



**Gender Pay and
Equal Pay Audit
2016 –
Summary Version**

About this document

The following summary is an abridged version of our gender pay and equal pay audit for 2016.

It includes broad analysis of how pay rates are distributed by gender across Ofcom, comparison of the pay of male and female colleagues in equivalent roles, commentary on any issues arising and the steps we are taking to address any pay inequalities.

This summary excludes the detailed data on our key findings due to the need to ensure that individual colleagues are not identifiable.

The full version of the report has been reviewed by Ofcom's Policy and Management Board.

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Section 1

Introduction

1.1 Our commitment to diversity and equality

At Ofcom, diversity and equality are central to our values and to the way in which we operate. As a regulator, we have a duty to further the interests of citizens and consumers. To do this effectively, we need people from diverse backgrounds to help ensure we make sound decisions that are representative of the different perspectives within society.

It is essential, therefore, that we take steps to ensure we are a good employer that values and welcomes the different ideas, skills and behaviours of our colleagues. Our diversity and equality policy is to treat all colleagues with dignity and respect in an inclusive and fair working environment, promoting equality of opportunity for all.

We support the principle of equal pay for work of equal value and are committed to providing an equitable pay structure, which rewards colleagues fairly. As part of that commitment we regularly monitor the impact of our pay practices and have made this a key commitment in our Single Equality Scheme.

We are also mindful of our responsibilities under the Equality Act 2010, which gives women (and men) a right to equal pay for equal work. The equal work provisions apply to all employers, although those in the public sector (including Ofcom) are subject to the gender equality duty. This specifically requires us to carry out an equal pay audit.

In the report below we set out our key findings, comment on any issues arising and set out how we intend to address any pay inequalities.

1.2 What does the audit cover?

The report contains the following:

A Gender Pay Audit

This is a broad analysis of how pay rates are distributed by gender across Ofcom. The gender pay gap is defined as the difference between the average male and female pay rates.

This analysis does not look at whether there are differences in pay for men and women in equivalent posts and so the results will be affected by differences in the gender composition across our various professional groups and job levels. Gender pay reporting does not take into consideration the difference in size of roles either.

Reporting the total gender pay gap of an organisation reveals the difference in the level of roles performed by men and women. A gender pay gap may be indicative of talent management and diversity issues, reflecting higher proportions of female employees in less senior roles and/or employed in roles which are valued lower in the market. It may also be indicative of equal pay issues.

From 2017 private and voluntary sector employers with 250 or more employees will be required by law to publish information on their gender pay gap. The specific information required is to be described in a set of regulations, which are due to be published in October

2016. Although the regulations will not at first apply to public bodies, such as Ofcom, the Government has stated that it will produce separate legislation to cover the public sector in the near future. We have reported on our gender pay gap in previous audits but have decided to include additional information in this year's audit in anticipation of future requirements.

An Equal Pay Audit

This is a specific comparison of the pay of male and female colleagues in equivalent roles.

An equal pay audit involves:

- Comparing the pay of men and women doing the same or similar roles;
- Identifying any equal pay gaps;
- Explaining and justifying any gaps using objective criteria;
- Addressing any gaps that cannot satisfactorily be explained on the grounds of work content; and
- Ongoing monitoring.

Any pay gaps identified may be indicative of reward management issues.

Equal pay audits enable organisations to identify where gaps in pay for men and women are and to analyse the underlying reasons for these gaps such as links between performance and pay/bonus, male and female career progression and differences in pay for male and female new starters which impact on the gender pay gap.

We carried out our first equal pay audit in 2004, and have conducted subsequent audits in 2007, 2012 and 2014. The findings of the 2004 and 2007 reviews showed that whilst there were some differences in pay levels amongst colleagues doing the same type of work there was no significant disparity in the pay of men and women working at comparable levels within Ofcom. The differences were largely as a result of differences in pay levels at the five legacy regulators which merged in 2003 to form Ofcom. We used the data from these reports to help us to address these internal relativities.

Similarly, our equal pay audits in 2012 and 2014 indicated that there were some differences in levels of pay amongst colleagues doing similar roles but there did not appear to be a clear gender bias. When we examined the salary data in detail we were, in many instances, able to determine what lay behind the differences in pay levels.

1.3 Ofcom's remuneration policy

Ofcom has a total reward approach which includes the following:

- Salary
 - Base salary linked to 'the market' - defined as the 'going rates' earned by people doing comparable jobs outside Ofcom.
 - Broad salary bands constructed around the market median rate.
 - Salary progression based on colleagues' performance, external market relativities, internal relativities (i.e. a colleague's salary relative to others in the same or a similar role) and potential (colleagues who haven't yet achieved their full potential but show great promise and flair in making a significant contribution to Ofcom).

- Non-consolidated performance bonus opportunity for colleagues who over-perform against their objectives.
- Non-pensionable 'Choices' allowance
- Benefits
 - Flexible benefits so that individuals can choose the benefits they most value
 - A defined contribution pension

In addition, Ofcom has a variety of flexible working practices, including home-working and part-time working. Ten percent of Ofcom colleagues were working part time hours at the time of the review with 86% of part time colleagues being female.

1.4 What we have done as a result of previous Equal Pay Audits?

Although gender did not appear to be a significant factor behind the differences in levels of pay for colleagues doing similar roles, we identified a number of actions we could take for reducing those pay gaps that did exist.

Following the 2014 and 2012 audits, we:

- Further investigated the small number of anomalies that could not be explained; and made a small number of salary adjustments where there was a clear rationale to do so:
 - In 2012: 32 colleagues (15 female and 17 male) were given an increase
 - In 2014: 16 colleagues (7 female and 9 male) were given an increase
- Used the findings from the equal pay audit to inform pay decisions during our annual pay review process, which takes place during May and June each year with resulting pay increases taking effect from 1 July.
- Developed a plan for managing the pay progression of:
 - colleagues whose salaries were low in comparison to their peers and were below the market rate for the job; and
 - colleagues who had recently been promoted.
- Continued with our strategy for restraining the pay of those colleagues whose salaries were high both in comparison with their peers and the external market.

Section 2

Methodology and Data Collection

2.1 The Data

The report is based on salary data taken on 15 February 2016. The number of employees on this date was 817, of which 727 were based in London.

Some colleagues were excluded from the analysis on account of there not being an appropriate internal comparator for their role.

Salaries for part-time colleagues were factored up to the full time equivalent salary.

2.2 Process for the Review

Gender Pay Audit

We have set out our analysis in the format that we understand will be required by the new regulations, although the requirements may change slightly as a consequence of the Government's consultation which has only recently closed.

Equal Pay Audit

We used the equal pay audit model recommended by the Equality & Human Rights Commission (EHRC) to help construct the process for the review. The key steps were:

- 1) Deciding the scope of the audit and identifying the data required;
- 2) Identifying where men and women (and protected groups) were doing equal work: like work / work rated as equivalent equal value;
- 3) Collecting and comparing pay data to identify any significant equal pay gaps;
- 4) Establishing the causes of pay gaps and deciding whether they are free from discrimination;
- 5) If there appeared to be discrimination, developing an equal pay action plan or if the results show that pay was free from discrimination ensuring ongoing review and monitoring.

Our pay bands and job families are very broad and so to help us to determine what constituted work of equal value we grouped jobs into professional categories and levels of seniority using Willis Towers Watson's pay benchmarking methodology. This system sorts jobs into:

- Functions – such as 'administrative services' or 'corporate affairs/communications'
- Disciplines – these are sub-sections of the functions. For example, the administrative services functions contains disciplines such as receptionist/switchboard and secretarial; and the corporate affairs/communications function includes public relations and internal communications.

- Levels – these are referred to as global grades and provide a more granular description of the size and scope of a job than our broad job levels.

Prior to undertaking the equal pay audit we worked with senior managers from across Ofcom to ensure that all jobs were appropriately coded.

The reports show the average pay of male and female colleagues at each level and for each professional category and indicate the percentage value of any pay gaps. The gap is shown as a -% if females are paid less than males and a +% if females are paid more than males.

The EHRC equal pay review kit advises that any gaps of 5% or more between the average pay of men and women at the same grade is 'significant' and should be investigated. The threshold for significance and recommended further investigation drops to gaps of 3% or more where there is a pattern of gaps favouring one gender.

Section 3

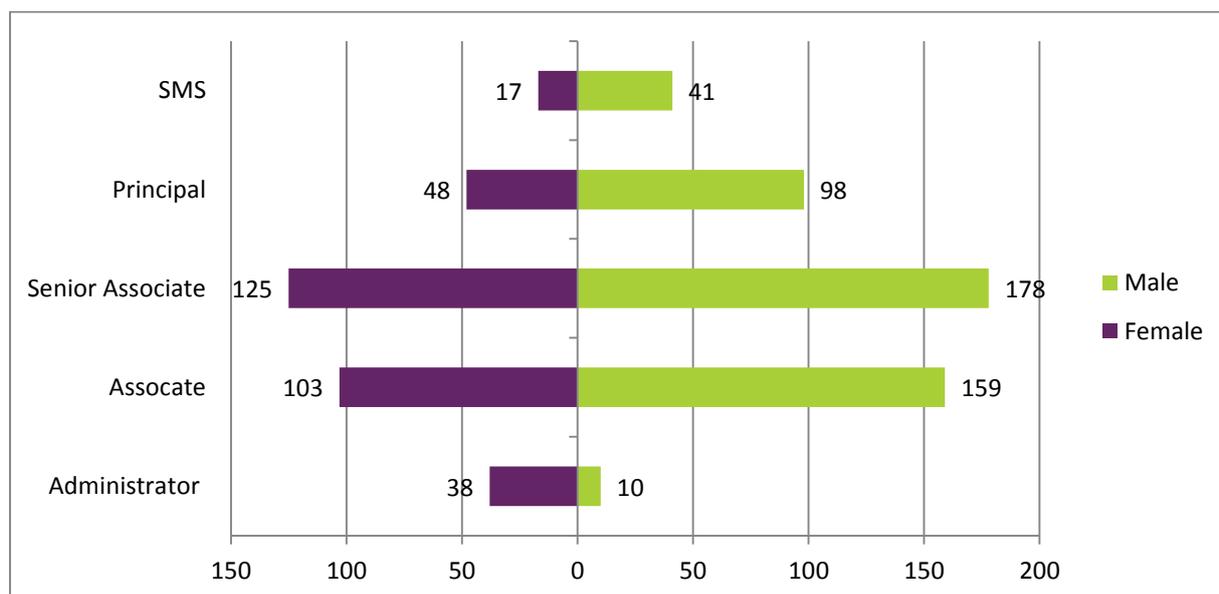
Colleague Profile

The number of colleagues employed by Ofcom on the date we conducted our analysis was 817.

The gender split was 59% male, 41% female with higher female representation at administrator level and higher male representation at associate, senior associate, principal and SMS level, see table below.

Level	Female	Male
Administrator	79%	21%
Associate	39%	61%
Senior Associate	41%	59%
Principal	33%	67%
SMS	29%	71%
TOTAL	41%	59%

Number of colleagues at each level, split by gender



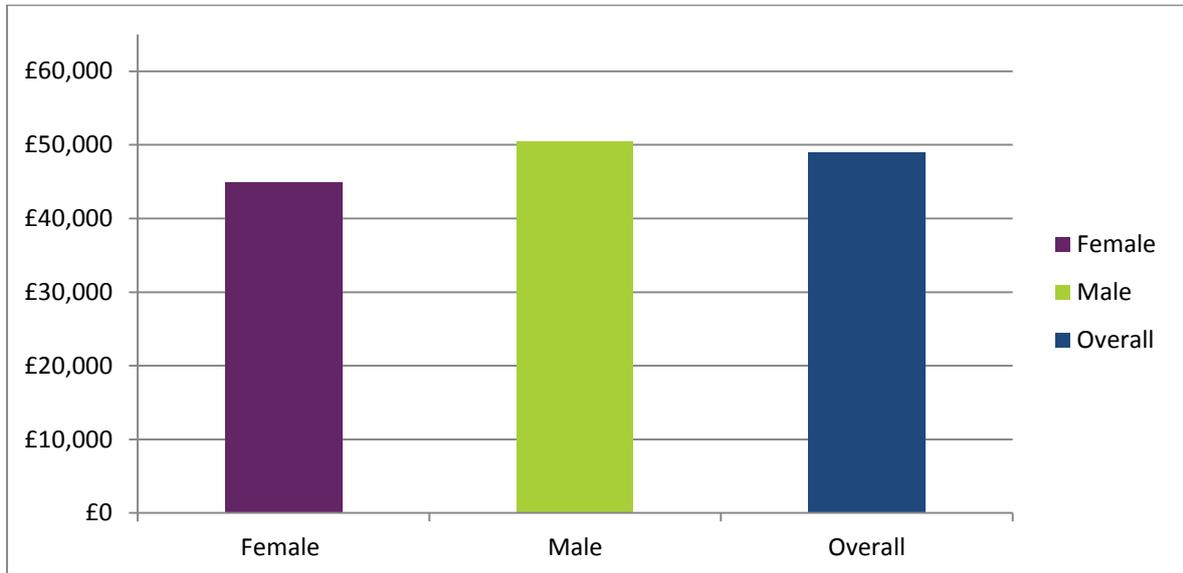
Our job levels and pay bands are very broad as they contain a range of different roles which have their own market range within the broader band.

Section 4

Gender Pay Audit

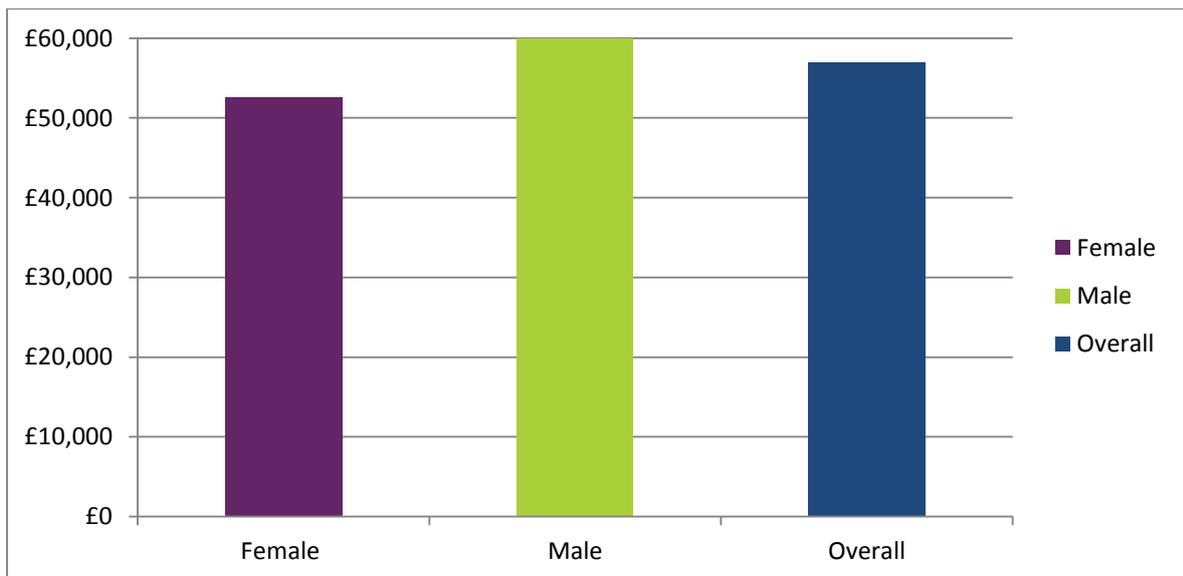
4.1 Average Salary by Gender and Job Level

Median average across all job levels



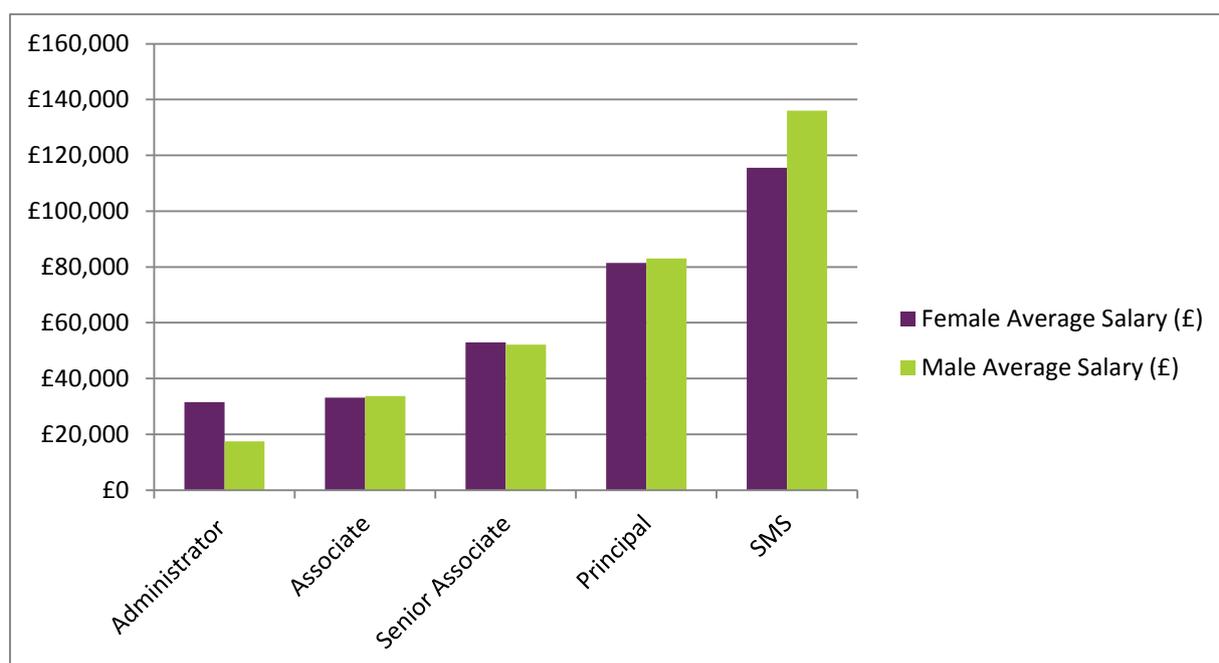
Female	Male	Overall
£45,000	£50,505	£49,000

Mean average across all job levels



Female	Male	Overall
£52,650	£60,003	£57,024

Median average by job level

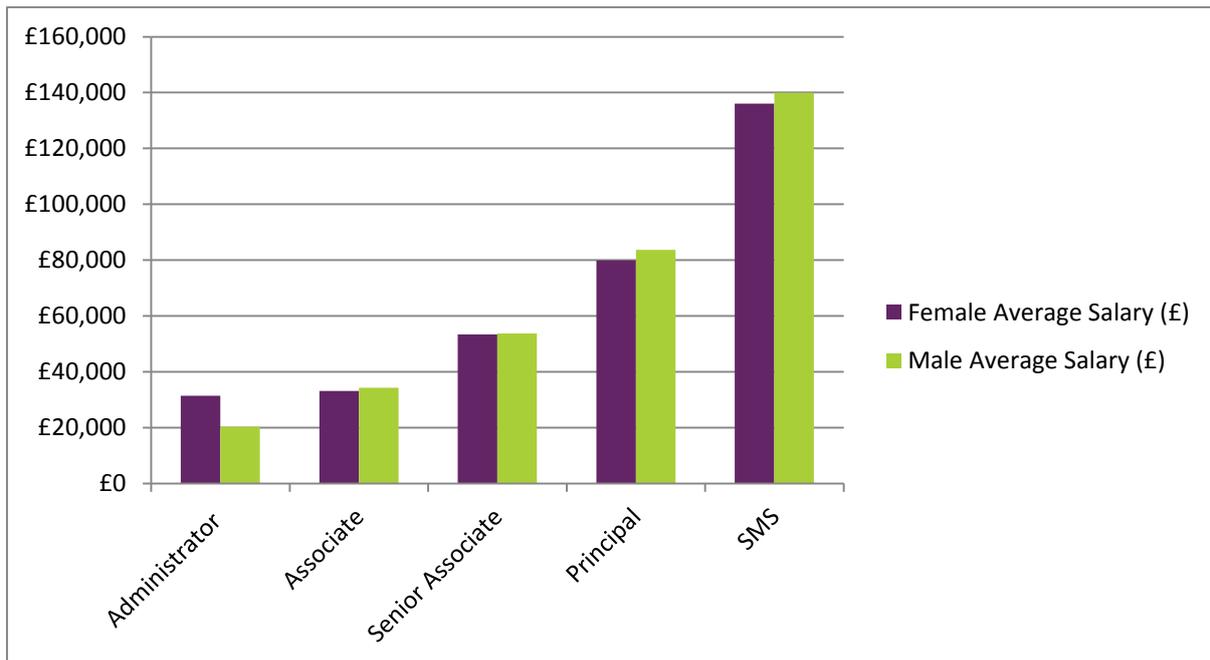


Job Level	Female	Male	Overall	Pay Gap
Administrator	£31,571	£17,450	£30,223	80.92%
Associate	£33,200	£33,700	£33,500	-1.51%
Senior Associate	£52,986	£52,129	£52,250	1.64%
Principal	£81,500	£83,000	£82,810	-1.84%
SMS	£115,500	£136,000	£130,000	-17.75%
Overall	£45,000	£50,505	£49,000	-12.23%

The fact that there are relatively more women than men in junior roles is an important factor in this gender disparity. It is worth noting too that the **median** pay gap at SMS and administrator levels is much wider than the **mean** pay gap at these levels (see table below). This is due to the following:

- Over half of male Administrators are in very junior roles and this has affected the median salary for this group. The pattern of female Administrator salaries is very different. The comparative figures are also slightly skewed by the fact that there are far more female (38) than male (10) colleagues at this level.
- The converse is true at SMS level – over half of males are in roles which are either very senior or attract a high rate in the market. The female SMS population contains a relatively high proportion of colleagues who have recently been promoted.

Mean average by job level



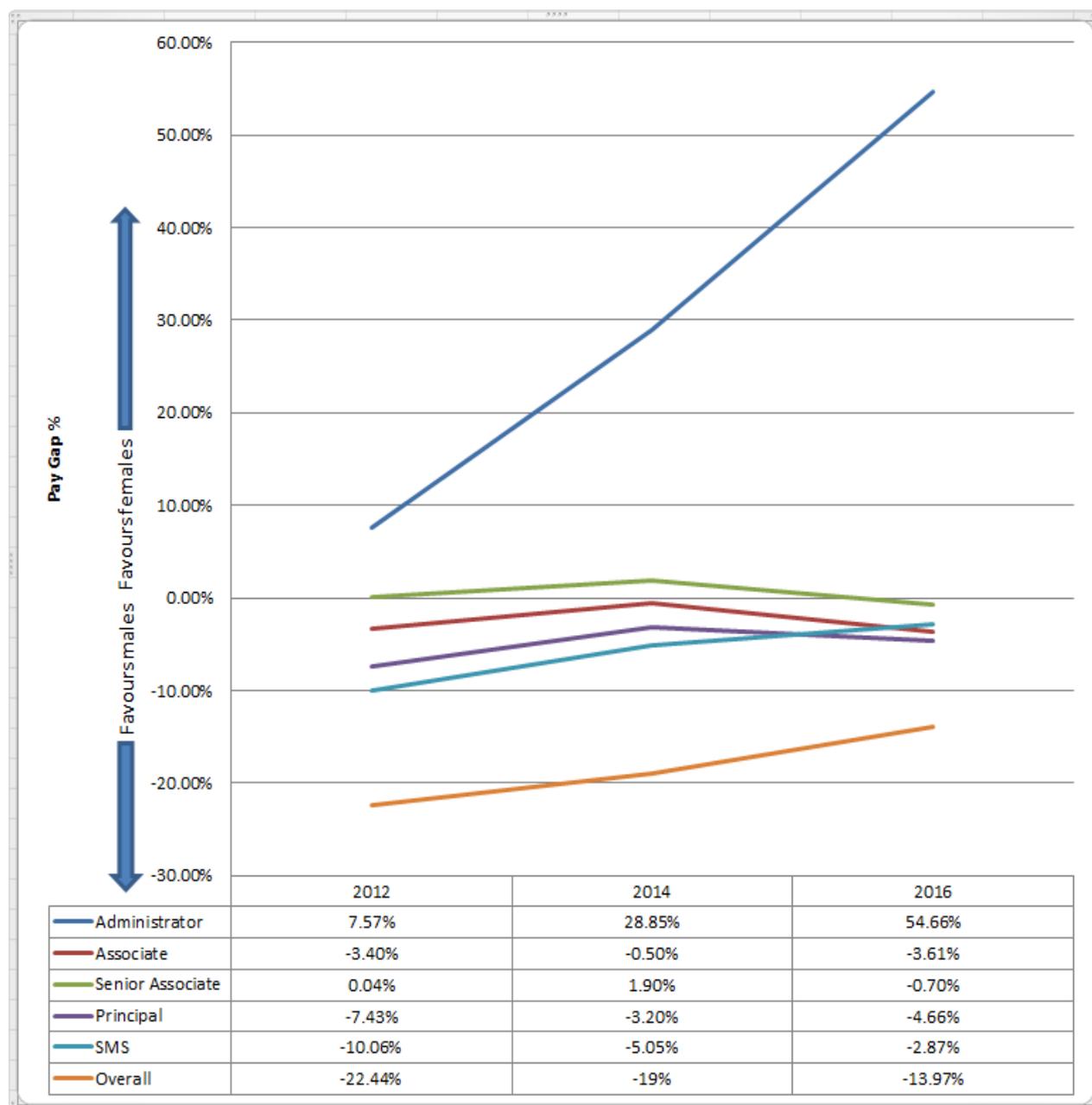
Job Level	Female	Male	Overall	Pay Gap
Administrator	£31,456	£20,338	£29,139	54.66%
Associate	£33,119	£34,315	£33,845	-3.61%
Senior Associate	£53,365	£53,737	£53,584	-0.70%
Principal	£79,945	£83,667	£82,444	-4.66%
SMS	£136,030	£139,939	£138,793	-2.87%
Overall	£52,650	£60,003	£57,024	-13.97%

We have chosen to include our pay gap based on a mean average for the following reasons:

- We have previously calculated our pay gap using the mean and so including it in this report enables us to assess whether our pay gap has closed over time (see 4.2);
- The mean takes into account all outliers, i.e. any particularly high or particularly low salaries.

4.2 Our Progress in closing the Gender Pay Gap

We have used data based on the mean average so that we have a like-for-like comparison with our previous audits.



The closer the line is to 0% the lower the pay gap.

As the chart shows, our overall gender pay gap has reduced substantially since 2012 – from 22% in favour of men to 13.97% in favour of men in 2016.

The pay gap at SMS level has also dropped consistently – from 10% to 2.87% in favour of men. However, the pay gap at Administrator level has increased dramatically in favour of women as a result of colleague turnover at this level.

4.3 Salary Quartiles by Gender

The new gender pay regulations will require employers to report the number of men and women in each quartile of their pay distribution. It is for employers to determine the salary ranges within their quartiles. Given that our pay framework comprises four overlapping pay bands as well as individual salaries for senior colleagues, we have devised our own quartiles as follows:

Band D	£100,000 and above
Band C	£65,000 - £99,999
Band B	£30,000 - £64,999
Band A	£11,000 - £29,999

Colleagues are spread across the bands as follows:

		Female	Male
Highest pay 	D	18 (5%)	48 (10%)
	C	64 (19%)	113 (23%)
	B	211 (64%)	295 (61%)
Lowest pay 	A	38 (12%)	30 (6%)
	Total	331 (100%)	486 (100%)

Whilst the proportion of male and female colleagues in the middle two bands is broadly similar, there is a higher proportion of male colleagues in the top pay band and a higher proportion of female colleagues in the bottom pay band. This pattern reflects the distribution by gender across the job levels.

Section 5

Equal Pay Audit Key Points

Overall, our analysis shows that since our last equal pay audit in 2014 we have made progress in reducing pay gaps and there is clear evidence that we have been actively managing pay across the organisation with a view to ensuring fairness, equity and alignment with the market.

We have increased the number of groups in which there is no clear difference between average male and female salaries. There are now 35 such groups, an increase from 26 in 2014 and 14 in 2012.

As in our previous two audits, the data indicates that neither gender is consistently paid more than the other gender. Whilst there are some differences in levels of pay amongst colleagues doing similar roles, there is no evidence of gender bias. The majority of pay differences can be explained. Reasons include the following:

- Differences in levels of capability, skills, professional qualification, experience and performance amongst colleagues within comparator groups. For example, in some cases we were able to identify that the higher earners in a team were also the colleagues who had received the highest performance ratings over the last few years. These differences can be justified as they are in line with our approach to pay.
- Promotions: as was the case with the 2014 audit, the data shows that colleagues who have been promoted within the last couple of years tend to be paid less well than their colleagues in equivalent roles. Our focus since the last audit has been on ensuring that, where appropriate, we have an individual pay progression plan in place for those colleagues. There is evidence that this approach has been helping to reduce our pay gaps but there is further work to do.
- Legacy effects: in some instances the data shows that colleagues who joined Ofcom from one of its legacy regulators are paid relatively less well than colleagues who joined Ofcom more recently. In other instances, however, the reverse is true.
- Skills shortages and specific difficulties in recruiting to some disciplines.
- The effect in some of our smaller comparator groups of just one salary anomaly (either relatively high or low) can skew the data.

However, there are areas which require attention.

- There continue to be some pay gaps amongst colleagues doing similar roles. Whilst we have closed many of our previous pay gaps, we have acquired new pay gaps where there were none previously. This has largely been the result of changes in the composition of groups caused by natural turnover, promotions, internal moves and organisation change. Whilst we can explain and justify the reasons for many of the pay gaps, we need to ensure that we continue to monitor them and that we have plans in place to ensure that we do not acquire indirect equal pay issues in the future.

We will need to pay attention to these issues alongside the key points we identified in our gender pay audit, which were:

- The general distribution of male and female colleagues across Ofcom affects our gender pay gap. Overall, 59% of all colleagues are male and 41% are female. There is a much higher concentration of male colleagues in some areas, such as Spectrum, Competition, and Information Technology, whereas the proportion of female colleagues is higher in administration roles and within teams such as Legal and HR. There is also a higher concentration of male colleagues in more senior roles. This profile has essentially not changed since Ofcom was formed and is why we have introduced targets for increasing the number of female colleagues across the board and in senior roles¹.
- Although we have reduced the mean pay gap at SMS level (2.87% in favour of men), the median pay gap is still large (17.75% in favour of men). The median figure highlights the disparities in salaries across our most senior colleagues and can in part be explained by differences in the nature of roles, market rate and experience (the female SMS population contains a relatively high proportion of colleagues who have recently been promoted). We will need to ensure that, where appropriate, there are pay progression plans for some specific SMS colleagues to prevent indirect gender pay issues occurring in the future.

¹ Our target is to have a 50/50 male/female balance across the organisation as a whole and a 60/40 male/female balance in senior management by 2010.

Section 6

Next Steps

We used the audit to inform decisions during this year's annual pay review and have put in place a number of initiatives to reduce or close the pay gaps we identified. Our action plan includes the following commitments:

- Continuing with our strategy during recruitment of producing a transparent guideline rate for the job.
- Developing individual plans for managing the pay progression of:
 - Colleagues whose salaries are low in comparison to their peers and are below the market rate for the job;
 - Colleagues who have recently been promoted;
- Restraining (or red-circling) the pay of those colleagues whose salaries are high both in comparison with their peers and the external market.

As part of our wider diversity strategy we have set ourselves the following aspirational goals:

	Current Ofcom composition	Economically active (2011 census)	Targets
Gender	Ofcom as a whole: 40% female / 60% male Principal / SMS level 32% female / 68% male	47% female / 53% male	Ofcom as a whole: 50% female / 50% male Principal/SMS level 40% female / 60% male

These targets are designed to push Ofcom to become more imaginative in how we go about attracting, recruiting, developing and encouraging our most talented colleagues to stay with us.

We have also provided unconscious bias training to all Ofcom managers. This should help to mitigate potential bias in decisions our managers make which affect colleagues and resourcing (including decisions on pay).

We will continue to monitor pay and ensure that we meet the commitments that we have made in our Single Equality Scheme. We will also carry out an audit of pay across the different ethnic groups at Ofcom.