Gender Pay Gap

EY

On behalf of EY, I am pleased to have been able to give oral evidence to the Scottish Parliament’s Economy, Jobs and Fair Work Committee (“the Committee”) on Tuesday, March 14, 2017, as part of the Committee’s inquiry into the gender pay gap, which we welcome. In addition to this oral evidence session, we thought it would be helpful to the Committee to also supply a written submission.

We note that the remit of the Committee’s inquiry is to explore the effect of the gender pay gap on the Scottish economy. In particular, business performance, the Scottish public sector and Scottish Government action, required to address the issue. In our written submission, which is set out in Annex I, we focus on two of the questions for businesses and organisations in the Committee’s Call for Views which seek insight into best practice and the wider economic benefits of reducing the gender pay gap.

The gender pay gap shows the difference between the average (mean and median) earnings of men and women as a percentage of men’s earnings. Therefore the pay gap largely reflects the different occupations men and women, or ethnic minorities, are concentrated in, and the differences in levels of seniority. The gender pay gap will narrow when there is more diversity at all levels, and in all positions across any organisation.

For this reason, a spectrum of various programmes, initiatives and policies targeted towards improving Diversity and Inclusiveness (D&I) are expected to help close the gender pay gap. This is the strategic approach used by EY, examples of which we are pleased to have an opportunity to offer to the Committee, to consider as part of its inquiry.

EY aims to create and support a diverse and inclusive workplace. We are focussed on creating parity for all of our people. At EY, D&I is a commercial imperative and is inclusive of, for example, gender, ethnicity, age, nationality, disability, sexual orientation, gender identity, education and religion or belief.

Details of the programmes, initiatives and policies we have in place to boost D&I – including but not restricted to gender – are outlined in Annex I. We hope the Committee will find these informative. Additionally, the economic benefits of gender parity more generally are demonstrated by reference to the findings of recent research, published in the report The Time for Gender Parity is Now by EY’s global campaign Women. Fast forward, highlights of which are also referenced in Annex I. A copy of the full report has been provided separately.

At EY we have seen first-hand how diverse teams working in an inclusive environment can drive a better business performance. High performing teams offer a mix of different perspectives and skills to our clients, to help them achieve their global ambitions. At the same time, we find our people happier.
and more productive when they are free to be their true selves at work. Ultimately it helps us to attract and retain the very best talent.

During the past five years in particular, we have taken significant action to improve the attraction and retention of women and ethnic minorities at all levels of the organisation. For example, EY has set public targets for our business:

- Ensuring a diverse pipeline of high potential internal and external partner candidates, requiring at least 30% of partner admission each year to be female and 10% from a BME background.
- Increasing the percentage of partners and directors who are women or from BME backgrounds by more than 1% every year.

Like many firms in our industry, though, we have more men at senior levels of the organisation and too few men amongst our less senior positions. The same is true of our ethnic minority population.

As a major employer of more than 14,500 people with 21 offices across the UK and Ireland, the programmes, initiatives and policies outlined in this document help make our workforce increasingly diverse and inclusive. The figures quoted in this submission refer to either Ernst & Young LLP which is the legal entity of our business in the UK or EY UK&I which includes Ireland but excludes financial services, each example has clarification as to which part of the business they refer to.

We have increased our female partner population in the UK to 20% and our female senior manager population to 41% (up from 35% in 2012), building a stronger talent pipeline. We have increased our ethnic minority partner population to 8% (up from 4%) and 22% of our employees are from a black or minority background.

At EY we are focussed on creating parity in the workplace for all of our people and have taken significant action to improve the attraction and retention of women and ethnic minorities at all levels of the organisation. As stated during the evidence session, EY would be willing to partner with Scottish SMEs to share good practice, as well as contribute towards the Scottish Parliament’s wider work on closing the gender pay gap, including exploring the link between education and the world of work.

EY

1 Figures here refer to Ernst & Young LLP
2 Figures here refer to Ernst & Young LLP
Annex I: Written Submission to the Scottish Parliament’s Economy, Jobs and Fair Work Committee’s Call for Views on the Gender Pay Gap

The evidence below is in response to the specific questions in the Call for Views, directed towards businesses and organisations, which seek insight into best practice and the wider economic benefits of reducing the gender pay gap. The figures quoted in this submission refer to either Ernst & Young LLP which is the legal entity of our business in the UK or EY UK&I which includes Ireland but excludes financial services, each example has clarification as to which part of the business they refer to.

1. What are some examples of good or bad practice within Scotland or internationally?

EY is driving change within its own business by taking action, which can be split into two broad areas: supporting women and their careers, as well as shaping our culture. The programmes, initiatives and policies we currently have in place are set out below which we hope may provide helpful examples of best practice to the Committee:

1.1. Creating an inclusive culture. We believe the game changer is to shift away from a focus on ‘fixing the minority’ to ‘shaping organisational culture’. We developed an Inclusive Leadership Programme, which has been rolled out to 2,000 business leaders to date. The programme helps participants understand the impact of unconscious bias in behaviours and processes, equipping them to disrupt the status quo. The training is supported by communications campaigns, small team workshops and coaching.

1.2. Leadership commitment is key. In 2011, D&I was clearly positioned as a commercial priority for EY and it is at the heart of our global strategy. Our UK chairman appointed a senior business leader as D&I partner and they meet monthly to discuss and drive progress. Our Chairman also speaks internally and externally on the commercial imperative of D&I and is a visible champion of change. The firm’s global campaign Women. Fast forward engages with business and other leaders around the world to share the evidence of the economic and social advantages of gender equality and the actions we encourage.

1.3. Flexible working³. Our people are empowered to choose how, when and where they work. A recent (October 2016) survey of our people found that 84% of those surveyed said they work flexibly (a 9% increase compared to 75% in November 2014). 92% of respondents said they feel flexible working is a benefit which improves motivation. Work-life balance emerged as the most valued benefit (84%), followed by reduced travel time (76%), improved well-being (67%) and an increase in productivity (66%).

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³ Figures here refer to EY UK&I
1.4. **Positioning parenting as a gender-neutral**\(^4\). We have harmonised our parental leave policies, - including shared parental leave - which equalises our approach to mothers, fathers and adoptive parents. All parents are offered up to 39 weeks enhanced pay on top of the statutory entitlement. To date 18% (larger than the anticipated 5-10%) of our people who became fathers have taken Shared Parental Leave (SPL), (82% took paid paternity leave but not SPL). We offer **Career and Family Coaching** to all parents before and after a period of parental leave, to help guide them through some of the challenges working parents face. Our aim is to get more mothers and fathers, who want to return to work, back into the business as we don’t want to lose valuable talent.

1.5. **Targeted programmes to level the playing field**. Our analysis tells us that certain career enablers are less likely to happen routinely for our women and BME talent, such as sponsorship and putting themselves forward for promotion. So we do believe there is a place to target those groups with specific programmes to close those gaps:

1.5.1. **Career Watch**. A development programme that pairs high potential female and BME managers/senior managers with partners/leaders in the firm – sponsors – to help support their career progression. Our review of the programme demonstrated that participants were more likely to stay with EY and more likely to improve their performance ratings than their peers, and as likely to be promoted. The same outcomes applied to our BME participants.

1.5.2. **Women's Leadership Programme and BME Leadership Programme**. These provide insight and guidance to our people about authentic leadership by supporting them to bring their whole selves to their leadership roles, as well as providing them with role models and access to leadership.

1.5.3. **EY Reconnect**\(^5\): A programme launched in September last year to support experienced professionals, who have taken a career break of between two and ten years, to return to the workplace. It is a 12 week paid programme that offers training, mentoring and coaching, whilst working on live client projects, and the opportunity of a permanent position on completion. The first programme welcomed 289 applications, from this 13 were selected as participants and nine of those were offered a position with the firm at the end of the 12 weeks.

1.6. **Data is essential**. Robust monitoring through a gender and race lens of processes such as recruitment, promotion, performance assessment and nomination to leadership programmes provides the

\(^4\) Figures here refer to Ernst & Young LLP  
\(^5\) Figures here refer to Ernst & Young LLP
‘story’ of where outcomes differ for our different groups. This enabled us to develop more tailored and effective solutions.

1.7. **Data also allows us to set targets**\(^6\). We have recruitment targets at every level for gender and ethnicity, starting at student recruitment with a 50/50 gender target. We have public targets on admission to the partnership (each year we aspire to 30% of our new partners being female and 10% being from a BME background). We have policies of proportional performance ratings and promotions by gender and ethnicity (on a ‘comply or explain’ basis).

2. What are the wider economic and social benefits of closing the gender pay gap?

2.1. At EY, we are determined to do our part to accelerate women’s progress in the workplace. We’ve worked hard for many years to create effective internal and external programmes focussed on women’s advancement and leadership around the world — but we know there is more to do. *Women. Fast forward* is an initiative that brings all our efforts together.

2.2. The *Women.Fast forward* report, *The Time For Gender Parity is Now* highlights a variety of economic benefits that gender parity delivers. As the gender pay gap is a component of gender parity, as stated earlier, the following benefits are relevant to closing the gender pay gap as well as improving gender parity. These are outlined below and a copy of full report has been sent separately for the Committee’s information.

2.2.1. **More equality higher GDP.** There is a positive correlation between GDP per capita and gender equality. In fact, raising the female labour force participation rate to male participation rates would have a positive net impact on GDP in both developing and developed countries. For example, India’s GDP would rise by an estimated 27%.

2.2.2. **More equality more productivity.** Worldwide, women in the workforce contribute both directly and indirectly to productivity gains. Indirect gains come from their greater investment in their children’s health, education, welfare and other success drivers. The direct gains can be great as well. Male dominated industries could increase their productivity in many countries by 3% to 25% through improved female labour force participation.

2.2.3. **Better gender balance on boards, better share price and financial performance.** From 2005 to 2014, boards worldwide with a higher-than-average percentage of women outperformed those with fewer than average by 36%. Companies with women board members also outperform those without in return on equity, net income growth and price-to-book value.

\(^6\) Figures here refer to Ernst & Young LLP
2.2.4. More gender-balanced leadership better all-around performance. Companies with more women in leadership increase focus on corporate governance, corporate responsibility, talent dynamics and market acuity.

2.2.5. More women political leaders more prosperity. When women are elected to office in countries with internal unrest, these economies can experience a significant boost compared with results under male leaders.