



Gender Pay Gap Report

**Co-operatives UK
Research report**

2018

Co-operatives and the UK Gender Pay Gap

On 6th April 2017, regulations were introduced which require all organisations in England, Wales and Scotland with 250 or more employees to record and publish data on gender pay gaps in their organisation¹.

There is no legal requirement for companies with fewer than 250 employees to report, however they are encouraged to do so and some, including Co-operatives UK, have chosen to in the interest of transparency and self-responsibility.

What is the gender pay gap?

There are many ways to investigate gender differences in pay. Differential payment of men and women for the *same* job is not under the spotlight here, having been outlawed since the Equal Pay Act in 1970². The new legislation sets a methodology³ to calculate the "difference in the average hourly wage of all men and women across a workforce" consisting of seven calculated data points for comparison.

Why the new measures?

Previously, national statistics have been insufficient to capture the functional gap in pay, as there is no taking into account of the *type* and *characteristics* of work performed by men and women. By way of necessity, previous explorations of how *co-operatives* fare in terms of differential pay have focused on comparing board representation using much smaller scale samples.

The new legislation provides the most comprehensive data collection to date. Influencing factors beyond straight-forward discrimination, such as occupational clustering (both by sector and seniority) and the prevalence of women in part time work and unpaid caring roles all potentially determine pay gaps, and are inextricably linked to wider social and economic complexities.

Where there are clear reasons for differential pay, such as prevalence of women in part-time work, or pre-existing industrial biases in representation (e.g. engineering or childcare) reporting these is encouraged. Reporting is required centrally, as well as publishing on the company website.

Reported figures

The gender pay gap is based on average differences in the hourly pay of men and women. The use of

¹ The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 apply to private and voluntary-sector organisations with 250 or more employees.

The Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 apply to public bodies with 250 or more employees.

For more information regarding coverage and definitions see <<http://www.equalpayportal.co.uk/gender-pay-gap-reporting/>>

² CIPD (March 2017) *Gender pay gap reporting*, CIPD

³ *The Gender Pay Gap Explained*, <<https://gender-pay-gap.service.gov.uk/public/assets/pdf/gender-pay-gap-explained.pdf>>, Crown copyright

the mean is subject to bias, particularly in the case of earnings where the majority of low and middle earnings are overshadowed by a small number of very high incomes. In the case of wage differentials, the well-recognised differences in workforce characteristics such as part-time work, unpaid caring etc.⁴ and under-representation of women in senior roles⁵ generate much of this skewing.

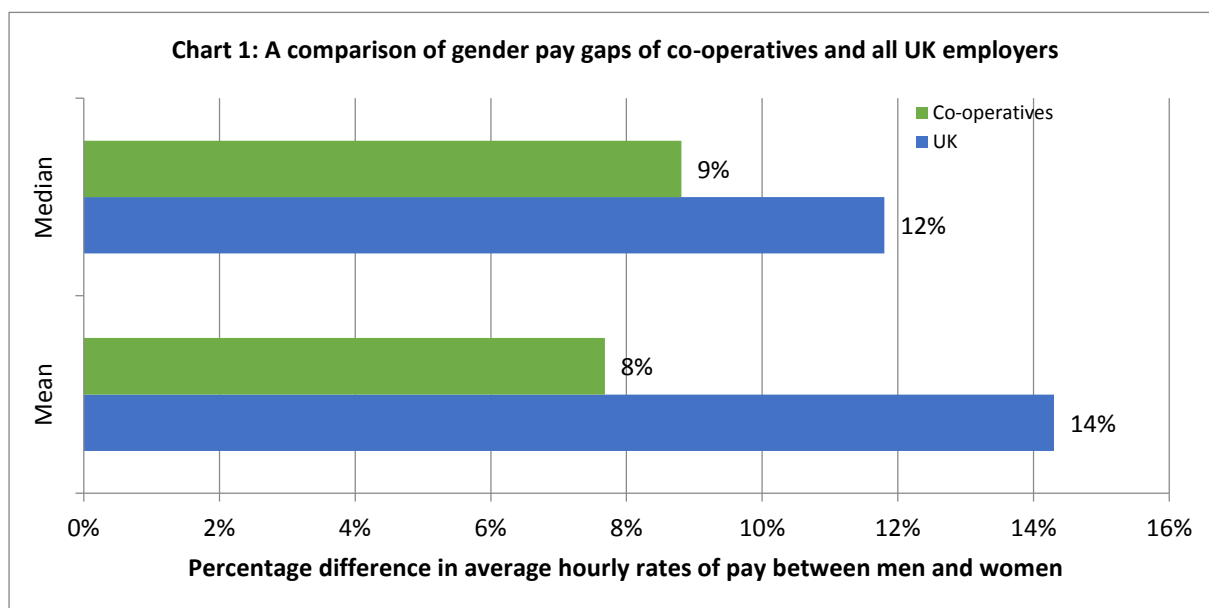
To limit this effect, the median pay difference is also recorded in the new measure. Neither can fully capture the experiences and potential biases at play, but the median offers a figure where half earn more and half earn less, thereby reflecting the majority of the workforce not operating at the very top tier of pay and bonuses.

Over 10,000 employers have published their gender pay gap figures for the 2017 round of reporting. Of these employers, just 12% demonstrate a 'negative' pay gap, i.e. one where women are paid more than men resulting in a negative ratio.

Put another way, almost 9 out of 10 women work for a company where men, on average, are paid more than them per hour⁶.

So how do co-operatives compare?

The lower the percentage difference, the smaller the average gender pay gap. The measures now in place in England, Scotland and Wales signal that co-operatives are more egalitarian in terms of pay than the reporting companies overall (see Chart 1).



⁴ The Office for National Statistics (ONS) (2016) *The gender pay gap – what it is and what affects it?*, <<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/thegenderpaygapwhatisitandwhataffectsit/2016-10-26>>, Open Government License v3.0

⁵ *Women on boards: 5 year summary (Davies review)* (2015), <https://www.gov.uk/government/publications/women-on-boards-5-year-summary-davies-review>, Crown copyright

⁶ Based on 'difference in mean hourly percent' metric n=9,208 or 88% <<https://gender-pay-gap.service.gov.uk/viewing/download>>, Crown copyright

So what's behind the smaller pay gaps demonstrated by co-operatives? Of course, any explanation is speculative, but the transparency of the data (both via the government's gender pay portal and Co-operatives UK open data) offer the ability to explore the average numbers further.

The presence of flat pay structured worker co-operatives is significant. The Financial Times cited a number of "statistically improbable and therefore almost certainly inaccurate" submissions to the government data, based on their reporting of *zero* difference between mean and median pay of men and women.

While some of these may be caused by incorrect data, there are a number of worker co-operatives operating a completely flat pay structure where the gender pay gap would be zero, statistically improbable as it may be. These include Suma Wholefoods Co-operative⁷ where 257 worker-owners all receive the same average hourly wage of £15.60.

This is not unusual within the co-operative sector. Tech co-operatives such as Outlandish and Open Data Services operate a flat basic pay structure, and Unicorn Grocery applies the same model with success in retail. The latter examples are too small to be picked up in the gender pay gap data, however the underpinning co-operative tenets of equality, equity, and democracy are worthy of note. Another example is Valve Corporation, although not a co-operative, this US software and games developer operates a 'bossless' flat structure.

"Rather than assigning permanent managerial staff, Valve rotates its leaders on a per-project, per-team basis. Rather than creating permanent departments, Valve allows its employees to choose the type of work that they want to do. With approximately 250 employees and an estimated worth of \$2 to \$4 billion, Valve is considered one of the most successful companies within its industry."⁸

Ownership structures made up of co-owners, collaborators, or other kinds of co-operators are unlikely to actively choose an unequal, particularly unfair, pay scale. There are creative ways of balancing differences in job role and experience; for example agreed scales of pay adjustments based on role complexity, years of experience,

What next? What else?

The impetus behind the compulsory reporting of gender pay gap data is one of ideals. The analysis and recognition of differential pay goes beyond the legal minimum of 'equal pay for equal work' set out in the Equal Pay Act 1970, because the inequality persists in its complexity. The logic being, that through the production of comparable, actionable information organisations may be empowered to enact tangible changes to company policy, recruitment practices, or actions to develop organisational cultural change.

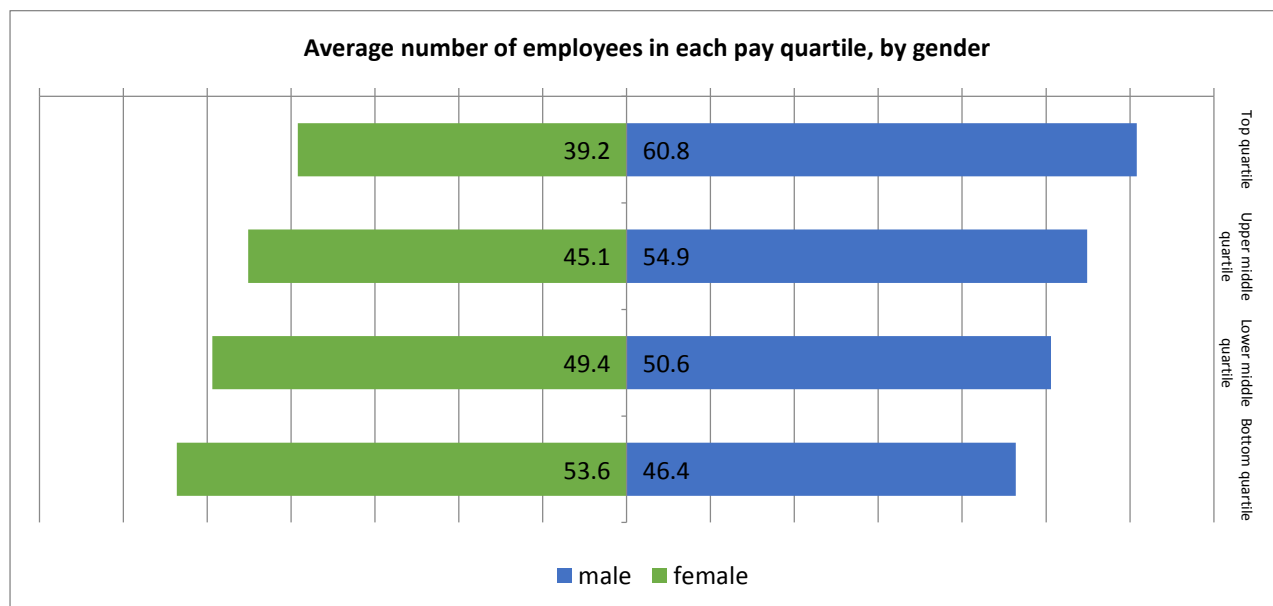
The effectiveness of this policy is a long way from being measured. The measures in place are only as useful as organisations make them, which also requires the desire and intention to 'close the gap'. Additionally, knowing the existence (or not) of a gender pays gap is only half the story. Understanding *why* is crucial. Unison Scotland summarise the "well known" causes as:

⁷ Gender Pay Gap (2017) <<http://www.suma.coop/about/faq/gender-pay-gap/>>

⁸ The Executive Connection (2017), *The guide to organisational structures (flat vs hierarchical)*, <<https://tec.com.au/guide-organisation-structures-flat-vs-hierarchical/>>

“occupational segregation; the under-valuing of female dominated work; the motherhood pay penalty; and, the male domination of job hierarchies.”⁹

The chart below demonstrated the ‘occupational segregation’ in terms of hierarchy. Each company must rank all employees by wage and then split the list into quartiles. The fairly orderly ‘steps’ moving to the right show that the higher up the earnings ladder one looks, the more likely men are represented in greater numbers.



One way of limiting the inequitable impact of a hierarchical structure is to implement a top to bottom pay ratio limit. Mondragon, the world’s largest worker-owned co-operative has a set salary ratio limit of 1:9, compared to 1:129 for the average FTSE 100 company¹⁰. The co-operative, headquartered in the Basque region of Spain, employs around 75,000 people at locations around the world. While not addressing differential gender pay directly, this focus on the upper to lower quartiles could have a significant impact on the gender pay gap given the structure of quartile representation in the chart above.

Summary

The causes and justifications for this will differ by company and industry. Not all can be tackled at the company level and may be indicative of wider biases, however this measure represents a useful starting point. No measure is perfect. The analytical power of the data will increase year on year as both the amount of data accumulates and the proficiency of the data collection increases. Having the conversation is, in itself, a helpful part of the process.

The co-operative economy has a great deal to offer when it comes to creative, reflexive and egalitarian pay structures. Real, workable alternatives aren’t necessarily a flat structure. But

⁹ Unison Scotland (no year) *Scottish Parliament, Economy, Jobs and Fair Work Committee: Gender Pay Gap Inquiry*, <<http://www.unison-scotland.org/library/SP-economy-committee-Gender-Pay-Submission.pdf>>

¹⁰ Co-operatives UK (2017) *New report highlights lessons from Mondragon – the world’s largest worker co-op*, <<https://www.uk.coop/newsroom/new-report-highlights-lessons-worlds-largest-worker-co-op>>

democratic engagement can engender a greater level of satisfaction in the process. A basic flat rate with or without additional project, performance, or expertise based pay necessitates a level of transparency about pay decisions that enable fairness and accountability. A top to bottom pay ratio ensures that the majority of workers even in very large organisations see a mean and a median wage that represents their experiences. And a level of co-operation in decision-making is enshrined and protected into co-operative businesses in their rules and culture.