2017, all employers in Great Britain with more than 250 staff are required by law to publish their gender pay gap figures annually, using a consistent methodology. The gender pay gap is the difference in the average hourly salary of all men and women across the organisation, described by the mean and median.

The gender pay gap should not be confused with equal pay which refers to men and women receiving the same pay for the same job or work of equal value.

Figure 2.1: Colleague gender profile as at end December 2019

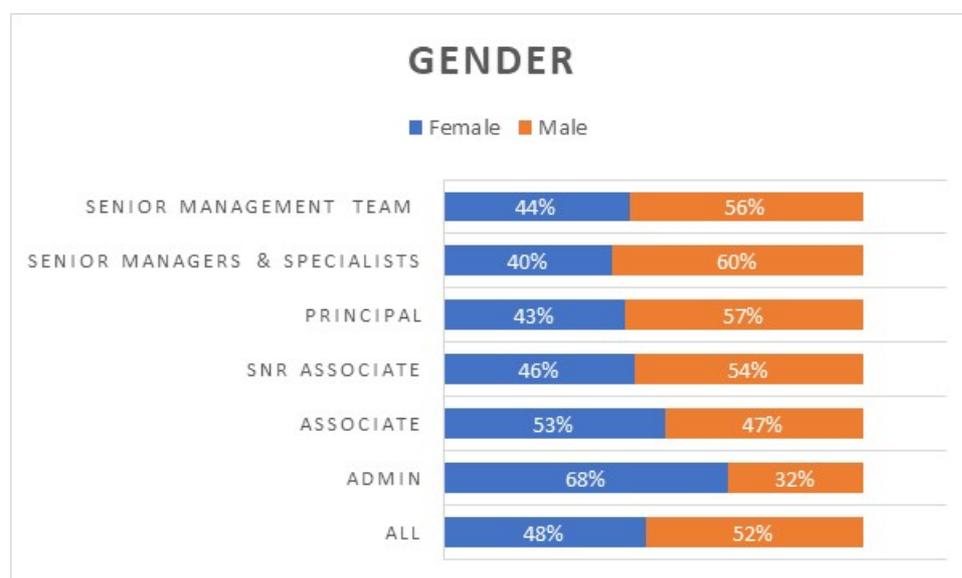


Figure 2.2: Gender Pay Gap

	2019	2018	2017
Mean Pay	8.8%	10.4%	11.7%
Median Pay	8.7%	10.3%	12.1%

The mean gender pay gap is the difference in the average hourly rates of pay that male and female employees receive. This gives an overall indication of the gender pay gap, by taking all hourly rates of pay and dividing it by the total number of employees in scope. The percentage figures shown above indicate the extent to which the average hourly rate for women at Ofcom is lower than that for men.

Both the mean and the median gender pay gap figures have reduced since 2019. Since 2014, the mean pay gap has dropped from 19%. Our actions to increase the diversity of the workforce have been successful in reducing the gap. We will continue with senior leadership commitment, to focus on attracting, recruiting and promoting a diverse mix of colleagues, as well as continue to closely monitor our equal pay situation.

Figure 2.3: Gender Bonus Gap

	2019	2018	2017
Mean Bonus	8.2%	16.5%	11.3%
Median Bonus	26.1%	16.7%	8.3%

Figure 2.4: Proportion of men and women receiving a bonus

	2019	2018	2017
Men	53.7%	51%	53%
Women	49.5%	55%	53%

We believe our bonus gap has changed for several reasons:

- Bonus figures include an annual performance bonus and a scheme called Management Rewards. Management Rewards is a recognition scheme and can involve a payment offered at any time, which can mean any 12-month snapshot is likely to show a different distribution of payments. For the Annual Bonus exercise 49.5% of women received a bonus.
- The mean and median figures can go in completely different directions, as one is the figure for the middle ranking female/male (median) and the other is the average (mean).
- Bonuses will vary and a small movement can have a big impact.
- The median figure has moved upwards by 9.4% to 26.1%, whereas the average has decreased by 8.3% to 8.2%
- Bonuses tend to be paid in larger amounts such as £1000, or £2000, which can impact the median calculation by a larger amount.
- We continue to look at why we have differences in both the mean and median gender bonus gaps and reflect learnings into our annual review and recognition scheme distribution.

Figure 2.5: Proportion of men and women, by pay quartiles

Gender	Lower Quartile	Lower Middle Quartile	Upper Middle Quartile	Top Quartile	Total
Female	55%	48%	45%	42%	48%
Male	45%	52%	55%	58%	52%

The overall percentage of women has increased within the organisation, and within the top and lower pay quartiles the percentage of women has also increased.

3. Ethnicity Pay Gap

The ethnicity pay gap is the difference in average hourly rates of pay that white ethnic and minority ethnic employees receive. This gives an overall indication of the gap between white and minority ethnic employees. We have a 95% level of data with respect to ethnicity declaration. The remaining 5% are those who prefer not to disclose their ethnicity.

Figure 3.1: Colleague ethnicity profile as at end December 2019

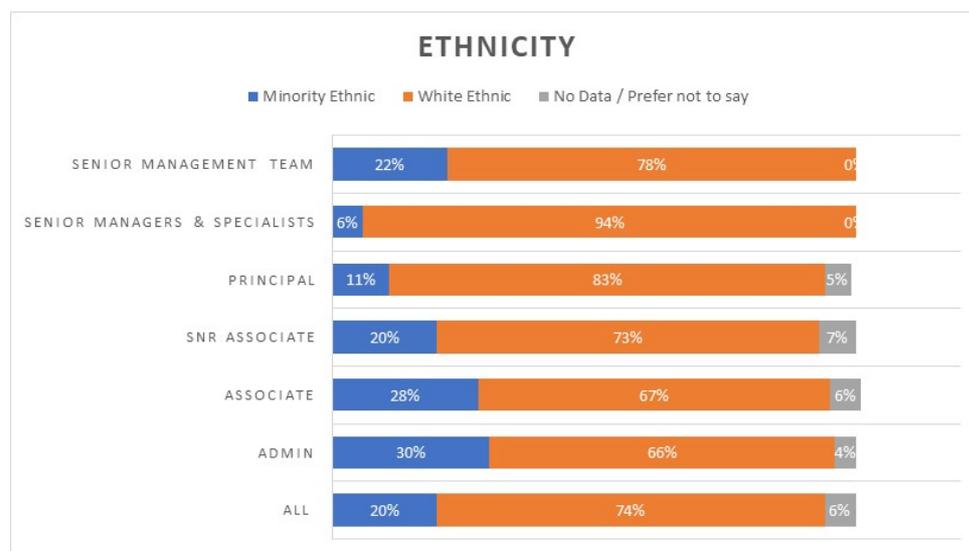


Figure 3.2: Ethnicity Pay Gap

	2019	2018	2017
Mean	14.5%	14.6%	14%
Median	13.8%	12.3%	15%

Our ethnicity pay gap remains more static which relates to our need to improve our ethnicity diversity at all levels of Ofcom. Our pay gap in favour of white ethnic colleagues is driven by having more white colleagues in higher paid senior roles and more minority ethnic colleagues in administrator and Associate roles. We continue to monitor and improve our recruitment and internal progression practices to further improve the ethnic diversity within the organisation, such as through our inclusive recruitment policy and internal development programme, Ofcom Rise.

Figure 3.3: Ethnicity Bonus Gap

	2019	2018	2017
Mean Bonus	5%	8.4%	9%
Median Bonus	-9.1%	7.4%	0%

Our mean ethnicity bonus gap has improved since last year which is attributed to close control over our annual bonus review and in the distribution of our management rewards.

Figure 3.4: Proportion of White and Minority Ethnic colleagues receiving a bonus

	2019	2018	2017
White ethnic	52%	53%	54%
Minority ethnic	48%	47%	45%

In our annual bonus scheme 48% of minority ethnic colleagues received a bonus. Like with gender, our median bonus gap swings due to block amounts we tend to pay and this year it is in favour of our minority ethnic colleagues.

Figure 3.5: Ethnicity by pay quartile

Ethnicity	Lower Quartile	Lower Middle Quartile	Upper Middle Quartile	Top Quartile	% of Total Population
Minority ethnic	27.7%	20.6%	18.9%	11.4%	19.7%
White	70.6%	73.0%	75.1%	82.5%	75.3%
No Data / Prefer not to say	1.7%	6.4%	6.0%	6.1%	5.0%

4. Equal Pay Audit

Our equal pay audit looks at differences of more than 5% in pay levels amongst colleagues doing the same or similar jobs. We reviewed 55 professional categories, redefined during 2019. This is a simplified approach to comparing our data which broadens the scope of comparison to ensure pay equality across jobs of equal value. We look at data both from a gender and an ethnicity view.

Our analysis showed a high consistency across our professional groups. Pay decisions are made carefully, we take internal relativities into account and pay gaps identified by previous audits have been substantially reduced.

Further analysis identified some differences in average pay levels by gender among colleagues within the same professional group at the same job level. In some cases, those pay differences were objectively justified based on:

- Differences in levels of capability, skill, professional qualification, experience and performance or potential among colleagues within comparator groups. This is particularly the case in our Technology category.
- Promotions and new joiners - as in previous audits we see that colleagues who have been promoted or joined Ofcom within the last few years often have salaries lower than existing colleagues in equivalent roles. This is particularly evident in roles filled by trainees recently completing Graduate or apprenticeship schemes. We have taken an active approach towards managing pay for this group to ensure that differences are not maintained and in many cases put in place individual pay progression plans to ensure that pay does not fall behind peers. We will continue this approach in the future.
- Skills shortages and specific difficulties in recruiting some disciplines can in some cases broaden the pay gap. This is because we very occasionally have to recruit new employees at a higher pay rate than existing colleagues in similar roles. We continue to ensure that we benchmark the external market and internal peers in an accurate way, as some jobs are unique to Ofcom.
- Location plays a role. Salaries vary across the United Kingdom as we use local market salary data to set pay.
- Some professional categories are smaller so a small number of outliers can skew the data. There are 11 defined categories, with several grade levels within them, giving a total of 55 categories.

Figure 4.1: Gender audit outcome

Total number of Categories	55
Equal Pay (no Gap)	43
Pay gap in favour of male colleagues	6 categories investigated where average male salary was more than 5% higher
Pay gap in favour of female colleagues	4 categories where average female salary was more than 5% higher
Single gender only in category	2

Further investigation has been ongoing within each of the categories with gaps, these will be addressed within the general process and budget of the annual pay review to ensure ongoing consistency with internal peers. It is anticipated that adjustments will be made in 5 instances.

Figure 4.2: Ethnicity audit outcome

Total number of Categories	55
Equal Pay (no Gap)	40
Pay gap in favour of minority ethnic colleagues	7 categories investigated where average minority ethnic salary was more than 5% higher
Pay gap in favour of white colleagues	6 categories where average white ethnic salary was more than 5% higher
Single ethnicity only in category	2

Further investigation has been ongoing within the categories with gaps, these will be addressed within the general process and budget of the annual pay review to ensure ongoing consistency with internal peers. If necessary, an equal pay adjustment will be made.

5. Ofcom Remuneration Policy

Ofcom has a total reward approach which includes the following:

Compensation

- Base salary linked to the market – defined as 'market rates' earned by people doing comparable jobs outside of Ofcom
- Broad salary bands constructed around the market median rate
- Salary progression based on colleague's performance, external market relativities, internal relativities
- Non-consolidated performance bonus opportunity for colleagues who over perform against their objectives
- Non pensionable, flexible benefits allowance

Benefits

- Access to buy benefits, on top of core benefits provided to all colleagues, most suited to what the individual values, via a flexible benefits scheme. The benefits allowance can also be taken as cash.
- A defined pension contribution scheme with organisation contribution rates
- Life assurance scheme
- Private medical insurance, group income protection and annual health assessments
- 25 days holiday plus public holidays and a birthday day
- Enhanced maternity and paternity pay, shared parental leave, adoption leave, shared parental adoption leave and other family friendly policies
- Agile working with the latest technology software
- Flexible working hours and patterns encouraged where possible
- Season ticket loan scheme