



House of Commons  
Treasury Committee

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**Women in the City**

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**Tenth Report of Session 2009–10**

*Report, together with formal minutes, oral and written evidence*

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## The Treasury Committee

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## Summary

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The recent financial crisis has shone the spotlight upon the City of London and the need for reform to increase financial stability. Whilst most of the discussion has inevitably focussed on issues such as the structure of the banking sector, changes to the regulatory regime for banks and the bail-out of the banking system, there has also been a lively debate about changes to corporate governance to improve governance and oversight within large financial institutions.

Part of the debate on corporate governance in the City of London has been around diversity and the need for challenge. In general women are in the minority at senior levels in financial institutions—especially at the top. The boards of FTSE 100 banks are only 9% female and the proportion of women executive directors is even lower at 1-2%. We believe the lack of diversity on the boards of many, if not most, of our major financial institutions, may have heightened the problems of ‘group-think’ and made effective challenge and scrutiny of executive decisions less effective.

Professor Charles Goodhart even suggested that greater female representation at senior levels would have made the banking crisis less likely. Whilst this may be going too far, a sector which is failing to properly utilise the talents of over half the population clearly has substantial room for improvement. This entails looking more widely at the industry structure, to ensure that able women who wish to progress are not held back, which is why this Report also examines matters such as the long hours culture, the working environment and access to flexible working and family-friendly practices.

Much of the legal framework that should support women has already been put in place; there are areas that may need to be strengthened, but steps are being taken to do this. The challenge is not so much to change the legal framework, but to change practice and, where necessary, culture. The onus is on the City to demonstrate that it is committed to improving the representation of women at senior levels within the industry. Whilst we do not believe this should be achieved through the introduction of a quota system, it is clear that such pressure will intensify should the industry fail to act. When she gave evidence, the Minister for Women and Equality told us she was working with the CBI “to develop a pledge, so each company will pledge to increase the number of women it has at the top level and ensure that there is more equality of opportunity within their company”. Since she gave evidence, we have been told that “the CBI felt the time was not right to pursue objectives of formal mechanism.” However, on 26 February, Lord Davies of Abersoch, the Minister for Trade, Investment and Small Business, wrote to the Financial Reporting Council proposing that listed companies should be required to explain

- what the current position is with regard to director posts occupied by women and other underrepresented groups;
- how this meets the needs of the company, its governance and business; and
- what their policies are for achieving greater diversity in the boardroom.

In addition, the Government Equalities Office called for the provisions relating to the appointments of new directors to the board to be strengthened to ensure there was no implicit bias against underrepresented candidates. It is disappointing that the CBI no longer appears to be working on a voluntary pledge to encourage its members to increase the number of women employed at senior levels. We note that the changes proposed to the Corporate Governance Code would, of course, involve compulsory reporting rather than the voluntary action a pledge would entail. We recommend the FRC should respond rapidly to these suggestions.

# 1 Introduction

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1. This Report is published in the aftermath of the worst financial crisis for 80 years. The collapse of financial systems in this country and around the world has prompted much study on how to make the financial system more resilient. This Committee has played an active role in the debate about reform through our reports and evidence sessions. Before the current crisis, the financial services sector contributed substantially to the economy with high levels of productivity, employment and value added. While it is clear that the crisis should radically change the way the sector operates, and that a return to business as usual would be retrograde, the UK economy needs to build on its comparative advantage in financial services, not jettison it entirely.

2. If it is to prosper again, the financial sector will need to draw on the best talent available, and to strengthen its corporate governance. We began this inquiry because of concerns that the City<sup>1</sup> was failing to use the talents of its female workers, and complaints of widespread discrimination. It is a fact that on average women, across the economy, earn less than men, and that men dominate top management in almost every occupation. Nonetheless, the disparities between male and female pay, and male and female career prospects appear wider in the City than in many other sectors. While female board members are far rarer in the private sector than in the public, only 9% of the boards of FTSE 100 banks are female, compared with 12.2% across the FTSE 100 as a whole.<sup>2</sup> Gender pay gaps also appear to be wider in the financial sector than elsewhere in the economy.<sup>3</sup> Research conducted for the Equalities and Human Rights Commission (EHRC) found that the gender pay gap in the finance sector was greater than for the economy as a whole, on two different measures:

The gender pay gap for annual gross earnings (i.e. all earnings, irrespective of hours) is 60 per cent, much higher than the economy-wide gender pay gap of 42 per cent. The gap at the other extreme, for hourly pay excluding overtime (i.e. adjusting for differences in hours and excluding many additional payments) is 41 per cent for finance and 21 per cent for the economy.<sup>4</sup>

3. We recognise that gender pay gaps and an under representation of women on boards exist in many sectors of the UK economy. However, it appeared the disparities were greater in the City than elsewhere. We accordingly decided to hold two evidence sessions to explore the topic directly, and to attempt to establish the effect that these disparities had on the city's effectiveness, and its ability to access talent. In our first session we took evidence from Ms Kat Banyard, Fawcett Society, Professor Charles Goodhart, London School of Economics, and Dr Daniel Ferreira, London School of Economics; from Dr Ros Altmann, Ms Sandra Curtis, Ms Nichola Pease and Ms Clare Dobie, who shared considerable

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1 In this Report we use the term "the City" to refer to the UK financial services sector.

2 Cranfield University School of Management, *The Female FTSE Board Report 2009*, November 2009, p 19

3 Q 156

4 National Institute of Economic and Social Research, *Employment and earnings in the finance sector: A gender analysis*, Equality and Human Rights Commission Research Report 17, Spring 2009, p44

experience of working at senior positions in the City, and Ms Sharron Gunn of the Institute of Chartered Accountants in England and Wales, Mr John Last of the Royal Bank of Scotland, and Ms Cathy Turner of Barclays. In the second, we took evidence from Trevor Phillips OBE and Baroness Prosser, the Chairman and Deputy Chairman of the ECHR and from Rt Hon Harriet Harman MP, in her capacity as Minister for Women and Equality, and Sarah McCarthy-Fry MP, Exchequer Secretary, HM Treasury. We also discussed this topic with Mervyn King, the Governor of the Bank of England, Lord Turner, the Chairman of the FSA, Lord Myners, the Financial Services Secretary, and Sir David Walker, and other witnesses who appeared in connection with other enquiries. We are grateful to all those who engaged with this enquiry, and to our advisor, Karon Monaghan QC.

## Current Equality Legislation

The principle of equality is established in law. Women have legal rights to equal pay and equal treatment. Here we outline the legal framework which underpins much of the discussion later in this Report.

Two pieces of domestic legislation relate to gender equality. The Equal Pay Act 1970 is “an act to prevent discrimination, as regards terms and conditions of employment, between men and women”.<sup>5</sup> The Sex Discrimination Act 1975 prohibits direct and indirect discrimination in working conditions. Karon Monaghan explained:

The prohibition against direct discrimination means that it is unlawful for an employer to treat a women less favourably on the ground of her sex (by, for example, paying her a lower rate of bonus).<sup>6</sup>

Indirect discrimination addresses rules that apply generally, but which have a disproportionate and unjustifiably negative impact on one sector of the community, such as working hours which preclude part-time working which have the effect of disadvantaging women employees (because of, most commonly, childcare responsibilities); companies can in principle insist on full time working, but they will need to justify such a policy. Ms Monaghan stated that:

It is now very difficult indeed to justify, in law, rules which require full-time (and preclude part-time) work.<sup>7</sup>

Equality is also a long established principle in European Union law. The Treaty of Rome 1957 contained an article requiring equal pay for equal work between men and women (Article 119). Two European Directives (the Equal Pay Directive 1975 and the Equal Treatment Directive 1976) were enacted to achieve the requirements of Article 119; Article 119 has been renumbered Article 141 and now expressly addresses the principle of equal pay for work of equal value. The Directives have now been repealed and their provisions consolidated in the Recast Directive 2006/54/EC which requires Member States to outlaw both direct and indirect discrimination and to introduce measures addressing inequality in pay. Karon Monaghan told us that the two Directives:

required Member States to outlaw direct and indirect sex discrimination both in contractual and non-contractual pay and in respect of working terms and conditions.<sup>8</sup>

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5 Equal Pay Act 1970, introduction

6 Ev 88

7 Ev 89

8 Ev 88

In 2006 the United Kingdom framework was supplemented by the Gender Equality Duty on the public sector, which inserted a new section 76A into the Sex Discrimination Act 1975:

“(1) A public authority shall in carrying out its functions have due regard to the need –  
  
to eliminate unlawful discrimination and harassment, and  
  
to promote equality of opportunity between men and women.”<sup>9</sup>

Karon Monaghan described the meaning of “due regard”:

The obligation to have “*due regard*” to the equality objectives in section 76A(1) is an obligation to have “*proportionate*” regard to the need to achieve those equality objectives [...] <sup>10</sup>

The Gender Equality Duty gives specific responsibilities to public authorities to take ownership of gender equality in their work. This has specific relevance to public authorities with oversight and regulatory functions in respect of the financial sector.

The most recent relevant legislation is the Equality Bill, which has been carried over from Session 2009–10 and is now before the House of Lords. The Bill’s remit goes beyond gender equality—it will harmonise and in some instances extend existing law on all types of discrimination. As to gender equality, it contains some measures which may have the effect of securing greater auditing of pay and inequality in pay and other benefits.

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9 Equality Act 2006, s 84

10 Ev 90

## 2 Women on boards

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4. Just over 50% of staff in the financial services sector are female;<sup>11</sup> however most of the women are in the lowest paid jobs and moving up the job hierarchies there is a very sharp reduction in women employees. The proportion of women in senior positions is far lower. Dr Ferreira, a Reader in the Department of Finance at the London School of Economics, told us that in 2008 the proportion of women on boards in banks in the UK was 9%—roughly the same as the US. However, the proportion of women executive directors was notably lower in the UK than in the United States.

In the UK I think the numbers are very, very low. It is probably just 1% or 2% of all its executive directors that are women and in the United States it is slightly more at 5%.<sup>12</sup>

The Female FTSE Board Report 2009 also found that, on the boards of the banks included in the FTSE 100, only 9% are female; however most of the women are in the lowest paid jobs and moving up the job hierarchies there is a sharp reduction in women employees.<sup>13</sup> At the time this Report was prepared, only four of the FTSE 100 companies had female chief executives, with a fifth starting in May 2010.<sup>14</sup> The poor representation of women at senior level extends to accountancy. According to the Institute of Chartered Accountants in England and Wales (ICAEW) 10% of senior positions in accountancy were held by women.<sup>15</sup>

5. The UK performs badly in international comparisons. In the 2009 Grant Thornton International Business Report, the UK was ranked 26<sup>th</sup> in the world in terms of females in senior management. The Philippines was first—there women hold more than twice the proportion of senior posts than the UK.<sup>16</sup>

6. It is clear that the current situation is bad but is it improving? The Female FTSE Board Report 2009 found that in FTSE 100 companies there had been declines in:

- the number of companies with female executive directors;
- the number of boards with multiple women directors; and
- the overall number of companies with women on boards.

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11 National Institute of Economic and Social Research, *Employment and earnings in the finance sector: A gender analysis*, Equality and Human Rights Commission Research Report 17, Spring 2009, p13

12 Q 15

13 Cranfield University School of Management, *The Female FTSE Board Report 2009*, November 2009, p 19

14 Four CEOs are listed in the Female FTSE Board Report, since then, Alison Cooper was appointed as CEO of Imperial Tobacco, <http://www.dailymail.co.uk/money/article-1226771/Cigar-loving-mum-Alison-Cooper-named-new-Imperial-chief.html>

15 Ev 81

16 Ev 35

The report showed that the percentage of women on boards has increased slightly, but this was due to boards themselves becoming smaller.<sup>17</sup> Indeed, in spite of the general increase in the percentage of female board members overall, the percentage of female board members in FTSE 100 banks had fallen from 12.8% in 2004 to 9.3% in 2009.<sup>18</sup> We note that the trend may not be true of all organisations. Barclays told us that in 2008, 25% of their senior managers were women compared to 20% in 2007.<sup>19</sup>

7. While companies operate in different ways, in general women are in the minority at senior levels in financial institutions—especially at the top. The boards of FTSE 100 banks are only 9% female compared to the FTSE 100 average of 12%. The proportion of women executive directors is even lower at 1–2%.

## Diversity

8. Does it matter if women are underrepresented on boards? There is evidence to suggest that companies with diverse boards are likely to be better run, and that such boards are more likely to challenge executives. Sir David Walker’s report on corporate governance highlighted the failure of individuals in the past to “challenge the executive”.<sup>20</sup> Sir David noted that the banks in which boardroom challenge was part of the culture performed better than those where it was not.<sup>21</sup> Lord Myners, the Financial Services Minister, described one of the largest risks in a decision making forum as “the mutual reinforcement of prejudice and a desire to achieve early consensus in a comfortable way”.<sup>22</sup> Sir David and Lord Myners believed that diversity was important, and emphasised that diversity extended beyond gender.<sup>23</sup>

9. Dr Ferreira outlined the findings of research on the effect of women on financial institutions’ corporate governance, which he had conducted with his colleague Professor Adams:

[...]there is some evidence that CEOs are held more accountable to poor stock price performance in companies that have more women on boards. Of course it is an indirect link, but it does suggest that these boards are likely to behave more independently from the CEOs and likely to punish the CEOs more often after there is poor performance.<sup>24</sup>

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17 Cranfield University School of Management, *The Female FTSE Board Report 2009*, November 2009, p 15

18 *Ibid.*, p19

19 Ev 71

20 Sir David Walker, *A Review of Corporate Governance in UK Banks and Other Financial Industry Entities*, November 2009, p 45 (hereafter *Walker Review*)

21 *Ibid.*, p 37

22 Oral evidence taken before the Treasury Committee on 4 November 2009, HC (2009-10) 1088-ii, Q 174

23 Oral evidence taken before the Treasury Committee on 3 November 2009, HC (2009-10) 1089-i, Q 22 and Oral evidence taken before the Treasury Committee on 4 November 2009, HC (2009-10) 1088-ii, Q 174

24 Q 11

Dr Ferreira and Professor Adams also found that companies with more women on boards had more included more equity-based incentives in directors' compensation.<sup>25</sup> While designing the ideal remuneration system is more complex than using more shares in bonus payments, equity based incentives help align directors' interests to the performance of the company, and the FSA has encouraged greater use of shares in their review of remuneration policy.<sup>26</sup>

10. The financial crisis has, in part, been ascribed to excessive risk taking. Professor Goodhart considered "There would have been less likelihood of the kind of financial crisis that we have just had, had there been a very much larger number of women CEOs [...] The longer term, more cautious tendency with less of the alpha male would be highly beneficial."<sup>27</sup> Research conducted by the Aziz Corporation concluded that the emphasis of masculine culture "encouraged and rewarded the taking of excessive risk".<sup>28</sup> Dr Altmann considered that the financial crisis "would have been much alleviated by having a moderating influence at the top" and that "Finance needs more of the female perspective."<sup>29</sup>

11. However, Kat Banyard of the Fawcett Society warned against reliance on gender stereotypes, and told us that "research which looked at women and men in leadership positions does not find those differences in performance."<sup>30</sup> She felt that:

[...] the crucial issue is that, when you have greater diversity and more women on boards you have less group think. Women and men lead very different lives at the moment. They bring different experiences with them. There are more opportunities for diversity of thinking. I think it is that we need to concentrate on instead of the traits that we assume women and men have differently.<sup>31</sup>

Similarly, Ms Harman argued that a board with a mix of both genders is superior to a male only board because women can bring a different perspective which increases the diversity of the board's views.

I think that women's lives are different from men's lives, women's experiences are different, and therefore they bring a different perspective, and therefore a board of men and women is better than a men-only board.<sup>32</sup>

12. It was also put to us that organisations which do not seriously consider women are missing a large number of possible candidates.<sup>33</sup> Mr Last from RBS concurred, stating that "Promoting gender equality is not only the right thing to do, it makes business sense".<sup>34</sup>

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25 Q 17

26 See Treasury Committee, Ninth Report of Session 2008–09, *Banking Crisis: reforming corporate governance and pay in the City*, paras 38-39, para 55

27 Q 36

28 Ev 49, 51

29 Q 85

30 Q 39

31 Q 39

32 Q 214

13. **Concern about the under representation of women on boards can be about business performance as much as fairness. There is a consensus that an effective challenge function within a board is required in financial institutions, and that diversity on boards can promote such challenge. While it is impossible to know whether more female board members would have lessened the impact of the financial crisis, the arguments for fairness, improved corporate governance, a stronger challenge function and not wasting a large proportion of talent seem more than sufficient to conclude that increased gender diversity is desirable.**

### A demand or supply problem?

14. We heard from Ms Nichola Pease that her opinion was City firms would like to get more women on boards, and she offered her personal experience that often women decided not to pursue the most senior jobs.<sup>35</sup> As an experienced City worker, Ms Pease believed there were a number of valid reasons why women might choose not to advance their careers beyond a certain point:

a lot of women that could be on the board have made choices not to go further up the organisation. They have made those choices for a variety of very understandable, acceptable reasons. It might be that they decide that they want to focus totally on their family. It might be that they decide they want flexible working practices and therefore the very senior jobs might not be suitable for that. It might be that they decide they do not want the responsibility and the extra hours that often go with very, very senior jobs. I think the pyramid structure means that as you go up an organisation, because of women's choices, there are fewer senior women to choose from.<sup>36</sup>

15. Ms Turner of Barclays agreed that the problem was not so much that firms did not want to hire women on boards, but that there were not enough females who had the skills and experience needed.<sup>37</sup> Sir David Cooksey of UKFI described a supply problem in UKFI:

[...]we went absolutely out of our way to search for women for that [the Chief Executive of UKFI] role but unfortunately—and I do not know why—there was extremely little interest amongst women about becoming chief executive of UKFI.<sup>38</sup>

16. In contrast, Clare Dobie, President of the City Women's Network, believed the demand problem—that firms do not want to hire women on their boards—was far greater than the supply problem—a lack of qualified, available women.

[...]there are no fewer than 1,800 women on the boards of FTSE 250 companies and on the management committees of quoted companies. They are all eligible to be

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33 Q 206

34 Ev 78

35 Q 62

36 Q 61

37 Q 115

38 Oral evidence taken before Treasury Committee on 4 November 2009, HC (2009-10) 1090-i, Qq 89, 92-93

considered for the top jobs for the FTSE 100 companies and yet we still suffer from only having 11.7% of directors of FTSE 100 companies as women.<sup>39</sup>

The executive recruitment firm Sapphire Partners also considered there was no problem with the number of eligible women:

Sapphire’s staff have personally met with and coached hundreds of senior women from the City[...]From our experience, the supply of experienced successful committed female professionals has never been stronger.<sup>40</sup>

17. Much evidence highlighted a reason for the demand problem was that of managers and recruiters hiring “in their own image”<sup>41</sup> and choosing people “exactly like the existing board members in their outlook and experience”.<sup>42</sup> Dr Ferreira described previous research which showed that CEOs preferred directors that were “demographically similar to themselves.”<sup>43</sup> However, as we explored earlier, a homogenous board may not be to the company’s advantage.

18. The Walker Review noted that “while a majority of NEDs [Non Executive Directors] should be expected to bring materially relevant financial experience [ ... ] there will still be scope and need for diversity in skillsets and different types of skillset and experience.”<sup>44</sup> The Female FTSE Board Report 2009 showed there were 2,281 women on corporate boards and executive committees or senior teams of all FTSE listings. The report described this as a “huge and growing pipeline of female talent available to feed into the top 100 boards.”<sup>45</sup> The City might wish to look more widely in making its executive searches. **There are already 2,281 women on boards and executive committees of all FTSE listed companies. We believe financial institutions seeking new board members should broaden their horizons, and consider a wider range of sources for their personnel.**

## Tipping point

19. We received evidence that in order to change behaviour and culture in an organisation it is not just enough to have one woman on a board. There was evidence that a number of women on a board were needed to produce changes in behaviour and culture which, among other things, would result in it becoming more common practice to hire women into senior positions. We note Ms Harman’s remark that “ [...] you have to have a critical mass. It is really when the numbers change that we will see the climate change [...]”.<sup>46</sup>

20. In a letter to the *Financial Times*, Professor Kogut from Columbia University claimed:

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39 Q 61

40 Ev 62

41 Ev 35

42 Ev 43

43 Q 25

44 *Walker Review*, p 35

45 Cranfield University School of Management, *The Female FTSE Board Report 2009*, November 2009, p 35

46 Q 244

When you don't have women on boards in enough numbers, a female director must rely upon other male directors. Somehow, the percentage of female directors has to move past a tipping point so that the selection of more women directors becomes normal and non-controversial.<sup>47</sup>

Ms Harman appeared to agree, referring to a critical mass of women needed to make it acceptable to raise issues of gender inequality.<sup>48</sup>

21. One way of achieving a high proportion of women on boards in a short space of time is by imposing quotas, such as that Norway imposed for boards of publicly listed companies. The percentage of women on boards in Norway was 6% in 2002 and 44.2% in 2008.<sup>49</sup> However Dr Ferreira noted that while quotas can achieve gains in the long run, they are associated with costs in the short run:

[ ... ] firms [in Norway] have observed some drop in performance when trying to make that adjustment in a short period of time. I am not here to say that this [a quota] is necessarily a bad thing in the longer run but what I am saying is that of course there will be costs associated with that. We must be aware that going in the direction of imposing quotas will not be painless.<sup>50</sup>

Our witnesses had mixed views about quotas for the United Kingdom, though Government ministers and Professor Goodhart were against legislation.<sup>51</sup>

22. Instead of quotas, we heard that Ms Harman was working with the CBI to develop a pledge, to increase the number of women at senior level and work to improve equality of opportunity for women.<sup>52</sup> The *Financial Times* has suggested a voluntary quota of 30% amongst firms would show “serious intent” in redressing the problem of such a gender imbalance at board level. The paper proposed a comply or explain principle for firms with a lower proportion of female board members if they choose to fill a vacancy with a male candidate. It also recommended that chairmen of FTSE 100 firms with no female board members “should explain in their annual report why they think this is acceptable.”<sup>53</sup> Since we took evidence, the Government Equalities Office (GEO) has told us that work to develop a pledge has been discontinued.<sup>54</sup> However, on 26 February, Lord Davies of Abersoch, the Minister for Trade, Investment and Small Business, wrote to the Financial Reporting Council proposing that listed companies should be required to explain

- what the current position is with regard to director posts occupied by women and other underrepresented groups;

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47 Letter to the Editor, “Pressure must be brought to bear on boardroom quotas”, *Financial Times*, 26 May 2009

48 Q 244

49 Q 41

50 Q 43

51 Qq 5, 60, 62 [Ms Pease], 232

52 Q 228

53 “How to build diversity on boards; A voluntary 30% quota for women would signal intent”, *The Financial Times*, 19 May 2009, p 12

54 Ev 91

- how this meets the needs of the company, its governance and business; and
- what their policies are for achieving greater diversity in the boardroom.<sup>55</sup>

In addition, the GEO called for the provisions relating to the appointments of new directors to the board to be strengthened to ensure there was no implicit bias against underrepresented candidates. **We recommend the FRC should respond rapidly to these suggestions.**

**23. We do not consider that a legal requirement for boards to contain a particular proportion of women is appropriate. However, action by firms would be a clear signal to the public that the sector is serious about gender equality and this is especially true of financial institutions where the taxpayer has a significant shareholding. It is disappointing that the CBI no longer appears to be working on a voluntary pledge to encourage its members to increase the number of women employed at senior levels. We note that the changes proposed to the Corporate Governance Code would, of course involve compulsory reporting rather than the voluntary action a pledge would entail.**

## Progression to Board level

24. Women will only get to the top of City organisations if they can progress from junior levels. The Walker Review said:

[...] despite the importance of improving diversity, not least on bank boards, it would be unrealistic to expect to reduce the present unfortunate gender imbalance by “parachuting” into boardrooms as NEDs women without executive board or senior executive experience elsewhere. The first focus of initiative should just be in promoting the development of women to take senior executive and executive board positions within the companies in which they are employed. This will be an essential element in boosting the scale and diversity of the pool of talent available to fill NED positions in BOFIs [Boards of Financial Institutions] and elsewhere.<sup>56</sup>

25. However, our evidence suggests that the financial sector may not always recognise the interplay between developing their female employees and ensuring a diverse senior workforce. In their submission, RBS claimed they have played “an instrumental role in advancing the gender agenda within the financial sector” and told us that diversity values were part of their Code of Conduct.<sup>57</sup> Women make up 57% of RBS employees within the UK workforce as a whole. 71% of the clerical population are female as are 41% of the appointed and managerial grade.<sup>58</sup> Given this information, we were surprised that Mr Last told us:

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55 Ev 94

56 *Walker Review*, para 3.6, page 43

57 Ev 77

58 Ev 78

[...] we announced last week that for senior appointments, which would be the executive population, we would have a female on the shortlist. We are doing that for various reasons because it makes us look externally, to the outside market, whereas we focused internally for a long time. It really makes us look at the talent which is available on the market.<sup>59</sup>

The implication was that sufficiently talented females did not exist within the organisation. RBS asserts its internal job market offers “equality of access and opportunity for everyone”, but it appears to have failed to ensure its female workers get enough experience to get to the top. More worryingly still, the organisation does not appear to have recognized this is a problem.

**26. Board membership is, of course, the culmination of a long career. If increased female representation on boards is desirable, then one must look more widely at industry structures, to ensure that able women who wish to progress are not held back. We recognise that differences in male and female working patterns may stem from preference rather than prejudice and that there are circumstances in which employers need to make great demands on their employees’ time and flexibility. But the City needs to ensure that it has access to the best talent—female as well as male.**

**27. Board members of all City firms should consider the extent to which female employees can progress within their organisation. As Sir David Walker said, promoting the development of women to senior positions within the companies which employ them will be an essential element in boosting the scale and diversity of the pool of talent available for future board positions.**

### 3 Gender pay gaps

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28. Women will not progress if companies do not value them as much as men. The Equality and Human Rights Commission (EHRC) conducted an inquiry into the financial services sector. Its report, published in October 2009 found:

[...] women working full-time in the finance sector earn 55% less per year than men working full-time. This gap is twice as large as the average gap across the economy. The gender gap identified in bonus payments is a shocking 80%.<sup>60</sup>

A 2008 survey of Unite members also found evidence that “women are markedly lower paid than their male counterparts”.<sup>61</sup> The ICAEW told us that male chartered accountants earn 50% more than females in terms of basic salary<sup>62</sup> and this difference increases when performance related pay is taken into account, where women earn 64% less than men.<sup>63</sup>

#### *Occupational segregation vs in-grade gender pay gap*

29. There are two distinct aspects to the average gender pay gap. The first relates to occupational segregation, the fact women tend to do lower paid jobs in the City such as clerical and secretarial work. This makes the average salary of women lower than men, who tend to be well represented in management positions.<sup>64</sup> It is clear that the gender pay gap figures are hugely affected by the occupational segregation in the finance sector.<sup>65</sup>

30. The other significant issue is whether there is an in-grade gender pay gap, that is, a pay gap that between men and women doing the same job. The EHRC report contains disappointingly little research into the in-grade gender pay gap—less than one page in a report of over 100 pages. Although the report states that within equivalent grades women were paid significantly less than men, it gives no figures. In oral evidence Mr Phillips told us that the EHRC found evidence of an in-grade gender pay gap:

We also discovered that there were pay gaps within band, that is to say, people doing the same work, the same level, roughly the same level of experience. Women were still earning less compared to men doing that same work.<sup>66</sup>

Mr Phillips told us that in the next phase of their inquiry the EHRC hoped to do more work on the in-grade gender pay gap.<sup>67</sup>

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60 Ev 67

61 Ev 46

62 Ev 64

63 Ev 64

64 Ev 45-46

65 Ev 74-75

66 Q 158

67 Q 160

31. Most evidence about the gender pay gap did not split out in-grade gender pay gaps. However, the Chartered Management Institute provided figures which suggested there was an in grade gender pay gap. Even so, these figures are very highly aggregated and though they indicate that the gap exists they do not show its extent.

**Table 1: Comparison of average salaries by grade from the Chartered Management Institute**

	Average salary (financial sector) £		Gender pay gap * % (finance)
	Female	Male	
<b>Directors</b>	126,704	150,283	18.6
<b>Function Head</b>	74,174	82,023	10.6
<b>Team Leader</b>	38,297	42,478	10.9
<b>Junior professional staff</b>	19,717	23,415	18.8

\* The gender pay gap is shown as the additional average pay received by men expressed as a percentage of the comparable female salary.

Source: Table 1: Basic salaries for men and women at different management level—National Management Salary Survey 2009, see Ev 53

32. The EHRC found that the gender pay gap was not just a historic phenomenon. The Commission learned that in 86% of cases, female new staff earned less than their male counterparts.<sup>68</sup> Such a marked pay gap on entry suggested that the pay gap is widespread, and likely to persist. Regrettably, it also suggests that there may not always be objective justification for difference between male and female salaries.

33. **The EHRC found that large gender pay gaps exist in the financial services sector. Women working full time earn 55% less than male full time staff. The pay gap for bonuses and performance related pay is even higher at 80%. However, these figures are largely driven by occupational segregation. The evidence may suggest that even when controlling for seniority, a significant gender pay gap exists in the City, but policy makers need a firmer evidence base than that currently provided by the EHRC. We trust the next stage of the EHRC's financial services inquiry will provide more rigorous analysis. We recommend our successor Committee continues to monitor levels and structures of remuneration in the City.**

### **Monitoring the pay gap**

34. Since a lack of transparency will contribute to gender pay gaps, publishing information about pay disaggregated by gender may help to prevent them. In Australia and the US there are regulatory obligations about regular reporting to Government on women's workplace issues.<sup>69</sup> The ACCA told us:

68 Equality and Human Rights Commission, *Financial Services Inquiry Sex discrimination and the gender pay gap report of the Equality and Human Rights Commission*, October 2009, p 33; see also Q 158

69 Ev 38

The regulatory obligation to report to government in Australia has driven monitoring and internal reporting on gender equality in all companies where this was not already a management focus. These developments have facilitated progress and external reporting.<sup>70</sup>

35. The EHRC report *Financial Services Inquiry: Sex discrimination and the gender pay gap*, found that companies with more transparent pay information had lower pay gaps. It recommended that firms carry out and publish equal pay audits annually after having discovered that organisations with more transparent pay information had lower gender pay gaps.<sup>71</sup>

36. Kat Banyard outlined what equal pay audits involve:

What an equal pay audit does is simply assess jobs by grade. It compares the rates between women and men. If there is a gap, it looks at what is the cause of that gap. If there is no other reason apart from gender that is having an effect, an equal pay audit will lead to a plan of action. That is where we have seen the most change.<sup>72</sup>

Baroness Prosser believed that companies would not find it difficult to carry out such audits:

it should be quite easy to produce the information. There are numbers of people who have argued, and I think there is a deal of support for this argument, that there should be such a report contained in a company's annual report.<sup>73</sup>

37. A significant number of private sector organisations and individuals supported equal pay audits.<sup>74</sup> Dr Altmann told us:

I think the lack of transparency is another area where differences can occur without people actually being sufficiently aware of it. In that case, obviously improved transparency and requirements to disclose pay, especially at senior levels, should be very helpful and in and of itself, I believe, would make a difference to that.<sup>75</sup>

Clare Dobie, President of the City Women's Network, also supported the idea of greater disclosure of pay levels.<sup>76</sup>

38. While the idea of equal pay audits was widely supported, there were conflicting views about whether they should be mandatory. The Fawcett Society and Dr Altmann shared the

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70 Ev 38

71 Equality and Human Rights Commission, *Financial Services Inquiry: Sex discrimination and the gender pay gap report of the Equality and Human Rights Commission*, October 2009, p16, (hereafter *Financial Services Inquiry*)

72 Q 9

73 Q 167

74 Ev 36,39,46,54,59

75 Q 75

76 Q 76

view that mandatory pay audits are “an excellent idea.”<sup>77</sup> Kat Banyard did not believe audits would be widely used without legislation.<sup>78</sup>

39. Mr Phillips appeared to agree with the Fawcett Society that action was needed:

[...] stop saying either that it is women’s own fault or that things will just change with time because they will not. There have to be active steps taken to break down the structures that lead to the continuing and chronic disadvantaging of women[...]<sup>79</sup>

However, he clearly did not consider making such audits mandatory as currently an appropriate “active step” to break down female disadvantage:

We [the EHRC] think that over time more companies will begin to use them [equal pay audits]. We do not at the moment see the case for them being mandatory. We think that at the moment the priority is to ensure greater transparency around pay.<sup>80</sup>

40. On 19 January 2010 the EHRC announced plans to encourage companies to conduct audits and publish their results:

Employers can choose from three quantitative measurement options: an overall single figure, or the starting salaries of male and female staff, or the differences between male and female pay by grade and job type. There is no “one size fits all” approach. The Commission will also offer the option of a narrative which would enable employers to explain the context [...]

The Commission will expect employers employing 500+ employees to use two or more options from this menu, in most cases a narrative plus one or more of the quantitative measures. The Commission will also expect employers employing 250 to 500 employees to opt for one of the quantitative indicators.

The Commission has suggested a successful voluntary regime will avoid the need for regulation to make such audits compulsory. Companies participating in such a scheme would also be unlikely to receive further formal requests for information.<sup>81</sup>

41. Clause 78 (Gender pay gap information) of the Equality Bill allows the Secretary of State to make regulations requiring private sector firms with more than 250 employees to publish information about gender pay differences. In oral evidence, Ms Harman told us that currently companies give their customers information about matters such as animal welfare but do not release information about the welfare of the staff employed by that company. She considered that publication of information about pay differences would allow consumers to take a provider’s record in gender equality into account in deciding

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77 Qq 52, 82

78 Q 52

79 Q 194

80 Q 164

81 <http://www.equalityhumanrights.com/media-centre/voluntary-measures-proposed-for-publishing-pay-gaps/>

whether to deal with a particular company.<sup>82</sup> The regulations are affirmative, and so would need to be approved by both Houses of Parliament before coming into force.

**42. There is evidence that equal pay audits can identify gender pay gaps and inform firms about the possible reasons behind them. This is especially important at entry level so that pay gaps do not persist. We urge City firms to follow the EHRC's recommendation to conduct equal pay audits and publish their results. We note that Clydesdale Bank has volunteered to carry out such an audit.**

**43. We note Mr Phillips's view that equal pay audits should not be mandatory. Any regulations requiring companies to publish information about gender pay differences will require Parliamentary approval. Government and Parliament will doubtless take into account the extent to which there is evidence that unjustifiable pay differences persist when deciding whether such regulations are appropriate. However, we suggest firms which are found guilty of discrimination at an employment tribunal should be required to carry out regular equal pay audits.**

## 4 The Working Environment

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44. As we outlined in the introduction, there are a range of legal measures intended to ensure that women in work are treated equally, and to prevent both direct and indirect discrimination. Nichola Pease suggested a lack of women at the top might indicate female preference rather than direct discrimination.<sup>83</sup> However, we note that some of the constraints that Ms Pease pointed out, such as the lack of flexibility and long hours working at the top, are only legal if there is objective justification for them. While some witnesses considered there was indeed good reason for the relative inflexibility some City posts, notably senior ones, offered, others considered that many of the barriers to female advancement were unjustified.

### Flexible working

#### *The long hours culture*

45. It is no secret that there is a long hours culture in the City. Sarah Rutherford described this culture as a relatively new phenomenon that was a product of deregulation and global trading.<sup>84</sup> Global markets mean work needs to be done across different time zones. Ms Pease remarked upon the current situation:

Certain jobs require full time. They require a lot of travel. They require unsociable conference calls etc to cope with global time change. Those are the commercial realities [...]<sup>85</sup>

46. The EHRC inquiry discovered that career progression in the City was strongly improved by willingness to undertake unpaid overtime and ‘presenteeism’. The Commission noted that working long hours was challenging for all employees, but notably for those with caring responsibilities.<sup>86</sup> ACCA described the widely-held view that married women or women with children cannot work at senior level because they may be less prepared to make the required sacrifices.<sup>87</sup>

47. Dr Altmann felt that the emphasis on being available 24 hours a day was unnecessary, at least on the asset management side of the City, where a team working effectively could cover the workload. She referred to the idea that only one staff member can do the work as the “star mentality” and advised that the City should move away from this view.<sup>88</sup> Karon Monaghan QC described cases which have:

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83 Q 61

84 Ev 74

85 Q 83

86 Ev 68

87 Ev 36

88 Q 84

[...] established that such is the disadvantage caused to women by requirements to work full time, that robust enquiry will be made of an employer who asserts that in his industry or trade, full time work is essential and justified [...] It had been assumed, for example, that the judiciary was quintessentially a profession which required full time office holders. This has proved not to be so.<sup>89</sup>

48. Flexible working is not, in fact, solely a women's issue. Many employees would like the opportunity to work flexibly, often, though not exclusively, to allow for caring responsibilities. The CMI found that over half of both men and women supported extending the right to request flexible working.<sup>90</sup> They identified the main driver of introducing flexible working was employees demanding an improved work-life balance.<sup>91</sup> They, like many other organisations, were keen to stress that the issue of flexibility was not specific to women.<sup>92</sup>

49. Mervyn King, the Governor of the Bank of England, told us that the best way to attract women was by offering good flexible working, but stressed that this improved the environment for all employees. He believed that better management was needed to improve the situation in financial institutions, but those companies should make the changes of their own accord.<sup>93</sup>

50. There was strong support for reform of flexible working in the City.<sup>94</sup> The Unite union called for the sector to work harder to increase flexible working for senior and managerial levels where requests "are often refused on business grounds".<sup>95</sup> Sandra Curtis, who has had over 30 years experience in the City, challenged City firms to be more creative:

I think it is disappointing that banks have not been more imaginative at implementing flexible working. There must be ways they can do it. If they applied some of the imagination given to financial instruments to flexible working, we would see a lot more of it.<sup>96</sup>

51. At first glance, it appears that the City firms are open to flexible working. All the banks which submitted evidence to this inquiry offered flexible working policies. Over 90% of the City firms surveyed by the EHRC reported that they had flexible working policies in place.<sup>97</sup> The CMI results for the banking/finance sector in terms of provision of three major flexible working policies showed that the sector is close to the national average.

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89 Ev 89

90 Ev 55

91 Ev 55

92 Ev 65

93 Oral evidence taken before the Treasury Committee on 24 November 2009, HC (2009-10) 34-i, Qq 69-71

94 Ev 66, 76

95 Ev 46

96 Q 84

97 Ev 69

Table 3: Chartered Management Institute findings of availability of flexible working options

Sector	Flexible working hours in operation %	Job sharing in operation %	Home working %
<b>National</b>	55.8	51.4	78.8
<b>Public sector/charities</b>	92.3	8.3	90.9
<b>Consultants/business services</b>	65.0	46.2	85.0
<b>Banking/Finance</b>	56.6	45.3	73.9
<b>IT services/Hi-tech</b>	54.0	60	88.8
<b>Distribution/Retail</b>	52.6	47.4	72.2
<b>Manufacturing</b>	50.9	48.1	70.8

Source: CMI National Management Survey 2009

52. It appears that the problem lies not in the existence of flexible working policies, but with getting permission to use the available policies, especially at senior levels. Sapphire Partners noted that:

[...] while virtually every City firm has adequate policies for supporting flexible working and diversity, the disconnect is in the take-up and implementation.<sup>98</sup>

Ms Pease told us that she moved from a “mainstream, big company” precisely to be able to work more flexibly,<sup>99</sup> highlighting that in these organisations senior staff cannot easily make use of flexible working policies. An EHRC survey found that only 2% of employees actually requested flexible working.<sup>100</sup> One respondent to the EHRC inquiry summarised the situation that appears to exist in much of the City:

There was absolutely no flexibility on the firm’s part to even try to fit in my flexible working request as I was told it was really only for secretaries and not for lawyers or professional people [...] all the policies on paper were not really put in practice at all but to comply with laws and for appearances sake.<sup>101</sup>

We were told that HR departments were reluctant to provide information on who can access various flexible working policies. One women with City experience suggested that firms should publish the take up rates of their flexible working policies and be up front about who is permitted to use them.<sup>102</sup>

53. Men as well as women consider that a request to work flexibly could damage their career. An EHRC report investigating flexible working arrangements for fathers found that

98 Ev 62

99 Q 83

100 Ev 69

101 Ev 69

102 Ev 39

36% of fathers believed that asking for flexible working would mark them as not committed to their job. 44% of fathers thought their chances of promotion would be adversely affected if they requested flexible working.<sup>103</sup> The report was not specific to the financial services sector but it illustrated a general problem that asking for flexible working is perceived to have negative career effects. The EHRC received submissions to its Financial Services Inquiry from unions claiming that there had been recent increases in the number of employment tribunals as a result of flexible working requests. They were equally worried about evidence that linked requests for flexible working to subsequent selection for redundancy.<sup>104</sup>

**54. There is an obvious conflict between a long hours culture and flexible working. Sometimes long hours may be unavoidable, but we are disappointed that many City firms do not appear to have been successful in introducing flexible working policies for senior staff, both male and female.**

## Parental leave

55. The EHRC found a perception that there is a maternity penalty in the City on “earnings, career progression and susceptibility to redundancy”.<sup>105</sup> It is clear that parental leave imposes a cost to employers, and the cost is greater for females because maternity leave is significantly more generous than the equivalent for fathers. Evidence submitted on behalf of a group of anonymous female City workers explained that they understood the concern of employers deciding whether to hire or promote women of child bearing age because of their possible departure for maternity leave.<sup>106</sup> It is also true that primary child carers frequently do not return to work full time. In a 2008 survey of Unite members, over 60% of those who had taken maternity leave returned to work on a part-time basis.<sup>107</sup> Ms Pease was concerned that legislation on matters such as maternity leave was turning women into a “nightmare” for employers, and was an incentive for employers to avoid hiring women.<sup>108</sup> When asked how to remove blockages for women she replied, “I think we have too long a maternity leave, I think a year is too long, and sex discrimination cases that run into the tens of millions are ridiculous.” However we received evidence that some of the most successful financial services companies, including Barclaycard and Nationwide, have very positive employment and retention packages for women, including flexible working and maternity leave.<sup>109</sup> **Discrimination against women on the grounds that they may require maternity leave, or may not return to work full time after their leave has ended, is illegal and there are legal remedies for obvious cases of discrimination. Such protection is long established, and employers should pay heed to it. However, it**

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103 Equality and Human Rights Commission, *Working Better: fathers, families and work- contemporary perspectives*, Research Summary 41, October 2009, p 10

104 Ev 69

105 *Financial Services Inquiry*, p 56

106 Ev 76

107 Ev 46

108 Q 79

109 Q 80

**would be naive to think that it is easy to prove discrimination on these grounds, and that the existence of protective legislation alone will prevent discrimination.** Indeed, some argued that such legislation encourages employers to avoid hiring women.

56. The current legal framework for maternity and paternity leave may reflect cultural norms, but it also reinforces them, even when individuals might prefer more flexibility. Ms Melanie Dawes, who has worked as an accountant in a major firm, explained that social norms meant it was unusual for young fathers to work part time.<sup>110</sup> Dr Sarah Rutherford considered that:

Women with children do not have the same resource of time as men do and men's time is very often made more available by women taking on their share of domestic responsibilities.<sup>111</sup>

The EHRC's Financial Services Inquiry report referred to its recommendation of gender neutral parental leave which would help men and women share family responsibilities more equally.<sup>112</sup> The group of anonymous female City workers also suggested this.<sup>113</sup> On 28 January 2010 the Government announced that it would introduce legislation to permit fathers to take advantage of additional paternity leave and pay during the second six months of the child's life, if the mother wished to return to work with maternity leave outstanding.<sup>114</sup> The Official Opposition has also committed itself to more flexible paternal leave arrangements.<sup>115</sup>

**57. While some maternity leave will always be needed, we welcome the proposals to allow more flexibility in the use of parental leave by both men and women. This would allow couples to choose how to arrange their childcare responsibilities as they see fit. It would also lessen the incentives for companies to try to evade the law.**

### ***Information on tribunal cases***

58. There are legal remedies against discrimination. Although in 2008–09 only 3 per cent of sex discrimination cases were won at tribunal, very few cases proceed to a hearing. The latest figures show that 42 per cent of cases in 2008–09 were withdrawn. Some of these will be because the parties have reached a settlement, which will often be confidential. 34 per cent were conciliated by ACAS. Again, the terms of such conciliation could be confidential.<sup>116</sup> In some cases settlement will be a tacit acceptance of liability by the company concerned, but that will not always be the case. Anonymity is important, but it would be helpful to have more information about the type of complaint made, and the type of settlement reached, broken down by sector. That would help identify whether particular

110 Ev 39

111 Ev 74

112 *Financial Services Inquiry*, p 19

113 Ev 76

114 <http://nds.coi.gov.uk/content/detail.aspx?NewsAreaId=2&ReleaseID=410677&SubjectId=2>

115 [http://www.conservatives.com/News/News\\_stories/2010/01/Too\\_little\\_too\\_late\\_on\\_paternity\\_leave.aspx](http://www.conservatives.com/News/News_stories/2010/01/Too_little_too_late_on_paternity_leave.aspx)

116 [http://www.employmenttribunals.gov.uk/Documents/Publications/ET\\_EAT\\_Stats\\_0809\\_FINAL.pdf](http://www.employmenttribunals.gov.uk/Documents/Publications/ET_EAT_Stats_0809_FINAL.pdf)

grounds for complaint appear particularly frequently, and reveal whether particular sectors gave rise to a disproportionate number of cases.

**59. There is little information about the effectiveness of legal remedies. We understand the constraints of confidentiality, and we also understand the limitations of official statistics, but we recommend that the EHRC and the Tribunals Service consider whether there is a way in which official statistics could give more information about the nature and outcomes of sex discrimination cases brought.**

## 5 The Future

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60. While there are doubtless problems for women in the City, and much remains to be done, it would be wrong to think that nothing was changing. As Charles Goodhart said:

The idea that trading floors are a complete macho area where women do not tread is actually incorrect now. I was impressed by the number of women, both on the trading floors and at junior and middle management levels. I think the problem is both the pay gap and also the number of women at the very senior level.<sup>117</sup>

61. Banks themselves are taking action. Despite the problems we considered at para 25, RBS had realised that they must do more to improve female representation at senior level.<sup>118</sup> Their submission to us described how they have created a Group Head of Diversity to oversee diversity improvements, as well as starting a mandatory diversity training programme across their retail branch network. This is encouraging, but failed to explain why the initiative was restricted to the retail branch network, rather than encompassing all parts of the organisation.

62. Standard Chartered Bank too told us it was committed to diversity. Currently, two women sit on the board of 13 directors—equivalent to 15%, with 25% of senior management made up of women and 34% of middle management, Standard Chartered said they welcomed further qualified female board members. The bank has designed a number of initiatives to support women’s career progression, for example “mentoring, development programmes and women’s networks”.<sup>119</sup>

63. In the covering letter to its evidence, Barclays told us it was taking positive steps in terms of getting and keeping talented women:

Each business across the Barclays Group has a gender action plan setting out how it aims to attract women into the organisation, develop internal talent and improve retention rates. Progress is monitored by senior executives.<sup>120</sup>

The organisation currently has no female members on its board. It does have women at the top of two of their major businesses, and Barclays told us the company was “committed through the robust gender action plans embedded throughout the Group to ensuring that even more women make it to the top of our organisation.”<sup>121</sup>

64. The ICAEW described many of the actions which accounting firms were taking:

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117 Q 2

118 Ev 77

119 Ev 87

120 Written evidence submitted by Barclays [not printed]

121 Ev 71

Each of the ‘Big Four’ firms, and many others including BDO, have flexible working schemes, regularly monitor their gender pay gap and are running programmes to encourage more women into senior positions.<sup>122</sup>

For example KPMG run an equal pay audit and Deloitte run an internal audit on the gender pay gap.

65. However, as Professor Goodhart said:

[...] while the situation may improve as the increased number of women in the middle management ranks become more senior and move up to the senior management level. That said, there has been a continued under-representation of women and the degree to which they seem to be paid considerably less for doing exactly the same kind of job.<sup>123</sup>

The continuation of entry level pay gaps, as discussed in paragraph 32, is particularly depressing.

**66. We acknowledge that some companies are taking action to improve the diversity of their organisations. It is important that these plans succeed. The United Kingdom has had laws in place outlawing discrimination for over three decades. Despite this, the evidence suggests that women in some city companies can be at a disadvantage, and even companies which are attempting to implement equal opportunity policies can design them poorly. This is not just a problem for the individuals concerned; over the long term, it may affect the governance, and consequently the performance, of the companies themselves. We recognise that action by companies will take time to have an effect, but we would expect to see improvements in years rather than decades.**

## The role of the regulators

67. We have discussed some minor legal reforms, such as changes to parental leave entitlement and mandatory equal pay audits for companies found to break the law on sex discrimination. However we did not receive evidence indicating that major legal changes were required to improve the situation for women in the City. In principle there is a strong legal framework in place if people wish to use it. The key is to make existing law work.

## The Equalities and Human Rights Commission

68. The EHRC was set up in October 2007.<sup>124</sup> Its aim is to secure and implement an effective legislative and regulatory framework for equality and human rights.<sup>125</sup> Its job is to protect, enforce and promote equality across the seven “protected” grounds which are age, disability, gender, race, religion and belief, sexual orientation and gender reassignment.<sup>126</sup>

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122 Ev 84-85

123 Q 3

124 Equality and Human Rights Commission: Who we are, [www.equalityhumanrights.com](http://www.equalityhumanrights.com)

125 Equality and Human Rights Commission: Legislative framework, [www.equalityhumanrights.com](http://www.equalityhumanrights.com)

126 Equality and Human Rights Commission: Our job, [www.equalityhumanrights.com](http://www.equalityhumanrights.com)

According to the Commission it has “extensive legal powers and a dedicated directorate of expert lawyers who are specialists in equality law” which allows it to “take legal action on behalf of individuals, especially where there are strategic opportunities to push the boundaries of the law. Where there are chances to create legal precedents or to clarify and improve the law, the Commission will seek to do so”.<sup>127</sup> However the Commission recognises that it cannot intervene in every case with an equality dimension. When it does intervene, the Commission usually resolves cases at an early stage. Only 20% of cases go through to the enforcement stage where the EHRC uses its powers to launch a formal inquiry or conduct an assessment.<sup>128</sup>

69. The EHRC launched an inquiry into sex discrimination in the Financial Services sector in March 2009.<sup>129</sup> The most recent report in the inquiry includes a number of recommendations to companies as well as actions for the Commission itself. The recommendations are:

- Commitment and leadership to drive forward gender equality as a business objective;
- Increased transparency to mitigate gender bias; and
- Better support staff with caring responsibilities.<sup>130</sup>

The Commission will carry out targeted consultations with companies to help them understand and identify gender bias. They will also “develop proposals in partnership with relevant industry stakeholders” to create equality performance reviews.<sup>131</sup>

70. The Minister for Equality believed that the EHRC had enough powers to fulfil its role. She was open to considering additional powers if people wanted to suggest them.<sup>132</sup> We questioned Mr Phillips about whether a tougher approach was needed, given the extent of gender inequality in this sector. His view was that

We [the EHRC] are as stringent as is appropriate. We consider ourselves to be a modern regulator, which is something rather more than simply a compliance machine. Part of our job as regulator is not simply to wave the law. The fundamental job of a regulator is to change and moderate behaviour and we have a range of tools available to us which include evidence, they include research, they include persuasion, and sometimes they include investigation and inquiry [...]<sup>133</sup>

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127 Equality and Human Rights Commission: What we do, [www.equalityhumanrights.com](http://www.equalityhumanrights.com)

128 Equality and Human Rights Commission: Enforcement, [www.equalityhumanrights.com](http://www.equalityhumanrights.com)

129 “Notice of an inquiry under section 16 of the Equality Act 2006”, Equality and Human Rights Commission Official Notice, 31 March 2009

130 *Financial Services Inquiry* pp 15-17

131 *Ibid.*, p 18

132 Q 235

133 Q 150

71. Though the two regulators have different histories and responsibilities, it is interesting to note the stark contrast between the EHRC's approach and that of the Financial Services Authority (FSA). In a recent speech Hector Sants, Chief Executive of the FSA talked about being "proactive and not reactive", and that "when firms do not adjust their behaviours they can expect tough action from the FSA".<sup>134</sup>

72. We have concerns about the way in which the EHRC fulfils its research function. Its Financial Services Inquiry rests on surveys of individual firms. Its explanation of inquiry methodology says:

The questionnaire results presented cannot be generalised to the finance sector as a whole since the sample was not selected to be representative of the sector. Instead, the data elicited by the questionnaire provides important case-study evidence about workforce profiles and pay setting mechanisms that will assist with the development of practical solutions to gender inequality both within the organisations concerned and across the sector generally.

And

It is important to note that there were a number of data limitations. First, while all companies returned questionnaires, some of the data requested was incomplete (particularly on pay), some of the data was inconsistent within a questionnaire, some of the calculations within questionnaires were inaccurate and some companies offered different interpretations of the data required to be returned. Some but not all of this data could be cleaned. [...]<sup>135</sup>

There were several further qualifications, including explanations of why the pay figures in the inquiry did not match the national statistics. Given the burden such inquiries place on businesses, we believe they should be extremely carefully designed so that the information they extract is as useful as possible. Similarly, we note that Phase 3 of the inquiry includes an on-line survey; we know from our own experiences that such general engagement can shed light on real problems, but care has to be taken in drawing conclusions from a self selected sample.

**73. We consider that the EHRC should be more rigorous in its approach to research: good policy requires good data. We also note that the recent EHRC report suggests that it will rely on persuasion to ensure that financial companies comply with the law. The EHRC should monitor the effectiveness of this approach. There is a danger that responsible companies will be over burdened by requests for information, while bad ones will go unchecked. We also would like more information on how the EHRC will ensure that the recommendations and actions in their recent report have a real effect, and are not forgotten as soon as made. We are mindful of its powers to conduct investigations. We recommend that EHRC work more closely with the FSA and on the implementation of the Walker Review to ensure that progress is made.**

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134 "Intensive supervision: Delivering the best outcomes", Speech by Hector Sants, Financial Services Authority, 9 November 2009

135 *Financial Services Inquiry*, Appendix 2

## The FSA

74. The statutory duty to promote gender equality in financial institutions, including in relation to pay, resides with the FSA, as the regulator of this sector.<sup>136</sup> This is part of a wider Gender Equality Duty discussed earlier.

75. We asked for the FSA's views on the Duty and for information on any actions they would undertake to uphold it. Lord Turner said the FSA were aware of their need to pay "due regard" to promote equality and eliminate discrimination.<sup>137</sup> Though Lord Turner stressed that gender equality was not the primary focus of the FSA's activities, Hector Sants told us that the FSA are engaging with the EHRC about their remit on gender equality.<sup>138</sup>

76. In a letter, Lord Turner cited their Remuneration Code as an example of how the FSA are given consideration to the Duty in their work.

This [the Remuneration Code] included guidance that firms would need to take into account their statutory duties in relation to equal pay and non-discrimination as part of considering the risks arising from remuneration policies.<sup>139</sup>

The FSA will receive feedback statements from firms about how they are complying with the Remuneration Code in February 2010. The financial services regulator have appointed Sally Dewar, Managing Director of the Risk Business Unit, to lead on work considering how issues of equality can be built into their supervisory model.<sup>140</sup>

**77. The FSA recognises its role in paying "due regard" to promoting gender equality and eliminating discrimination. It is continuing to liaise with the EHRC and we recommend that this liaison is strengthened. We believe this Committee, or its successor, should be informed about the actions taken or planned as a result of these discussions. We recommend the EHRC monitors the equality plans and progress of City firms, in consultation with the FSA, where appropriate.**

## Conclusion

**78. Transparency and public scrutiny are important ways to ensure that discrimination does not persist; we trust that our successor committee will return to this issue to monitor the progress made. In places in this Report we have suggested that our successor committee return to this work; we believe that some progress will be made through sustained scrutiny without legislative fiat. We also believe there needs to be a dialogue between companies and policy makers, so that the reasons for gender imbalances are properly explored. We have focussed on the City in this Report. However, the place of women in the economy is not a matter for the Treasury Committee alone, and we hope that other committees will join these efforts.**

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136 Q 230

137 Ev 88

138 Oral Evidence taken before the Treasury Committee on 25 November 2009, HC(2009-10) 35, Q64-65

139 Ev 88

140 Ibid

# Conclusions and recommendations

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## Women on boards

1. Concern about the under-representation of women on boards can be about business performance as much as fairness. There is a consensus that an effective challenge function within a board is required in financial institutions, and that diversity on boards can promote such challenge. While it is impossible to know whether more female board members would have lessened the impact of the financial crisis, the arguments for fairness, improved corporate governance, a stronger challenge function and not wasting a large proportion of talent seem more than sufficient to conclude that increased gender diversity is desirable. (Paragraph 13)
2. There are already 2,281 women on boards and executive committees of all FTSE listed companies. We believe financial institutions seeking new board members should broaden their horizons, and consider a wider range of sources for their personnel. (Paragraph 18)
3. We recommend the FRC should respond rapidly to the Government's suggestions on the Corporate Governance Code. (Paragraph 22)
4. We do not consider that a legal requirement for boards to contain a particular proportion of women is appropriate. However, action by firms would be a clear signal to the public that the sector is serious about gender equality and this is especially true of financial institutions where the taxpayer has a significant shareholding. It is disappointing that the CBI no longer appears to be working on a voluntary pledge to encourage its members to increase the number of women employed at senior levels. We note that the changes proposed to the Corporate Governance Code would, of course involve compulsory reporting rather than the voluntary action a pledge would entail. (Paragraph 23)
5. Board membership is, of course, the culmination of a long career. If increased female representation on boards is desirable, then one must look more widely at industry structures, to ensure that able women who wish to progress are not held back. We recognise that differences in male and female working patterns may stem from preference rather than prejudice and that there are circumstances in which employers need to make great demands on their employees' time and flexibility. But the City needs to ensure that it has access to the best talent—female as well as male. (Paragraph 26)
6. Board members of all City firms should consider the extent to which female employees can progress within their organisation. As Sir David Walker said, promoting the development of women to senior positions within the companies which employ them will be an essential element in boosting the scale and diversity of the pool of talent available for future board positions. (Paragraph 27)

## Gender pay gaps

7. The EHRC found that large gender pay gaps exist in the financial services sector. Women working full time earn 55% less than male full time staff. The pay gap for bonuses and performance related pay is even higher at 80%. However, these figures are largely driven by occupational segregation. The evidence may suggest that even when controlling for seniority, a significant gender pay gap exists in the City, but policy makers need a firmer evidence base than that currently provided by the EHRC. We trust the next stage of the EHRC's financial services inquiry will provide more rigorous analysis. We recommend our successor Committee continues to monitor levels and structures of remuneration in the City. (Paragraph 33)

## Monitoring the pay gap

8. There is evidence that equal pay audits can identify gender pay gaps and inform firms about the possible reasons behind them. This is especially important at entry level so that pay gaps do not persist. We urge City firms to follow the EHRC's recommendation to conduct equal pay audits and publish their results. We note that Clydesdale Bank has volunteered to carry out such an audit. (Paragraph 42)
9. We note Mr Phillips's view that equal pay audits should not be mandatory. Any regulations requiring companies to publish information about gender pay differences will require Parliamentary approval. Government and Parliament will doubtless take into account the extent to which there is evidence that unjustifiable pay differences persist when deciding whether such regulations are appropriate. However, we suggest firms which are found guilty of discrimination at an employment tribunal should be required to carry out regular equal pay audits. (Paragraph 43)

## Flexible working

10. There is an obvious conflict between a long hours culture and flexible working. Sometimes long hours may be unavoidable, but we are disappointed that many City firms do not appear to have been successful in introducing flexible working policies for senior staff, both male and female. (Paragraph 54)

## Parental leave

11. Discrimination against women on the grounds that they may require maternity leave, or may not return to work full time after their leave has ended, is illegal and there are legal remedies for obvious cases of discrimination. Such protection is long established, and employers should pay heed to it. However, it would be naive to think that it is easy to prove discrimination on these grounds, and that the existence of protective legislation alone will prevent discrimination. (Paragraph 55)
12. While some maternity leave will always be needed, we welcome the proposals to allow more flexibility in the use of parental leave by both men and women. This would allow couples to choose how to arrange their childcare responsibilities as they

see fit. It would also lessen the incentives for companies to try to evade the law. (Paragraph 57)

### Information on tribunal cases

13. There is little information about the effectiveness of legal remedies. We understand the constraints of confidentiality, and we also understand the limitations of official statistics, but we recommend that the EHRC and the Tribunals Service consider whether there is a way in which official statistics could give more information about the nature and outcomes of sex discrimination cases brought. (Paragraph 59)

### The role of regulators

14. We acknowledge that some companies are taking action to improve the diversity of their organisations. It is important that these plans succeed. The United Kingdom has had laws in place outlawing discrimination for over three decades. Despite this, the evidence suggests that women in some city companies can be at a disadvantage, and even companies which are attempting to implement equal opportunity policies can design them poorly. This is not just a problem for the individuals concerned; over the long term, it may affect the governance, and consequently the performance, of the companies themselves. We recognise that action by companies will take time to have an effect, but we would expect to see improvements in years rather than decades. (Paragraph 66)
15. We consider that the EHRC should be more rigorous in its approach to research: good policy requires good data. We also note that the recent EHRC report suggests that it will rely on persuasion to ensure that financial companies comply with the law. The EHRC should monitor the effectiveness of this approach. There is a danger that responsible companies will be over burdened by requests for information, while bad ones will go unchecked. We also would like more information on how the EHRC will ensure that the recommendations and actions in their recent report have a real effect, and are not forgotten as soon as made. We are mindful of its powers to conduct investigations. We recommend that EHRC work more closely with the FSA and on the implementation of the Walker Review to ensure that progress is made. (Paragraph 73)
16. The FSA recognises its role in paying “due regard” to promoting gender equality and eliminating discrimination. It is continuing to liaise with the EHRC and we recommend that this liaison is strengthened. We believe this Committee, or its successor, should be informed about the actions taken or planned as a result of these discussions. We recommend the EHRC monitors the equality plans and progress of City firms, in consultation with the FSA, where appropriate. (Paragraph 77)

### Conclusion

17. Transparency and public scrutiny are important ways to ensure that discrimination does not persist; we trust that our successor Committee will return to this issue to

monitor the progress made. In places in this Report we have suggested that our successor Committee return to this work; we believe that some progress will be made through sustained scrutiny without legislative fiat. We also believe there needs to be a dialogue between companies and policy makers, so that the reasons for gender imbalances are properly explored. We have focussed on the City in this Report. However, the place of women in the economy is not a matter for the Treasury Committee alone, and we hope that other Committees will join these efforts. (Paragraph 78)

# Formal Minutes of the Treasury Committee

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**Monday 22 March 2010**

Members present:

John McFall, in the Chair

Mr Graham Brady	Mr James Plaskitt
Jim Cousins	Mr Mark Todd
Michael Fallon	Mr Andrew Tyrie
Ms Sally Keeble	Sir Peter Viggers

Draft Report (*Women in the City*), proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 78 read and agreed to.

Summary agreed to.

*Resolved*, That the Report be the Tenth Report of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134 (Select Committee (reports)).

Written evidence reported and ordered to be published on 15 September and 14 October in the last session of Parliament was ordered to be reported to the House for printing with the Report.

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[Adjourned till tomorrow at 9.30 a.m.]

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## Witnesses

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### Wednesday 14 October 2009

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<b>Kat Banyard</b> , Fawcett Society, <b>Professor Charles Goodhart</b> , London School of Economics, and <b>Dr Daniel Ferreira</b> , London School of Economics	Ev 1
<b>Dr Ros Altmann</b> , <b>Sandra Curtis</b> , <b>Nichola Pease</b> , Deputy Chairman, J O Hambro and <b>Clare Dobie</b> , President, City Women's Network	Ev 8
<b>Sharon Gunn</b> , Institute of Chartered Accountants in England and Wales, <b>John Last</b> , Royal Bank of Scotland and <b>Cathy Turner</b> , Barclays	Ev 13

### Tuesday 20 October 2009

<b>Trevor Phillips OBE</b> , Chairman, <b>Baroness Prosser</b> , A Member of the House of Lords, Deputy Chairman, and <b>Mr John Wadham</b> , Group Director of Legal, Equality and Human Rights Commission	Ev 19
<b>Rt Hon Harriet Harman QC MP</b> , Minister for Women and Equality, and <b>Sarah McCarthy-Fry MP</b> , Exchequer Secretary, HM Treasury	Ev 26

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2	Melanie Davis	Ev 38
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18	Letter from Lord Turner, Chairman of the Financial Services Authority, to the Chairman of the Committee	Ev 87
19	Karon Monaghan QC	Ev 88

## Reports from the Treasury Committee during the current Parliament

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Third Report	Credit Searches	HC 197
Fourth Report	Pre-Budget Report 2009	HC 180
Fifth Report	Reporting contingent liabilities to Parliament	HC 181
Sixth Report	The failure of the Presbyterian Mutual Society	HC 260
Seventh Report	Administration and expenditure of the Chancellor's departments, 2008-09	HC 156
Eighth Report	The management of the Crown Estate	HC 325
Ninth Report	Too important to fail—too important to ignore	HC 261

### Session 2008–09

First Report	Administration and expenditure of the Chancellor's departments, 2007–08	HC 35
Second Report	Pre-Budget Report 2008	HC 27
Third Report	Work of the Committee, 2007-08	HC 173
Fourth Report	Appointment of Paul Tucker as Deputy Governor of the Bank of England for Financial Stability	HC 34-I
Fifth Report	Banking Crisis: The impact of the failure of the Icelandic banks	HC 402
Sixth Report	Appointment of Paul Fisher to the Monetary Policy Committee of the Bank of England	HC 419

Seventh Report	Banking Crisis: dealing with the failure of the UK banks	HC 416
Eighth Report	Budget 2009	HC 438
Ninth Report	Banking Crisis: reforming corporate governance and pay in the City	HC 519
Tenth Report	Appointment of Professor David Miles to the Monetary Policy Committee of the Bank of England	HC 765
Eleventh Report	Appointment of Dr Adam Posen to the Monetary Policy Committee	HC 764
Twelfth Report	Banking Crisis: International Dimensions	HC 615
Thirteenth Report	Evaluating the efficiency programme	HC 520
Fourteenth Report	Banking Crisis: Regulation and supervision	HC 767
Fifteenth Report	Mortgage arrears and access to mortgage finance	HC 766
Sixteenth Report	The Committee's Opinion on proposals for European financial regulation	HC 1088

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Fifteenth Report	Appointment of Charlie Bean as Deputy Governor of the Bank of England	HC 917
Sixteenth Report	Appointment of Spencer Dale to the Monetary Policy Committee of the Bank of England	HC 1009
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### Session 2006–07

First Report	Financial inclusion: the roles of the Government and the FSA, and financial capability	HC 53
Second Report	The 2006 Pre-Budget Report	HC 115
Third Report	Work of the Committee in 2005–06	HC 191
Fourth Report	Are you covered? Travel insurance and its regulation	HC 50
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Sixth Report	The 2007 Comprehensive Spending Review: prospects and processes	HC 279
Seventh Report	The Monetary Policy of the Bank of England: re-appointment hearing for Ms Kate Barker and Mr Charlie Bean	HC 569
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Tenth Report	Private equity	HC 567

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Fourteenth Report	Globalisation: prospects and policy responses	HC 90

### Session 2005–06

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Second Report	The 2005 Pre-Budget Report	HC 739
Third Report	The Monetary Policy Committee of the Bank of England: appointment hearing for Sir John Gieve	HC 861
Fourth Report	The 2006 Budget	HC 994
Fifth Report	The design of a National Pension Savings Scheme and the role of financial services regulation	HC 1074
Sixth Report	The administration of tax credits	HC 811
Seventh Report	European financial services regulation	HC 778
Eighth Report	Bank of England Monetary Policy Committee: appointment hearing for Professor David Blanchflower	HC 1121
Ninth Report	Globalisation: the role of the IMF	HC 875
Tenth Report	Independence for statistics	HC 1111
Eleventh Report	The Monetary Policy Committee of the Bank of England: appointment hearings for Professor Tim Besley and Dr Andrew Sentance	HC 1595
Twelfth Report	Financial inclusion: credit, savings, advice and insurance	HC 848
Thirteenth Report	“Banking the unbanked”: banking services, the Post Office Card Account, and financial inclusion	HC 1717

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# Oral evidence

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## Taken before the Treasury Committee on Wednesday 14 October 2009

Members present  
John McFall, in the Chair

Nick Ainger  
Mr Graham Brady  
Mr Michael Fallon  
Ms Sally Keeble  
Mr Andrew Love

Mr James Plaskitt  
John Thurso  
Mr Mark Todd  
Mr Andrew Tyrie  
Sir Peter Viggers

*Witnesses: Ms Kat Banyard*, Fawcett Society, *Professor Charles Goodhart*, London School of Economics, and *Dr Daniel Ferreira*, London School of Economics, gave evidence.

**Q1 Chairman:** Good afternoon and welcome to our first session of this new inquiry, Women in the City. Can you introduce yourselves, starting with a well-known face, Professor Goodhart?

**Professor Goodhart:** I am Charles Goodhart. I am supposedly retired but working harder than ever at the LSE and I have now started as a part-time consultant at Morgan Stanley.

**Ms Banyard:** My name is Kat Banyard. I am campaigns officer at the Fawcett Society. The Fawcett Society is the UK's leading campaigner for women's rights.

**Dr Ferreira:** I am Daniel Ferreira and I am a reader in finance in the Department of Finance at the London School of Economics.

**Q2 Chairman:** You are all welcome. Professor Goodhart, I realise you have to go after about 20 minutes but you are here because you and I shared a platform a few weeks ago and you gave some rave notices. We decided we would have you along here. Given the financial crisis and everything that has gone on with instability, is this a sideshow, just looking at women in the City?

**Professor Goodhart:** I think it is highly desirable to have more women in the City. I must say that I was quite impressed at Morgan Stanley with the proportion of women. The idea that trading floors are a complete macho area where women do not tread is actually incorrect now. I was impressed by the number of women, both on the trading floors and at junior and middle management levels. I think the problem is both the pay gap and also the number of women at the very senior level.

**Q3 Chairman:** What could we do? What is the way forward on this in a general sense?

**Professor Goodhart:** The City is becoming less male dominated. It may be that to some extent it will cure itself as the increased number of women in the middle management ranks become more senior and move up to the senior management level. That said, there has been a continued under-representation of women and the degree to which they seem to be paid considerably less for doing exactly the same kind of job.

**Q4 Chairman:** This inquiry came out of our corporate governance comments in the banking crisis inquiry, where we felt that corporate governance in a number of institutions, notably RBS and HBOS who came before us, just was not working well. Are we losing out because we do not have a more diverse representation and in what ways are we losing out, if we are?

**Professor Goodhart:** I do not think this is particularly UK related. My understanding about the usage in employment and positions of women is that the UK is certainly better than, for example, Japan. I would guess it is not much different from North America. It is probably less good than in Scandinavia, but probably much the same as in the rest of Europe. I do not think this is particularly a UK problem. I think it is a problem of lack of appropriate utilisation of half of our population throughout the Western developed world. It is better than in Asia.

**Q5 Chairman:** Norway has started on a statutory basis to look at the issue of women and representation. You have Sweden which is voluntary. You have Spain which has even taken it up. It would seem that maybe we are a little bit behind the curve and there is a way to go.

**Professor Goodhart:** I think that there are problems about positive discrimination in the sense of legally requiring any group to have a greater representation. My view is that the way to go forward on this is to try and address the factors that are keeping women from appropriate representation at higher levels and see what they are. I do not know that legislation in this area is highly desirable.

**Q6 Chairman:** Dr Ferreira, you have written quite extensively on the issue of governance and boards. During our banking crisis inquiry, some people put to us that boards were old boys' networks and have suffered as a result of that. Could corporate governance be improved by more representation of women?

**Dr Ferreira:** Definitely. I think this is a possibility. I am not 100% sure yet if we have enough data to make a definitive statement about this.

**Q7 Chairman:** Along what road are we travelling? In other words, where are we going? It is no use coming here and saying, "On the one hand and on the other hand". We want an answer.

**Dr Ferreira:** On the basis of my own research on this topic, I have written a paper together with Professor Renee Adams and we have investigated the consequences of having more women on boards of directors in a sample of firms in the United States. Overall, what we did find is that on a number of indicators it does seem as if having more women on boards makes the board seem tougher with respect to executives. That is something we found in our data. The question is of course whether we can extrapolate that to other situations.

**Q8 Chairman:** Good women get to the top anyway so this is a sideshow. Discuss.

**Ms Banyard:** You are saying can this solve itself on its own? I think the reality is that the representation of women in the boardroom at the top is not only stagnating; in some areas it is actually going backwards. We have been attempting to chip away at the glass ceiling through tiny measures for years now and it is simply not working. I think it is fair to say that nothing short of a sledgehammer taken to the glass ceiling is going to address this problem. There is extensive research that shows that increased diversity on boards benefits company performance, team performance, but furthermore it is crucial in terms of the equality between women and men in wider society. The lack of women in the boardroom is not only representative of failures within our workplace to enable women to achieve their potential; it also sends out a very damaging symbol and message to society as a whole about women's role and their ability to participate in decision making. In terms of whether or not this will solve itself on its own, if we look at the pay gap, the reality is that women's starting salaries are significantly less than men. That was found recently by the Equality and Human Rights Commission. That is likely to continue throughout their careers, so it is not going away on its own. As I said, in terms of figures of women at the top, progress is stagnating and going backwards.

**Q9 Mr Brady:** Are some businesses or some sectors doing better than others?

**Ms Banyard:** There is some good practice in the sector. The Fawcett Society has worked with a number of organisations who are taking very proactive measures. The measures that seem to be delivering the most change in terms of pay are when companies carry out equal pay audits. If you have a pay gap, there is no way you can address it if you do not know exactly what you are paying your staff and why. What an equal pay audit does is simply assess jobs by grade. It compares the rates between women and men. If there is a gap, it looks at what is the cause of that gap. If there is no other reason apart from gender that is having an effect, an equal pay audit will lead to a plan of action. That is where we have seen the most change.

**Q10 Mr Brady:** Are there some types of business where you get far more women at board level than you do in the City?

**Ms Banyard:** Women's representation across all sectors is poor. The private sector is worse than the public sector and the City, when we look at FTSE 100 companies, is particularly poor. This is a systematic problem across our entire workplace in the UK.

**Q11 Mr Brady:** Dr Ferreira, can I press you on something that the Chairman was raising, the research that you have done looking at the effect that representation of women on company boards has on governance? Can I ask you to draw out some more detail of that research and what kind of effect it has?

**Dr Ferreira:** There are a number of things. The most interesting one would be the fact that there is some evidence that CEOs are held more accountable to poor stock price performance in companies that have more women on boards. Of course it is an indirect link, but it does suggest that these boards are likely to behave more independently from the CEOs and likely to punish the CEOs more often after there is poor performance.

**Q12 Mr Brady:** How have you seen that evidenced?

**Dr Ferreira:** In a sample of many companies over time, we see that in some companies in which performance was particularly poor it later led to the replacement of the CEO. These companies tend to be often the companies that have more women on boards.

**Q13 Mr Brady:** Did your research look at a variety of different types of business?

**Dr Ferreira:** Yes.

**Q14 Mr Brady:** Did you see differences between different types of business in different sectors?

**Dr Ferreira:** With respect to this result, no. What I can say is that the representation of women on boards varies across industries. If you are asking about, say, the financial sector, the financial sector is roughly right there in the middle. In the United States, the proportion of women on boards of financial institutions, mostly banks, would be roughly 9% nowadays. The overall average for the United States of all sectors is probably 15 and perhaps some sectors have up to 20 but usually not more than this.

**Q15 Mr Brady:** Do you have any sense of whether that is the same in the United Kingdom as the United States?

**Dr Ferreira:** Yes, I do. I have collected the data for banks in the UK. Banks in the UK seem very similar to the ones in the United States. The last data I have is from 2008 and the proportion of women on boards overall was 9% in banks. I guess the main difference would be that in the United States you see a higher proportion of executive directors. In the UK I think the numbers are very, very low. It is probably just 1% or 2% of all its executive directors that are women and in the United States it is slightly more at 5%. The

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14 October 2009 Ms Kat Banyard, Professor Charles Goodhart and Dr Daniel Ferreira

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overall level of representation on boards is roughly the same nowadays in the United States and in the UK.

**Q16 Ms Keeble:** I wanted to ask you a bit more about your research. When we looked at the banking crisis, we found that accountability of the CEO, board effectiveness, monitoring and remuneration were all factors that contributed to the crisis. In your research, these are all the factors that benefited from more involvement of women. Would you like to go through those points?

**Dr Ferreira:** Yes. I would think that this is correct except for compensation. In our research we do not find that women participate more in compensation committees than men, which is different from the results that we have compared to other important board committees.

**Q17 Ms Keeble:** If I can just go back to the point about remuneration, you did find in your research that companies that had more women in senior positions had more directors with equity-based incentives, which means that their interests are more aligned with those of shareholders. Is that right?

**Dr Ferreira:** That is correct, yes.

**Q18 Ms Keeble:** That was one of the factors that came out as being a problem in the credit crunch. Yes?

**Dr Ferreira:** Yes.

**Q19 Ms Keeble:** I am thinking about the banking bonuses.

**Dr Ferreira:** I would normally see more equity based pay as a good thing in the sense of aligning the incentives of board members with those of shareholders. Some people would also say perhaps that is not a good thing because it gives you incentives to try to manipulate stock prices in the short run.

**Q20 Ms Keeble:** Is that not insider trading?

**Dr Ferreira:** It could be a form of insider trading, but it does not need to be some secret insider trading that is going on.

**Q21 Ms Keeble:** On the point about monitoring, would you like to say in more detail what your findings were in relation to involvement of women on monitoring?

**Dr Ferreira:** The first thing we found is that attendance level at board meetings may improve once you have more women on board. This is not only because women attend more board meetings than male directors do but also because male directors attend more meetings in boards in which there are more women. That is one thing we can observe very clearly.

**Q22 Ms Keeble:** You also found that women directors have more difficulties in attending meetings but they do actually attend more meetings?

**Dr Ferreira:** It is a possibility that they have more difficulties attending meetings. This is something we do not observe directly but it is a possibility. It is true that they attend more meetings.

**Q23 Ms Keeble:** That is what you put in your research?

**Dr Ferreira:** Yes.

**Q24 Ms Keeble:** Can you just speak about the involvement in monitoring committees and such like?

**Dr Ferreira:** Yes. Women, when appointed to boards, have a higher likelihood of being appointed to some important monitoring committees such as the audit committee, the nominating committee and the corporate governance committee. The only committee that we do not find women being somehow over represented is the compensation committee which is the one that decides compensation for the CEO.

**Chairman:** Why is that?

**Ms Keeble:** Because Sir Fred did not want a woman looking at his pension arrangements of course!

**Q25 Chairman:** Go on, throw your academic gown away and tell us!

**Dr Ferreira:** There is previous research showing that CEOs prefer other directors that are demographically similar to themselves.

**Q26 Ms Keeble:** It is the old boys' network.

**Dr Ferreira:** There is some evidence, which is not in our research, that links higher CEO pay to demographic similarity on the board of directors. It is possible that CEOs would rather not have more women on compensation committees and if they have any influence on that they would try to avoid that happening. That is one possibility.

**Q27 Ms Keeble:** I cannot remember whether it was in your research document but it had an issue about tokenism as in where you just have one woman on a committee. There was a point that, to get the change in behaviour, you need a larger number. Was that yours?

**Dr Ferreira:** No. It is not from my research.

**Q28 Ms Keeble:** Are you familiar with it, Kat?

**Ms Banyard:** There is some research by McKinsey and Company in the US which found that once a critical mass of 30% of women at board level was attained then it started to see differences in performance.

**Q29 Ms Keeble:** Thank you very much. We used to have more on this Committee. Professor Goodhart, you said you thought it did not need legislation. Obviously there is an Equality Bill coming along. Can you think of any other instance where men have ceded control of anything to women without there being legislation or rule changes like we had in the Labour Party?

**Professor Goodhart:** Have there been cases, do you think, where legislation has made a really significant difference when it has occurred?

**Q30 Ms Keeble:** I said legislation or rules changes. We had more women come in in 1997 than there had been in the whole history of Parliament and that was because of a rule change in the Labour Party. That is the most immediate example that I can think of having been a beneficiary of it. The Equal Pay Act? Project 2000 in the NHS?

**Professor Goodhart:** Where do you stop? There are differences in many fields of ethnic origin as well as gender. There are differences for example in age relationship. When you start having legislation to try and even everything out, it is arguable that it is somewhat discriminatory in the sense that you are only getting it because it is required by legislation that there shall be so many of this particular category. Is it not better to ask why the deficiency occurs and try to attack the main cause of the deficiency itself? I think the issue that you have to question is exactly why is it that women are paid less for exactly the same job and what could be done about that? Why is it that women who enter many of these jobs with equal numbers, when it comes to the top of the pyramid seem to be, if I can mix my metaphors, stopped by this glass ceiling? Can we not overcome these particular problems rather than simply legislate and say there must be X of this particular category in this particular role?

**Q31 Ms Keeble:** Taking the most extreme example, is Prince Andrew going to give way in the succession to Princess Anne unless there is a rule change that gives women equal rights? Can you think of an instance where men have said in the interests of equality we are going to stand aside without there being a specific change which says there has to be equal representation? In some instances, it has to be a woman which is what we have in the Labour Party.

**Professor Goodhart:** Men have stood aside in the area of the age of retirement although women actually live much longer. If you want to make an argument, you could say that the retirement age for women should be higher than that for men because their expectation of life on retirement is so much greater and they are physically much more fit than we are.

**Ms Keeble:** I would be wary about going into women's pensions. I think we would enter a quagmire.

**Chairman:** We are straying a bit.

**Q32 Mr Plaskitt:** Have you had the opportunity while you have been doing your research to investigate any companies where there is a female CEO and look at the relationship between her and female members or indeed male members of the board?

**Dr Ferreira:** No. Unfortunately, we have not done that.

**Q33 Mr Plaskitt:** That would be quite an important control against your conclusions because if there is a risk of an old boys' club doing some mutual back scratching is there not the risk of an old girls' club doing the same?

**Dr Ferreira:** Yes. I think these concerns are mitigated by the fact that there are so few female CEOs in our sample. I do not think they could be driving our results in any way.

**Q34 Mr Plaskitt:** But you have not found even one to examine?

**Dr Ferreira:** There are a few females.

**Q35 Mr Plaskitt:** That is missing from your research?

**Dr Ferreira:** Yes.

**Q36 Chairman:** Professor, I know you have to go but Dr Ferreira has told us that only 1% or 2% of executive directors are women. What are companies missing by tapping the talents of only half the population?

**Professor Goodhart:** I think they are missing a degree of more cautious and a longer term outlook. Men can be much more aggressive and tend to be much more aggressive and are prepared to take larger risks. There would have been less likelihood of the kind of financial crisis that we have just had, had there been a very much larger number of women CEOs. In the financial sector, I cannot actually think of a woman CEO. Rachel Lomax was Deputy Governor of the Bank of England and Sallie Krawcheck plays a senior role, but the number of women in really senior positions, executive positions in the financial sector, is remarkably few. The idea that you can look at female CEOs and do some kind of statistical exercise will not work because there are so few of them. That is a great pity. The longer term, more cautious tendency with less of the alpha male would be highly beneficial.

**Q37 Chairman:** In our findings in the banking crisis inquiry, two areas surfaced. One, corporate governance that I have mentioned before and there needs to be improvement on that. Two is attitude to risk with companies and that there was an excess of risk. What you are really saying to me is that, given that women have a more cautious, longer term outlook, the financial crisis would have been less. Men are more aggressive. The more urgency we have to ensure that we get gender balance on boards will be good for companies and good for the economy. That is what you are saying to me?

**Professor Goodhart:** Yes.

**Q38 Chairman:** Good. That is what I wanted you along for.

**Professor Goodhart:** Can I go now, Chairman?

**Chairman:** You did say that at the other meeting. Thank you very much. If you have nothing else to add, I am grateful for your time.

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**Q39 Nick Ainger:** I do not know if you saw the letter from Professor Kogut of Columbia University in the *FT* where he was making the case that on the US board quoted companies half did not have a single woman member on the board. He was making the argument that if you could get up to a 10% to 15% woman board membership that would be a tipping point and that, once you got that critical mass of women on each of these boards, then it would become normal that women were suitable to be appointed to boards and so on. Would you agree with that thesis? Do you agree that there is a tipping point which actually does start to change culture?

**Ms Banyard:** I am afraid I am not aware of the statistical research around that. I think it is dangerous to assume that it is just simply a case of culture or perhaps a lack of role models for women in the boardroom or just getting stuck in the mud. There are very firmly rooted practices and structures in the workplace which are stopping women getting to the top. Maybe when those start to change you will see maybe the greater proportion will reflect changes further down. What we are looking at here is a multitude of factors: the lack of flexible working, the long working hours culture, stereotyping and plain, old fashioned discrimination. I do not think a certain quantity is going to suddenly solve all of those issues. On the stereotyping issue that Professor Goodhart was raising, I think it is again very dangerous to be talking about men and women and women being more risk averse, having a longer term outlook. What we are actually talking about here is gender stereotypes, how we expect women and men to function or their traits. In fact, research which looked at women and men in leadership positions does not find those differences in performance. It really depends upon the actual position they are in and the factors around it. I think the crucial issue is that, when you have greater diversity and more women on boards you have less group think. Women and men lead very different lives at the moment. They bring different experiences with them. There are more opportunities for diversity of thinking. I think it is that we need to concentrate on instead of the traits that we assume women and men have differently.

**Q40 Nick Ainger:** That is a very good point, very well made. Dr Ferreira, in your research, have you found that perhaps on boards that do have a higher proportion of women it does become standard, normal and accepted and they are not viewed as an unusual situation? Tokenism does not exist. Is there any evidence to show that where companies are following best practice, in terms of diversity of representation on their boards, that culture does change?

**Dr Ferreira:** I think so, yes. I think our data shows some evidence of some form of tokenism first because in many companies you only have one woman on the board, which is usually seen as evidence of tokenism. At the same time, even in these companies that appear to have appointed women to their boards because of tokenism, still it does make

a difference that these women are on the board. To me, that suggests that once you are appointed to the board, it is business as usual.

**Q41 Nick Ainger:** The change which certainly all three members of this panel would see as being positive is far more women being members of company boards and the changes that are happening throughout society generally, not least in politics, certainly in the Labour Party. I am a Welsh Member of Parliament and the Cabinet of the Welsh Assembly Government actually has a majority of women in it, of which the Labour Party is very proud. The change in the business sector seems to be at a snail's pace. The *FT* reports that there has been hardly any change in the last 10 years in terms of numbers and proportion. What do you think of the Norwegian legislation which sets a quota of 40% of women to be members of quoted boards? Is that the sledgehammer that you need to break this glass ceiling along with other things presumably? What is the attitude? Kat, have you a view on quota-setting legislation?

**Ms Banyard:** The Fawcett Society is very much in support of quotas. They are aspirational targets for companies to reach. What they do is force companies to address the issues that are stopping women getting there. In Norway, it has had a huge impact. It started off with just 6% female representation in 2002 and by last year it had 44.2% representation of women. It is not a case of positive discrimination, promoting a woman above a man who is more deserving; it is about encouraging companies to widen their fields of searching, examine their structures and making sure that they are picking from the full pool of talent that there is. With positive action, that is the only measure that has been shown to bring about change. As you mentioned, within the Labour Party, it was the all women shortlist which delivered the huge increases of women MPs in Parliament. This is the only measure which has been shown to deliver real change.

**Dr Ferreira:** I do agree that it does deliver immediately the result that one is looking for, which is that it will increase the proportion of women on boards. That has been the case in Norway. We must be aware that if we go down that route there will be consequences, at least in the short run. My research suggests and also some research I am aware of looking at the Norwegian case specifically that, when you have to make an adjustment of that magnitude in such a short period of time, what is going to happen is that you are going to hire many female directors. They are going to be extremely busy because they are going to be appointed to many different boards at the same time. They are going to be relatively less experienced and many other characteristics will be overlooked in order to make the quota in the short run. It would be naïve to assume that there will not be consequences in the short run in terms of, say, disrupting business as usual. I am not saying that in the longer run it would not be a good thing.

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**Q42 Nick Ainger:** Is there any evidence of that, looking at the Norwegian situation?

**Dr Ferreira:** I am more comfortable talking about my own research. In my own research there is some evidence that some companies do not benefit from adding more women on boards, especially if these companies overall are well governed.

**Q43 Nick Ainger:** How do you know that the effect of appointing more women to boards had an impact? How do you know there is a connection?

**Dr Ferreira:** We can see what happens to things such as profitability and stock market performance after women are added to the board once we take into account a number of considerations. We can never be 100% sure. I agree fully with you but we can have a good idea in that direction. What I also know is that, from preliminary research that has been done with the Norwegian data, firms have observed some drop in performance when trying to make that adjustment in a short period of time. I am not here to say that this is necessarily a bad thing in the longer run but what I am saying is that of course there will be costs associated with that. We must be aware that going in the direction of imposing quotas will not be painless.

**Q44 Mr Fallon:** Kat Banyard, if there is evidence that women are under-represented at senior levels in many parts of the economy, how are you sure that it is worse in the City than other sectors?

**Ms Banyard:** The data that we have relates to FTSE 100 companies and the last data we have across the economy is from the Equal Opportunities Commission which was in 2007 when they conducted an analysis. It was broken down into a limited number of sectors, one of which was the FTSE 100 companies. That was very much at the bottom, but it is not unique to the City. It is not unique to the finance sector. What we see is that a lot of the issues are very pronounced in this sector. For example, if you take the pay gap, it is double the national rate. Nationally, women are paid 22.6% less on a full-time basis per hour. In fact, when it comes to performance-related pay in the City, the pay gap is 80%.

**Q45 Mr Fallon:** Why do you think it is worse in the City than in other sectors of the economy?

**Ms Banyard:** That is a very complex question. It is accentuated because of the performance related aspects to it and also because there is an awful lot of secrecy around pay. The recent investigations by the Equality and Human Rights Commission found a complete lack of transparency around pay structures, whether or not that has come through existing cultures and the historic origins of it. For example, it is only since 1973 that women have been allowed, as I understand it, on the floor of the London Stock Exchange. We are talking about relatively recent advances in women's positions in this sector.

**Q46 Mr Fallon:** Do you know the statistics on for example the number of graduates in maths or economics? Are there more women coming out of universities than men with those kinds of degrees at the moment?

**Ms Banyard:** Within maths and economics women are less represented. I do not have the figures with me now.

**Q47 Mr Fallon:** Overall, there are more women graduating than men.

**Ms Banyard:** That is right.

**Q48 Mr Fallon:** What is the position in, say, maths or economics which tend to be two degrees that do lead into the City?

**Ms Banyard:** I am afraid I do not have that information.

**Q49 Mr Fallon:** What do you think the position is?

**Ms Banyard:** I would not want to guess on the exact proportions. I do know that a lot of this is self-reinforcing because stereotyping starts from school and university. Women and men are pushed into different areas because of that, but I do not think the issue that we are looking at here is simply that enough women have not come into this sector. For example, when we look at rates of pay, we are looking at them between bands, between one woman and one man and she is suffering a penalty.

**Q50 Mr Fallon:** Sure, but it is not the case that schoolgirls for example are still being directed away from maths and economics as subjects, is it?

**Ms Banyard:** We know that rampant stereotyping still does go on and that within the wider culture these stereotypes very much affect boys' and girls' preferences.

**Q51 Mr Fallon:** Still in schools today?

**Ms Banyard:** Yes.

**Q52 Mr Love:** Can I come back to the gender pay gap that you mentioned earlier on? We received as a Committee quite a lot of evidence that backs up what you were saying about the very large gaps that exists if you compare women with men. We also received quite a lot of evidence to say that, if you take into account the seniority within the organisation, the gap is much smaller. Should we continue to be as concerned about pay gaps as you obviously are?

**Ms Banyard:** That is an important issue. There are two aspects to it. One is within the same grade and one is between the differences in grade. Both are serious problems because we have women out-performing men at university but for some reason they are ending up in the less senior positions within our economy so their potential is not being fulfilled and the economy is paying a huge, economic cost for that. That is why we need to address the pay gap. It is indicative of women being stuck in lower paid, less senior roles because of the way our workplace is structured. Recent evidence has shown from the Equality and Human Rights Commission that there

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are significant pay gaps even between bands. The only way we are ever going to address this is by actually introducing far more transparency. We cannot know the full extent of the pay gap until all companies are required to carry out pay audits to check what they are paying women and men, to compare it and to do something about it. The only way that is going to happen is with government legislation of mandatory pay audits. At the moment that is not happening on a voluntary basis.

**Q53 Mr Love:** You have anticipated my question which is what further action should we take. You have talked about transparency and of course that is a wider issue than just women and equality and pay. You have also talked about monitoring. Are there any other issues? What about the social side of that equation and more equality in terms of child care and family matters, greater paternity leave? Do you think they have anything to contribute?

**Ms Banyard:** I think they are extremely important factors. We need to see a much greater degree of flexible working and everyone having the right to request flexible working because at the moment it is very much seen as “the mummy track”, so the thing that you do when you have children and generally when you are female. With the long working hours culture, the people who do that are generally penalised. We need to see that mainstreamed a lot more. Increasing paternity leave would also be extremely important in terms of rebalancing the degree to which women do the caring in our society. The cultural issue that you raised is also very important because what are coming into play are gender stereotypes which are very hard to get a grip of. You cannot legislate against it. We need much greater commitment at a practice level within companies about addressing attitudes and stereotypes around women’s abilities, traits and things like that. One issue which I was keen to raise is a culture that we discovered through a report we produced called “Corporate Sexism” which has found that the increased expansion of the sex industry within our society has actually impacted on workplace cultures. For example, we ran a Sexism in the City campaign and took extensive evidence from individual women who said it was becoming frequent for meetings to be held in lap dancing clubs. I also had women speak to me and say that prostitution was being used in client deals or in ways to generate business and all of this culture created a very hostile environment, as you would expect, for female employees of those firms. If we are going to get more women into those institutions, we need to change the culture even before that happens.

**Q54 Mr Love:** We have a long way to go. My wife used to work in the City. The trading floor was a no-go area for female employees, not because it was not possible for them to go onto the trading floor but the general atmosphere was very male dominated and testosterone was much in evidence on the trading floor and it was very difficult for women. We have a great deal to do to change culture. Can I come to Dr

Ferreira? I ought not to forget you. The statistics we were shown suggested that the gap at director level is 18% and at various middle management levels round about 10%. This is in the finance sector. Do you think we can address that gender pay gap without the sorts of measures that are being suggested by the Fawcett Society? Can it be done by the companies themselves?

**Dr Ferreira:** In a sense it can be done by the companies themselves. I am not so much aware of the data on the gender pay gap but in terms of looking at the employment of directors we can see that the trend is very positive. The question is whether it is quick enough. If we look at the United States in the last 15 years, the proportion of women on boards has doubled but it is still below 20%. That is probably in a sense the best country in the world with respect to representation of women in business positions. Here in the UK, if you look at data from 10 years ago, representation on the boards of British banks was roughly about 5%. In 2009, it was about 10%. We have doubled that in a decade but the question is: is that quick enough? I think companies are going in the right direction. The economy is going in the right direction and I think eventually the glass ceiling will be broken and the gender pay gap will be reduced or completely eliminated. The question is: are we willing to wait for that or do we want to do something?

**Q55 Mr Love:** Kat said earlier on that we seemed to be going backwards to some extent more recently. Have you any evidence that the progress you have talked about, which I think has been generally welcomed, has begun to slow or even to reverse?

**Dr Ferreira:** I do not see that evidence. As I said before, I do not know much about the data on the pay gap but for sure, in terms of appointments, I do not see any reversal so far. In all countries that we have data on, especially in this country, there is a trend towards better representation of women on boards.

**Mr Love:** Finally, you are saying that we have improved but it is very slow. How long are women to wait for them to catch up? Is there a role for legislation? Taking into account Professor Goodhart’s questioning about how effective legal measures are, is there a role for legal measures on some of the issues that Kat talked about a few moments ago?

**Q56 Chairman:** Could you both wrap up your final comments in your answer, please?

**Dr Ferreira:** In trying to answer that, I think I broadly agree with Professor Goodhart, despite the fact that he is not here any longer. If we can do something, it should be something at the entry level. We should try to make sure that women have the opportunities to choose careers in the financial sector, either by taking more courses in maths or economics or by doing some of the things that have been proposed, such as trying to eliminate the cultural environment and the stereotyping that is

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associated with financial jobs. If we try to correct this from the very top just by, say, going the Norwegian way and having quotas on boards, it might be something that is very visible. It is highly visible, but I think it will not really fix the problem. I think the problem is there are very few women that reach the stage at which they can be appointed to the board.

**Ms Banyard:** In relation to that, I think it is important to note that in order to deliver the levels of representation in quotas you have to solve problems to get there. They are a very useful tool. I wanted to sum up in terms of the pay gap. Last year across the UK the pay gap got wider and it is now nearly 40 years since women were promised equal pay. The Equality Bill that is currently going through Parliament is a once-in-a-generation opportunity to actually do something about this and finally deliver on the promise made all those years ago. I would

urge everyone here and the Government not to let this opportunity slip away when we can do something about it.

**Chairman:** You are here to be questioned. This is not a platform.

**Q57 Ms Keeble:** I wanted to ask Daniel Ferreira about his comments on the entry level. If something happens at entry level, is that going to solve the problem? Looking through the stats that have been provided to us, the vast mass of entry level people in financial services seems to be women.

**Dr Ferreira:** I think it can. The evidence that I have seen does suggest that at the higher levels women do not find it so difficult to get to the board once they are already a top executive. I think the difficulties come before that.

**Chairman:** Thank you for your evidence. It has been very helpful.

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*Witnesses: Dr Ros Altmann, Ms Sandra Curtis, Ms Nichola Pease and Ms Clare Dobie, President, City Women's Network, gave evidence.*

**Q58 Chairman:** Good afternoon. Welcome to the second session today. Can you introduce yourselves, please, starting with Sandra?

**Ms Curtis:** Sandra Curtis. I am a 30 year veteran of the City. I have worked mainly in fixed income asset management and I have worked for American, British and European companies in the City.

**Ms Dobie:** Clare Dobie. I am president of City Women's Network which is one of the oldest established networks for senior businesswomen in the City and beyond. Personally, I have worked in the City for approaching 30 years.

**Dr Altmann:** Ros Altmann. I am an investment banker who has worked in the City also for many years at director level of both US and UK asset management companies. I am now an independent adviser on investment banking and pensions.

**Ms Pease:** I am Nichola Pease and I have worked in the City also for nearly 30 years. In the last 10 years I was originally CEO of a fund management company called J O Hambro Capital Management, where I am now deputy chairman.

**Q59 Chairman:** All of you are successful. What advice would you give to ambitious young women in financial services about succeeding in the City?

**Ms Pease:** I think I would tell them not to get too hung up about the male/female divide, to come in, work hard, be good at what you do and, from my personal experience, that has been sufficient to be promoted.

**Dr Altmann:** I think I would advise young women to focus on the asset management side of the business rather than the trading side of the business. It is a lot easier for women to make progress in areas which do not require the sort of short-term, aggressive trading but require long-term, research focused activity.

**Ms Dobie:** I would agree with what has been said so far. In addition, I would add that joining networks can be extremely beneficial. You see role models there, get to know them and learn from them and their experience.

**Ms Curtis:** I would obviously agree with everything that has been said and add that I think it is helpful to have a mentor who can guide you through some of the ins and outs and the requirements that are needed to get to the top.

**Q60 Nick Ainger:** We all accept that women are clearly unrepresented on boards. In the first panel which I think you all heard we had a discussion about the Norwegian experience and the quota. What are your views on setting a legal quota, as is the case in Norway? I think the Spanish are looking at it now and I understand the French are also looking at a quota as well.

**Ms Curtis:** I think what you are looking at in terms of the City is trying to change behaviour because clearly men and women work in different ways, but often you find that the judgment is based on a set of managerial norms that inevitably have been determined by men. If you are going to change that you need to change behaviour. In my experience, the best way to do that is by some code of practice or legislation. I am drawn to the conclusion that positive discrimination is what is going to be needed to make people change the way they behave.

**Ms Dobie:** I think it would reflect very badly indeed on those at the top of British business today if legislation were to prove necessary. It is open to recruiters to take a number of measures to reduce the shortfall of women at the top.

**Q61 Nick Ainger:** Are you suggesting there is an alternative to what Sandra was saying?

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**Ms Dobie:** Rather than impose legislative quotas, I think recruiters at the top of British business could do a number of things to help themselves and their businesses. It is often said that there is a supply problem for women. While supply problems do undoubtedly exist, we think that a far greater problem is the demand problem. The evidence for saying this is that there are no fewer than 1,800 women on the boards of FTSE 250 companies and on the management committees of quoted companies. They are all eligible to be considered for the top jobs for the FTSE 100 companies and yet we still suffer from only having 11.7% of directors of FTSE 100 companies as women. It is open to the recruiters to look more closely at those 1,800 women.

**Q62 Nick Ainger:** What is going to persuade those recruiters to recruit the women that you say are available and have the correct qualifications and experience?

**Ms Dobie:** They need to look beyond people like them. They could also do other things. They could advertise vacancies. The public sector has set an example in this respect. It is one that the private sector could do well to emulate. That would bring in people from different backgrounds, not necessarily people like those already on the boards.

**Dr Altmann:** I think the answer to that question depends on the speed with which you require change. If you would like change to happen quickly, then I fear there is little alternative but some kind of legislative requirement. Announcing initiatives is not the same as achieving results to solve the problem. Therefore, I would suggest, especially with finance where we have seen that there is already a crisis—and I really believe that if there had been more women at the top the crisis would not have been as it has been—the need for prescriptive measures at the very least to ensure that there are sufficient women on shortlists, if nothing more than that. Perhaps if that would be sufficient that is fine, but to leave it to voluntary initiatives, if you are talking about a culture of long hours, you immediately reduce the gene pool. If you are relying on conventional measures of talent or success or who is most worthy, which are judged typically by people who are already in the position who tend to be males, they will tend to seek out different talents from those which women can bring. I hasten to say I am not comfortable making sweeping generalisations, but I do think there is a gender difference biologically which does have an impact on outcomes.

**Ms Pease:** I am not pro introducing quotas. I think there is already positive discrimination for women. Call it tokenism but there are a lot of calls that come through to women saying, “We are looking for a woman on the board.” I think there is a determination to try to get more women on the board, but a lot of women that could be on the board have made choices not to go further up the organisation. They have made those choices for a variety of very understandable, acceptable reasons. It might be that they decide that they want to focus

totally on their family. It might be that they decide they want flexible working practices and therefore the very senior jobs might not be suitable for that. It might be that they decide they do not want the responsibility and the extra hours that often go with very, very senior jobs. I think the pyramid structure means that as you go up an organisation, because of women’s choices, there are fewer senior women to choose from. I think ultimately British industry and British finance need the best person in the job. That is an incredibly difficult thing to try to define, but I would be concerned that we try and push through, through legislation, through seeing that as the answer, a quota system as the answer to this.

**Q63 Mr Plaskitt:** Can we go back to the subject of networks in the City in finance? Clearly there are pretty entrenched networks. You have referred to them, Clare, as people who are all like themselves. I suppose it is kind of self-perpetuating. We can all work out in our minds roughly what it looks like in terms of educational background, the golf club, the lodge maybe, the pub or whatever. For the four of you, in your experience in the City, have you had examples of coming across the male networks that have proved a barrier to you personally getting something or getting somewhere?

**Ms Pease:** In the 1980s when probably, without trying to age all of us, most of us joined up in the City, there was definitely a network and no doubt you felt quite pioneering as a woman at that stage going into the City. Every day of the first three months, I remember people in the nicest possible way saying, “How is it to be a woman?” There were very few women then on the graduate schemes. I think that has really died a death. There might be some vestiges of it, but it is really, really limited. It is quite interesting when you start to try and intellectualise why that is the case. There are two things that jump into my mind. One is that when we were being recruited in the 1980s it was much more that your competitors for being recruited were other people from British universities. Now, the competition is really international. The businesses are truly global. Trying to be effective and have a really good network over that would be a pretty good challenge for anybody. I think that breaks down a lot of the old boy networks. The second thing is that I think particularly in the larger firms the whole sense of recruitment and professionalism in HR has changed a great deal. It has become a lot more systematic. The human relations department has become a much greater part of that hiring. The fact that somebody knows somebody is really no longer, as it was in the 1980s, the criterion for getting in. I think that has really diminished in a big way.

**Q64 Mr Plaskitt:** Your argument is that it is much more meritocratic now?

**Ms Pease:** Absolutely.

**Q65 Mr Plaskitt:** Yet we still saw this problem when we analysed contributing factors as to what happened in banks, this notion of people not examining each other properly, not questioning each

other, being too cosy. There was not enough challenge coming at them and that has been put down to the fact that they were still all part of the same group of people with the same backgrounds, the same outlooks and that was the contributing problem. Why was that the case in your view if the networks have broken down and it is meritocratic? That seems to be a conflict.

**Ms Pease:** When you are starting off, we have to look at the entry level. When you are trying to be recruited, is there a network that exists under that? As I said, I think that has diminished. As you get more senior and you have worked with people for 15 or 20 years, you can argue does that get too cosy and do people feel awkward questioning each other, but I do not think that is about a recruiting network and a ban to women getting into the City.

**Dr Altmann:** I do not think there are networks in the way you describe them as official groupings. It is much more beneath the surface and it is much more attitudinal in my view. As Nichola says, at the entry level I do not think we have a particular problem. The problem is right at the top. The criteria by which you are judged for getting higher up an organisation tend to be the ones that are valued by the people at the top. They include things like aggression, assertiveness, perceived leadership qualities which go along with aggression and assertiveness. Typically, females will be much more thoughtful. They will wish to discuss and take soundings of other people's ideas which very often are perceived as signs of weakness rather than signs of thoroughness. As soon as you get any signs of weakness, that stops the promotion. It takes away from the leadership qualities which can come along with building consensual relationships. You see at the very top it is this aggressive, sometimes short-termist, certainly highly risk prone rather than risk control which is valued. If you succeed, you move up. If you do not, you get left behind. I feel that has a lot to do with why women do not get to the top, apart from the obvious factors like if you require previous board experience and we do not have women on boards then that is a problem, and the long hours culture.

**Q66 Mr Plaskitt:** Clare, you talked earlier about your own involvement with networks in the City. Is there a problem here that you can always deliberately set out to bring people into a pre-existing culture with a different point of view, whether it is men with a different point of view or women with a point of view? Is there not still the risk that in the end they go native because the group is still self-perpetuating and, even though it tries to make itself more heterogeneous, in the end there is coalescence around seeing your point of view? If that is the case in your experience, is there a risk that more women coming in might still fall prone to an element of going native?

**Ms Dobie:** Going native is always a risk, especially on boards. In any group it is a risk, but of course the requirement to have a regular turnover of board membership goes a long way to obviating that. The whole idea of a quality non-executive is somebody who can stand back and ask the questions. If they are

not there too long, they should avoid going native. It is what they are there for, to retain their independence.

**Q67 Mr Plaskitt:** A key thing to meeting some of the issues that came up when analysing what went wrong in the City, you are suggesting, is the principles of turnover and refreshment, not necessarily looking to the gender structure.

**Ms Dobie:** I do not think I suggested that the one argued against the other.

**Q68 Mr Plaskitt:** Which is more important?

**Ms Dobie:** One is already given in so far as it is already incorporated into the code of governance. The other is not a given and it is clear that much of British business still finds it a problem. The one that needs to change is clearly the one on gender.

**Q69 Mr Plaskitt:** Sandra, do you want to contribute anything to this discussion?

**Ms Curtis:** If someone is brought on board because they have a difference of view, if they are going to be a quality member of the board, they will be true to that and ensure that that is carried through. I think that would tend to reinforce what Clare is saying.

**Q70 Mr Tyrie:** I wanted to ask whether there are any old girl networks.

**Ms Dobie:** I would drop the "old" if I may. There are certainly networks for senior women. I am president of one.

**Q71 Mr Tyrie:** I am just following on from "old boys".

**Ms Dobie:** Indeed. I think they are very different. With the old boys' networks, I certainly have a picture of men after dinner in a St James's club sorting out who is going to get which job between them or doing the same in a golf club. The City Women's Network, you will be glad to hear, does not indulge in that kind of activity. It organises events. They are formal occasions. It is not about informal chats on the golf course or in a club on St James's. They are very different animals.

**Dr Altmann:** There are lots of women's networks. There are so many. There is Women's Initiative for Networking Success. There is Women for Women. There is the Women's Leadership Initiative. It seems to me much of that will help if women's problems stem from lack of confidence, because they meet other people and perhaps feel, "Oh yes, I can put myself forward." In terms of actually changing culture, I am not sure that a network is really what is required.

**Q72 Mr Tyrie:** I think what you were saying in response to James was that when you suggested joining networks what you were partly saying was just about getting involved in networks of like-minded people in the City. This was not gender related.

**Ms Dobie:** They give an opportunity, in the City Women's Network case, to meet senior women as members and to meet the speakers who are high

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flying, successful businesswomen. You see role models. It is incredibly helpful to people who perhaps might lack confidence or experience of meeting people at that level. It cuts across your corporate silos.

**Q73 Ms Keeble:** I wanted to ask a bit about the pay differences again because when you look at the evidence the inequality in pay is at every level and markedly between levels. I wonder if there would be some explanation as to what you think the prime causes of this are. Are they performance related, bonus related, different gradings within a pay structure or just downright discrimination?

**Ms Pease:** I read the Human Rights Commission report on the finance side. Obviously some of the figures are really startling when you see a 55% difference in pay in the financial sector, but I think again you have to look at why and what is behind that pretty notable figure. I think again you have to say is it mix of job? Certain jobs in the City clearly pay much better in the finance community. Are women blocked from those jobs? Again, I come back to this question of choice. Women might well look ahead and think: if I want children, will this job work with it or will it not work with it? I think women have a choice to go for those jobs and women have the ability absolutely to go for senior management, but from a position of choice, not discrimination, a lot of them have not done that. The second thing is that actually in that report there is about a third of a page on in-grade pay, looking at like-for-like pay in the same sector in the same job. I found that pretty tricky to read. There is not enough there really to drill down into it. I think, although the headline figure looks very, very noticeable, one's ability to analyse the whys is not. Therefore, that somewhat discredited the whole thing for me about what really are these pay differences that we are looking at.

**Q74 Ms Keeble:** Does anyone else have views on the pay differences?

**Dr Altmann:** I think one can argue about the extent of the difference but I do not think one can really question the fact that there is a significant difference.

**Q75 Ms Keeble:** And the reasoning?

**Dr Altmann:** Part of it, I suspect, stems from just straight discrimination. Part of it stems from lack of assertiveness on the part of women when negotiating their own pay increases. That possibly has quite a bit to do with it. I think the lack of transparency is another area where differences can occur without people actually being sufficiently aware of it. In that case, obviously improved transparency and requirements to disclose pay, especially at senior levels, should be very helpful and in and of itself, I believe, would make a difference to that.

**Q76 Ms Keeble:** Clare and Sandra, you both nodded on the point about discrimination. I do not want to go deeply into that but I assume you also agree that that has been an issue. Would you agree also on the transparency?

**Ms Dobie:** I was nodding on the transparency point. We surveyed our members and a number reported that it was very difficult to comment on this question on pay because of a lack of transparency and supported the idea of greater disclosure.

**Q77 Ms Keeble:** Would that be helpful in the Equality Bill?

**Ms Curtis:** I was nodding on the question of lack of assertiveness amongst women. They are not so good at bargaining and I think that puts them at a disadvantage to start with which may continue through their careers.

**Q78 Ms Keeble:** I just wanted to ask one further question which arose out of the remarks that Dr Ferreira made which were about where the most effective interventions are, at entry level or as you go up through the career structure. Nichola, you have spoken about it a bit. Where is the real sticking point in terms of women being able to make progress and maybe they get diverted into an alternative route sometimes. Where is the main sticking point and what do you think would most effectively unblock that?

**Ms Curtis:** I think there is a process almost of attrition as a woman goes through her career. I think it stems from the fact that, because women do tend to behave differently from men, they are being judged by a set of managerial norms that are primarily reflective of masculine behaviour. I think this is in built into the City in particular. The sticking points are throughout a woman's career.

**Q79 Ms Keeble:** What unpicks?

**Ms Curtis:** Trying to change those value sets or the judgments that are made.

**Ms Dobie:** There are sticking points throughout. Getting it right at the top would throw a very powerful signal to the whole organisation. It is not just benefiting the board; it sends a signal throughout so benefits the company over a very long term.

**Dr Altmann:** I do not think we have a problem at the entry level. I think the problem is higher up. One of the big issues is if women do take time out to have children. Then they come back and it is very hard to make that catch up. The work that they are doing, the experience that they have achieved while having children, is not something that is valued at all in the workforce. I believe it should be but it certainly is not in the City, as far as I can see.

**Ms Pease:** I agree. The point of attrition is really over the period when women are having children. That is a difficult thing. I would also sort of turn it on its head. There was a quote in the Equality and Human Rights Commission report which was interesting. One of the women was saying that some of the male management saw hiring women as really tricky, as trouble, and that there was the need for flexi-working, there was the need for maternity leave and there was the risk of sex discrimination. I just think it is worth for a moment this afternoon looking

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at the UK in a global context more broadly, because I feel women are a really capable, practical, driven, multi-tasking bunch of people that represent 50% of the financial workforce. What I really worry about actually is that legislation and protection is turning us into a nightmare, because that was how that quote ends. "I would never hire a woman because it is a nightmare." Have we gone too far in the legislative intrusion and the protection of women? We have 52 weeks maternity leave. The States has 12<sup>1</sup>. Many places in the Far East do not have that much protection. We have capped unfair dismissal claims. It is a capped amount. The companies know what the risk is. Sex discrimination is an uncapped amount and with some of the amounts that you read in the papers it is quite difficult, if you are not involved in the case, to see how they can ever get to those figures. Whether you are male or female management, it is going to reflect the confidence you feel as a woman comes to and wants to have children. How easy is it if they have three children over five years and they have three years out? Realistically, we have to be realistic and make sure that the protection around that, which has very good motivation, does not end up backfiring both at a female level and at a UK competitive level. That is one of my greatest concerns.

**Q80 Ms Keeble:** How do you unpick the blockages?

**Ms Pease:** I think we have too long a maternity leave, I think a year is too long, and sex discrimination cases that run into the tens of millions are ridiculous.

**Q81 Ms Keeble:** How do you unpick the blockages?

**Ms Pease:** Change the legislation.

**Q82 Mr Love:** After your response, Nichola, I am rather worried about asking this question but the Fawcett Society earlier on was suggesting mandatory pay audits backed up by legislation. I just wondered what the response was of practical, high level women in the City as to whether that would help. I shall not start with you. I shall start with Ros, perhaps.

**Dr Altmann:** I think mandatory pay audits would be an excellent idea. It would reveal a lot and it would also change a lot.

**Ms Pease:** I do not want women specialised as a special needs case. A lot of men who do not move so much in their career are not necessarily paid the same as men who do. There are endless slants and pay is an extraordinarily complex area. I would not be pro it.

**Ms Dobie:** I would like companies to choose to do them.

**Ms Curtis:** I think clarity would be beneficial.

**Q83 Mr Fallon:** Nichola Pease, you referred some time ago to the lack of flexible working at a more senior level as people progress in their careers. Is it

that these policies simply are not widely available at a very senior level, or is it that women do not choose to take advantage of them?

**Ms Pease:** I am a case in point. I was chief executive of J O Hambro for 10 years. I went there. I came out of a mainstream, big company in the City in order to get more flexible working practices. When I started there were about 10 people and when I ceased to be chief executive there were about 90 people. It was very clear to me that it would get to a size where it was very difficult to do it other than as a full-time job. That was a commercial choice that I made. Some roles do require absolute, full-time commitment. We would love to give everybody flexible working practice. One of the interesting things in that report that does come out is there is a very positive response by companies. They are really bending over backwards to try and be flexible for women. Certain jobs require full time. They require a lot of travel. They require unsociable conference calls etc to cope with global time change. Those are the commercial realities and I think we have to live as a country within those commercial realities because we need to be successful.

**Q84 Chairman:** I notice Rutherford Associates say that there is no point in a company having flexible working policies if there is a culture of working long hours and this is rewarded. Does anyone want to pick up on that?

**Dr Altmann:** There is far too much emphasis on the idea that you have to be available 24 hours a day. Perhaps because I was in the asset management side, my experience is coloured by that but on the asset management side I do not believe that you have to be there 24 hours a day. Working as part of a team will allow cover. It is just that the work practices are not organised in that collaborative team manner. Therefore, there is this star mentality where only one person can do this particular job which I think it would be healthy to get away from.

**Ms Curtis:** I think it is disappointing that banks have not been more imaginative at implementing flexible working. There must be ways they can do it. If they applied some of the imagination given to financial instruments to flexible working, we would see a lot more of it.

**Ms Dobie:** A lot of our members report their companies offer great practices and at a more junior level they are taken up. By the time they become senior, they have either passed that period of their life when they want to use the facility or do not feel they can.

**Q85 Chairman:** Your evidence has been fascinating and it has been very helpful to us. Can you give us, each of you, just a final message so that our ears are ringing? Nichola?

**Ms Pease:** Please do not legislate more. I think that is not the answer. Women have freedom of choice. I think sex discrimination is now really not very significant in the financial community and the reason there are 1.3 million financial jobs is because it is an entrepreneurial, hard working place, and I think woman can participate in that.

<sup>1</sup> *Note by witness:* In most circumstances federal law in the US allows 12 weeks maternity leave.

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**Dr Altmann:** I think personally that we have to facilitate female representation at the top. Finance needs more of the female perspective. The fact that we are having this discussion is because of what happened in the crisis and part of that failure, in my view, would have been much alleviated by having a moderating influence at the top.

**Ms Dobie:** While there are some supply problems, the main issue by far is the demand problem. There are 1,800 women waiting in the wings ready to be considered as directors in the FTSE 100.

**Q86 Chairman:** Why are they not being taken up?

**Ms Dobie:** Lack of demand.

**Ms Curtis:** Presumably to increase that you need to change the behavioural patterns and the judgments made which are not particularly helpful to women. That has to come from the top because that affects the way everyone underneath will work.

**Q87 Chairman:** You would say that this inquiry, far from being a distraction, is very important?

**Ms Curtis:** Yes.

**Chairman:** Good. Thank you very much.

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*Witnesses:* **Ms Sharron Gunn**, Institute of Chartered Accountants in England and Wales, **Mr John Last**, Royal Bank of Scotland and **Ms Cathy Turner**, Barclays, gave evidence.

**Q88 Chairman:** Good afternoon. Welcome to the third session. Can you introduce yourselves please, for the shorthand writer?

**Ms Turner:** Cathy Turner from Barclays.

**Mr Last:** John Last from the Royal Bank of Scotland.

**Ms Gunn:** Sharron Gunn from the Institute of Chartered Accountants in England and Wales.

**Ms Turner:** I think stereotypes last longer than reality. I would agree with the comments that John made. Many years ago some of those stereotypes may have existed. I do not see them in evidence in Barclays in the way that stereotypes are described. The majority of our workforce is female and we have good representation at senior level. We do not have any women on our board but we have had women on the board previously.

**Q89 Chairman:** Why do you think that the City of London has a reputation for having a misogynistic environment?

**Mr Last:** I think probably that was the case in the 1980s but the City has fundamentally changed over the last 10 years or so. If you look at the working practices in the City and what the financial service industry as a whole has tried to achieve in getting more women into the workforce, I think that is achieving its aim at this moment in time. Speaking for the Royal Bank of Scotland, if you look at our workforce, 57% of our workforce is female. That translates into 41% at managerial level. Then it pans off at senior manager to executive level to be about 20%.

**Q93 Chairman:** Barclays has been very good at putting a submission through, but there is a number of banks that have been pretty shy about contacting us and coming forward. It is good that you are here but it is obvious that we still need to make quite a bit of progress if none of you has females at board level. Mr Last, I hope this is not an unfair question. Do you think the decision to purchase ABN Ambro which was endorsed unanimously on 15 October 2007 by all the board members could have been a bit different if there had been women's representation on the board?

**Mr Last:** I know a lot of evidence has been given by our board on that very point to yourselves.

**Chairman:** It was rhetorical.

**Q90 Chairman:** What female representation do you have on your board?

**Mr Last:** We announced last week that Penny Hughes will be joining us.

**Q94 Mr Love:** There has been a lot of discussion this afternoon about the concept of glass ceilings. Does each of you believe that there is a glass ceiling in the financial services sector?

**Ms Turner:** I do not recognise a glass ceiling at Barclays and the evidence would be we have several senior women operating at the very top level. There is a concentration issue and there is a need for the industry to have more women in senior roles.

**Q91 Chairman:** What female representation do you have on your board?

**Mr Last:** At this moment in time?

**Q95 Mr Love:** You do not have a woman on your board?

**Mr Last:** No.

**Q92 Chairman:** Yes.

**Mr Last:** None at this moment in time.

**Ms Gunn:** We have seen changes over the last 20 years. We are picking up a lot of anecdotal evidence from members that there is a lot of maybe unconscious gender bias. There is a very male-dominated profession. The City is very male dominated. We are finding that male attributes are maybe admired in men and the same attributes maybe are not well admired in females. There are cultural differences.

**Q96 Mr Love:** Is that a glass ceiling?

**Mr Last:** Not at this moment in time. It depends how you define a glass ceiling. I would say yes, at senior levels, women are underrepresented at Royal Bank of Scotland. We acknowledge that. At the lower levels we have made great inroads to have women work for us. Our brand has attracted women to the

organisation. If you look at our flexible working practices, we have one in four employees working on a part-time basis or some flexible hours. Also, we acknowledge that at senior levels we have to address this and we announced last week that for senior appointments, which would be the executive population, we would have a female on the shortlist. We are doing that for various reasons because it makes us look externally, to the outside market, whereas we focused internally for a long time. It really makes us look at the talent which is available on the market.

**Ms Gunn:** Our evidence from our membership suggests very few of the female members are reaching the top of the profession. That is in both industry and in practice. That is not just specifically in financial services; it is really across all industry sectors, although some fare better than others. We are also very concerned that at the level below that, the next generation of talent, we have very few female members.

**Q97 Mr Love:** Let me go on to what policies you have in place. John, you mentioned at least one woman now on a shortlist. What other steps are you taking or have the steps that you have taken so far simply been because of public pressure that you have come under?

**Mr Last:** Not at all. For a long time we have had flexible working policies. They were recognised by the then DTI as leading practice in the market. They have also won various awards.

**Q98 Mr Love:** According to the evidence we have here at the executive level that you talked about, 88% of your executive level employees are male. It does not seem that the flexible working policies that you say have been in for some time have made much difference.

**Mr Last:** I think there is a waterfall effect. At clerical levels, we have seen people come through. That has spilt over into the managerial levels which have gone up to 41%. We are now seeing that falling over into the senior management level, going through to the executive levels, but yes, you are right. There is a lot of work that we need to do. I think those policies that we brought in, such as compressed hours, term-time working, have made a difference. It allows individuals to make a choice. I think this is all about choices for individuals.

**Q99 Mr Love:** Cathy, perhaps Barclays could tell the Bank of Scotland what they need to do to improve the situation.

**Ms Turner:** We would not dream of doing that and as I highlighted—

**Q100 Mr Love:** Tell us instead.

**Ms Turner:** —We have more work to do and we would not deny that. What I would say is that having policies that are supportive of women is very important but it does not stop with policies. You need to reinforce those policies in terms of their application and that is about culture. Another important part of encouraging women is the role of

role models so it is very important that women in the organisations who become more senior take on the responsibility to help other women. In aggregate, I think we have seen progress from that.

**Q101 Mr Love:** Sharron, your association will have some views about how we can improve the situation. What policies and steps need to be taken?

**Ms Gunn:** We have a programme that we started around three years ago called Narrowing the Gap because we had realised we had issues around this area. That is a multi-faceted programme but it helps female members return to work, it helps get them up to speed and make sure they are technically able. One of things we have come across is lack of confidence in females, particularly when they are returning to the workplace, and actually once they do return lack of confidence in terms of moving up the corporate ladder, so we have been looking at leadership programmes specifically aimed at females and mentoring programmes to help them progress. We have also published a fair amount of data on pay which actually highlights a number of issues so we have been very public in publishing that female members are not getting to the top and also we have pay discrepancies.

**Q102 Mr Love:** Let me press you a little bit on that because this has been a theme about lack of confidence. I think there is some scepticism about networking as a method for addressing that, but certainly the leadership programmes you are suggesting and training and mentoring where you are able to meet with people who are at senior levels, should that be the responsibility of the company or is it for women themselves in their own networking that should start those programmes off?

**Ms Gunn:** We are working with companies and with the Government to actually help do that and we feel the company needs to take ownership of that. The individual obviously needs to take ownership as well, but I think companies can do a lot to promote that kind of networking and career progression.

**Q103 Mr Love:** So are Barclays and the Royal Bank of Scotland looking at leadership programmes?

**Ms Turner:** Absolutely, we have got leadership programmes dedicated purely to women and leadership programmes that involve participants that are both male and female. We also have women internal network sessions and we provide a lot of support to facilitate activities for those. We have been very successful at Barclays.

**Q104 Mr Love:** Is mentoring part and parcel of the new approach in the Royal Bank of Scotland?

**Mr Last:** What I would say is that for a long time in the Royal Bank of Scotland we have had a phase-back from maternity leave so women can come back on a phased basis so that they are not just dropped into an environment that they have been out of for a long time. That is one of the policies that we have adopted.

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**Q105 Chairman:** John, I think we have it on the record that you said the majority of your workforce is female.

**Mr Last:** It is 57%, yes.

**Q106 Chairman:** And you have to look outside externally for senior appointments. You said that as well.

**Mr Last:** Yes.

**Q107 Chairman:** So therefore really you have not had a strategy to develop the talents of your women workforce in the past. Are you reassuring us now that you are going to go back and have a chat with your seniors so that next time you come back you will have a women member of the board and you will have active strategies?

**Mr Last:** I can guarantee we will have a women member on the board but, yes, we are looking at all those strategies.

**Q108 Chairman:** There has obviously been some slack there.

**Mr Last:** Stephen Hester has come in with a fresh approach.

**Q109 Nick Ainger:** Following on from the Chairman's point, it is clear from the information that RBS has provided that there is a very thick glass ceiling at RBS. Where you start out at clerical level, 71% are female staff, at appointed level it is 53% and then as you start going up, at managerial level it is 29%, at senior manager it is 20% and at executive level it is 12% and at board level it is zilch. There is clearly a glass ceiling, is there not? For all the very positive things that you are doing, it is not actually delivering the change that people would like to see right at the top, is it?

**Mr Last:** And that is why we have implemented having a woman on the shortlist for jobs going forward because we realise that we need more representation at that level.

**Q110 Nick Ainger:** What do you think of the idea that the *Financial Times* has floated that the financial industry should be committing to 30% of board members being women?

**Mr Last:** That does cause debate of course. I say that it is diversity of thought that you want on a board, which diversity itself and gender diversity should give you, so if you are recruiting in your own mirror image it does not matter if you are male or female, you are going to have that same thought process and the way that you make decisions is not going to be robust, so it is not just about gender, it is about diversity of thought which I believe is important.

**Q111 Nick Ainger:** Absolutely, so what is wrong with saying, "Right, we are going to give a clear commitment and say we are going to pledge in the future that we are going to aim to have 30% of our board members as women"? What is wrong with that?

**Mr Last:** It is a statement, yes, that we would consider but it has not been on the agenda to say that we will have a quota so it has not been discussed. Hopefully what we will do will get us there. The trouble is how long is it going to take us.

**Q112 Nick Ainger:** Yes because progress has been incredibly slow.

**Mr Last:** Yes.

**Q113 Nick Ainger:** If you look at certain statistics there has been progress and in other areas there has not been any and in both Barclays' and RBS's case you have gone backwards in terms of board representation, have you not?

**Mr Last:** Yes.

**Q114 Nick Ainger:** Cathy, could I put the same question to you. What is wrong with the industry saying yes, we recognise that having more women as members of our boards is a good thing and we are going to give a pledge that we are going to aim for a 30% target?

**Ms Turner:** There is nothing wrong with that at all. In fact, we concur and support that. We would like to see more women on the board and as an aim we would totally support it. The area where I think there is probably more debate is if you positively discriminate and say there will be 30%. We would not support that. I do not think that helps the cause of women. In fact at the extreme it could be quite insulting to women because the criteria of talent and capability and operating on an equal basis is very important. However, I have no issue. Our aim is definitely to increase the number of people and we ask that we are judged over time. We have had some very good examples. If you look at the Absa board—Absa is a very large bank that we majority own in South Africa—until very recently both the Chairman and CEO were women. What does happen because of the shortage of women is that women who are talented are heavily bid for, but I have no issue in saying that we would support an aim of a higher number.

**Nick Ainger:** I do not know if you were here for when Clare Dobie was giving her evidence but she was telling us that there is not a problem with supply; it is the demand side. It is the recruiters that are not being imaginative, they are not bringing women on, and they are not appointing them to senior positions. She quoted a figure of 1,500 women out in the City who she feels would be capable of doing this job. It is not a supply problem; it is a demand problem. I come back to this point. It is all very well this tokenism about giving pledges and so on, but at the end of the day nothing has really changed at a senior level for an awful long time, and if it has it has been painfully slow. Is it not time that if we accept that this is a good thing and good for companies and good for the economy generally, particularly preventing things like we saw with the financial crash, that we actually said to the financial sector in particular but companies generally you will have to meet a certain quota of women represented on your board?

**Q115 Chairman:** Can you give us a quick answer as we are going on to Sally Keeble.

**Ms Turner:** I disagree with that and I also disagree that it is a demand issue; there is a supply issue. Large companies and the responsibility of director positions require significant skill and experience; there is a supply problem.

**Q116 Ms Keeble:** I wanted to come back to John Last because the figures which we have on record for the composition of the workforce are spectacularly different to the ones that you read out. For example, clerical, 29% male, 71% female and so on, senior manager, 80% male, 20% female. We have got it here, it will be on the record. That is very different from the figures which you read out. Why were your figures so different to the ones for the Royal Bank of Scotland that we have on our record?

**Mr Last:** Sorry, I signed that letter with the figures in there. Can you just repeat the figures.

**Q117 Ms Keeble:** Clerical, 55,388 staff, 29% male, 71% female; appointed, 30,491 staff; 47% male, 53% female; managers, 16,000 staff, 71% male, 29% female; senior managers, 2,880, 80% male, 20% female; executives, 252 staff, 88% male, 12% female. That is very different from what you read out and what I want to know is why the figures you read out, which will be on our records, but from recollection it was something like 30% women at the senior management level, were so different?

**Mr Last:** Sorry, I cannot really comment on those discrepancies but what I can definitely say—

**Q118 Chairman:** Take it away.

**Mr Last:** In total there are 56% of the workforce who are female.

**Q119 Ms Keeble:** What I am concerned about is you are supposed to be responsible for the diversity of gender and you are employee relations manager and so on?

**Mr Last:** I am, yes.

**Q120 Ms Keeble:** How is it that there is a discrepancy between the figures you read out? Were you reading off a sheet or saying it from memory?

**Mr Last:** Saying it from memory.

**Q121 Ms Keeble:** Are you sure your figures are accurate because we have got a submission from Unite which says “Source: Royal Bank of Scotland” and it has different figures.

**Mr Last:** So they are from Unite, the union?

**Q122 Ms Keeble:** But it says “Source: Royal Bank of Scotland”, so what I want to know is whether the figures you are giving me are accurate.

**Mr Last:** My figures are completely up-to-date.

**Q123 Ms Keeble:** Where are they? Are they written down?

**Mr Last:** I have got them here, yes.

**Q124 Ms Keeble:** Can we have exactly the same categories that Unite gave us so we can see exactly what those figures are?

**Mr Last:** Certainly, I can supply those to you.<sup>2</sup>

**Q125 Ms Keeble:** On clerical you said that you had more women now coming into clerical. In fact 71% of that workforce are female and the problem is that is where they are stuck, is it not?

**Mr Last:** As I described before, it is the waterfall effect so you have got the clerical level across the group at 71% and then at managerial level that translates into 41%. I do not know how accurate Unite’s figures are.

**Q126 Ms Keeble:** They are from yourselves. How do you, as the person who is responsible for diversity and human resource, explain why it is that the waterfall effect has meant that 71% of clerical staff are female and they are stuck there? Why have you not been able to devise policies which are more effective seeing that it is your responsibility to do that?

**Mr Last:** I think I know where Unite have got those figures. They are talking about in the retail branch network not generally across the whole of the organisation. My figures are across the division.

**Q127 Ms Keeble:** Okay so why have you not been able to devise policies that are more effective given that it is your responsibility to do that?

**Mr Last:** At the lower levels we have. We have gone away and looked at the senior levels and we have acknowledged that there is under-representation of women at that level. We have looked at our diversity strategy and we have put in place more robust policies such as you have to have one woman on a shortlist.

**Q128 Ms Keeble:** Can I just stop you there. If you have got one woman on every shortlist—and we had that in my Party for a very long time and it did not, I have to say, produce any change—what are you doing about the appointment panels and the criteria for appointing women to the more senior positions?

**Mr Last:** We looked at the whole of the diversity strategy and we also said that a women had to be on the appointment panel or be somewhere during the process if there was no appointment panel, so this is just one of many things that we are looking at. We have also said that we will undertake in-depth reviews of salaries which will be reviewed by the board, equal pay audits will feature, so it is a vast range of activities that we will be undertaking going forward.

**Q129 Ms Keeble:** How long have you been doing this job?

**Mr Last:** I was officially appointed in May to this job.

<sup>2</sup> Ev 80.

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**Q130 Ms Keeble:** Have you got copies of all the policies that you have put in place since then? Can we have them?

**Mr Last:** I have got them all here.

**Chairman:** Send them to us.

**Q131 Ms Keeble:** If I can ask Cathy. It is absolutely right, I have Barclaycard in my area, which probably comes under Barclays' umbrella, which has got jobs which are very highly valued by women, partly because they are flexible and they can work shifts and all sorts of things but again it is an issue of progress. To a great extent, I have to say, having a female workforce benefits the bank very well for all kinds of reasons. What are you doing actively to make sure that the women progress out of those highly valued but nonetheless low-paid and fairly limited jobs?

**Ms Turner:** Many things, so if you are looking at the organisation in total—You mentioned Barclaycard where we are focused on the senior level and the junior level, so for example 50% of our management team in Barclaycard are female. On the more junior levels we track promotions, 50% of the promotions internally in 2009 have been women. We also recruit externally and add to the mix. So though you ask me whether there is one single approach we would adopt, it is not, it is many strands that enable individuals to have opportunities to develop.

**Q132 Ms Keeble:** John, in terms of where you want the company to be, you started in May, so in three or perhaps five years' time what kind of percentage would you think is acceptable or would be reasonable in terms of the change to the figures which have been provided of the percentage of women at different ranks? The second bit of it is if you are talking about competence and capability, it would be hard to imagine someone who could do worse than your former Chief Executive.

**Mr Last:** Sorry, could you repeat that again please?

**Q133 Ms Keeble:** What have you got as your target as the person responsible for diversity, in terms of changes to the gender ratios at the different levels of the structure of the Bank?

**Mr Last:** A quick answer. The top population at RBS is very small. Executives number 244 and senior managers about 1,800 so hopefully with these measures that we put in place we can shift that quite substantially.

**Q134 Ms Keeble:** To what?

**Mr Last:** I would be expecting at least at senior manager level within the next couple of years to about 30%, and then I would say, if you are looking five to 10 years out, that hopefully we would be on a parity with males working in the organisation.

**Q135 Ms Keeble:** At which level?

**Mr Last:** Senior manager and executive level. The populations at those levels are so small.

**Ms Keeble:** So it will be 50/50.

**Q136 Mr Fallon:** Unite have told us in their evidence that you make a distinction in your flexible working practices between core policies and non-core policies. Could you explain that divide and how you decide which jobs are compatible with each?

**Mr Last:** I am not sure how Unite have described that but, as far as I am concerned, the policy is there available for every member of staff to discuss and if a flexible working policy is declined by a manager, I have a team that they have to phone to talk through why they are declining it.

**Q137 Mr Fallon:** So there is no such thing as a core policy and a non-core policy?

**Mr Last:** Unite describe it as a core policy or non-core policy.

**Q138 Mr Fallon:** Do you describe it as a core policy or anywhere in the Bank?

**Mr Last:** I do not personally and I have not come across that term. I am not saying it does not exist.

**Q139 Mr Fallon:** Does it exist or not?

**Mr Last:** I would be surprised if it does exist because a flexible working policy is a flexible working policy open to all, male and female. I can see they are saying that for some jobs it is going to be difficult to give home working because if you are required to attend an office to process a cheque you cannot do that from home, so maybe that is why they are saying that a part-time policy is a core policy open to all whereas some jobs we have said cannot be done for whatever reason.

**Q140 Mr Fallon:** But that is their distinction and not your distinction?

**Mr Last:** That is my belief. If I am wrong on that I will come back to you and rectify that for the record.<sup>3</sup>

**Q141 Mr Love:** I wanted to come back, Cathy, to the point that you made when you said that there was a supply problem. We heard earlier on that there are 1,200 women directors in smaller companies who are waiting to be invited for interview in FTSE 100 companies. Where is the supply problem? If that is an accurate reflection of where women are at the moment, why is there a supply problem?

**Ms Turner:** Let me talk about the process that we go through when we do hirings at senior level as well as at board level. The hiring process is done usually with a search partner. The search partners work extensively with us on defining the skills and the experience and we ask that they look broadly in terms of the talent pools and we particularly—it will be no surprise to this Committee I am sure—ask that they seek out candidates who are female. We do that process comprehensively and my experience is that the supply side of appropriately qualified women is not as high as we would like. I am very open to more information on supply that we are missing. We would be delighted to look at that but in doing many

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<sup>3</sup> Ev 80.

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senior appointments as the HR Director at Barclays, my personal experience is that there is a shortage of supply. I would love to see it higher.

**Q142 Mr Love:** Are you sure you are employing the correct consultants who seem to miss 1,200 appropriately qualified women out there? Perhaps you should be questioning them as to whether they are doing the job effectively.

**Ms Turner:** We use a selection of search companies and I am not able, with the 1,200 you talk about, to make an assessment now of whether they are appropriately qualified. What I would reiterate is that we are very keen to tap into any supply to increase the number of senior women in Barclays. We are delighted to do that.

**Q143 Chairman:** John, you said that RBS was doing an equal pay audit. Are HR departments involved in setting the bonus payments?

**Mr Last:** They go through HR, yes, in terms of bonus payments.

**Q144 Chairman:** Yourself Cathy?

**Ms Turner:** We have oversight and govern pay decisions.

**Q145 Chairman:** Do you monitor them?

**Ms Turner:** Yes.

**Q146 Chairman:** Could you give us an idea, without breaching confidentiality, of the gist of the trends in that? I think that would be very helpful for us.

**Ms Turner:** I am delighted to. The process for any pay recommendation, whether it is on salary or bonus, involves several stages of aggregation and review. As part of that we run statistics to look at the proposals from many diversity angles, not just male and female, and what we are looking for in the data is whether there is any bias in those statistics. That process is done throughout the period where recommendations are put forward. What I have observed in the results in Barclays is that there is no difference on average between the pay of men and women. I hope I have not set that bell off!

**Q147 Chairman:** Just lastly, Sharron, through the bell, accountancy is obviously a very highly qualified profession, but is it the same pyramid structure for women?

**Ms Gunn:** It is has a very steep pyramid structure for women with very few reaching the top of it. Even if you look at the FTSE 100, we have 138 members at board level on the FTSE 100 and only nine of them are female, so we are very concerned about how steep the pyramid is.

**Q148 Chairman:** It is an unconventional way of giving us a good answer while the bell is ringing. Can we thank you for your evidence, and RBS and Barclays, it is good of you to come along because, as I said, some of the banks have been shy. The Clydesdale Bank sent us a submission and I know they have a CEO, Lynne Peacock, but you are not here to be knocked down, you are here to ensure that we are making progress, and we are delighted with that evidence so thank you very much.

**Mr Last:** If you need any more information we will supply it.

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**Tuesday 20 October 2009**

Members present

John McFall, in the Chair

Nick Ainger  
Mr Graham Brady  
Mr Colin Breed  
Mr Michael Fallon  
Ms Sally Keeble  
Mr Andrew Love

Mr James Plaskitt  
John Thurso  
Mr Mark Todd  
Mr Andrew Tyrie  
Sir Peter Viggers

*Witnesses:* **Mr Trevor Phillips OBE**, Chairman, **Baroness Prosser**, a Member of the House of Lords, Deputy Chairman, and **Mr John Wadham**, Group Director of Legal, Equality and Human Rights Commission, gave evidence.

**Q149 Chairman:** Welcome to this evidence session, the second one we have had on Women in the City. For the shorthand writer could you introduce yourselves, please?

**Baroness Prosser:** I am Baroness Prosser, Deputy Chair of the Equality and Human Rights Commission.

**Mr Phillips:** I am Trevor Phillips. I am Chair of the Commission.

**Mr Wadham:** I am John Wadham. I am the Legal Director of the Equality and Human Rights Commission.

**Q150 Chairman:** Welcome. We had our first evidence session last week and it provoked quite a range of debate in the press on it. We feel that your organisation is integral to this so your evidence this morning will be very helpful to us. As an organisation you are saying that when there are breaches in the law you will take tough legal action but then your report talks about light touch regulation such as “action plans” and “developing tools in conjunction with firms”. Have you been tough enough to date?

**Mr Phillips:** We are as stringent as is appropriate. We consider ourselves to be a modern regulator, which is something rather more than simply a compliance machine. Part of our job as regulator is not simply to wave the law. The fundamental job of a regulator is to change and moderate behaviour and we have a range of tools available to us which include evidence, they include research, they include persuasion, and sometimes they include investigation and inquiry, and where we have power to take legal or statutory action we take that, so in a sense the question about whether we are tough enough depends on which cases you are speaking about. I should, of course, also say that this Commission is only two years old so it may be a little early to tell.

**Q151 Chairman:** The Fawcett Society, who gave evidence to us last week, found many women were sacked when they became pregnant. Your evidence too discusses the maternity penalty. Why is the system failing and what can be done about it?

**Mr Phillips:** What we know is that many organisations first of all do not seem to have effective monitoring. They themselves do not even quite

know what they are doing on this front. In relation to the specific sector that we are discussing, there are many examples of women who, for example, take maternity leave and come back to find that their jobs have changed or their clients have been reallocated and so on so, if we are discussing our evidence in relation to maternity leave, what in our recent report I think is shown pretty clearly is that the financial sector as a whole has not yet quite mastered dealing with pregnancy because there are still too many examples essentially of women being treated in a way that is unfair. I think that is essentially what our report has said.

**Baroness Prosser:** Could I add to that, Chairman? I think it is all too easy to simply equate dismissals of women who become pregnant or ill treatment in the workplace with what some people would describe as over-generous maternity arrangements. Actually, women becoming pregnant have been dismissed in the workplace for the last 30-odd years in my experience, so I do not think it is quite as straightforward as saying that maternity regulations, et cetera, are too onerous. I think there is something a bit more behind it.

**Q152 Chairman:** One of our female witnesses last week described legislation and protection as turning the hiring of women into a nightmare. Would you agree with that?

**Baroness Prosser:** That was a quote from the evidence which we took—

**Q153 Chairman:** No, no. This was a direct oral submission last week from one of our witnesses.

**Mr Phillips:** This was Nichola Pease. She was quoting one of the witnesses to our inquiry who herself had been quoting one of her managers.

**Baroness Prosser:** Yes.

**Q154 Mr Fallon:** But she actually said, “What I really worry about is that legislation and protection is turning this into a nightmare”. As well as taking up your quote she repeated it herself.

**Baroness Prosser:** That is an opinion that she is, I guess, entitled to but it is not, I think, an opinion that the vast majority of sensible companies would agree

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with. Lots of particularly the bigger companies handle these matters very steadily and without too much difficulty.

**Q155 Chairman:** What we are looking for in this Committee is some sort of evidence, Nicola Pease's comments on the one hand countered by yourself on the other. If you have evidence to say, "Look, this ain't a nightmare", that is the type of thing we are looking for in our Committee. We have had that submission before so can you give us any evidence to say it is not a nightmare?

**Mr Phillips:** If you look at our report you will see that there is a range of companies—BT is always the celebrated one but there are a number of companies, plus we can also provide you, by the way, with a new piece of work which we published last week on flexibility which has a number of case studies of large and small companies, for example, engineering companies in the Midlands, who demonstrate that they themselves have found ways of working flexibly which have been to their advantage, particularly dealing with the issue of people, principally women, who take leave, so we can provide you with examples of companies for whom this is not a nightmare. More generally, when we speak to the employers' organisations they agree with us that this is not an issue to be regarded in that light for the simple reason that pretty soon the majority of people in the workforce will be women. The majority of graduates emerging from our universities are women, so most companies now do not start to think about, "What shall we do with the fact that women have children?" as a burden. They see it as a normal management challenge, far from the idea of a nightmare.

**Q156 John Thurso:** Can I ask you why did you launch your inquiry into the financial services sector specifically? Is it that you think that the City is particularly bad at these matters?

**Mr Phillips:** There are several reasons why we mounted an inquiry in this case. It was partly to do with anecdotal evidence, the number of cases that were being brought against City firms, and we wanted to inquire into whether there was a deeper trend, but I think some of the work that had been done by others, the Fawcett Society amongst others, demonstrated pretty clearly that there probably was a pay gap and we thought that the right thing for us to do would be to use our statutory powers to make sure that we had robust evidence in a way that no-one else can do because we are the only organisation that has those powers, so we surveyed 50 firms and the results are as shown in our report which demonstrates that in this sector the pay gap is roughly twice what it is in the rest of the economy. There are a number of factors that flow from that which I can describe if you like.

**Q157 John Thurso:** I know that one of my colleagues wants to pursue that particular question. In the report you state that it is the financial services sector, but you look beyond the City; you look at the sector in other areas, such as Scotland and so forth. Was there anything in the report that indicated any

geographic bias? Did you find that Scotland was better or worse than the City? Is this a City problem or is it a sector problem?

**Mr Phillips:** Our investigation was into the sector, the million or so people who work in this sector, many of whom work outside of London. Obviously, London is the biggest centre. There are two kinds of skew, I guess, that we discovered which would be relevant to your question. There are some issues to do with the age profile of the industry and so on that we may come to later, but first of all it is clear that women are concentrated disproportionately in the low revenue earning parts of the sector—insurance, pensions administration, that kind of thing—as opposed to bond trading and hedge funds and so on where large amounts of money can be made very quickly. That in turn has an impact on the geographical spread because, of course, the high revenue earning bits of the sector are concentrated in the Square Mile whereas, for example, Edinburgh is more focused on the headquarters of retail banking, pensions administration, that kind of thing, where women are more concentrated. That, I think, is one of the reasons that there is a geographical skew and the pay gap will probably be larger or women are less likely to be in the high earning bits of the industry in Scotland.

**Q158 John Thurso:** Can I just tease that out if I may? If you go by what you read in the newspapers there are very much cases of high-flying women who take a company to court because they have been discriminated against and your report clearly shows, which is quite shocking, that there is a considerable pay gap for quite senior women as between them and what a male colleague may expect to get. Is the problem as severe or the same amongst the general workforce? In other words, do you find that same gap within the lower parts of the sector as you do in the senior management parts of the sector?

**Mr Phillips:** My colleague, Mr Wadham, might have a few things to add but I will make two points about this. First of all, two things were really very striking about the findings. First of all, the gap was not just due to job segregation or the fact that two-thirds of higher level managers are male. We also discovered that there were pay gaps within band, that is to say, people doing the same work, the same level, roughly the same level of experience. Women were still earning less compared to men doing that same work. The other thing which was really striking and very surprising was that women experienced on average lower pay at entry. Though very few companies actually kept numbers on this, when interrogated, we found that in 86% of those cases women were earning less at entry.

**Q159 John Thurso:** So it starts from day one?

**Mr Phillips:** Yes.

**Mr Wadham:** Yes, it does start from day one. The other issue though is the extent to which issues of discrimination and issues of working patterns affect discretionary pay. In other words, if you have a high-earning culture and the high earners actually earn their pay because of links to performance, links to

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working hours, et cetera, then inevitably you are going to have a greater disparity between men and women if in fact women continue to have caring responsibilities, as well as the fact that people's perceptions of women and their contribution may not be as accurate as they could be, so there is an issue of discrimination. There is an issue of the income levels as well as, of course, an issue of the extent to which, in our other report today, we have looked at in relation to the time that men and women take off when they have children together.

**Q160 Sir Peter Viggers:** The gender pay gap is mostly driven by the occupational segregation in the City, the fact that women tend to take lower paid jobs than men, but while this issue is important there is also an in-grade gender pay gap. Do you think you did enough in your report to get figures which would have allowed you to assess this gender pay gap?

**Mr Phillips:** I think the straight answer to that is that we did enough in the first two phases of our inquiry to identify it. In phase three of our inquiry, which is going on now, where we are working with the industry, we hope to be able to interrogate that further.

**Q161 Sir Peter Viggers:** Good. How much of this is a City problem compared to a problem of gender aspirations? Do we all need to do more to encourage girls at school to think more broadly and ambitiously about their careers?

**Baroness Prosser:** The work that the Women in Work Commission did on the gender pay gap generally, which was not, of course, focused on any particular sector but looked across the labour market, determined, following taking evidence from employers, from the trade union side, from organisations that work on these issues, et cetera, that actually this all starts in school. "Ill-advised" may be too strong a way to put it but lots of girls do not get sufficient push in school to raise their aspirations, and the general segregational nature of advice from careers officers (information advice and guidance officers as they are called these days) still continues to encourage girls into one particular type of learning, which leads, of course, to one particular type of employment prospect as against boys who they seem to push in a very different direction.

**Q162 Sir Peter Viggers:** Looking at the vexed issue of pregnancy and maternity leave, it is a known fact that women who take time off during child bearing miss out in their careers opportunities within the office space, the workplace, but do you think there are compensating advantages such as resilience, wider experience, learning about multi-tasking and a better perspective on work/life balance which employers should be taking into account in assessing this period away from the immediate workplace?

**Baroness Prosser:** That perhaps leads to the question of what sorts of talents or what sorts of working styles are employers looking for. Lots of things that women do in their lives when they are away from the workplace, perhaps bringing up children, can contribute to a much rounder way of dealing with

work in the workplace but quite often those kinds of experiences and talents are not recognised at all. They are not the hard-edged skills which many men during that period would have been gaining, so there is an under-recognition of those kinds of roundings which a woman would achieve during that period, but there is also much more that a company can do to ensure that the woman remains attached to the workplace. You can have opportunities, and some companies do this, for women to come in regularly to talk through advances and changes that are going on in the workplace, making sure they are included in electronic communication, of course, nowadays, through which is hugely easy to make sure that people are in the loop, in order to ensure that women receive the journals that they used to receive while they were in the workplace. All kinds of very simple things can be done so that the woman does not become semi-detached from what is going on in that particular workplace.

**Q163 Sir Peter Viggers:** In reply to an earlier question you said, I think a little opaquely, talking about the treatment of pregnant women and women taking pregnancy leave, "There is a bit more behind it". What did you mean?

**Baroness Prosser:** When I was a commissioner on the Equal Opportunities Commission for something like eight years during the 1980s, by a mile the highest number of queries we ever received was from women who had felt that they had been unfairly dismissed or unfairly treated in the workplace because of pregnancy, and that was before the maternity leave arrangements were as extended, or some people might say as generous, as they are now. That is what I mean by there is something else going on there.

**Q164 Mr Love:** Can I turn to the issue of the pay gap? It has been suggested to us by previous witnesses that there ought to be equal pay audits, with opinion being divided on whether they should be mandatory or not and who should see them. What is the Commission's view?

**Mr Phillips:** The Commission's position is that equal pay audits can be and often are valuable. 23% of the firms that we surveyed recently use them. They do not find them particularly onerous. We think that over time more companies will begin to use them. We do not at the moment see the case for them being mandatory. We think that at the moment the priority is to ensure greater transparency around pay. We think that will help us to make more progress at the present time.

**Q165 Mr Love:** Talking about transparency, that was one of the recommendations in your recent report, yet many people, if I can put it this way, turn the table on you. You are the regulator. What are you doing to increase transparency, particularly in the financial services sector?

**Mr Phillips:** I think the first thing that we are doing, and one of your witnesses later this morning may well speak about this, is working with the Government to produce a piece of legislation

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through Parliament that will ensure that companies have (a) the incentive and (b) the means to demonstrate transparency. As you will know, in the Equality Bill it is proposed that there should be a power for the relevant Secretary of State to require companies to produce information. As we understand it, this Government does not intend to invoke that immediately. What they have asked us to do is work with the TUC and the CBI to come forward with transparency measures and metrics that will help companies to be more transparent and we hope to be able to report on that in a couple of months' time. Our aim is that within the next two or three years it should become normal for companies to demonstrate the relative pay of men and women and that, we think, will give people an incentive to close the gap.

**Mr Wadham:** If I can just add to that, this is in a sense based on our use of our powers to force companies to be transparent. We wrote to 50 companies, as Trevor says, saying, "We want you to disclose to us exactly what the position is in relation to the payment of men and women", and they all did so and they complied. That is not something we could do for the whole industry or all of the firms in this country but this is the beginning of the process of us using those powers to ask the question about transparency and tell us, and, of course, not surprisingly, some of those companies were not able to tell us. They did not even know the answers to the questions themselves, though some, as Trevor says, were able to do so and to do so quickly.

**Q166 Mr Love:** You have talked about the Equality Bill and the steps that will be taken to move these issues forward, but we have had an Equal Pay Act for 40 years. If that is the case, that we are recognising that previous legislation has not really taken us very much further forward, will parts of the Equality Bill that address these issues be enough?

**Mr Phillips:** Margaret may have more to say on this but I think it is important to get this in perspective. It is not that the gap has not closed; the gap has closed substantially since the Equal Pay Act. The fact that we want to make more progress and that we recognise that we are not in a good position should not put us in the position of saying that everything that has been done over the last 30 years has not been worthwhile because the gap has come down. What we recognise is that we are now in a place where some of the old reasons for the gap, which are straightforward bigotry, frankly, are less a feature of working life and what we now need to tackle is the other components of that gap, the cultural problems, and some of the things which we would not have anticipated. For example, if I may very briefly, Chairman, come back to Sir Peter Viggers' point, one of the things that we discovered in the research that we did for our report was that the financial services industry has a very particular age structure. It hires and promotes preferentially between 25 and 39, and that in itself immediately poses a disadvantage to women and that is partly to do with the fact that the culture of the industry effectively says that after 40 you have not got

anything to contribute. That is another factor which in a sense looks like an age effect which, if we were to fix it, would produce quite a dramatic effect on the fortunes of women.

**Q167 Mr Breed:** Just moving on to equal pay audits, do you think equal pay audits ought to be an element of good corporate governance?

**Baroness Prosser:** I think that equal pay audits for many companies ought not to be an administrative problem and that it should be quite easy to produce the information. There are numbers of people who have argued, and I think there is a deal of support for this argument, that there should be such a report contained in a company's annual report.

**Q168 Mr Breed:** Under corporate governance?

**Baroness Prosser:** Under corporate governance, indeed, but it would be foolish to think, as some people do, that the production of equal pay audits will solve the equal pay problem because it will not.

**Q169 Mr Breed:** I agree with that and it would be useful to have transparency. We heard from some banks that the bonus awards have to go through their HR departments, yet your report indicates that there is usually complete discretion as to how these bonuses are awarded. Do you believe that the two banks that came and spoke to us are perhaps exceptions or do different types of companies operate these bonus award systems in different ways? In particular what we want to know is can you give us any examples of types of companies that you believe are particularly bad in the way in which they organise their bonus awards?

**Mr Phillips:** I think the answer is that any bank which says that because you run the paperwork through HR that takes the discretionary element out of the awarding of bonuses is just kidding itself and is attempting to kid you, and I very much doubt if that is going to work. The gap is 80%. That is not something that is an administrative problem; that is a massive cultural problem, so I think the straight answer to this is that people are going to have to do a lot more.

**Q170 Mr Breed:** Are they particular types of companies—banks, hedge funds, insurance companies, brokers? Are there any types that are particularly bad or is it across the board?

**Mr Phillips:** To be honest, I cannot tell you the answer to that, but what I can do is say that we will have a look at the data. We did not interrogate it on that particular question but I think it is an important and interesting question and we will have a look to see if there is something that we can tell you that is concrete from the evidence we have collected on that.

**Q171 Mr Todd:** Looking at flexible working and parental leave arrangements, one is struck by procedural compliance and practical defiance. Is that your view too?

**Baroness Prosser:** Certainly in this sector this study demonstrated that that is a massive problem.

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**Q172 Mr Todd:** So there are some handsome policies but they are just not being followed?

**Baroness Prosser:** Little attempt, it appears, to turn policy into practice.

**Q173 Mr Todd:** So the critical issue, as Trevor has already said, is confronting the culture. How do we do that?

**Mr Wadham:** I think that is quite difficult. The report that we have published today in relation to fathers and flexible working, taking time off, et cetera, creates a problem for us, not just because there may be issues with the company refusing but also that there may be issues about whether people feel happy about asking for or taking it because of the extent to which they believe it may prejudice them within their company, within their career, et cetera. We are a long way from just saying that because you have got a policy that is sufficient to fix the problem.

**Q174 Mr Todd:** I agree, so what are we going to do about it?

**Mr Phillips:** Can I say that I think the first step is to take the fear out of it? Employers have fear that if they get it wrong they will be subject to an ET and all of that, so in practice what we have done is that we have published, as I referred to earlier, an essentially easy-to-read guide to flexibility with case studies which say, "If somebody comes to you with a request, here is what you may do, here is what you may not do, here is how you remain safe, but also here is how you can make it easy for yourself and we can show you the examples". In a way it comes back to the first point that your Chairman asked us. This is the point about being the regulator. Rather than rushing around beating people up I think the first thing we have to do is show employers that they can manage this. Secondly, employees need to know their rights more clearly and we hope, with some of the educative work we are doing, and John has referred to the report on fathers that we published today, we can help to put out in the public domain a clearer understanding to employees about what they are entitled to so that they do not feel that fear. Ultimately, where we think that organisations are resisting or misusing the law, that is where we start to use our compliance and statutory powers.

**Q175 Mr Todd:** Part of the problem is that these companies do not see any advantage to themselves in applying these rules as they are in law. Can I just extend that slightly? I came from a sector where these rules, even 12, 13 years ago, if applied properly, gave you competitive advantage. You were able to retain able, motivated women and get far more value out of your workforce than by non-compliance, but that message has not been properly understood in the sector, so how are we to get across the argument that there is a strong business case for compliance, setting aside for a moment the issue of equity?

**Baroness Prosser:** There are two things to be said. Firstly, I think it is important to encourage companies and to encourage the workforce to see flexibility as something that is available to

everybody, not just certain groups within the workforce. At the moment, of course, the legal entitlements apply to those with caring responsibilities. That sets them aside as somebody who is getting special treatment and can, and quite often does, cause resentment among the rest of the workforce, whereas actually there are lots of people who quite like the idea of flexibility for a whole variety of different reasons, and so there should be encouragement of it across the piece. Secondly, flexibility is being used in the recession by a number of organisations, both in the financial services sector and in manufacturing.

**Q176 Mr Todd:** Yes. I think you are suggesting gender neutral policies, but the difficulty is that until we have confronted some of the cultural issues I suspect those are going to be the kinds of things which will once again go into the policies and be well written but not done.

**Mr Phillips:** Yes. I would not at some level dissent from that, but the truth is on all of these questions when you are talking about cultural change you cannot simply say let us just try and tell people that they should be nicer. You do have to change their behaviour.

**Q177 Mr Todd:** No. I am asking you to tell them to be more intelligent, actually. It is nothing to do with being nice.

**Mr Phillips:** I think telling people to be more intelligent is not necessarily a good way of getting them on your side. All I would say is that if you want to change attitude sometimes changing behaviour is a good first step. For example, we wanted to change people's behaviour in terms of road safety, so we told them they had to wear a safety belt, and today, after a couple of decades, whatever it is, most people would not think of not belting up their children or their loved ones.

**Q178 Nick Ainger:** Can we return to this issue of whether the legislation providing protection for women, particularly maternity leave, does actually have any impact on the recruiting policies and the promotion policies of companies? Nicola Pease was quoted again in an earlier part of this session, but does not the international evidence show that countries that have got even more generous packages for women have got as good and in many cases higher proportions of women in senior management? There is no real evidence, is there, that the current package of protection for women is having any effect?

**Baroness Prosser:** I think the evidence is that because there is a slowness to accepting cultural change there are still lots of companies which do view this in a very negative light. Whether or not the reality is that this makes a big difference is the second question. One of the things that we have said in the Equality Commission is that both in terms of perhaps assuaging the fears that some employers have about the length and time of maternity leave arrangements and in terms of ensuring that women's careers do not get damaged through too much time off because of

the way in which employers treat all of this, and, thirdly, because there are many more fathers who want to participate in the early life of their children in a more meaningful way, what we could do is to move towards sharing maternity and paternity leave in a much more even-handed way than we do at the moment. All the time that we give the greatest length of time, the greatest period and the greatest arrangements to women to stay at home and look after children we are continuing to say that this is solely the job of the woman and we ought to be moving on from that in this modern era.

**Mr Phillips:** If I may quickly add to that and make a direct response to Nicola Pease's comment, I think Nicola Pease may be referring to a workforce that obtained when she started in the City a little time ago. At that point it would have been open to an employer to say, "There is a small number of women applying and they are in a sense marginal". I think for most employers, and most employers will tell you, they just cannot afford to take that point of view because the option is not, generally speaking, "I will not hire a woman. I will hire one of the other 10 million that are available to us". The truth is that by 2020 the labour force will comprise 53.3% men and 46.7% women, so there is not an option that says, "I will get somebody who is not going to have this odd problem of pregnancy".

**Q179 Nick Ainger:** We were talking the other day with Nicola Pease and other women from the City about senior positions, and I accept the point that you are making about the overall workforce but there clearly is a substantial difference, particularly in the financial services sector at, if you like, the lower level where you have a majority of women but when you get to the senior level it is very clear that there is a vast majority of men in these senior positions. I come back to the point that the reason that was given by Nicola Pease was that half of this was down to the legislation. Could you expand on that? Do you think it is down to the legislation or it is a cultural issue and, as other witnesses told us, it is about the demand, in other words, the specific decisions taken by employers, it is down to them; it is not down to the legislation?

**Baroness Prosser:** I think that, as with a number of difficult issues, it is very difficult to isolate one particular aspect of a problem. I think we have to look at the attitude of somebody like Nicola Pease, who has had this long experience in the City, and how that attitude has come about, developed by working within a culture which talks about the sharp and the smart, the fast and the furious, if you like, the 25-39 year old. All of that has to be seen as a piece before you can unpick these different aspects, so I do not think we can fix the maternity attitudes on their own within the financial services sector without looking at their whole cultural approach to the workplace.

**Mr Phillips:** Can I just add one fact because it may help? You are talking about senior positions. Cranfield University found that there are 1,877 women on the boards of FTSE 250 companies, all qualified to be considered for the board of FTSE 100

companies. I think it is really unlikely that maternity leave legislation is what is disqualifying those women. It really is not.

**Q180 Ms Keeble:** I just want to ask a short question about the panel we saw last time. Is it not quite notable that 75% of that panel had different views? One person had this particular view and women have different views, just like men do. Do you agree with that?

**Baroness Prosser:** Yes.

**Q181 Ms Keeble:** In your report you have got recommendations for action, a number of which, which is very remarkable, are things for you to do instead of things for other people to do.

**Baroness Prosser:** Yes.

**Q182 Ms Keeble:** Do you have the powers to carry out all those actions that you said?

**Mr Phillips:** We would not recommend something that we do not have the powers to do.

**Q183 Ms Keeble:** So what level of resources are you putting towards action for carrying these out, given that you are still quite a new organisation and obviously you have a number of conflicting priorities?

**Mr Phillips:** This particular exercise is one of the most important that we are conducting alongside the work that we are doing to develop gender pay transparency and metrics with the TUC and the CBI, so we are devoting a considerable level of priority to this.

**Q184 Ms Keeble:** Specifically for the financial services sector?

**Mr Phillips:** Yes.

**Mr Wadham:** Obviously, there is a problem with resources with all of our remit generally, but in relation to this we thought that this was a key priority for us and those recommendations are recommendations that will lead to our actions and resources should not interfere with that.

**Q185 Ms Keeble:** In some of your earlier answers, Trevor, you mentioned the Equality Bill, and that of course applies to everybody, not just to the financial services sector. Do you see the financial services industry as perhaps having a bit of a totemic role because of the extremes of culture and pay?

**Mr Phillips:** It has a critical role for a number of reasons.

**Q186 Ms Keeble:** Totemic, I said.

**Mr Phillips:** Yes, I understand the word you are using. First of all, there is the size, a million people, 4% of the economy, but, secondly, it has not just associated with it a kind of glamour, an aspirational quality, but, of course, it has an impact directly on other industries. The manufacturing industries, the retail industry, the media industries all have to deal with the financial services business and, therefore, I

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do not know about totemic but it has an important leadership and psychological impact on the way that everybody else behaves.

**Q187 Ms Keeble:** In your discussions so far on this some of your recommendations are obviously about working with the FSA and such like. Have you had a chance to have or have you already had discussions with them and, if so, what has the response been, and what do you draw from that about the timescale prospects of getting a real breakthrough in the short term?

**Mr Phillips:** Our discussions with the FSA began shortly before we published because we wanted to be sure that they were ready to work with us. I would say that they have not progressed that far, but the response that we have had from the FSA has been positive. We think that, if you like, two of the crucial steps will be how the FSA and everybody else deals with Walker, and we think that will be an important aspect of what happens next, and we are looking to see how the FSA implements its part of the recommendations that come out of the G20, which, for example, included a recommendation in this area. I am myself seeing Hector Sants in the next week or two, I think.

**Q188 Ms Keeble:** In terms of the recommendations you have got, it might be that I have just not spotted it but you do not seem to have an awful lot in terms of the role of women on boards. The banks we saw last time were pretty catastrophic, I have to say, on all of this. Do you think it is important that they have senior women there partly to help to act as role models, mentors, and to start to turn the culture around, and not just one woman, like on this Committee?

**Mr Phillips:** John may say some more about this but, first of all, the inquiry was into the gender pay gap and we were not really looking at the governance issues at all.

**Q189 Ms Keeble:** But do you not think that they have a role in dealing with the whole issue of the pay culture?

**Mr Phillips:** They might do but I think it is very important for us not to rest the treatment of women on the likelihood of there being women in senior positions. The institutions should treat women decently irrespective of who is on the board. In relation to your general point, all of the evidence demonstrates that institutions which have more diverse leaderships make better decisions.

**Q190 Ms Keeble:** Have you seen the diversity programme of RBS?

**Mr Phillips:** I have not, no.

**Q191 Ms Keeble:** You have talked quite a lot about pay differentials and so on and you have talked about the financial services industry as if it is one big blob. I have got a big bit of it in my constituency. It has got the headquarters of Barclaycard and a big chunk of Nationwide and they employ a lot of women. They have very good policies around

maternity leave and things like which the women seem to respond very well to. Do you think there is a nuanced approach that is needed because different bits of the industry behave quite differently, but also, perhaps taking account of the point that Margaret made previously, that women can get trapped in something that is quite comfortable and assumes that it fits their working lives and does not encourage them to look for a career and progress?

**Baroness Prosser:** I do not think we have treated the industry as one big blob, actually. I think we have recognised that there are very different cultural behaviours and different circumstances and then very different pay arrangements and pay gaps and bonus gaps in the different bits of the financial services industry.

**Q192 Ms Keeble:** Do you want to say just briefly what you think a key challenge is in a sector that employs a lot of women and then the high profile sector in the City? Could you pick one key factor that you think we should look at?

**Baroness Prosser:** I am not sure that I have given this question much thought, but one of the things I always think is a shame and a waste of talent is that there is insufficient recognition that women working at a particular level may be capable, with a bit of training and a bit of uplifting, of moving up to other levels and therefore a culture within an organisation which gives internal training, internal promotion, internal upskilling to those women would, I think, benefit from first of all those experiences that women would bring but also the opportunity then to bring more women into those more senior positions.

**Q193 Ms Keeble:** And the key factor in the high profile one?

**Baroness Prosser:** I will share this with Trevor.

**Mr Phillips:** In the high profile sector fairness in discretionary pay and fairness at entry and, if I may say in relation to the other one, in three words, fairness in progression.

**Q194 Chairman:** Do you want to leave us with any comments?

**Mr Wadham:** In relation to the point that Sally Keeble asked about, our first recommendation is about leadership from the board. We do not specifically say that that should be a woman but it may be that would be a sensible decision for people to make. It seems to me that people need to take responsibility for this because it is not just an issue for women; it is an issue of ensuring that we collect and use the talent that is available.

**Mr Phillips:** If you would like a final thought, it would be this: most sensible people in the industry understand that its future prosperity depends on attracting and keeping the best talent and it is absolutely clear that at least half, possibly more, of the best talent in this sector now is female irrespective of the issues of entry qualifications, maths and so on. The breakthrough I think we have to make, if you like, in the discourse about this is simply to stop saying either that it is women's own

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fault or that things will just change with time because they will not. There have to be active steps taken to break down the structures that lead to the continuing and chronic disadvantaging of women and the place to start is the point at which women enter.

**Chairman:** Finally, can I thank you very much for your evidence. It is very helpful to us. Sir David Walker will be coming to speak to his report and we will be mindful of the points you have made on that. Thank you very much.

*Witnesses:* **Rt Hon Harriet Harman QC MP**, Minister for Women and Equality, and **Sarah McCarthy-Fry MP**, Exchequer Secretary, HM Treasury, gave evidence.

**Q195 Chairman:** Ministers, welcome to the Committee's evidence session on Women in the City. Can you introduce yourselves for the shorthand writer, please?

**Ms Harman:** I am Harriet Harman, Minister for Women and Equality.

**Sarah McCarthy-Fry:** Sarah McCarthy-Fry, Exchequer Secretary to the Treasury.

**Q196 Chairman:** Welcome. We had an evidence session last week and Nicola Pease, one of the witnesses, told us that legislation and protection is turning women into a nightmare to hire. She said, "I think we get too long maternity leave; I think a year is too long, and I think sex discrimination cases that run into tens of millions of pounds are ridiculous". Has the Government played a part in creating this perceived inequality in society today?

**Ms Harman:** The perceived inequality? Sorry; I just missed that.

**Q197 Chairman:** The perceived inequality: given that Nicola Pease's maternity leave was far too long, women are a nightmare to hire and it seems as if that is going against efficiency in the system.

**Ms Harman:** So have we promoted equality by supporting extended maternity leave? Is that the point?

**Q198 Chairman:** Let me do it again. She told us that legislation and protection is turning women into a nightmare to hire and she said, and I quote, "I think we get too long maternity leave; I think a year is too long, and I think sex discrimination cases that run into tens of millions of pounds are ridiculous". Given this point of view, I am putting it to you that the Government could have played a part in creating the inequality which exists today, given Ms Pease's comments.

**Ms Harman:** No, I do not agree that that is the case. I think the point about maternity leave is that maternity leave is focused on the interests of the child and the ability of the child to have a period of time where the mother, and increasingly hopefully the father, can spend some time with the child in the early months. With many families with both parents working and contributing to the household income, many families headed by a lone parent, it is right that there should be protection for women at work and their children to have time off.

**Q199 Chairman:** What I am putting to you though is that the point made by Ms Pease is that it is maybe good for the family, and you are saying it is good for the family, but is it bad for the industry? That is the point I am trying to get out of you.

**Ms Harman:** No, I do not think it is, and I do not think that you can separate out the interests of the family and the interests of the economy. I think that the public policy imperative is to have a prosperous economy and also to have flourishing families. The children that are babies today are going to be the employees of the future and actually the future economic prospects of the country depend on drawing on the talents and skills of everybody in the country, women and men, and therefore enabling women to balance their work and family lives and therefore to keep them able to play the part that they want to play in the world of work is important for the economy. The change we need is the change which recognises that for women to take time out with a young baby or to work flexible or part-time hours on return from maternity leave is going to be the way of the future and contribute to women being able to play their part in economic prosperity in the future.

**Q200 Mr Fallon:** But her point was not that it is bad for the family or bad for the economy but that the present legislation is bad for women in that they are not getting through to senior positions in the City like she has. She says it is discriminating against them.

**Ms Harman:** I do not accept that.

**Q201 Mr Fallon:** She has worked in the City in eight different institutions. She has held some of the most senior jobs in the City. You have not worked in the City. Why do you think her experience is wrong?

**Ms Harman:** Because I think that it is necessary for financial services, and indeed all companies, to be able to draw on the talents of women and men, to have women and men in senior positions as well as throughout the rest of the company, for a whole range of reasons, and what you cannot do is say, yes, women can play their part but only if they make their children suffer or only if they are childless. Fundamentally I do not agree with that line of argument. I think that we have to have more flexible working, a recognition of maternity leave and take a longer view which is over a lifetime. You have got many years of a woman's work and the fact that she is going to take some time off when her children are young does not mean that she should not be able to contribute later on or before.

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**Q202 Mr Fallon:** But this is her evidence and she works in the City. She has worked in the City for 25 years. She recruits in the City. You do not work in the City. What do you know about it?

**Ms Harman:** Do you want me to say why I think it is important that there are women on boards?

**Q203 Mr Fallon:** I want you to tell us why you think your prejudices outweigh her actual experience as a very senior person working in the city.

**Ms Harman:** I have got a belief about the contribution that women want to make outside the home as well as inside the home.

**Q204 Mr Fallon:** I understand that.

**Ms Harman:** I have got a belief in the public policy imperative of the Government providing a framework which supports families. I have got a belief in the fact that there should be opportunities for women as well as for men. I believe the economies that run on the basis of an old boy network and do not draw on the talents of all the population will not be the ones that flourish and prosper in the 21<sup>st</sup> century. Of course, there is a range of different views and I am putting forward my view, and obviously you have taken evidence from a number of people, but I think the hallmark of a dynamic, forward-looking, prosperous economy, and indeed financial services sector, is one which is diverse, which has women and men working together and not an old-fashioned, backward-looking, men-only, old boys' network. There is a choice.

**Q205 Mr Fallon:** But this is a woman who works in the City who is telling us that more women would get promoted, she said, if you changed the legislation, if you tackled the perverse effect of legislation which is obviously well-meant but is actually now discriminating against women getting to these very senior positions in the City.

**Ms Harman:** I have said that I do not accept that line of argument, and I have said what my line of argument is.

**Sarah McCarthy-Fry:** Could I come in there and say I was not at your session last week but I looked at the video transcript. There were four women there giving evidence, all of whom had worked in the City, and I believe that Nichola Pease was the only one who gave that view out of the four.

**Chairman:** I am glad to see you follow the proceedings of our Committee.

**Q206 Mr Tyrrie:** I just wanted to follow up on two phrases you used. One is that you want to support flexible working. Did you see the evidence that Nichola Pease gave on that, that flexible working was extremely difficult to bring in at a high level of a financial organisation, working in a 24/7 environment, in which people have to be available at very unsocial hours? Do you see a tension between those two objectives, flexible working and the needs of the market?

**Ms Harman:** I think that the starting point has to be do you need women to be able to play their part at the top, and therefore what steps are you going to take to make that possible? Exactly the same arguments were made in relation to women in the House of Commons and in relation to women in government. When I was first elected there was 97% men in the House of Commons and only 3% women and it was said that it was not possible for women to play their part, and in fact, John Major's first Cabinet was a men-only Cabinet and actually, my arguments in relation to why we need women at all levels in the financial services sector I think are the public policy imperative behind which you then mobilise the policies to make that happen. The first is the talent pool point, that if you are only looking at half the population, you are only looking at half the brains, half the commitment and therefore you are not being meritocratic because you are artificially blinkered. The second is that the financial services industry is delivering to a customer base of individuals and businesses which have women participating in them as well as men, and a men-only leadership of financial services does not actually understand the female customer base. The idea where there used to be one cheque book in the family and the man would sign the cheques and he would have the relationship with the bank manager, those days are gone and therefore the customer base for financial services is now women and men.

**Q207 Mr Tyrrie:** We are moving a long, long way away from a very straightforward question, which is whether there is a trade-off between the desirability of flexible working, which you have described as a public policy imperative, on the one hand, and the needs of the market, the profit motive, on the other. That is the question I am asking.

**Ms Harman:** But I am answering, because this is about the needs of the market, which is what are the imperatives. So tackling group-think, which is my third point, which is that if you have a homogeneity on your board, you do not have the 360 degree view, you do not have challenge, and therefore you are more likely to fall foul of risk. Fourthly, you are never going to drive through a 50% female work force; you will never drive through family-friendly policies in that workplace with a men-only board, and finally, it is discriminatory. Those five points are what I would say is the public policy imperative and therefore there are issues and challenges to be faced when you are diversifying top management or indeed a work force, but it is worth dealing with those challenges rather than wringing your hands and saying it is all too difficult because of the public policy gain that you make of instead of having what I would call a nightmare of men-only boards—I mean there are a number of nightmares . . .

**Q208 Mr Tyrrie:** It is a yes or no question: is there a trade-off or not? Can you say whether you think there is a trade-off or not?

*Ms Harman:* No, because there is a greater good.

**Q209 Chairman:** Can I just say, we are finishing this session at half past eleven. We have a lot to go. Let us have brief questions and brief answers.

*Sarah McCarthy-Fry:* Can I come back on flexibility?

**Q210 Mr Tyrrie:** Can I just clarify? I think the answer you gave was no, there is no trade-off because there is a greater public good than there is any loss of private profit.

*Ms Harman:* No.

*Sarah McCarthy-Fry:* I am pretty sure that is not what was said and I want to pick up on the flexibility point.

**Q211 Chairman:** Sarah, you answer.

*Sarah McCarthy-Fry:* You are talking about a trade-off between flexibility and profit within an organisation, and I think it is very easy from some of the evidence you have had from people that have worked in an organisation that has had a culture for a long period of time that this is the way we deliver profit and this is the way we organise things, and these are the hours we work or, rather, these are the hours we sit in the office, which, in my experience, is not necessarily the same as the output. I agree with Harriet that we should be having a greater diversity, for all sorts of reasons, for the public policy, for the family, but also I think it is in the commercial interests of firms to do this because of their diverse customer base. Therefore I think we should be looking at whether there are different ways we can deliver which are more sympathetic to having a more diverse work force. So yes, of course there is a trade-off but there is not the direct trade-off more flexibility equals less profit, less flexibility equals more profit. That is definitely not the trade-off.

**Q212 Mr Tyrrie:** Will flexibility lead to more profit?

*Ms Harman:* Ultimately, the answer is yes, because you actually are able to not exclude . . . My point, Andrew, is that actually, if you want all the brains, you are only getting 50% of the brains and commitment and ability if you are only looking at men, and therefore you have to have structures which allow you to include women, because women can participate in the future prosperity of the economy and profitability of the company.

**Q213 Mr Brady:** Harriet, are women better at some things than men are?

*Ms Harman:* That is not part of my argument.

**Q214 Mr Brady:** No, I am asking the question: do you think women are better at some things than men are?

*Ms Harman:* I think that women's lives are different from men's lives, women's experiences are different, and therefore they bring a different perspective, and therefore a board of men and women is better than a men-only board. So actually, a team of women and men is better than a men-only team.

**Q215 Mr Brady:** So women may have different aptitudes than men?

*Ms Harman:* Not necessarily aptitudes. I am saying that women's experiences are different from men's.

**Q216 Mr Brady:** You were talking in response then particularly about board appointments. There was a response given by Ros Altmann last week; when she was asked what advice she would give to women wanting to progress in a City career, she said, "I advise them to look at the asset management side rather than the trading side because they are more likely to get on there." Is that because that is just the culture there or is it because there are different skills and aptitudes required for different aspects of financial services?

*Ms Harman:* No, I do not advance the argument to the Committee that there are certain things that women are good at doing and certain things that men are good at doing and therefore, looking at work which draws on one set of qualities rather than another, that is where women should go forward to. I do not advance that argument.

**Q217 Mr Brady:** So you think there should be equal representation of men and women in all aspects of financial services?

*Ms Harman:* I think that you need a diversity at the top of financial services in order to make sure that all the structures within companies are accessible to women and men, depending on their individual merit and talent, and you do not actually want any area to be blocked off to women by old-fashioned structures which value you not on the amount you contribute in each hour you work but simply by the number of hours you work, which is the menace of presentism: value equals the number of hours you work, which is not actually the case; it is what you do during your working hours.

**Q218 Mr Brady:** Sarah, we have been discriminating in favour of Harriet so far. Perhaps I can ask you a question. In the Treasury, what percentage of senior officials are women?

*Sarah McCarthy-Fry:* In the Treasury itself? I will have to find it.

*Ms Harman:* I think it is about 19% in the Treasury as a whole, and actually, we very much take the view that the public sector needs to be going through that culture change as well. It is not that we are sitting here in the public sector saying the public sector is doing everything right and the private sector is not.

**Q219 Mr Brady:** Is there a Treasury Minister whose responsibility it is to see that percentage increase?

*Sarah McCarthy-Fry:* The Treasury take that on as a whole. It is part of our PSA 15 about our diversity.

**Q220 Mr Brady:** You have only 19% so far.

*Sarah McCarthy-Fry:* We are moving up. Our 2008 target was 37% of women in the SCS and 30% of women in grades G and above. Progress as at April 2009 on the women in the SCS we have got 39.6%. Our progress in grades G and above is not so good, 17.4%, but we are working on it.

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**Q221 Chairman:** So overall it is not so good in the Treasury.

**Sarah McCarthy-Fry:** We are working on that, as we are in the civil service as a whole and, of course, very often we find people move on and we can get to somewhere with people in the senior team, and then people are promoted and move to a different department.

**Chairman:** Work in progress.

**Q222 Mr Breed:** Talking about women being blocked, when we asked a witness whether women were being blocked from the highest paid jobs, she told us that this was not the case and that women were choosing not to do those jobs for a variety of reasons. Is that how you see it?

**Ms Harman:** I think that, bearing in mind that women still have the main responsibility for caring for children and older relatives, if you set the terms of participation such that you have to have completely delegated your family responsibilities, you will set terms on which it is difficult for women, or many women do not want to participate on those terms, but if you want to make sure that you do not have, as I say, the nightmare of men-only boards, then you actually have to change the terms on which men and women participate, you have to change the culture, you have to change the working practices, because the greater good you are aiming for is to make sure that you have diverse boards and you have a proper, meritocratic approach.

**Q223 Mr Breed:** If a company singled out a particular woman who was clearly extremely able and they wanted her to undertake a more highly paid and more responsible job, do you not think that they would be able to come to some reasonable terms with her to enable them to secure her efforts for the firm and also to address perhaps some of the personal aspects of her life? Do you think they would just say, "You are very good but, sorry, because you do not fit into this particular one, hard luck"?

**Ms Harman:** I think you have to look at the pattern, and if you see that although something like 50%—and I am sure Trevor and Margaret would have given you all the figures—of people working in financial services are women, yet men in financial services are paid something like 44% more than women, you have to ask yourselves the question are the women 44% less intelligent, less committed, less hard-working, or is it that the system, by the way it is structured, discriminates institutionally against women and therefore they are not able to play their full part? You have to believe one or the other: either you have to believe it is institutional gender discrimination or you have to believe women in financial services are 44% less valuable than men in financial services, and I do not accept that.

**Q224 Mr Breed:** Or is it really that averages do not work when one particular sector of the financial services industry in terms of its total number of people employed in that generates a significantly higher proportion of the total revenue, and in that particular case therefore distorts averages, because

we are looking at one particular element of the trading, bond trading and hedge fund activity, which then blows out of the water the idea that you can average things right across the piece, including insurance companies in Edinburgh, for instance? When you start to include the whole sector, averages do not necessarily work because you have such a huge distortion because one particular smallish part of the financial services sector distorts the whole programme. So averages do not work.

**Ms Harman:** I think they do; they show a pattern, and if you are suggesting that the rest of the financial services sector do not have a pay gap, and it is just a big pay gap in one part of the financial services sector, I do not think that that is actually the pattern.

**Q225 Mr Breed:** Have you done any investigation by taking out perhaps the very large earning sector which may be male-dominated? If you took that out and then tried to average across the rest, would it not be a much closer pay differential?

**Ms Harman:** In order for this to be looked at I asked the Equality and Human Rights Commission to do an investigation into financial services and that is what they have done, and I know they have reported on that to you.

**Q226 Mr Todd:** If you examine the employment regulations, the handbook of most of these companies, they are compliant with the law but in practical terms they are not, so there is a large cultural chasm which we have to bridge. The Government has tended to focus on simply trying to make sure that people have the appropriate rules in place. Should our focus not be on changing the culture and practice of this sector?

**Ms Harman:** I think one of the ways that we can challenge the culture and practice is by challenging the culture of secrecy about pay, because I think what companies tend to do is to say, "We've got equality here. Yes, the overall figures don't apply to us."

**Q227 Mr Todd:** Sorry, Harriet. I was focusing on issues such as flexible working and maternity or parental leave in terms of compliance. The evidence that we have seen is that most of these companies have good handbooks which say what they are supposed to be doing but in practical terms, that does not deliver.

**Ms Harman:** Yes, but the reason I was talking about pay is because the end result of not allowing flexible working, not allowing people to take senior jobs if they are part-time, is that the women in employment are clustered at the lower level and do not have opportunities to go to the senior level. So you can tell whether or not a company has practices which enable women to combine their work and family roles, not just by looking at their handbook about the law but by looking at the outcome measured by pay, and that is why we place great emphasis on pay transparency and a requirement ultimately for firms over 250 to publish what they pay.

**Q228 Mr Todd:** When I used to run businesses I was in a sector where, if I did not get the maximum value from highly intelligent, able women, I would be doing a pretty bad job for my company. We have not got that message across, and to some extent Andrew's questions earlier gave evidence of that. We have not got across the message that this is more than compliance with the law. This is actually modern, intelligent practices in which you maximise the use of your human resources. How do we get that message across with exemplars of the advantages companies gain from appropriate use of the resources they have available to them?

**Ms Harman:** One of the ways we are seeking to get the message across is to work with the CBI to develop a pledge, so each company will pledge to increase the number of women it has at the top level and ensure that there is more equality of opportunity within their company but I think that as government, what we have to do is make sure the levers are there for change and to make the argument. I think still it is not necessarily accepted that a company which has a men-only board with 50%—

**Q229 Mr Todd:** To be honest, a company that does not utilise the qualified resources that are available to it is losing advantage in the marketplace.

**Ms Harman:** Exactly.

**Q230 Mr Todd:** That is not properly understood in the sector. I came from the publishing sector. It would be crazy to have practices which excluded large numbers of women at senior and more junior levels. Although I have to say in my company there were some who still practised that approach, they led failing parts of the business. It is just simply muddle-headed, crazy ideas but, trying to get that message across, I think we are focusing on the wrong targets. Simply seeking compliance with a rule book is not going to get the message across. They have to understand that they can do better as a business by applying these practices.

**Sarah McCarthy-Fry:** Can I come in there, because you were talking very much about the publishing sector and about other sectors and I think it is quite clear from the research we have seen that the financial services sector is lagging behind other sectors, which is why you are having this inquiry here, which is why we have the EHRC. I want to pick up on the work the FSA is doing because, of course, as a public authority, the FSA does have the statutory duty of gender equality, and the FSA has set out a plan on how it is going to implement that gender equality scheme and I should point out that 50% of the Executive Committee of the FSA are women, so they are also practising what they are preaching. They want to create ways for sharing what works, they want to share good practice within the FSA and work with other external bodies. They take into account diversity issues when they are vetting candidates for their significant influence functions in their relationship-managed firms, so where they have a relationship, where there is a special manager with a firm, they are making sure

that diversity factors are taken into account when they vet candidates to do that, so the people they are sending out do it, and they have added to their new code of practice on remuneration policies for major deposit takers that they have to take into account their statutory duties in relation to equal pay and non-discrimination. So they are actually raising the profile within the financial services sector, but we all know there is more to do. That is why we are having this inquiry.

**Chairman:** We will not need to invite Hector Sants along then!

**Q231 John Thurso:** Can I come to this question of women on boards, the nightmare you describe. I actually think it is much deeper than women-men. I think diversity across a whole range of characteristics on boards is very sadly lacking from my experience of sitting on them. Trevor Phillips left us with two thoughts, one which you have been discussing with Mark, that this is a talent pool that cannot commercially be ignored; it has to be taken into account. The second point he says was that you have to take active steps to get there; it is not going to happen on its own; people are not going to change. We have heard about what has happened in Norway, where they have simply legislated for the top public companies to have 40% women on their boards. Should we not just grip this and pass legislation or ask for the model code to be changed for the top FTSE companies and just make it happen?

**Ms Harman:** I think Norway is a very interesting case. They are not within the EU so they do not come within the positive action, positive discrimination regulations that there are within the EU, and they have a much smaller corporate sector, but I do totally agree with Trevor Phillips about the point of the talent pool, and that was the first of my five points about why there is an imperative on this.<sup>1</sup> I also agree that there have to be active steps on this and I think there is an opportunity in Sir David Walker's review to recognise that it is not only about creating prosperity but what goes hand in hand with that, which is aversion to excessive risk, which is obviously the subject of part of what he is looking at, and it is important for him to take the opportunity of making recommendations about the action that could be taken on that.

**Q232 John Thurso:** The problem is to a certain extent that if you want to see change, one argument is, if you want people on boards, you have to do the work further down in order to create candidates who can get on to the boards, which seems to a certain extent to be a cop-out. The other way of looking at it is to say you will not get those people until you have changed the culture of leadership on boards, so if you insist on the boards, you will achieve the aim lower down. Do you have a view as to that dilemma and what should be done about it?

<sup>1</sup> Ev 79.

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**Ms Harman:** I do. We are not proposing that there should be the Norway quota system but we do think it is necessary to bring about the change. I do not think we accept the argument that you have to stick within the conventional assessment of what constitutes relevant experience and thereby have such a narrow definition that women never qualify and their experience is not taken into account. I do not think that we are at this stage proposing a Norwegian-style quota system but we are very clear that we need to make progress.

**Q233 John Thurso:** If we do not go down a route of some form of legislation—and it might not be parliamentary legislation; this could be something that could be looked at in codes of governance by looking at the model code, or recommendations on a comply-or-explain basis. If we do not go down that route, are we not just left with exhortation and are we not saying that quite a lot of years of exhortation has produced no real result?

**Ms Harman:** The first time there was ever a look at board-level participation of women was when I did the FTSE female index, which I think was in either 1999 or 2000. So the idea that we have had decades of concern about this which is not being followed by action . . . I think this is actually a relatively new argument. I think that the mechanisms of transparency and seeking for the sector to take action itself are the first steps that need to be taken.

**Q234 Sir Peter Viggers:** The facts revealed in this report are really quite stark, with enormous gaps between the treatment of men and women in terms of recruitment, promotion and pay, with a gender pay gap of 60% in the financial services sector compared with 42% elsewhere. Given this evidence, are you content with the functioning of the Equality and Human Rights Commission and the other bodies such as the Women in Work Commission?

**Ms Harman:** I think that they have done very important work in that report, shedding light on the problem that there is and prompting the debate about how to address the problem but I think we are still at the stage of winning the argument that it is a problem. There are still many who do not recognise the idea that a men-only board is clearly not one which is recognising all the talent and ability within that sector. So I think we have to very strongly continue to make the case about why it is necessary and obviously then we have action through the Equality Bill, which will allow positive action so that employers who want to diversify their management teams will be able, when confronted by a man and a woman with equal experience, to say, “I am going to take the woman because she is a woman because I need a more diverse management team.” So in the legislation coming through in the Equality Bill we have an opportunity to take further positive action which is not there at the moment.

**Q235 Sir Peter Viggers:** Does the Equality and Human Rights Commission, enhanced with the role which will be given to it in the current legislation, have enough powers to fulfil its role?

**Ms Harman:** Yes, I think it does and it plays an important role but, obviously, if people want to suggest what additional powers it should have, we would look at it.

**Q236 Sir Peter Viggers:** Sarah McCarthy-Fry referred to the Financial Services Authority. It is the EHRC which is tasked with gender equality and yet the report here says that the statutory duty to promote gender equality applies to the Financial Services Authority, which is the single regulator of the financial services industry. Is there some confusion here?

**Sarah McCarthy-Fry:** No. The Equality Act places a statutory duty on all public authorities to have regard to the need to eliminate unlawful discrimination and harassment and promote equality of opportunity, and that was something we put in the Equality Act to make sure that, in the public sector at least, we were able to put that statutory duty on public authorities. The Equality and Human Rights Commission has an overarching role.

**Q237 Ms Keeble:** I wanted to ask a bit about very high-profile anti-discrimination cases that there have been, which should help to unblock some of the problems in the sector but they take up to two years to settle and are often settled out of court, privately, and perhaps do not achieve the kind of culture change that we thought they might. Do you think any changes are needed to the procedures or to the legislation there to make those cases easier to pursue?

**Ms Harman:** I think that the question of bringing about systematic change by individuals acting on their rights is . . . I think it is very important that individuals have rights so that, if they are subjected to discrimination, they can take individual action but actually, the pattern that we are looking at in financial services is not about the problems of each of those individuals; it is actually a systemic problem. In fact, a very big burden falls on the shoulders of any woman who is taking a discrimination claim. It is a very difficult thing to do and I imagine that the overwhelming majority of women who feel they are discriminated against do not take individual claims. Bringing about some systematic change, you have to do more than simply give individuals rights, and that is why we are looking to the Public Sector Duty, that is why we are looking at permission for positive action, that is why we are looking at pay transparency, and we have to approach it on a systemic basis and, obviously, we are always looking at how we can improve the Employment Tribunal's workings.

**Q238 Ms Keeble:** I wanted to look particularly at the role of legislation because we have talked about exhortation and procedural changes. In terms of legislation, it has taken quite a long time for equality legislation generally to have the kind of social impact that we want and for it to work through the system. With the forthcoming Bill, how would you expect to see it work in action and what kind of

safeguards and procedures are you putting in place so that it will come into effect and have force rather more quickly than some of the other anti-discrimination legislation?

**Ms Harman:** I think the shift with the new Equality Bill is that in the past, if you were a disabled person who was discriminated against, you could take an individual case. If you were a person from a black or Asian community and you were discriminated against, you could take an individual case. The shift we are saying is that it is not the problem of the disabled person or the problem of the black or Asian person; it is a systemic problem and therefore we put a high priority on two things. One is the Public Sector Duty, so that all the public sector has a duty to promote equality as well as eliminate discrimination, and take responsibility for that, and secondly, transparency so that you can actually see what is going on and mark progress year on year, and thirdly, using public procurement to ensure that that helps as a lever for change in the private sector.

**Q239 Ms Keeble:** But that is the public sector, not the private sector. The duty is on the public sector, not the private sector, and the issue here is trying to get the private sector to change.

**Ms Harman:** Two of those three things I mentioned were to do with the private sector. One is the Public Sector Duty and the other is procurement, and the third is transparency. Both of those latter two apply to the private sector; a great deal of the private sector does provide goods and services to the public sector, so procurement is a major lever. Transparency allows shareholders, consumers and employees to see what is going on in their firm.

**Q240 Ms Keeble:** How are you going to ensure that shareholders and others actually take up the transparency issues which are going to be absolutely critical, for example, with pay issues?

**Ms Harman:** Companies of over 250 will be required to publish on average what they pay their male employees per hour and what on average pro rata they pay their female employees, and that will be in the public domain for employees themselves to see as well as shareholders and consumers. At the moment if you buy an egg in a supermarket, you can tell whether the chicken has been happy in its life but you cannot actually know whether or not the employees in that company are being treated fairly and equally.

**Q241 Chairman:** I do not understand that.

**Ms Harman:** Basically, transparency is recognised; it is the power of consumers and shareholders. People are interested in ethics and how a company does its work, and people do make choices based on the information that they are given. I have given an example that they are given animal welfare information but they are not given staff welfare information, but they will be under the Equality Bill when it becomes an Act because there will be a requirement about transparency of pay of men and women.

**Q242 Ms Keeble:** Can I ask a further question? You have said quite a lot about this issue. What steps are you personally taking to take this forward, including working with the Equality and Human Rights Commission?

**Ms Harman:** It is the Equality Bill; I think that encouraging Sir David Walker to take this issue seriously in his review; I am looking forward very much to the recommendations of this Committee; and making the argument, above all, that this is in the interests of our economy for the future and that it is a hallmark of a potentially successful economy that it is not blinkered and part of the old boy network. It is about changing it from doing women a favour to actually the necessity of women as well as men playing their part in the economic prosperity for the future.

**Sarah McCarthy-Fry:** Can I pick up on the Walker review, because, of course, we are looking at the effectiveness of board practices and the role of institutional shareholders as part of the Walker review's remit. We are hoping what is going to come out of that is a more structured evaluation process of boards. While he does not have a specific remit for gender equality, all the things we are asking him to look at will have an impact on gender equality. If we are looking at the balance and skills and independence of the boards of UK banking institutions that must cover the overarching—

**Q243 Nick Ainger:** Coming back to the transparency issue on pay, the Equality and Human Rights Commission has suggested that you need to strengthen the secrecy clause in the Equality Bill. At the moment it means that an individual who has disciplinary action taken against them, is dismissed or any other action, for discussing pay with a colleague under the Bill they will be able to bring a victimisation action against their employer. The EHRC are saying you should turn that round and there should be just a complete ban so that employees are not barred from discussing their individual pay. Will you alter the Bill in the line that the EHRC are suggesting?

**Ms Harman:** Extraordinarily, apparently about one-fifth of contracts have within them a standard clause which prohibits you as part of your contract of employment speaking about your pay. The Equality Bill will ban those secrecy clauses. I think I had better have a discussion with the Equality and Human Rights Commission about why they think that that ban we have put in the Bill is not sufficient. It is our intention to ban those secrecy clauses and therefore there will be nothing to stop employees talking about their pay and it cannot possibly be regarded therefore as a disciplinary offence. There must be some technical issue. Our intention is to have a clear ban in the Bill on those secrecy clauses, which are still astonishingly prevalent.

**Q244 Nick Ainger:** Final point: this Committee has received evidence from women. A lot of it is anonymous because obviously they are concerned to protect their position because they feel they may well be victimised. In the Equality Bill obviously there

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will be a lot of changes. Is there anything there that can actually give reassurance to women that when they feel they are being victimised, that their employers are not complying with various pieces of legislation that have been passed and the new legislation in the Equality Bill? At the end of the day this is down to cultural change, and in many cases it is down to individual women making their voices heard that they have been victimised, but if they still feel that if they put their head above the parapet they are going to suffer personally as a result of that, then we are not going to get the change that we want to see.

**Ms Harman:** I agree with that, and that is why you have to have a critical mass of women, and therefore one woman in senior management or one woman on the board or one woman in a particular sector is not enough because they are still obviously very much the minority. Therefore you have to have a critical mass. It is really when the numbers change that we will see the climate change, and I think it is important to protect people's rights to complain if they are victimised, but we need the systemic change which means it is not just one individual woman being victimised who you are protecting but you have a balanced team of men and women working together.

**Q245 Nick Ainger:** You indicated earlier that you were not at this stage in favour of quotas for boards but if the change does not happen, at what stage do you say we are going to have to follow the Norwegian model, which is also being looked at in France and Spain, I understand?

**Ms Harman:** I think the thing is that it is not the Government's proposal to do that at this point. I know Spain is looking at it. There is a different model of corporate governance in Germany and therefore they are able to do different things, but I think the starting point should be that we have to have change for the five reasons I set out. Therefore we will be making progress along with the Equality Bill, with the work we are doing with the CBI, and if that does not deliver the change, you obviously have to look at further steps if you believe the objectives are important, which we do.

**Q246 Chairman:** In the course of this inquiry we have heard that the financial services industry is one of the worst in terms of tackling gender pay gaps and

that leads to inequality at all levels but we have to remember that London is a world financial centre. I put it to you, will more diversity threaten that position of London or will it make it even stronger?

**Ms Harman:** I think it makes it stronger.

**Q247 Chairman:** Why?

**Ms Harman:** Because women's role in society is changing, not just in this country, not just in Europe, but throughout the world, and actually, those economies and those societies which are patriarchal, where women are excluded, are not the countries, the economies, the businesses that will be successful in the future, particularly in a global economy. Look at a board which is all white men and think of the global economy, and then think of a diverse board which has women and men, people from different ethnic backgrounds—which one is looking to the future? Which one is looking globally? It is backward-looking. It is a sign of old-fashioned attitudes and old-fashioned cultures which exclude women, which says "You do not have a role here if your face does not fit." The consumers of the future are diverse and therefore the people who are running the companies need to understand the consumers of the future.

**Sarah McCarthy-Fry:** Can I just say that in our *Reforming Financial Markets* White Paper we are looking at what the landscape of the financial sector is going to be as we go forward. We are very clear in that, in order to balance risk and in order to go forward, we are looking at a diversity of provision of the financial sector, so we have different models, a diversity of models, so that we are not exposed to one particular type of model. I would argue that that premise holds just as much for boards, that there is a risk in boards if we are just focusing on one model of board which is white and male. We are closing ourselves to risk. I think we should have much more diversity at the top and in as much as we have a diverse provision of financial services, we should have a diversity in the boards that run those financial services.

**Q248 Chairman:** We have had two evidence sessions and the evidence has been fascinating. No doubt we will be making our way through that and providing written comments. Can I thank you for your attendance this morning. It has been very helpful.

**Ms Harman:** Thank you for doing this inquiry. I think it is going to be very important.

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# Written evidence

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## Written evidence submitted by the Association of Chartered Certified Accountants (ACCA)

### 1. INTRODUCTION

1.1 The Association of Chartered Certified Accountants (ACCA) welcomes the opportunity to respond to the Treasury Committee's inquiry into women in the City.

1.2 ACCA is the global accountancy body with over 131,500 members and 362,000 students worldwide, whom we support through a network of 82 staffed offices and centres around the world. ACCA has its headquarters in London and 163,650 of our members, students and affiliates are based in the UK.

1.3 ACCA was the first accountancy body to admit women to its membership in 1909. In terms of the demographic of ACCA students, 49% of the UK student base is female. The core values of the organisation today—opportunity, innovation, integrity and diversity—are consistent with its founding principles, for example in relation to social mobility, fair access and routes for progression.

1.4 11 of our 34 strong senior management team around the world, including our CEO, are women (32%).

1.5 In compiling this evidence, ACCA has consulted many of its female members who work in the City, sending them the specific questions outlined in the terms of reference for this inquiry, in order to ensure that their views are represented. Many responded and this evidence is framed around their views. Although some of them are quoted in this evidence, in boxes shaded in grey, the quotes are not attributed as this may have caused them difficulties with their employers.

### 2. SUMMARY OF KEY POINTS AND RECOMMENDATIONS

2.1 Evidence proves that companies need gender balanced senior management teams to participate in the global market strategically and wisely.

2.2 Organisations should build support programmes and provide access to role models, networks and mentors to help female colleagues overcome obstacles and to succeed.

2.3 Under existing anti-discrimination legislation, it takes up to two years for cases of discrimination to be settled. This is too long and deters women from taking such action. This in turn makes the legislation less effective. ACCA believes that this unacceptable and should be addressed so that the law has more muscle.

2.4 Stereotypes should be challenged through management training throughout organisational structures, and diversity education to broaden perceptions and promote the business case for diversity.

2.5 Organisations should set clear and transparent performance standards and evaluation criteria for promotions rather than making these decisions purely on personality.

2.6 Women should be provided with training in leadership, influencing and negotiating skills to equip them for senior management roles.

2.7 Transparency is the key to overcoming gender inequalities in the City. To allow for greater transparency, ACCA recommends that companies should routinely report gender-disaggregated HR data. We also recognise an urgent need for standardised reporting of key performance indicators (KPIs).

2.8 ACCA recommends that a governmental organisation such as the Equality and Human Rights Commission, a representative business association, or accounting body take the lead on identifying agreed best practice guidance for corporate public reporting on gender workplace issues. ACCA is a leader in the development of standards for social reporting and would be pleased to contribute its technical expertise to this dialogue.

2.9 ACCA also welcomes the decision to embark on a programme of work with the private sector to develop a set of metrics for reporting on the gender pay gap. Measurement is a key element in this debate, and an appropriate way needs to be found to measure and publish pay differentials.

### 3. THE IMPORTANCE OF GENDER BALANCE IN FINANCIAL SERVICES

3.1 Goal-driven (often mostly male) management teams in the financial services industry have been blamed for a culture of excessive risk-taking that has damaged the global banking system. However, many studies confirm that men and women bring different and complementary sensibilities and leadership styles to the table. For example, research suggests that women are less willing than men to take extreme risks. A 2005 study from the Center for Financial Research at the University of Cologne<sup>1</sup> entitled *Sex Matters: Gender and Mutual Funds* documented differences between male and female fund managers: women managers tended to take less extreme risk and to adopt more measured investment styles (which perform well over time).

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<sup>1</sup> <http://www.fma.org/SLC/Papers/SexMatters.pdf>

“Encouraging more women into senior positions is absolutely not about quotas. It is about creating an environment of meritocracy, where anyone with the skills knowledge behaviours and ambition can succeed.”

3.2 There is also a wealth of academic research showing that mixed management teams make better decisions and are more innovative, for example, Columbia University’s 2008 report<sup>2</sup> entitled: “*Girl Power*”: *Female Participation in Top Management and Firm Performance* provides data suggesting that firms that promote women to senior management positions have superior economic performance due to the different skills women bring to the table. Companies need gender balanced senior management teams if they are going to participate in the global market strategically and wisely.

#### 4. WHY IS THERE A LACK OF FEMALE SENIOR MANAGERS IN FINANCIAL SERVICES?

“In our business three out of seven of the executive team are women and at the next level down we have a fair representation of women too. The two most senior positions are held by men but there would be nothing to prevent a woman from being appointed.”

4.1 Despite long-standing anti-discrimination legislation in the US, UK and across Europe, women remain under-represented in financial services, most noticeably in high-level posts, with women still a small minority in the boardroom. According to the *2008 Catalyst Census of Women Board Directors of the Fortune 500*,<sup>3</sup> in 2008, women held 15.2% of directorships at Fortune 500 companies, while the number of companies with no women board directors increased from 59 in 2007 to 66 in 2008. In the UK, women hold only 11% of FTSE 100 directorships.<sup>4</sup> This compares to figures showing that 27.5% of the civil service top management are women<sup>5</sup> and 21.2% of local government chief executives are women.<sup>6</sup>

4.2 The *Grant Thornton International Business Report, 2009*<sup>7</sup> shows that the greatest percentage of women in senior management is in the Philippines where women hold 47% of senior positions. This is followed by Russia (42%) and Thailand (38%). The lowest percentage continues to be in Japan where only 7% of senior management positions are held by women. The UK is in 26th place in the global rankings, with 21%, below the global average of 24%.

4.3 ACCA members have found that there is often technically nothing preventing women from being promoted to senior management positions, although statistics quoted above show that they are still usually held by men. Encouraging women into senior management positions is a crucial part of the global drive to improve equality between men and women. There is likely to be a range of reasons why women do not reach this level as often as men.

*These were identified by the members we consulted in compiling this evidence:*

4.4 Women can be less likely to be given the types of development opportunities necessary to support progression into higher levels of management. Those women who do receive the necessary development often seek out these opportunities themselves.

4.5 For women starting out in financial services, it can be difficult to find other women they can look to as role models, or to find peers that they can confide in. Mentors and other supporters are often integral to success—not having access to them can place women at a disadvantage.

“The lack of female role models within my company has been a big challenge. Men still find it easier to identify a mentor who can help with their career progression and promotion to the next level.”

“Whilst I agree that development programmes are valuable, this is only 10% of the learning experience for an individual. The other 90% is around learning on the job and learning from others. The importance of role models and the strength of the organizational culture around diversity and inclusion is key to success. Appropriate role models at the top of the organisation will drive success eg at Board and management committee levels so care over appointments at this level must be taken.”

4.6 Self confidence can be a key issue. Women are less likely than men to make speculative job applications for posts; self-confidence is also a factor in the lower salaries negotiated, on average, by women compared to men. This is an area where having a female mentor to provide support and encouragement may be of benefit.

4.7 Organisational culture and stereotypes can perpetuate inequality, based on managers’ gendered preconceptions. For example, there is a tendency for senior managers to recruit “in their own image”. This can make it difficult for women to be seen as appropriate potential employees. Staff are also often promoted and rewarded, based on their personal affinity with senior managers rather than on objective, transparent criteria.

<sup>2</sup> [http://www4.gsb.columbia.edu/ideasatwork/feature/137194/When+women+rank+high,+firms+profit?&layout=cbs\\_print&top.region=main](http://www4.gsb.columbia.edu/ideasatwork/feature/137194/When+women+rank+high,+firms+profit?&layout=cbs_print&top.region=main)

<sup>3</sup> [http://www.catalyst.org/file/242/08\\_census\\_wbd\\_jan.pdf](http://www.catalyst.org/file/242/08_census_wbd_jan.pdf)

<sup>4</sup> [http://www.equalityhumanrights.com/uploaded\\_files/sex\\_and\\_power\\_2008\\_pdf.pdf](http://www.equalityhumanrights.com/uploaded_files/sex_and_power_2008_pdf.pdf)

<sup>5</sup> Cranfield School of Management, *Female FTSE Report, 2007*.

<sup>6</sup> Cabinet Office, 2007.

<sup>7</sup> <http://www.grantthorntonibos.com/>

“Feedback from male bosses that might help progression often doesn’t get through. Men are afraid the woman will have an emotional reaction or take any criticism personally. If we don’t get this advice though, it is difficult to climb the ladder.”

4.8 There can be a reluctance to move women into jobs that require long hours and extensive travel, based on concerns about their ability to balance career and family.

4.9 Women may be less prepared than men to make the sacrifices required to work as a senior manager—there is a widely-held view that women can not be married or have children if working at this level. Again, they may not have any female role models already in these positions encouraging them. ACCA welcomes the comment on this issue in the 2007 Equalities Review that: “Extending sympathetic guidance to the private sector on a modern workplace culture should be an early priority for the CEHR”.<sup>8</sup>

4.10 Women who move to part-time working for family reasons may find they are subsequently overlooked for promotion. Flexible working, according to feedback from our members, is either not implemented equally across an organisation, is not possible at higher levels, or is perceived as being frowned upon.

4.11 A key obstacle is the perception that women make weaker leaders and decision makers. Gender stereotypes continue to portray strong executives as predominantly male.

4.12 Many financial service organisations have already implemented programmes to ensure that women are being mentored and assisted to achieve their full potential. However, some key middle managers who are responsible for putting key portions of diversity programs into action still do not believe in the importance and necessity of these programmes and are therefore hindering their full implementation. This needs to be addressed to ensure that these programmes are more than just a gesture.

“I cannot stress enough the importance of the staff/line manager relationship. A line manager has a critical role to play as a coach and sponsor to their staff to help them reach their potential. In my view an element of a manager’s performance should be based around their role in developing talent within their area.”

4.13 These underlying reasons need to be understood and ways should be explored to ensure that women are given more opportunities to advance their careers within financial services.

*ACCA’s recommendations include:*

4.14 Organisations should build support programmes and provide access to role models, networks and mentors to help female colleagues overcome the obstacles and to succeed.

4.15 Stereotypes should be challenged through management training throughout organisational structures and diversity education to broaden perceptions and promote the business case for diversity.

4.16 Organisations should set clear performance standards and evaluation criteria for promotions.

4.17 Women should be provided with training in leadership and negotiating skills to equip them for senior management roles, and coaching could also be used to assist women in confidence building and identifying higher goals.

4.18 This training or coaching should be offered as early as possible as well as at key career transition points.

“Focused development at key career transition points is absolutely critical. The first 90 days in a new role are the key to demonstrating early success.”

## 5. PAY INEQUALITIES

5.1 The gender pay gap (including bonuses and other perks) is larger and more persistent in financial services than in any other sector of the economy. For example, a report published in April 2009 by the UK’s Equality and Human Rights Commission<sup>9</sup> revealed that there is a significant gender pay gap in the financial services sector and that this gap increases in the case of the highest paid positions. Although a similar number of men and women are employed in the financial services sector, the report notes that women are “substantially underrepresented” in managerial jobs, including those at the most senior level.

“I doubt that there are many women working in financial services who don’t suspect that they are being paid less than male colleagues. But it’s the attitudes that need to change, not the law.”

5.2 The Government has already said that it will increase transparency by removing “gagging” clauses which prevent people from revealing their pay. The Equalities Bill will also encourage large firms to carry out “gender pay audits” in order to help narrow the earnings divide.

5.3 ACCA supports moves to eliminate pay discrimination by carrying out pay audits which identify where discrimination occurs, and in particular encourages the Government to ask larger companies to take a more transparent approach to the pay gap and how wages are decided. The secrecy that surrounds pay and bonuses often results in female employees being short-changed.

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<sup>8</sup> *Fairness and Freedom: The Final Report of the Equalities Review*, 2007.

<sup>9</sup> *Employment and earnings in the finance sector: A gender analysis*, April 2009.

5.4 Under existing anti-discrimination legislation, cases relating to unequal pay and other discrimination issues often take several years to settle. This can deter women from taking such action, in turn making the legislation less effective. ACCA believes that this unacceptable and should be addressed so that the law has more muscle.

5.5 ACCA believes that, without a transparent, robust and objective analysis of pay and progression issues, any programme of action to avoid further failures in this sector will be incomplete.

## 6. THE PREVALENCE OF FLEXIBLE WORKING PRACTICES

6.1 Many women believe flexible working has a negative effect on career progression, with some of our members saying employers see them as less committed to their job if they are not in the office. Others added that colleagues often frown on flexible working and that the discretion of managers is important in making it happen.

“There are some women in senior management who use flexi-time or work from home sometimes, but in many areas of the financial sector, this is not used, or is frowned upon, especially by other senior managers. There is this idea that dedication means being at your desk 24/7.”

6.2 Even though employers may support flexible working it can often be more a theory than reality. However, a poor work/life balance is often cited as a key reason for women leaving financial services. To retain female employees, it is important to open up family-friendly career paths and to ensure that they are used as intended. This may require further training for HR team, managers and for employees across the organisation so that flexible working is understood and supported rather than seen as encouraging work-shyness.

“We do have flexible working practices, which are mainly taken up at lower levels. A few of our more senior female managers work part time, however I think it would be difficult for this to work at the Executive level, but to date this has not been tested as it is not relevant for anyone at this point in time.”

6.3 Flexible working can also add to existing problems by giving women lower visibility in terms of perceived organisational commitment—and it can damage progression by leading to a failure to apply for senior posts for which they are qualified.

6.4 ACCA recommends that companies be encouraged to ensure that flexible working schemes are implemented effectively across the organisation and that there is no stigma attached to using them.

## 7. THE EXTENT TO WHICH THE CULTURE OF THE CITY IS SEXIST

7.1 Although many of our female members reported having experienced discrimination, this was not so much in terms of direct sexism. Rather it was in terms of entrenched attitudes and assumptions made by senior colleagues that damaged women’s career progression opportunities.

7.2 This cannot be allowed to continue and firms need to take steps to ensure that covert sexism is rooted out, by measures such as including that interview and selection panels include a woman—not always in the HR representative role.

“Anecdotally obviously it is very clear that the City is sexist, which will partly show up in statistics and partly will not. I would argue that it is not due to a lack of controls, but due to the prevailing culture. Also there is indirect discrimination of recruiting people who are like you. Personally I think flexible working etc is just a red herring.”

## 8. THE IMPORTANCE OF EQUALITY REPORTING

8.1 ACCA’s report, *Equal Opportunity for Women in the Workplace: A Study of Corporate Disclosure*<sup>10</sup> compares UK, US and Australian companies and was undertaken by researchers from the International Centre for Corporate Social Responsibility at the University of Nottingham and La Trobe University in Melbourne.

8.2 The report finds that a minority of companies report information relating to equal pay and there is a lack of comparable reporting systems. ACCA recommends that an improved and mandatory public reporting system be introduced. To allow for greater transparency, we recommend that companies should routinely report gender-disaggregated HR data.

8.3 ACCA welcomes the Government’s decision to embark on a programme of work with the private sector to develop a set of metrics for reporting on the gender pay gap. Measurement is a key element in this debate, and an appropriate way needs to be found to measure and publish pay differentials.

8.4 ACCA recommends that a governmental organisation, a representative business association, or accounting body take the lead on identifying agreed best practice guidance for corporate public reporting on gender workplace issues. ACCA is a leader in the development of standards for social reporting and would be pleased to contribute its technical expertise to this dialogue.

<sup>10</sup> [http://www.accaglobal.com/pubs/general/activities/research/research\\_archive/rr-102-002.pdf](http://www.accaglobal.com/pubs/general/activities/research/research_archive/rr-102-002.pdf)

8.5 Much of the prior research on corporate accountability for equal opportunities in the UK, where reporting on women's employment issues is voluntary, has focused on reporting in the annual report. Examining disclosures up until the mid 1990s, this research found that many companies reported their equal opportunity policies, but that there was little reporting of performance information and that summaries of data collected for internal purposes were rarely included. It was concluded that self-regulatory initiatives for disclosure had limited potential for improved accountability and that there was little alternative to regulation if we sought an improvement in accountability, and the opportunity to discover where inequality of opportunity lies.

8.6 Although none of the countries studied has regulation to require public reporting, Australia and the US have different forms of reporting regulation on women's workplace issues, both of which require regular reporting to government. In contrast, the UK adopts an entirely voluntary approach.

8.7 The regulatory obligation to report to government in Australia has driven monitoring and internal reporting on gender equality in all companies where this was not already a management focus. These developments have facilitated progress and external reporting. The regulation has also acted as a catalyst, to alert companies to the business drivers for equal opportunities for women, which we found are also drivers of external reporting. In these ways regulation to report to government has been a driver of external reporting for several of our sample companies.

8.8 Data reported to government are sometimes used in public reporting (US and Australia) and the national average data published by government are used as benchmarks to report against by several US companies. The requirement to report to government has enabled civil society organisations and shareholders to call upon companies to increase their transparency on this issue by publishing this data.

8.9 Both legislative and non-legislative mechanisms are important in the process of improving equal opportunities monitoring and reporting to the public. Previous studies have recommended mandatory public reporting, and it seems that this approach may well still be necessary.

8.10 Our study has revealed a quite urgent need for standardised reporting KPIs. Governments and/or business organisations should consider producing best-practice guidance for corporate public reporting on workplace gender issues. This would best be developed in collaboration with civil society organisations. It needs to provide consistent, comparable reporting indicators and identify agreed ways of measuring these.

## 9. CONCLUSION

9.1 Although we are still far from equality in financial services, many financial institutions have made progress in encouraging more women into senior positions. The playing field is level for women and men in financial services up to a point, after which there is an effective limit on advancement for many women.

9.2 Women working in financial services should be supported by their employers to reach more senior roles. Employers should offer training and skills development programmes to their female staff and encourage them to aim for the top.

9.3 Securing and maintaining the recruitment, retention and development of women in mid-management roles now, is the only way the critical mass of women in senior executive roles can be maintained in the recovery.

9.4 Programmes to recruit and retain more women and people from underrepresented groups into senior positions in financial services would not only benefit individual businesses but the economy as a whole.

*August 2009*

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### Written evidence submitted by Melanie Davis

#### EXECUTIVE SUMMARY

I believe the major issue delaying women's advancement is not overt sexism, but more subtle cultural expectations of the roles of men and women that have not changed in essence since the 1950s. The solution is two-fold: create part-time roles in senior positions to enable either men or women to balance work and family commitments, and encourage more fathers to take up flexible working options at all levels of their organisations.

#### EVIDENCE

1. The following comments are based on my personal experience as an accountant within a major corporation, and the experiences of other women within the corporation that I have spoken to.

2. All large organizations have flexible working policies as a matter of course these days. Largely they are taken up by women while their children are small. Figures from my HR department state that no men at all in the finance department were on flexible working options in 2008.

3. I believe the reasons are largely cultural. Finance is a very competitive environment, where long working hours are a matter of course. My male colleagues frequently work 12–13 hour days and this is taken for granted as a sign of enthusiasm for promotion. As a result, if a woman chooses to work part time she is considered to have lost interest in the promotion race, by choosing to make herself uncompetitive in comparison with her male colleagues.

4. The truth of this does not matter, it is the image that counts.

5. Young fathers in particular are extremely unlikely to go part time, because this is an unusual choice and would be seen as an indicator that they are not committed to their careers. If social expectations can be changed, so that it becomes more common for fathers to work a short period of their career part-time while their children are small, then more men would be more willing to take up the option. As a result women who do the same would no longer be viewed as uncompetitive to the same degree.

6. Extremely long working hours put women off; many women do choose not to go for the highest positions if they have to “sacrifice” the rest of their lives to get there and stay there. We often make value choices that place a balanced life (with children) ahead of a life dominated by work.

7. *Compressed hours*: compressed hours (for example working a five day job within four days) is often the most attractive flexible option for a parent. It enables them to compensate for loss of earning power on the days spent with children. However in a long hours culture where other employees work significant overtime for free, many employers refuse to make this option available (my request was refused on the grounds that “it’s not fair on the others”).

8. HR departments are very reluctant to give out information on what types of flexible working options are available, and to whom. Each arrangement appears to be made on a one-off basis as negotiated between the employee and their manager. I believe organizations should be more up-front about publishing working options and take-up statistics so that employees have better information to compare their own treatment with that of others.

9. Employees can find themselves under pressure to end flexible arrangements before they are ready to; my manager put me under pressure to switch from four days back to five days, when my baby was only 12 months old (I compromised at 4.5). Another parent I know of, who had managed to negotiate compressed hours, was subsequently put under pressure to end the arrangement and incur financial loss through having to work fewer hours.

10. All the above considerations often weaken young mothers at a prime stage in their careers (early to mid thirties) and put them behind young fathers who started at a similar level. The typical period between promotions for men in my department is one to two years; they rise quickly; meanwhile women who have had children have difficulty re-establishing themselves in the eyes of their bosses after a career break and experience much longer periods between promotions. (You may want to look at statistics on promotion speed).

11. I believe the solutions are: (a) create part-time roles in senior positions, so that high-flying mothers (and fathers) have defined career options that keep them on the management track while prioritising children for a short period while they are very small.

12. The second solution (b) companies should actively encourage male staff to take a role in caring for their children, because a balanced life creates a happier employee and because men can feel a considerable amount of joy when they have a strong bond with their children. My own husband’s relationship with his son has changed immeasurably since he started spending one half day a week caring for him. Men that expend their energy in life solely on their careers miss out, and they have a right to see flexible working made socially acceptable for them as well as for working mothers.

13. If companies take the lead in changing social expectations of the roles of fathers, then gender equality will become significantly easier to achieve.

*August 2009*

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### Written evidence submitted by Clydesdale Bank PLC

#### EXECUTIVE SUMMARY

1. Clydesdale Bank PLC (which incorporates the Clydesdale and Yorkshire bank brands) is fully committed to selecting, recruiting, training, promoting and rewarding all staff on the basis of merit. The Bank has adopted a strategy to ensure that diverse talents are recruited and nurtured within the organisation.

2. The Bank is committed to ensuring that pay is determined without sex discrimination. To help achieve this, the Bank undertook an Equal Pay Audit in 2008 and will repeat this process in 2010 and on a biennial basis thereafter.

3. Clydesdale Bank PLC understands that women are subject to different pressures to men when faced with the possibility of taking time off to have a family or, at a later stage in their career, care for elderly relatives. As such, it has actively sought to create a system which does not penalise women for these decisions and encourages women to remain in the workplace.

4. A 2008 benchmarking exercise by the Global Diversity Network found that the Bank was the best performer on implementation of flexible working and mentoring within its peer group. In particular, the report found that the Bank has a strong focus on ensuring that there are no barriers to individual contribution or participation.

5. A mentoring programme has been introduced to encourage the further growth of an internal pipeline of women for senior management. Feedback has indicated that the programme has given women confidence in their current roles and has provided them with the tools and the knowledge to progress their careers.

6. The Bank has introduced a number of ways in which employees can raise any concerns they may have, including a confidential help line, which is available 24 hours a day.

#### BACKGROUND

7. Clydesdale and Yorkshire Bank are the operating brands of Clydesdale Bank PLC (the Bank), which is a wholly owned subsidiary of the National Australia Group Ltd.

8. Clydesdale Bank PLC operates 342 retail branches (152 of which are Clydesdale Bank and 190 are Yorkshire Bank). It also operates over 70 “Financial Solutions Centres” throughout the UK, providing specialist support for our business customers. The Bank provides traditional banking products and services to its 2.7 million customers (of which approximately 200,000 are SMEs).

9. The UK business employs some 9,400 people, of which around 6,100 of which are women and 3,300 are men. The Bank is fully committed to selecting, recruiting, training, promoting and rewarding on the basis of merit. To ensure this takes place, in 2006 the Bank adopted a diversity strategy, which consists of three strands:

- recruitment of diverse talents;
- nurturing the culture of our business to allow everyone to succeed; and,
- building resilience among our diverse talents to a culture that is not yet perfect.

10. All of these strands work together to build critical mass of diverse talent that the Bank can harness for business advantage. Accordingly, foundational actions have been taken to create a working environment that allows diverse talents to fulfil their potential. These actions include ensuring flexible working operates in practice, embedding mentoring programmes, and introducing greater diversity through recruitment, succession and promotion. Inclusion of diversity is good business practice and, having raised awareness, initiatives are now incorporated into the Bank’s standard culture, risk and talent agendas rather than delivered under a diversity banner.

#### PAY INEQUALITIES

11. In June 2007, Clydesdale Bank PLC introduced a new employee framework. Based on four bands, it was introduced to ensure a more transparent structure that was more aligned to the external financial services market place. These bands are:

<i>Role</i>	<i>Grouping Role</i>	<i>Designation Description</i>
Delivery, Sales and Support	A	Carrying out standard procedures in administrative, customer service, operational and sales areas
Analytics, Sales and Team Leader	B	Providing experienced judgement to inform decision making on complex, non-routine day-to-day issues and challenges
Leadership, Professional, Retail Management, Sales and Specialist	C	Providing local leadership, planning, development and advice on specific areas of legislative, management, professional, sales or technical knowledge
Strategic Leaders	D	Leaders in strategic positions and Leaders responsible for either significant operational/sales/technical leadership or who are the predominant subject matter expert

12. As part of this new structure, the Bank undertook an Equal Pay Audit in 2008 to ensure that pay is determined without sex discrimination.

13. The 2008 Audit included all employees in groups A, B and C and compared pay for females and males in the same clustered roles, taking into account time in position and performance ratings. The Audit was carried out the Bank's Human Resources (HR) department with the Bank's union, Unite, kept informed at each stage of the process.

14. Across the entire Bank, the pay differential was 15%, well below the 39% gap identified by the recent Equality and Human Rights Commission report on pay in financial services. The Audit found that there were no significant pay variations within groups A and B. All employees were being paid within the agreed market range of the role.

15. There was more variation in group C. Within Group C, there is a far higher male population who have a significantly longer service than the females. Arising from their length of service their salaries are higher. As a consequence of these findings the Bank carried out the following actions:

- increased HR involvement for reviewing new salaries and adjustments;
- specific cases were addressed by introducing one-off salary increases during the year; and
- training for staff members making decisions on pay was introduced with a focus on equal pay considerations.

16. In order to ensure that pay between the sexes remains comparable the Equal Pay Audit will be repeated in 2010 and on a biennial basis thereafter.

#### FLEXIBLE WORKING

17. Clydesdale Bank PLC understands that women face different pressures to men when faced with the possibility of taking time off to have a family or, at a later stage in their career, care for elderly relatives. The Bank also recognises that a career break can result in a change in role to accommodate particular circumstances as well as have an adverse effect on promotion prospects. With these considerations in mind, the Bank has actively sought to create a system which does not penalise women for these decisions and encourages women to remain in the workplace, thereby enhancing their career prospects.

18. In June 2007 the Bank introduced a range of measures which help keep women in the workplace:

19. *Flexible working*: The Bank offers all employees an automatic entitlement to flexible working. This includes:

- *Key time*—contracted to work less than full-time hours.
- *Staggered hours*—different start, finish and break times which allows a business to open longer hours.
- *Compressed hours*—the total number of hours is achieved in fewer working days.
- *Job sharing*—one full-time job is split between two who agree the hours between them.
- *Term time*—on a permanent contract but takes paid / unpaid leave during school holidays.

20. Encouraged the practice of “keep in touch” days: The Bank is aware that people on maternity leave can feel that they have lost touch with their work and this can create an impediment to them wanting to return. Accordingly, the Bank has introduced “keep in touch days”.

21. *Phased return to work following maternity leave*: To assist with the return to work following maternity leave, the Bank offers a temporary phased return. This helps people to adjust to combining work and family commitments and allows flexibility in working hours during this period. During this period the employee will receive their normal salary.

22. *Introduced childcare vouchers scheme*: Childcare vouchers can be used as full or part payment towards approved or registered childcare within the UK and are operated on a salary sacrifice basis. The benefit for the employee is that they do not pay tax or National Insurance on this part of their salary. Almost 400 of our employees have decided to take up the vouchers.

23. *Enhanced maternity, paternity and adoption offerings*: Additional pay; time off for the partner to attend scans and temporary phased returns from leave with no reduction in pay are offered. The phased return provides the employee an opportunity to test out childcare arrangements in place and eases the return to the workplace. Phased return also applies to adoption, with up to three days paid leave for adoption procedures.

24. *Introduced planned and unplanned life event leave*: Employees are entitled to request two days paid leave per year for planned life events and three days paid leave for unplanned life events. Examples of planned events could include a child's first day at primary school and unplanned events include cases of emergency childcare. If the planned days are not utilised, they may be added to the unplanned event allowance.

25. *Revised career break option*: For employees who have been with the Bank for two years, there is an option to take a career break between three months and two years. The career break is available for those who wish to travel and for educational or caring purposes but is not restricted to those examples.

26. Following the introduction of these initiatives, in 2008 the Bank participated in a benchmarking exercise with the Global Diversity Network, which rated the Bank's diversity actions and results against our peer group. This found that Clydesdale Bank PLC was the best performer on implementation of flexible working and mentoring. In particular, the report found:

- the Bank's approach to encouraging work-life balance appears to be among the strongest of any of the GDN members;
- the Bank has a strong focus on ensuring that there are no barriers to individual contribution or participation; and
- the Bank has good examples of working flexibly across the levels.

27. These flexible working policies have enabled the Bank to increase the percentage of women who return to work from maternity leave and stay in employment with us for one year or more, from 71% in September 2007, to 91% in September 2008.

#### REPRESENTATION OF SENIOR WOMEN

28. Capitalising on the talents of all employees, male or female, is a business imperative. However, the proportion of women in senior management does not always reflect the number of women in an organisation. According to a study carried out by Catalyst entitled "*Women in Leadership—A European Business Imperative*", the number one obstacle to advancement is stereotypes and preconceptions about women's roles and abilities. This is closely followed by lack of role models, lack of general management experience, commitment to family and personal responsibilities and lack of mentoring. The Bank has taken active steps to address these issues.

29. To encourage the further growth of an internal pipeline of women for senior management, the Bank commenced a mentoring programme in 2007. A pilot mentoring programme, aimed at pre-management women, began which was independently evaluated by a senior HR lecturer at Glasgow Caledonian University. With strong feedback, this programme was extended throughout the UK and is now available to all employees. To date there have been over 350 mentoring relationships, with more in the process of being planned. Feedback has indicated that the programme has given women confidence in their current roles and has provided them with the tools and the knowledge to progress their careers.

30. At the end of our last financial year (September 2008), female representation of the Bank's Executive Committee (the management team that runs the Bank) was 31% (four out of 13 members). This included a female Chief Executive. With a female middle management population of 40% (Band C) this suggests that the Bank's pipeline of future female leaders is strong.

#### CREATING A POSITIVE CULTURE

31. As an organisation Clydesdale Bank PLC is committed to the dignity at work programme which was introduced by the former DTI and Amicus. The Bank encourages a culture which recognises equality for all and a workplace where everyone can be themselves and work to the best of their ability free from discrimination or harassment. All employees are required to undertake an e-learning module on "Dignity and Diversity at work" covering all aspects of discrimination and a follow up module is in the planning stage. Managers are expected to take positive steps to promote the policy and to deal with any indications that the policy is not being followed.

32. If there is any failing in this process, the Bank has introduced a number of ways in which employees can raise their concerns. The principal method is through the Bank's confidential help line, which is available for all employees 24 hours a day. However, staff can also speak with their People Leader, HR or a specific network group if appropriate.

8 September 2009

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### Written evidence submitted by City Women's Network

#### EXECUTIVE SUMMARY

- The overwhelming issue is lack of demand for women in top positions; demand is a far bigger problem than supply. There are plenty of qualified women but they are not all given an opportunity to take on the most senior management positions.
- There is clearly a pay differential between men and women in the City; lack of transparency makes it difficult to combat.
- There is a huge variety of work in the City; while some is relatively inhospitable to women, this is not uniformly the case.
- There have been significant improvements for women in the City over the past twenty years.

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 SUBMISSION

1. City Women's Network (CWN) is one of the longest established networks for senior professional and business women in the United Kingdom. It recently celebrated its 30th anniversary. Members work in the City and beyond.

2. Following the publication of the press notice for this inquiry, the board of CWN surveyed members with a questionnaire and organized a meeting and a conference call so that members could give their views. This submission reflects contributions from 20 members. The views are those of respondents and not necessarily those of CWN's board.

3. With respect to the specific points raised in the press release, the views of members participating can be summarized as follows:

- (a) With respect to barriers to promotion, the great majority of the respondents believed they existed; approximately half said they had experienced them. There is a perception that the lack of women in top positions in the City is more a problem of demand than supply. This perception is backed by evidence. In last year's *Female FTSE Report*,<sup>11</sup> Ruth Sealy (a CWN member) and her colleagues named 1,800 women who were on executive committees of FTSE 100 companies or executive committees or boards of FTSE 250 companies. Many of these women are qualified to be directors of FTSE 100 companies. It is not so much a lack of supply of qualified women but a lack of opportunities. Respondents said those women who are qualified for senior positions may face a bias against diversity. The standards and requirements for board directors are perceived as being unrealistic as they usually require experience which is almost impossible to obtain. In addition, recruiters tend to supply candidates who are exactly like the existing board members in their outlook and experience, further discriminating against women (and undoubtedly other groups).

In addition to demand restrictions, there are some issues with supply. Respondents pointed out that women tend to drop out of City jobs before reaching the senior ranks in response to difficult work/life balance issues and/or perceived lack of opportunities. The senior jobs usually entail a commitment of time and focus which is more difficult to balance with family commitments for women on whose shoulders those family commitments often rest.

- (b) Respondents split 50/50 as to whether there were pay inequalities and whether they had been victims of those inequalities. There was also a significant number who said that they did not know about pay inequalities as there is a lack of transparency over pay. There is strong evidence that men tend to negotiate more aggressively for increased pay and are willing to change jobs to achieve it; changing jobs or threatening to change jobs is the best way to obtain pay increases in the City. It was reported that women seem to value stability more, and are unwilling to threaten that stability by challenging their employers aggressively. Women are said to be more loyal to their employer which is less conducive to promotion and pay increases; women with good flexible working arrangements are even less likely to want to relocate.
- (c) The overwhelming majority of respondents have available flexible working practices at work; most did not take advantage of them because they did not need them. It should be noted that the respondents are senior professional women, a significant proportion of whom do not have children. There were respondents who thought they could not take advantage of flexible work options either because their job made it impossible or because they thought it would have a negative impact on their careers. In general, respondents did not think that flexible working arrangements were viewed with hostility by their colleagues, although there are always exceptions. The overall view was that such policies were successful so long as they were managed properly.
- (d) Most think the culture of the City is sexist, but did not think their particular working environment is sexist. A few had experienced harassment, usually earlier in their careers. The respondents thought that generalisations about "the City" were not sufficiently precise: while trading floors are perceived as being inhospitable to women, private client businesses and asset management appear to be more balanced working environments. Investment banking often requires extremely long working hours which tends to make the work/life balance more difficult. The conclusion was that there is an incredible variety of work in the City, and that some jobs are more difficult for women than others. Several women had experienced harassment from clients as opposed to colleagues; in those situations, several had received support from colleagues in managing the difficulties.

4. Several other points of a more general nature were made by respondents:

- (a) While many respondents had experienced sexism at some point in their City careers, many had also been mentored and encouraged by senior men.

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<sup>11</sup> *The Female FTSE report 2008*, by Ruth Sealy, Professor Susan Vinnicombe OBE and Dr Val Singh, International Centre for Women Leaders, Cranfield School of Management.

- (b) Most City institutions have diversity groups and take diversity issues seriously, at least at human resources and senior management levels. It can be difficult to translate that effort to actual results, but at least an effort is being made. It is not clear to our respondents that other sectors show the same level of commitment to change.
  - (c) There is a sense that family demands will always take priority for women, so they will continue to be held back to some extent.
  - (d) There is a perception that the attitudes of younger men coming into the City are different from those of older men.
  - (e) Overall, the respondents thought there had been significant improvement in the treatment of women in the City over their careers.
5. Some respondents also had suggestions for improvements to deal with some of the perceived inequality in the City:
- (a) Interview panels for senior jobs should include both men and women. Several respondents had anecdotal evidence of men misinterpreting statements made by women candidates, and *vice versa*.
  - (b) Recruiters need to be told to think outside the box when they are proposing candidates for senior positions; there is a perception that they are concerned that they will be viewed badly if they propose different or unusual candidates.
  - (c) The City needs to improve mentoring programs for women to help them manage their careers. Respondents said a strong mentor is a valuable resource. Coaching on requesting pay rises and promotions would be helpful.
  - (d) Employers should consider implementing policies providing for greater transparency and mandatory reporting of gender differences in recruiting, retention, promotion and compensation.
  - (e) Boards could adopt a policy of having a female silent member who could observe board practice.

September 2009

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#### Written evidence submitted by Unite

This response is submitted by Unite the Union. Unite is the UK's largest trade union with two million members across the private and public sectors. The union's members work in a range of industries including manufacturing, financial services, print, media, construction, transport and local government, education, health and not for profit sectors.

Unite, is also the largest trade union in the finance sector representing some 180,000 workers in all grades and all occupations, not only in the major English and Scottish banks, but also in investment banks, the Bank of England, insurance companies, building societies, finance houses and business services companies.

#### EXECUTIVE SUMMARY

- it is necessary to look at the jobs women do to ensure that industry is getting the best from all workers and workers are able to deliver a fair days work for a fair days pay;
- the long hours culture is a barrier to women's progression to the upper grades within the sector, where unpaid overtime is regarded as part of the job;
- employers should do more to promote flexible working opportunities throughout the organisation and in particular in more senior grades;
- the distribution and awarding of bonuses are a significant factor behind the gender pay gap in the sector;
- employers appear less than willing to accept discrimination in pay systems exists which makes it difficult to address a fundamental barrier to women's progression;
- finance sector members work considerably longer than their contractual hours, reflecting the intensification of work within finance;
- good flexible working policies exist although there appears a chasm between policy and practical implication; and
- tackling the gender pay gap is an essential component in delivering a successful and sustainable finance sector.

#### INTRODUCTION

1. Unite welcomes the opportunity to contribute to this consultation on Women in the City as we represent a significant number of women workers within the finance sector. Unite believes it is important to utilise the skills of all workers; to fail to recognise the contribution a diverse workforce can make to a business is economic suicide and is tantamount to a failure of duty to provide shareholder value and will

only limit productivity, reduce opportunity and do a disservice to the UK economy. It is therefore right to look at the jobs women do to ensure that industry is getting the best from all workers, and workers are able to deliver a fair days work for a fair days pay.

2. A position paper published by Close the Gap identified the relationship between gender equality and profit.<sup>12</sup> The research showed that by implementing positive diversity practices companies can increase their profitability by recruiting the best available talent from the widest talent pool and gender balance was shown to be crucial to good corporate governance.

“The performance enhancing potential of gender equality in the workforce, including equal pay, could prove to be of crucial importance for individual companies to stay competitive in these hard times.” *Close the Gap: Valuing diversity.*

3. One of the barriers to women’s progression to the upper grades within the sector is the long hours culture, where unpaid overtime is regarded as part of the job. Many women continue to bear the brunt of the domestic responsibilities which creates a dichotomy for women—career or home. If women are not seen to work long hours then they are regarded as less committed.

4. While there are some excellent flexible work policies in place within the sector they appear to be poorly implemented in practice. Employers must ensure the commitment to deliver flexible working opportunities across the organisation applies to all workers (including men) and that the support for the policy is filtered down through the organisation. It is evident that some local managers have difficulty in delivering flexible work opportunities and in allowing flexible working in practice.

5. Employers should also do more to promote flexible working opportunities particularly in more senior grades. Research from the Equality and Human Rights Commission (EHRC) show that

“Employees in managerial jobs . . . are less likely to request reduced hours, and when they do, they are less likely to succeed”.<sup>13</sup>

#### WHERE WOMEN WORK

6. Unite welcomes efforts to tackle occupational gender segregation however do not necessarily agree that women should be encouraged to take up so-called “men’s work” as the only means to tackle equal pay issues or to tackle gender inequality in the labour market. It is evident that the issue is much more complex, with women’s work and the jobs women do undervalued in society also a significant factor.

7. Some of the issues around the pay gap can be attributed directly to the types of work women are found in. Women tend to be found in lower grade, lower status jobs within a workplace and in particular occupational areas for example, nursing and office work, caring roles as well as jobs associated with catering and cleaning. The Fawcett Society have aptly named it the five C’s—caring, cleaning, catering, clerical work and cashiering.

8. This is clearly reflected in the finance sector where women members are more likely to work in clerical and secretarial occupations, whereas their male counterparts are more likely to work in managerial occupations. This is further evidenced from the undernoted tables which clearly show the occupational divide.

#### *Northern Rock*

	<i>Total</i>	<i>% male</i>	<i>% female</i>
Clerical	2,342	29.3	70.6
Managerial	1,513	35.4	64.5
Technical Manager	388	73.4	26.5
Ungraded *	306	59.1	40.8

*Source: Northern Rock*

\* Assistant Directors, Senior Managers Operational Directors and Managing Directors.

#### *Legal and General*

	<i>Total</i>	<i>% male</i>	<i>% female</i>
Staff	5,501	44	56
Professional	1,217	59	41
Manager	594	66	34
Senior Manager	451	78	22

*Source: Legal and General.*

<sup>12</sup> *Close the Gap Valuing Diversity: The business case for gender equality during an economic downturn.*

<sup>13</sup> EHRC Flexible working policies: a comparative review.

*Royal Bank of Scotland*

	<i>Total</i>	<i>% male</i>	<i>% female</i>
Clerical	55,388	29	71
Appointed	30,491	47	53
Manager	16,095	71	29
Senior Manager	2,880	80	20
Executive	242	88	12

*Source:* Royal Bank of Scotland.

## FLEXIBLE WORKING

9. While the statutory right exists for those with caring responsibilities to request flexible working, most policies which exist in the finance sector extend to cover all workers employed with the company for over 26 weeks. The availability of flexible working is evident throughout the finance sector although the provision of what constitutes flexible working varies.

10. Aviva and Legal and General provide flexible working but do not define what types of flexible working are available. Royal Bank of Scotland (RBS) while offering flexible working policies have identified core and non-core policies. Core policies include part time working, job share, maternity or adoption and variable hours, while non-core includes compressed hours, homeworking and term time. RBS has identified that some job roles are outwith the scope for granting non-core flexible working. This differentiation between core and non-core is not evident across the sector.

11. Barclays flexible working policy on the other hand specifies those areas which are identified previously as core and non core are all compatible with flexible working within their policy.

12. It is clear that while policies are in place within the sector employers could do more to promote service level part time opportunities and requests for flexible working particularly at senior and managerial levels where requests are often refused on business grounds.

13. The survey of Unite members in the finance sector carried out in Spring 2008 found that no fewer than 574 (35.4% of female respondents) had taken maternity leave while working for their current employer. Of this cohort 360 (62.7%) returned to work on a part-time basis. Exactly 85% of the cohort returned to work in the same job, 76 members (13.2%) returned to a lower graded job and 10 members (1.7%) returned to a higher graded job. It is therefore evident that women are more likely to return to work on a part time basis following a period of maternity leave, with opportunities to work part time decreasing the higher up the organisation you go.

14. There is also an unfounded perception that women show a lack of commitment to the organisation when they work part time. This is backed by trade union representatives and Officers which have anecdotal evidence from within the finance sector which reinforces that this preconception exists.

## PAY

15. The 2008 Unite survey of Unite finance sector members also found that women are markedly lower paid than their male counterparts. 22.8% of women earn less than £11,774 whereas only 2.8% of men fall within this category. Conversely, men are more frequently found in the upper reaches of the earnings distribution.

The survey also found:

- dissatisfaction about pay and pay systems, although the extent of this varies between different employee groups;
- many members, irrespective of gender or hours of employment, are dissatisfied with their pay. However, women in particular feel that they are under-paid and discriminated against. 54% of respondents did not think that their pay was reasonable. 50% of women said that their pay was reasonable compared to 59% of men; and
- 46% of members said that their pay system discriminated against them. 48% of women said that this was the case, compared to 44% of men.

In respect of pay discrimination the union is calling for:

- mandatory pay audits in the private sector;
- reporting on equality issues in company reports including equal pay;
- statutory rights for equality reps;
- the right for union's to take representative actions; and
- more transparent pay systems.

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## BARRIERS TO EQUAL PAY AND WOMEN'S PROGRESSION IN THE FINANCE SECTOR

Unite negotiators and representatives have cited the below as barriers to equal pay and women's progression in the finance sector:

- the long hours' culture;
- opaque pay systems—performance/market related pay, bonuses, wide pay bands, anomalies in starting pay and managerial pay;
- a reluctance to consider managerial roles on a part-time or job-share basis;
- attitudes to working women. The view that women are less committed to work once they have children is commonly held;
- lack of access/encouragement to career development and training;
- male managers recruiting and promoting in their own image;
- the location of work—women may not be able to travel further because of caring responsibilities; and
- “the old boy's network”.

There are three key areas that need to be addressed to improve women's progression within organisations:

- recruitment and promotion;
- training (both on equality and better access to training for women); and
- work-Life balance.

16. Unite is therefore disappointed but not surprised by the recently published EHRC Inquiry into sex discrimination in the finance sector.<sup>14</sup> The findings show that the distribution and awarding of bonuses are significant factors behind the gender pay gap in the sector where stereotyping of women and sexist and exclusionary practices sometimes creates a climate in which women feel undervalued and lack confidence.

17. Unite has campaigned on the issue of gender pay and the lack of transparency in bonus payments for many years however some employers appear less than willing to accept discrimination in pay systems exists which makes it difficult to address a fundamental barrier to women's progression in the sector.

18. This report is however helpful and will hopefully provide the opportunity during a time when the public focus is on pay and bonus systems in the finance sector to lend weight to those who are campaigning to end the inequity and veil of secrecy that surrounds performance based pay and bonuses in the finance sector.

## UNPAID OVERTIME

19. The Unite survey found that members tend to work considerably longer than their contracted hours. This is particularly the case for those contracted to work more than 20 hours. Over 60% of all members work some hours of unpaid overtime.

20. Across the hours' distribution, however, finance sector members work considerably longer than their contractual hours, reflecting the intensification of work within finance. This pattern of hours is reproduced for both men and women. It is noteworthy, however, that members contracted to work 20 or fewer hours are better able to control their total hours than their counterparts contracted to work longer hours.

## SKILLS AND TRAINING

21. The Unite 2008 finance sector members survey found that just over 58% of all members reported that they had received some training days during 2007 and 50.8% of all members that responded to the question reported being in receipt of training days to comply with FSA regulations. In banking 57.7% of members indicated that they had received some training and 48.4 were in receipt of training days to comply with FSA regulations. The corresponding figures for insurance were 59.3% and 59.8%. Although members employed in insurance were more likely to have undertaken training during 2007 there were relatively few differences in the strength of feeling between members in banking and insurance on the provision of training.

22. The Financial Services Skills Council (FSSC) is the Sector Skill Council tasked with providing strategic leadership for education, training and skills development for financial services.

23. At the behest of trade unions the FSSC Action Plan includes reference to equality and diversity. The trade union action plan which is incorporated as an appendix into the Sector Skills Agreement calls on the FSSC to work with trade unions to ensure that all employers within the footprint are aware of the equality issues associated with training and learning.

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<sup>14</sup> [http://www.equalityhumanrights.com/uploaded\\_files/financial\\_services\\_inquiry\\_report.pdf](http://www.equalityhumanrights.com/uploaded_files/financial_services_inquiry_report.pdf)

24. Despite the trade union's asking for a report detailing the key objectives for equality and diversity, the FSSC has as yet failed to respond and Unite are disappointed that the FSSC has yet to come up with a strategy or indeed priorities on equality and diversity of their own volition. Interestingly the FSSC is in the throws of the re-licensing process and Unite would very much encourage the FSSC to be mindful of the gender distribution within the sector and to treat the equality and diversity agenda as a priority area.

25. There is certainly scope for considerable improvements in the level of training delivered within the sector and the FSSC must be prepared to fulfil their obligations as well as raising their aspirations for women workers in the sector.

26. Moreover, a review from the Women and Work Commission Report: *Shaping a Fairer Future: Three years on*, recommended that equality must be an explicit part of the Sector Skills Council re-licensing process. The report also recommends that the Department for Business, Innovation and Skills (BIS) need to establish a "robust process for measuring and monitoring the extent to which SSC's are considering gender segregation issues, and the impact of actions they take".<sup>15</sup>

#### SEXUAL HARASSMENT ISSUES

27. Unite has been involved in a number of sexual harassment cases in the past 12 months. Cases include inappropriate advances and behaviour towards a junior colleague where recommendations included a final written warning and Dignity at Work training. In another case the individual was dismissed for inappropriate behaviours. Another example is where members who worked in the City of London as traders left the organisation under the terms of a compromise agreement citing a culture of unfair treatment and sex discrimination, including sexual harassment and a lack of promotion opportunities.

#### CLEANERS IN THE CITY

28. Women cleaners are the hidden workforce in major financial institutions in the City. They are mainly migrant workers and have been organised into Unite the union. Unite's Justice for Cleaners campaign has been successful in negotiating and tackling low wages, lack of sick pay and holidays, health and safety, bullying and harassment, housing, transport, immigration issues and unfair deductions from pay.

29. Nearly half of cleaners in the City of London are covered by a recognition agreement with UNITE and get a living wage and conditions. For example Barclays pays all its cleaners in the City of London and Canary Wharf £7.50 per hour

"... UNITE the union has really worked here. Before we were not treated with respect, but now we get £7.30ph, sick pay, access to a pension scheme and 28 days' holidays ... " a cleaner at Merrill Lynch in the City

#### CONCLUSION

30. Unite is calling on the Government and employers to do more to help promote and implement fully, flexible work opportunities across the sector. While good policies exist there is an apparent chasm in some organisation between policy and practical implementation. Having written policies in place which are not implemented fully will not help address the barriers to women's progression. However, good policies implemented well may allow the glass ceiling to be pushed upwards or even broken through.

31. Tackling the gender pay gap to deliver a fair days pay for a fair days work for all workers is an essential component in delivering a successful and sustainable finance sector able to utilise, without prejudice, the skills, knowledge and experience of the whole workforce. The sector must address all barriers which discourage economic success. Gender pay differentials being one. Paying women workers less than their male colleagues will not encourage women to consider a career in finance nor will it raise the aspirations of women working in a sector which discriminates against them. Unite welcomes the publication of the EHRC Report and the Women and Work Commission Report, however while much has been written on this issue the time has come to deliver.

September 2009

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### Written evidence submitted by the Downing Street Project

#### EXECUTIVE SUMMARY

The substantial under-representation of women in the City contributes to orienting the practice of high finance towards "hard power", emphasising a culture of disconnected, unregulated practice, risk-taking, command and control structures, and the valuing of money as the primary benefit to society. Balanced leadership, where hard power is matched with soft power—integrated and better regulated practice using co-operative, holistic, developmental strategies—would add:

— collaboration and co-operation;

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<sup>15</sup> [http://www.equalities.gov.uk/pdf/297158\\_WWC\\_Report\\_acc.pdf](http://www.equalities.gov.uk/pdf/297158_WWC_Report_acc.pdf) (p 21).

- “flatter” structures of engagement allowing more people to bring their gifts to the decision making process;
- emotionally intelligent decision making;
- tasks being understood within the context of relationships;
- success being measured as the flourishing of a whole life which places family and work on equal terms; and
- a win-win mindset.

The Downing Street Project calls on the Treasury Select Committee to:

- highlight the under-representation of women at all levels within the City and propose meaningful measures to address it involving both men and women; and
- recognise the immense potential of moving to more balanced leadership of FTSE companies and the benefits this would bring for the long-term sustainability, risk awareness and control and responsible governance of the City.

#### FULL SUBMISSION

1. The recent Equality and Human Rights Commission report (Metcalf, 2009) conducted by the National Institute of Economic and Social Research, concluded that “women are substantially under-represented in the finance workforce in central and inner London”, and in senior managerial posts. In an annual report on women on boards, the UK has dropped 5th to 6th place among European countries with women making up only 11.5% of board members; the percentage of UK boards with women members has dropped from 86% to 81% over the past year. (EPWN, 2008) A study of FTSE 350 companies found an even lower percentage, with women holding only 8.8% of board seats—only 13 of 297 companies had female chairpersons or CEOs. Furthermore,

“... the five FTSE 350 banks have on their boards one female executive director and six non-executive directors among a total of 70 directors between them. Barclays and the Royal Bank of Scotland have failed to retain the services of any women at board level.” (McCarron, 2009)

2. The Downing Street Project believes that this gender imbalance has the knock-on effect of orienting the practice of high finance towards “hard power” rather than “soft power”, with a significant bearing on how decisions are made and businesses are run, and on how softer skills such as communication and holistic understanding, some of which have been shown to be sorely lacking, are valued. We are committed to gender-balanced leadership—a balance between female and male leadership styles, values and inputs—because we believe that women will bring more soft power into business and politics, offering a much needed corrective to the current imbalance of an excessively hard powered style.

3. In finance, as in politics, a masculine culture prevails which emphasises command and control; hierarchy, the absence of emotional input in decision-making, the emphasis of task over relationship, success being measured in terms of money as the key benefit to society, a win-lose mindset, and an emphasis on hard power. Many believe this emphasis has ‘encouraged and rewarded the taking of excessive risk’ and thereby contributed to the financial crisis in which the world now finds itself. (Aziz Corporation, 2008) The lack of holistic thinking, in particular, has been blamed for the collapse of the house of cards that international finance had become.

4. The masculine culture of the City is reflected in the emphasis on competition rather than mutual support, the excessive drinking, the long hours—longer than in any other sector in the UK. This is fine if you have a wife at home to look after the family and take care of domestic responsibilities. Most women do not have this support and our culture does not yet fully allow husbands to assume this role with dignity and strength.

5. This cultural setting is so overwhelming, we argue, that when women enter it, they are under pressure to adopt the normative, masculine behaviour as quickly as possible, to prove that they can compete effectively. They are unlikely to buck the trend and challenge prevailing norms, preferring to downplay the suggestion that there is a masculine/feminine divide in case they are assumed to be “the weaker sex”—the stereotypical comparisons are usually unflattering. In such contexts the established women even put off newcomers, as they create an untenable expectations of what success looks like in women. Those unable to stomach the culture simply leave.

6. Research has shown that well before women begin to face institutional sexism, they are censoring themselves—believing that their ideas, needs and skills are irrelevant. Better arrangements for those with children to work flexibly and efforts to demonstrate that it is possible to mix motherhood with working in the City could make a massive difference to recruitment and retention of women.

7. There is a growing awareness that new distinctions need to be made between hard-powered—ie self-interested, coercive, risky—and soft-powered—co-operative, holistic, developmental—strategies. In an open letter to the *Telegraph* in October 2008, 17 senior male executives in FTSE 100 companies called for organisations to speak out on the “glacial pace of change” in women’s representation on boards of directors in the UK and noted: “we are clear that [women’s] participation has a beneficial impact on the character

and culture of the board”. Studies have shown that where governance is weak, female directors exercise strong oversight and can have a “positive, value-relevant impact” on the company, and that a gender-balanced board is more likely to pay attention to managing and controlling risk. (McCarron, 2009)

8. Balanced leadership, both styles working together, would add collaboration and co-operation; “flatter” structures of engagement allowing more people to bring their gifts to the decision making process; emotionally intelligent decision making; tasks being understood within the context of relationships; success being measured as the flourishing of a whole life which places family and work on equal terms; a win-win mindset; and ultimately would culminate in the exercise of smart power—making things happen through attraction, inspiration and relationship.

9. The Downing Street Project plans to support individuals, through training courses and mentorship; support communities of women leaders supporting one another and championing the benefits of balanced leadership; and create a “think tank” to champion balanced leadership through discussion forums, reports, books and articles and an annual conference honouring balanced leadership and creating awards for pioneering activity. We call on the Treasury Select Committee to;

- highlight the under-representation of women at all levels within the City and propose meaningful measures to address it; and
- recognise the immense potential of moving to more balanced leadership of FTSE companies and the benefits this would bring for the long-term sustainability, risk awareness and control and responsible governance of the City.

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#### ABOUT THE DOWNING STREET PROJECT

[www.thedowningstreetproject.com](http://www.thedowningstreetproject.com)

The Downing Street Project (DSP) is a Community Interest Company (CIC) founded in June 2008 by the Directors Lee Chalmers and Indra Adnan. The CIC’s statement of benefit is “[t]o provide education, training and campaigning to facilitate greater entry by women into politics and business to achieve a balanced political and business culture.”

Lee Chalmers has substantial experience of running women’s groups and large and small businesses, managing and delivering on leadership development programs globally. In 2006, Lee made a documentary film on how women approach the future differently from men. Indra Adnan has been writing, consulting, network-building and event-organising in the international arena of conflict transformation and social transformation for over 20 years. Indra also writes regularly for The Guardian and The Huffington Post.

The Downing Street Project is committed to creating balanced leadership at every level of society, with a special focus on politics. Through training, mentoring and coaching women we aim to add an extra 100 women into the political race by 2010 and to support up to 1000 more to begin their journey by becoming more politically aware and active. As a non-partisan organisation we will offer support to women before they join a party and also help them to network cross-party once they are selected.

Alongside our training and mentoring services, we will develop a think tank, producing events, lectures, seminars and media campaigns aimed at telling more positive stories about women in public life and the new possibilities that balanced, dynamic partnership gives rise to.

#### ABOUT THE EUROPEAN PROFESSIONAL WOMEN’S NETWORK

[www.EuropeanPWN.net](http://www.EuropeanPWN.net)

EuropeanPWN’s mission is to create a pan-European voice for professional women to promote professional progress, power and impact. Europe’s leading network for professional international women organizes over 500 leadership events a year in 17 major cities in Europe: Amsterdam, Barcelona, Berlin, Brussels, Copenhagen, Düsseldorf, Frankfurt, Geneva, London, Lyon, Madrid, Milan, Nice, Oslo, Paris, Stockholm and Vienna. A state-of-the-art internet platform connects over 3,500 members from more than 90 nationalities and from all business sectors, in ThinkTank Communities. EuropeanPWN has published 8 books in the Women@Work series on topics as Best Practices in corporate diversity programs, Mentoring and Women on Boards. Our main corporate partners are Deloitte and Orange. Other corporate partners are IBM, Sodexo, Coca-Cola, Aon, Alcatel-Lucent, Cisco, Mexx and Mercer.

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**APPENDIX**
**BALANCED LEADERSHIP IN BUSINESS—FURTHER SOURCES, IRENE RUKERREBUKA**

Using data from companies in the CAC40 (equivalent to the FTSE 100/Dow Jones), Professor Ferrary shows that the fewer women a company has in its management, the greater the drop in its share price since the beginning of the year; and the more women in management, the smaller the drop in share price.

Firms with a highly feminized management like LVMH (56% female managers), Sanofi (44.8%) have gone down less than the CAC40. While stocks of more male-managed firms like Alcatel-Lucent (8.68% women), Renault (21.77% women) have fallen more than the CAC40.”

**PROF MICHAEL FERRERAY, CREAM BUSINESS SCHOOL, FRANCE, 2008**

In order to determine how hormone levels affect those working in the financial sector, the researchers followed 17 City of London male traders for eight consecutive business days.

In the present credit crisis traders may feel the noxious effects of chronic cortisol exposure and end up in a psychological state known as “learned helplessness”. If this happens central banks may lower interest rates only to find that traders still refuse to buy risky assets. At times like these economics has to consider the physiology of investors, not just their rationality.

**DR JOHN COATES, JUDGE BUSINESS SCHOOL, ENGLAND, 2008**

Economies would benefit from a much better utilization of women’s skills (now they are the majority of the most highly educated people). Since 2000, women filled six million of the eight million new jobs created within the EU and represented 59% of the graduates. A British report in 2006 produced by the Women and Work Commission estimated that the country could generate wealth to the tune of £23 billion (2% of gross domestic product) by better use of women’s skills.

Several compelling pieces of research have indicated that companies with higher numbers of women represented on their boards outperform companies that have a relatively low number of women in senior management positions. One study by Catalyst in 2007 of companies in the Fortune 500 concluded that companies with three or more women on their boards had an 83% greater return on equity than companies with the lowest representation of women. Such companies had a 73% better return on their sales and a staggering 112% higher return on invested capital.”

**MORICE MENDOZA, WOMEN-OMICS, DAVOS 2009**

What Iceland is trying to portray is that it is taking lower risks because women take fewer risks than men, Women are more cautious and more thoughtful. I think men look more for high returns—which, of course, brings greater risk.

**PROFESSOR TRYGGVI THOR HERBERTSSON, CEO OF NORDIC INVESTMENT BANK ASKAR CAPITAL AND, UNTIL RECENTLY, ECONOMIC ADVISER TO ICELAND’S PRIME MINISTER, GEIR HAARDE, 2008**

If a company has few women in its middle and senior ranks, it cannot achieve this optimal balance. This is where the Icelanders have cottoned on to something important—that a company with a female chief executive is more likely to preside over a gender-diverse organisation, including more women in senior and middle management, than one led by a man.

This is confirmed by the research from London Business School, and has actually been put into practice by the Norwegian government. From 1 January 2008, all public companies in Norway have been required by law to have 40% of their boards made up of women.

**MATTHEW GWYTHYR, MANAGEMENT TODAY, 2008**

Well-controlled studies in management and leadership effectiveness conducted at global business school IMD,

1. Women tend to define effective leadership in terms of transformational characteristics (for example, a leader should be charismatic, use inspirational motivation, promote intellectual stimulation, and give individual consideration), while men consider characteristics of transactional leadership (for example, using contingent rewards) as being more effective in organizations.

2. More women describe themselves as having traits of transformational leaders, while more men use terms of transactional leadership to describe their own leadership styles.

3. Direct reports, regardless of gender, are more likely to describe a female leader in terms of transformational leadership while men are described as having more traits of transactional leaders (for example, management by exception or laissez-faire styles).”

September 2009

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### Written evidence submitted by the Chartered Management Institute

#### INTRODUCTION

The Chartered Management Institute (CMI) welcomes the opportunity to submit evidence to the Treasury Committee’s timely *Women in the City* inquiry. It follows the CMI’s media campaign in August highlighting the latest evidence on the scale of the gender pay gap and calling on employers to take urgent action to tackle it.

Ruth Spellman, the CMI’s chief executive, has warned that “the glass ceiling remains in place and has been reinforced with concrete”. Without renewed action by employers, the arrival of pay parity will never occur. Furthermore, with employers focused on surviving the recession, there is a danger that employers will lose staff if organisations fail to provide what they want. “Ultimately, if someone has the right skills for the job, they should be paid according to the demands of the role and given the opportunity to develop.”

The CMI is responding as the UK’s only Chartered professional body for leadership and management. We provide a wide range of solutions to our 81,000 members and to employers across all sectors, helping raise leadership and management skills to improve business productivity and national wellbeing.

The CMI actively supports women in management and leadership positions, with nearly one third of its membership being female—a number that is growing year-on-year, with half of our younger members being women. This trend reflects the representation of women in management roles. A number of specific CMI initiatives support women. In particular, the Women in Management Network provides support to female managers from all sectors, facilitating the exchange of ideas, good practice and impartial advice.

This submission draws on the findings of the 2009 National Management Salary Survey, a comprehensive analysis of earnings, bonuses, benefits and labour turnover relating to the UK’s management population. The series has been running for over 35 years and the 2009 survey is based on data provided for 45,809 individual employees, submitted by 221 organisations. It is published by the CMI and CELRE, the salary survey specialists. This submission also presents findings from other reports in the CMI’s well-regarded research programme, especially on the availability of flexible working and recruitment for diversity.<sup>16</sup>

Our submission offers evidence particularly relevant to two of the questions being considered by the Committee: the extent of pay inequalities and the prevalence of flexible working practices. As an example of good practice we have also included details of some of the steps being taken by Morgan Stanley to help women reach senior positions, as discussed by the All-Party Parliamentary Group on Management.

#### EXECUTIVE SUMMARY

- There is an untenable gender pay gap in the financial sector. At all levels of management, women are paid less than men. The gender pay gap is particularly marked in the financial sector compared to other sectors.
- Income differentials are the result not only of different basic salaries but of larger bonus payments for men.
- Employers need to recognise that action must be taken to tackle the issue of pay parity between women and men. The focus for employers is still on year-on-year pay increases, instead of addressing the need to establish equal pay scales between male and female staff.
- Employers risk losing talented female staff by not closing the pay gap. It should be addressed as a matter of urgency. In addition, flexible working is particularly valued by women and can help employers retain and motivate talented employees.
- There is a need for greater transparency with regard to pay. There is a case for requiring employers in the sector to undertake pay audits on a similar basis to public sector bodies and such measures should be considered by the Financial Services Authority.

#### 1. GENDER PAY INEQUALITIES

The 2009 National Management Salary Survey, published by the Chartered Management Institute and CELRE, is based on data for 45,809 individuals. Of those in the banking, financial and insurance sectors,

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<sup>16</sup> *National Management Salary Survey*, CMI and CELRE (2009); *Management Recruitment: understanding routes to greater diversity*, CMI (2008); *The Business Energy Survey*, Professor Les Worrall, CMI (2004)

nine individuals were chief executives: none of these were women. Fifty-seven were directors, but only nine of these were women. This in itself is indicative of the continued under-representation of women at senior levels within the financial sector.

### 1.1 Differences in basic salary

Women in the financial sector consistently earn less than their male counterparts at all levels of management seniority, from junior managers up to director level. Table 1, below, outlines some of these differences.

Unsurprisingly, the biggest gap in salary, in absolute terms is at Director level. In fact, the gap at director level also represents one of the biggest gaps in percentage terms, when compared to other levels of management seniority.

**Table 1**  
BASIC SALARIES FOR MEN AND WOMEN AT DIFFERENT MANAGEMENT LEVEL—  
NATIONAL MANAGEMENT SALARY SURVEY 2009

	Average salary (national) £		Gender pay gap* % (national)	Average salary (financial sector) £		Gender pay gap % (finance)
	Female	Male		Female	Male	
Directors	119,229	139,080	16.6	126,704	150,283	18.6
Function Head	78,134	78,978	1.1	74,174	82,023	10.6
Team Leader	40,493	42,212	4.2	38,297	42,478	10.9
Junior professional staff	20,979	22,972	9.5	19,717	23,415	18.8

\* The gender pay gap is shown as the additional average pay received by men expressed as a percentage of the comparable female salary.

### 1.2 The financial sector in context

The National Management Salary Survey enables comparison of the financial sector with other economic sectors. Although comparison is not possible for every sector, the gender pay gap in the financial sector overall is above the national average, as shown in Table 2 below. Note that in some sectors there is a reverse gender pay difference, particularly in manufacturing where there are fewer senior females.

**Table 2**  
AVERAGE SALARIES ACROSS ECONOMIC SECTORS—  
NATIONAL MANAGEMENT SALARY SURVEY 2009

Sector	Average female salary £	Average male salary £	Gender pay gap %
National	119,229	139,080	16.6
Finance	126,704	150,283	18.6
Consultancy	116,725	136,560	16.9
HR	123,265	122,917	-0.3
Public sector and charity	80,952	78,523	-3.1
S&M/Retail	129,085	121,876	-5.6
All Manufacturing	135,245	117,710	-13.0
Pharma	142,364	-	-
Engineering	-	98,814	-
IT	-	165,693	-

### 1.3 Bonuses

The evidence demonstrates that men in the financial sector are not only receiving higher basic salaries than women, but are also receiving larger bonus payments. The 2009 Survey shows that the bonus payment for directors was an additional 39.26% of basic salary for men. For women it was 35.03%.

At lower levels of management seniority, bonus payments constitute a smaller proportion of earnings, but a similar pattern of inequality between men and women is evident. For example, the average male department manager in the financial sector received a bonus worth 21.5% of his basic salary, compared to just 16.8% for a female equivalent. Given that men's basic salary is typically higher, as detailed above, it is clear that bonuses currently further widen the pay gap.

#### 1.4 *Movements in salary*

This year's National Management Salary Survey shows that, across the economy as whole, both female and male managers' salaries increased by 4.9%.

In the financial sector, women's pay increased more than men's at certain levels, as shown in Table 3 below. For instance, female directors' salaries rose quicker than men's. However, it is disappointing that women's pay at junior levels is not keeping pace, reinforcing the pay gap at junior levels identified in Table 1 above.

**Table 3**  
PAY INCREASES AT DIFFERENT MANAGEMENT LEVELS—  
NATIONAL MANAGEMENT SALARY SURVEY 2009

	<i>Pay increase (national) %</i>		<i>Pay increase (finance) %</i>	
	<i>Female</i>	<i>Male</i>	<i>Female</i>	<i>Male</i>
All Directors	5.4	5.2	5.4	5.1
All Managers	5.1	4.7	5.0	4.7
All Junior Staff	4.6	5.2	4.5	4.9

#### 1.5 *Labour movement: resignations, redundancies and transfers*

The National Management Salary Survey 2009 shows that, for the first time in over a decade, female labour turnover nationally is lower than that of men. It also shows that redundancy rates amongst managers have been equal, at 1.3% for both men and women.

Within the financial sector, some differences are apparent. Women appear to have been slightly less likely to resign and slightly more likely to be made redundant. Women are more likely to have had a job transfer than men, although both women and men in the financial sector were more likely to be transferred than in other sectors nationally.

**Table 4**  
LABOUR TURNOVER BY GENDER NATIONALLY AND IN THE FINANCIAL SECTOR—  
NATIONAL MANAGEMENT SALARY SURVEY 2009

	<i>Resigned %</i>		<i>Redundant %</i>		<i>Transferred %</i>	
	<i>Male</i>	<i>Female</i>	<i>Male</i>	<i>Female</i>	<i>Male</i>	<i>Female</i>
National	4.8	4.3	1.3	1.3	4.6	7.1
Finance	4.4	4.1	1.6	1.8	8.4	9.7

This suggests that employers in the financial sector may be taking steps to ensure that they retain the skills female employees bring to their organisation. Perhaps women are more flexible than men when it comes to transferring to another department.

#### 1.6 *Reasons for labour turnover*

A total of 47% of employers identified salaries as a reason for labour turnover. Worryingly, a similar number (46%) blamed the lack of career opportunities and training on offer to their staff, suggesting that employees are keen to develop their skills to survive and prosper during and beyond the recession. The same number of respondents blamed job insecurity. It is clear, therefore, that despite the recession the development of skills and opportunities for career progression remain high on the agenda for employees, both male and female.

#### 1.7 *Pay inequalities—conclusions*

The evidence of continued pay inequality in the financial sector suggests that Government-backed intervention may be necessary to achieve change. We believe that there is a case for requiring major financial institutions to undertake gender pay audits, perhaps on a similar basis to the requirements for public sector bodies currently being considered by Parliament in the Equality Bill. It may be appropriate for the Financial Services Authority to lead such measures as part of its responsibilities regarding executive pay in the City.

## 2. FLEXIBLE WORKING

The CMI has consistently backed policies to encourage flexible working. Our members, as managers, often recognise the benefits, understanding that flexible working can allow people and time to be managed more effectively. It can also increase the size of the talent pool to which employers have access. Our evidence suggests that flexible working options are particularly valued by women and that they are an important factor in women's job choices.

### 2.1 Availability of flexible working

The CMI's National Management Salary Survey shows that 56.6 % of organisations within the financial and banking industries have a flexible working scheme in operation. This compares favourably with a number of other sectors but lags behind consultants and business services, and well behind the public sector, which continues to demonstrate leadership in this area.

**Table 5**

AVAILABILITY OF FLEXIBLE WORKING OPTIONS—  
NATIONAL MANAGEMENT SALARY SURVEY 2009

<i>Sector</i>	<i>Flexible working hours in operation %</i>	<i>Job sharing in operation %</i>	<i>Home working %</i>
<i>National</i>	55.8	51.4	78.8
Public sector/charities	92.3	8.3	90.9
Consultants/business services	65.0	46.2	85.0
Banking/Finance	56.6	45.3	73.9
IT services/Hi-tech	54.0	60	88.8
Distribution/Retail	52.6	47.4	72.2
Manufacturing	50.9	48.1	70.8
Non-manufacturing	40.7	74.4	61.5

### 2.2 Support for flexible working

CMI research shows that the right to request flexible working is popular among managers, both male and female. Our submission to the Department for Business in response to the 2008 consultation on extending flexible working, showed both men and women supported extending the right to request flexible working to parents of children of all ages—although support was stronger among women (69%, compared to 51% among men).

Other research (eg by the charity Working Families and Cranfield School of Management, cited by the Equality and Human Rights Commission, June 2009), has reported that most flexible workers, their co-workers and their managers report either a positive impact or no impact on individual performance. This research also suggested that flexible workers are more committed to the organisation than other employees—challenging the assumption that flexible arrangements mean reduced commitment.

### 2.3 Drivers of flexible working

The most common reason for managers to introduce flexible working options is that it is a response to employee demands for a better work-life balance (as identified by the CMI's 2004 report on managers' motivation levels, *The Business Energy Survey*). Three other drivers were also identified as particularly important: the role of technology in enabling people to work from home; difficulty in recruiting the right staff; and coping with peaks and troughs in demand.

### 2.4 Flexible working as a factor in job choices

The CMI's 2008 report, *Management Recruitment: Understanding Routes to Greater Diversity*, based on research for the Department for Work and Pensions, examined the impact of a range of factors on recruitment and career progression. The report shows that the opportunity for flexible working is a significantly more influential factor in women's job choices than in men's. Women were more likely to cite the need for a better work-life balance than men (27 as opposed to 23%) or reasonable travel time to work (23%, as compared to 15%)—factors which flexible working options may address.

By contrast, male managers were more likely to cite better remuneration (39%, as compared to 32% of female managers), ability to influence strategic decisions (25 compared to 21%), good progression opportunities (24 compared to 20%) and managerial autonomy (17% compared to 12%).

### 2.5 Number of women in senior positions

According to recent research commissioned by *The Observer* and conducted by Co-operative Asset Management among FTSE 350 companies, women occupy just 34 of the 970 executive director positions.

Only four chairmanships are held by women, equivalent to 1.3% of the total, while just nine women serve as chief executives, or 3%. No fewer than 132 of the companies surveyed, including Barclays Bank and Royal Bank of Scotland, are “men-only zones”, without a single woman at board level. This is despite the finding that nine out of 10 companies in the survey claim to have an equal opportunities policy.

The Co-operative study identified a “pinch point” for women which tends to coincide with a lack of availability of flexible working. This suggests that flexible working can play an important role in helping women balance the demands of personal and professional life and in supporting more equal opportunities.

### 2.6 Lower levels of ambition among female managers

The CMI’s *Management Recruitment* report found that male managers are notably more likely than female managers to express high ambitions for both their current and long term aims. A greater number of men said that they would like to become CEO (31%, compared with 21% for female managers), a board director (30 to 20%), or non executive director (23 compared with 17% for women).

These findings add weight to the argument that tackling gender inequality requires steps to raise ambition and confidence among talented women, particularly at the start of their careers. Female managers should have the same ambition and confidence as their male counterparts.

There is also a need to celebrate success and potential role models for female managers. The Institute of Business Consulting (IBC), which is part of the CMI, currently supports the Women in the City’s annual awards for senior management women in London’s financial hubs. The IBC supports the award for Management Consultancy, with IBC’s Director, Lynda Purser, chairing the judging panel.

## 3. GOOD PRACTICE EXAMPLE—MORGAN STANLEY

The All-Party Parliamentary Group on Management (which is supported by the CMI) debated gender inequality at a meeting in March 2007, entitled *Tackling Gender Inequality in the Boardroom*. Abbas Jaffer, Morgan Stanley’s Head of Diversity, outlined a number of the company’s initiatives for supporting, developing and retaining female managers. They included:

- Women’s network: a dedicated network for women, intended to foster an environment to help women achieve personal success while driving the firm’s business success.
- “Cascade Programme”: developed by the Women’s Network, this initiative facilitates career development through informal mentoring and networking for women in a structured manner, cascading through the organisation by level.
- “Career Management Tracker”: this tracking tool was being developed to help ensure more focused development for women by categorising individuals’ performance and identifying their development needs.
- Maternity initiatives: Morgan Stanley’s data analysis indicated a turnover problem post-maternity, so a number of focus groups among pre- and post-maternity employees were conducted to explore the reasons. The review led to the development of a number of initiatives including a maternity buddies programme, a parenting buddy programme, a formalised “keep in touch” programme and more training for managers.
- Communication channels: methods used to promote equality included diversity training for all staff, marketing literature for new employees, a European Diversity website, and awareness raising events such as an annual Diversity Week, with motivational speakers such as Baroness Amos or Dame Kelly Holmes.
- Challenging presenteeism: Mr Jaffer described the focus on work-life balance as “a key strategic initiative to challenge the culture of presenteeism prevalent in the banking sector”. Communication campaigns and increased diversity training were helping the working culture to evolve and to challenge traditional stereotypes common to the financial sector. Mr Jaffer concluded that tackling inequality in the boardroom “is a marathon not a sprint” and will require sustained effort over the long term.

## 4. CONCLUSIONS

This submission has emphasised the scale of the gender pay gap in the financial sector; expressed support for Government intervention to achieve meaningful change; emphasised the need for professional

management skills that can help build competence and the confidence that will raise ambition among female managers; and argued that flexible working is key to supporting female managers throughout their careers. We would be happy to discuss this paper and its implications with the Committee.

10 September 2009

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### Written evidence submitted by the Chartered Insurance Institute

#### SUMMARY

- The Chartered Insurance Institute welcomes the Treasury Committee’s goal of highlighting the issue of gender equality in the financial services industry.
- Recent consumer research we conducted with YouGov found that the majority of people, 53%, want to see more women at the top of financial services, with this figure rising to 66% for women respondents.
- However, our 2009 skills survey found that many women, 45%, felt that women face particular barriers to achieving the same levels of qualification as men—although men do not seem to believe that barriers exist to the same extent (13%).
- The lack of flexible working options was cited as one of the main reasons behind these barriers—although the perception that the industry is male-dominated is thought to be the most significant reason.
- We would welcome government initiatives, programmes or policies that help challenge traditional assumptions about gender roles in the workplace, such as outreach in schools and other awareness raising.

#### RESPONSE

1. The Chartered Insurance Institute is the world’s leading financial services and insurance professional body. It maintains the professional, ethical and technical standards of the industry. Our 93,400 members in 150 countries make up the world’s largest professional body for insurance and financial services.

2. We welcome the opportunity to respond to the call for evidence from the Treasury Committee’s inquiry on the role of women in the City, and strongly support the goal of highlighting the issue of gender equality in the financial services industry.

3. Membership of the CII is open to anyone wholly or mainly employed or engaged in work connected with insurance or financial services. The CII offers qualifications for general insurance practitioners as well as financial advisers in the Personal Finance Society (PFS), part of the CII Group.

4. As a professional body, we conduct research into key issues for our members, including both member surveys and consumer research. We make efforts to include gender and other aspects of diversity into our research and analysis wherever possible.

5. Our relevant research focuses on:

- skills and development, and in particular the “gender skills gap”;
- pay inequalities; and
- the prevalence of flexible working practices.

We are currently undertaking work on pay inequalities and the desirability of mandatory equal pay legislation. This will be available in October.

6. In addition, we have undertaken consumer research with YouGov on the subject of women working in senior positions in financial services.<sup>17</sup> We found that the majority of people (53%) want to see more women at the top of financial services. The figure rises to 66% for women respondents. Although men were less enthusiastic (39%), more men wanted to see an increase in women at top levels than not (29% said “No”, compared to 7% of women). Please see Appendix I.

7. We hope that the following response will provide a useful evidence base for the Treasury Committee, and that our views on how best to support the development and promotion of women to senior positions in financial services will help the Treasury Committee devise constructive and practical ways forward for working together.

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<sup>17</sup> Research was carried out online by YouGov in May/June 2009. Total sample size was 2064 adults. The figures have been weighted and are representative of all GB adults (18+).

The Committee seeks written evidence on:

**I. THE PROPORTION OF WOMEN OCCUPYING SENIOR POSITIONS IN MAJOR FINANCIAL INSTITUTIONS AND THE EXTENT OF GLASS CEILINGS TO PROMOTION**

8. As a professional body providing qualifications for those working in general insurance and financial planning, our evidence on the extent of glass ceilings is based on our work in monitoring and promoting the development and skills of our members. Specifically, our annual skills survey 2009 found that many women believe there are barriers to achieving equal levels of qualification.

*Background: gender disparity in CII membership*

9. The CII does not collect data about the job level/seniority of its members or new entrants to the profession. However, it is worth noting that insurance and to a lesser extent financial services may not be representative of the diversity that exists in the current UK workforce in other areas—yet we do see evidence that this is changing in our own membership.

10. According to our latest membership data, 71% of CII members are male, and 29% female. This disparity rises to 95% male for members over the age of 66. However, there is an even 50/50 split within the 26–35 age group, and women make up the majority (68%) of members aged 18 or less.

*Many women say they face barriers to achieving qualifications*

11. The CII conducts a skills survey every year amongst our members.<sup>18</sup> In our 2009 survey, we asked a question about the “gender skills gap” found to be prevalent in many sectors.<sup>19</sup>

12. Nearly half of women members surveyed, 45%, felt that women do face particular barriers to achieving the same levels of qualification as men. However, far fewer men believed that barriers exist to the same extent (13%). Please see Appendix II for an overview of the skills survey data.

*The perception that the industry is male-dominated may persist*

13. While there is a wide spread of opinion as to the reasons why women might face barriers, the perception that the industry is male dominated is clearly the most significant for our members (29%). There is a lack of visible, diverse role models to help convey information about the profession. The widely held image of the profession may still be white, male and middle class, although the data we collect suggest that this is changing, at least in terms of gender.

*More female role models are needed*

14. One of the ways to build women’s trust in the sector would be to promote female role models, encouraging more women to look beyond the popular image and consider pursuing financial services as a career to be a viable option for them. The National Skills Forum report *Closing the Gender Skills Gap* (February 2009) found that at present there is insufficient access to careers education and guidance which challenges traditional assumptions about gender roles in the workplace.

15. The CII tries to address this on our award-winning Talent website, which is targeted at young people to help raise the profile of insurance and financial services in order to attract talent into the industry. The site, which had over 80,000 unique visitors in 2008, features profiles of individuals in different job roles in the sector, and half of these featured profiles are women. Please see: <http://www.insurancecareers.cii.co.uk>.

*Recommendations*

16. We would welcome government support to help the professions address this problem, through initiatives such as outreach into schools (which we undertake ourselves with good success, albeit on a limited basis) and other awareness-raising.

17. We believe that the right communication is just as important as developing the right programmes, and would encourage initiatives to consider face-to-face contact such as presentations, case studies featuring female role models (see our Talent website), and social media like Facebook, Bebo, and MySpace to communicate to young women on their own terms. Recent research undertaken with YouGov in June 2009 found that a greater proportion of women than men prefer to use social networking sites because of the ease of contacting people (47% of women compared to 36% of men).

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<sup>18</sup> The survey was conducted by the CII in April 2009. Total sample size was 2652 members. The survey findings are available online at: [http://www.cii.co.uk/downloaddata/Skills\\_Survey\\_Summary\\_2009.pdf](http://www.cii.co.uk/downloaddata/Skills_Survey_Summary_2009.pdf)

<sup>19</sup> The National Skills Forum published their report on the gender skills gap, *Closing the Gender Skills Gap* in February 2009. It found that many women face significant barriers to achieving higher levels of qualifications. Consequently the UK is missing out on a huge pool of talent, with many women working below their skill level in low-paid, low-skilled occupations. The report is available online at: [http://www.policyconnect.org.uk/docs/content/closing\\_the\\_gender\\_skills\\_gap-1.pdf](http://www.policyconnect.org.uk/docs/content/closing_the_gender_skills_gap-1.pdf)

## II. PAY INEQUALITIES

18. We are currently undertaking our 2009 member survey. This year for the first time, the survey asks questions specifically about whether members feel that they are given every opportunity to progress within their firm or job role. If not, it asks whether this is due to unfair discrimination, “traditions” and/or the way the firm/industry is structured, or another reason.

19. The survey also asks a series of questions related to equal pay audits in the private sector: whether members would like their employer to conduct pay audits, whether they would want access to the information resulting from a pay audit, and whether they would consider raising an equal pay claim if they felt that their pay was being affected by unfair discrimination.

20. The results of the 2009 member survey will be available in October. We would be pleased to share the results with the Treasury Committee at this time.

## III. THE PREVALENCE OF FLEXIBLE WORKING PRACTICES

21. The 2009 CII Skills Survey cited above asked a follow-on question to those individuals who felt that women face barriers to achieving the same levels of training and education as men: “What do you think the main reasons behind these barriers are?”

22. The survey returned some useful findings:

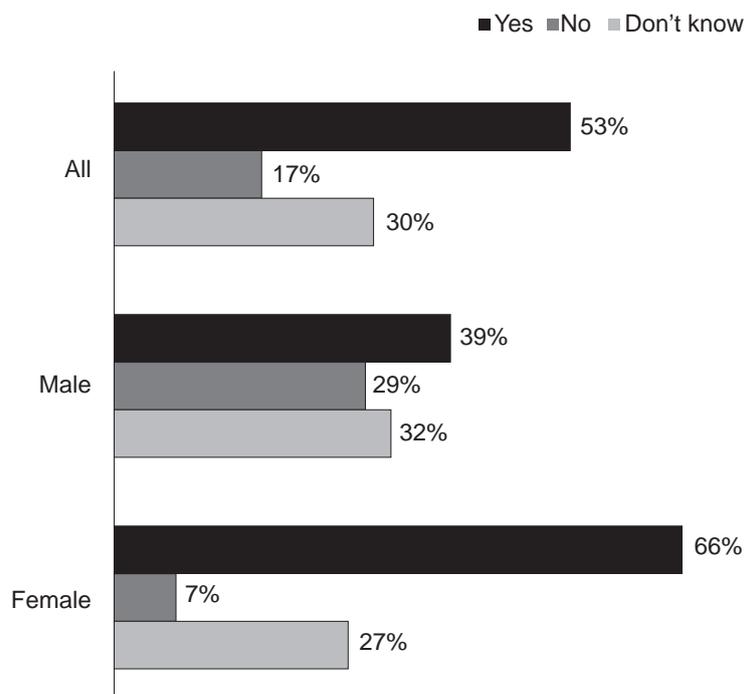
- as previously mentioned, the most popular response was that young people perceive the industry to be male-dominated (29%);
- however answers were split fairly evenly across three other options. The second most popular response was that flexible working options were not available (19%);
- the long hours culture (18%) and difficulties for women re-entering the workforce (16%) were also thought to be main reasons; and
- only 2% felt that there was not enough adult and community learning. Please see Appendix II.

## APPENDIX I

### CII GROUP CONSUMER RESEARCH, CONDUCTED BY YOU.GOV

**Methodology** All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2064 adults. Fieldwork was undertaken between 29 May to 1 June 2009. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

*Do you think the UK needs more women working in senior positions in financial services?*



APPENDIX II

CII GROUP SKILLS SURVEY 2009

Methodology

This survey was an online survey conducted by the CII Group. The questions were sent to all qualified CII and PFS members from the UK. This is the third year that the survey has been run.

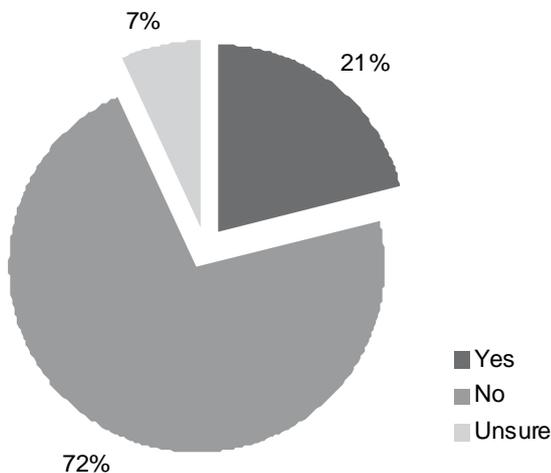
Numbers

2,562 members responded to the survey. 621 of these were employers. This number is down on 2008 (3,511 responses; 834 employers) but still significantly higher than 2007 (659 responses; 103 of whom were employers).

The Gender Skills Gap

Almost three quarters feel that women do not face barriers when it comes to achieving the same level of training and qualifications as men.

Q. Recently, research has suggested that a “gender skills gap” exists in certain fields, particularly at top levels. Thinking about your own industry, do you think that women face barriers to achieving the same levels of training and education as men



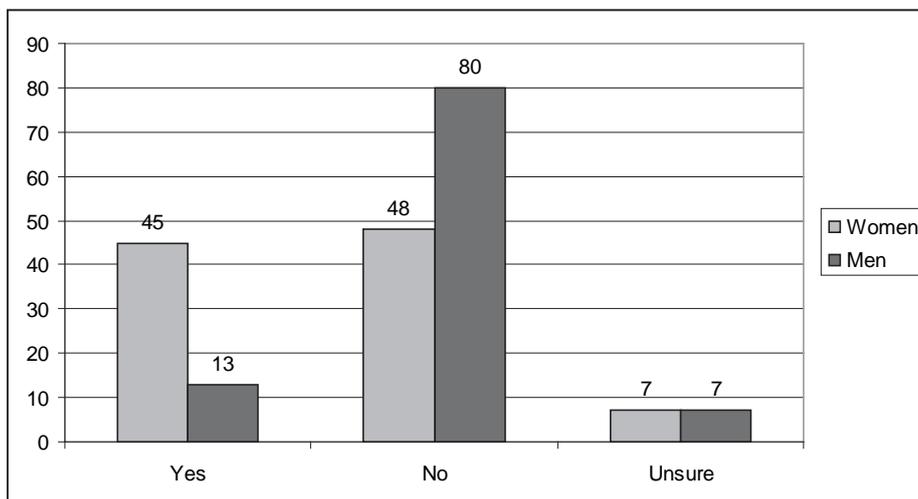
However, there was a significant difference between the responses of men and women to this question, with more women believing that women do face particular barriers.

Women—45% Yes; 48% No; 7% Unsure

Men—13% Yes; 80% No; 7% Unsure

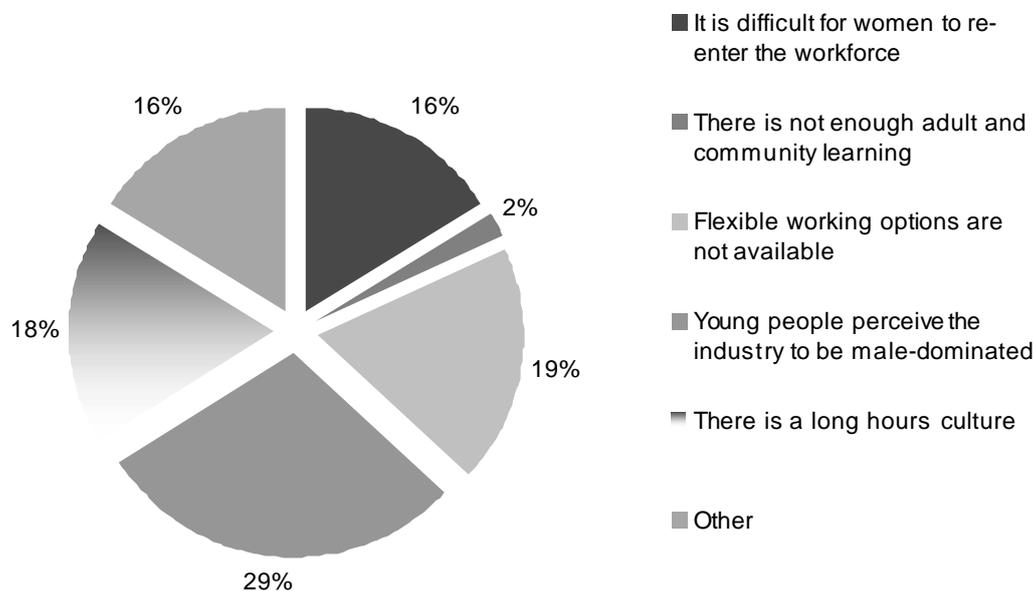
Although there is a spread of opinion of the reasons why women might face barriers, the perception that the industry is male dominated is clearly the highest.

Q. What do you think the main reasons behind these barriers are?



Although there is a spread of opinion of the reasons why women might face barriers, the perception that the industry is male dominated is clearly the highest.

*Q. What do you think the main reasons behind these barriers are?*



The full survey is accessible on our website at: <http://www.cii.co.uk/research>

### Written evidence submitted by Sapphire Partners

#### 1. WHO WE ARE

Sapphire Partners is a specialist executive search firm founded in 2005. The firm is London based and has a distinctive expertise in senior female professionals in permanent and interim, full time and flexible roles. A large majority of our candidates and clients have historically been City professionals. The firm takes a research based approach and is active in promoting diversity. In response to extensive anecdotal reports on and media inquiries into the impact of the downturn on professional women and attitudes towards flexible working, Sapphire Partners launched an on-line survey in early 2009. The survey shed interesting light on some of the issues being considered by the Treasury Committee into Women in the City.

#### 2. THE SAPPHIRE SURVEY

The 407 respondents were a high quality population of men and women, reflecting Sapphire's network, client base and candidate pool. They were:

- professionals working in central London firms and companies;
- relatively senior;
  - 77% were aged 30–50,
  - 72% had 15 years or more work experience,
  - 33% were senior execs, 23% board members, 20% managers, 14% executives,
  - 9% partners,
- high-earning (50% noted remuneration over £100,000 pa);
- predominantly female (88%; and)
- highly qualified (90% had advanced degrees).

The survey was followed by a smaller focus group of highly experienced professionals from a range of sectors including investment banking, consulting, retail banking, retail, marketing and communications.

### 3. SURVEY RESULTS WHICH MAY BE OF INTEREST TO THE TREASURY COMMITTEE INTO WOMEN IN THE CITY

The survey and focus group gave an interesting insight into the position of senior female professionals in the workplace:

- the vast majority (86%) of those expressing a view felt the downturn has *not* disproportionately affected women in an adverse way. However, while men unanimously (100%) perceived that women had not been disproportionately adversely affected by the recession, only 86% of women agreed;
- the majority (65%) of those expressing a view felt the downturn has not disproportionately affected people working flexibly;
- women and flexible workers felt disproportionately affected by the recession slightly more in certain areas, namely:
  - the financial services sector (22% felt disproportionately affected)
  - lower paid jobs, under £50,000 pa (27% felt disproportionately affected)
- relatively few professionals (under 10%) cited “discrimination” or a “culture unattractive to women” as reasons for having left their last job;
- over 45% of respondents (male and female) consider flexibility to be “very important”, improving “home life”, “health and well-being” and “job satisfaction”. It is not just a female issue;
- there remains a material gulf between the acknowledgement of the desirability of promoting senior women professionals and flexible working arrangements, and the reality. In particular, there is a need for:
  - more take up of flexible working arrangements,
  - more transparency about flexible working arrangements, and
  - care that flexible workers are not exploited (eg by extracting longer hours than agreed).

These findings reflect the views of many senior female professionals with whom Sapphire works but who may not feel able to make direct submissions to the Treasury Committee.

### 4. FEEDBACK FROM FEMALE SAPPHIRE CANDIDATES RELEVANT TO THE ISSUES BEING CONSIDERED BY THE TREASURY COMMITTEE.

Additional female candidate feedback is remarkably consistent on the challenges facing senior female professionals. Sapphire’s staff have personally met with and coached hundreds of senior women from the City. We have been privy to highly confidential outcomes and compromise agreements for dozens of women representing nearly every City firm. From our experience, the supply of experienced successful committed female professionals has never been stronger but, while virtually every City firm has adequate policies for supporting flexible working and diversity, the disconnect is in the take-up and implementation.

Some of the most concerning female candidate feedback is as follows:

- perceived lack of stretch opportunities for female professionals;
- perceived gap in compensation between male and female professionals;
- perceived higher performance requirements for female professionals; and
- perceived negatives of requesting or embarking on a flexible work arrangement.

*September 2009*

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## **Written evidence submitted by the Institute of Chartered Accountants in England and Wales**

### INTRODUCTION

1. We are pleased to submit written evidence to the Treasury Select Committee as part of its current inquiry into Women in the City. This submission brings together statistics gathered by our own research into the accountancy profession, information on best practice from our member firms, and anecdotal evidence submitted by members and other professionals to an online consultation exercise.

### WHO WE ARE

2. The ICAEW provides leadership and practical support to over 132,000 members in more than 165 countries. We represent accountants working across every sector and size of firm, both in the UK and abroad, in business and in practice. As a world-leading professional accountancy body, the ICAEW operates under a Royal Charter, working in the public interest with governments, regulators and businesses in order to ensure the highest standards are maintained.

3. The regulation of our members, in particular the responsibilities in respect of auditors, is overseen by the Financial Reporting Council. The ICAEW is a founding member of the Global Accounting Alliance with over 775,000 members worldwide. The prestigious qualifications offered by the Institute are recognised around the world and allow members to call themselves chartered accountants and to use the designatory letters ACA or FCA.

#### EXECUTIVE SUMMARY

- The ICAEW believes that attracting and retaining women in the profession is vital to maintaining high standards in the UK accountancy profession.
- The available research suggests that women make up nearly half of new entrants to the profession, and are a growing proportion of the total number of chartered accountants worldwide.
- Disengagement from the accountancy profession and the workplace during career breaks, to have children or undertake other caring responsibilities, is a major challenge to retaining women in the profession.
- Both the ICAEW and employers in the profession are undertaking measures to attract women into a career in accountancy, retain them and encourage them to progress to the very top of the profession.
- There is a disparity in average earnings between men and women in the profession.
- According to our own findings, this gap is beginning to close, but it is important to understand and address the underlying factors affecting this gap before taking direct action against it.
- The accountancy profession, employers and the government all have a role to play in shaping the broad and complex cultural issues behind the problems the committee has focused on in the financial sector.
- Policies in areas as diverse as education, welfare, funding for childcare, rights to flexible working and maternity/paternity leave all need to be coordinated to ensure that women have the broadest range of choices regarding work/life balance and career progression.

#### RESPONSES TO SPECIFIC TERMS OF REFERENCE

##### 1. *The proportion of women occupying senior positions in major financial institutions and the extent of glass ceilings to promotion*

1.1 While the ICAEW and other bodies such as the Financial Reporting Council gather information on the gender composition of the profession, we do not hold specific information about the proportion of women in senior positions in major financial institutions. We are, however, able to comment on the current situation and trends within the profession.

1.2 We seek to recruit and retain as many female chartered accountants as possible, as part of our aim to maintain our high professional standards by encouraging recruitment from as broad a pool of talent as possible.

1.3 The proportion of women in the accountancy profession is climbing. Nearly a third of members of the six chartered accountancy bodies worldwide are women.<sup>20</sup> Nearly half (49%) of the students of these bodies are women. The proportion of female students has held steady at nearly 50% for the past five years, indicating that the profession is just as accessible for female entrants as male entrants.

1.4 Our statistics on the composition of the profession across all sectors in the UK tell a similar story.<sup>21</sup> 26% of chartered accountants are women. We hope to see this proportion grow as an influx of new female talent works its way through the profession.

1.5 Based on a survey of our members working in the financial services sector, the proportion of female chartered accountants is slightly lower than the average across the entire economy. Across the financial services, banking and capital markets and insurance sectors, female chartered accountants made up 22% of chartered accountants—4% lower than the average representation across all sectors.

1.6 Representation of female chartered accountants is above the overall average in the government, charity and not-for-profit sector (38% female) and the healthcare and pharmaceutical sector (34%). Women are less represented in the manufacturing and engineering sectors (17%), technology, ICT and telecoms (21%) and entertainment and media (21%).

1.7 We have identified as a major challenge the number of women who leave the profession mid-career, often following a career break to have children or undertake other caring responsibilities. This disengagement accounts for some of the disparity between the proportion of women qualifying, and the proportion of women continuing to work in accountancy, in both business and practice.

<sup>20</sup> *Key Facts and Trends in the Accountancy Profession 2009*, Professional Oversight Board, Financial Reporting Council.

<sup>21</sup> *ICAEW Career Benchmarking Survey 2009*.

1.8 Disengagement impacts on women's careers in accountancy. A career break slows career progression and often limits opportunities, which may well be a major factor in bringing about lower average earnings and a perceived glass ceiling for women.

1.9 We established our Narrowing the Gap initiative to address this issue. NTG supports members in preparing for a career break, returning to work after a career break and with their career progression thereafter. NTG's steering committee brings together a panel of senior men and women, ACAs and HR diversity specialists, from across the accountancy profession, the public sector and financial services. It aims to coordinate efforts to target disengagement and share best practice. NTG is open to both men and women, and its outputs so far include:

- events and conferences offering training, networking, advice and support, on topics such as returning to the workplace (partnering with Chartered Accountants' Benevolent Association), career progression; soft skills and setting up one's own business;
- a major conference on recruiting and retaining the best female talent in finance, bringing together government, representatives of major employers in the industry and ICAEW members;
- a comprehensive resource of online information and an online careers portal;
- endorsement of the "Women in Accountancy" award at the Women in the City awards, recognising the achievements of female professionals in the financial sector; and
- regular events for women looking to become leaders in business and finance, offering skills training and advice.

1.10 The ICAEW itself has a 66% female workforce. As the leading accountancy body our recruitment policies reflect our intentions to ensure equal opportunities for men and women, including flexible working for employees with caring responsibilities; annualised hours, home working, job sharing, self-rostering, shift working, staggered hours and term-time working measures; and a regular internal audit of gender pay differences.

1.11 Major employers within the profession recognise the representation of women in the profession and disengagement as major issues to be addressed. Some examples of these programmes include:

- *Ernst and Young Back to Practice*: EY joined with us to host an event for women currently on career breaks. It examined the challenges associated with returning to work after a career break and advised women on how to plan for their return.
- *PricewaterhouseCoopers' Women's Network and Parents' Network* offer peer-to-peer support and networking opportunities to employees.
- *EY Women's Leadership Development Programme*: EY runs a two-day programme which offers coaching and training in leadership skills to potential leaders.
- *EY Careerwatch*: Aimed at high performing, high achieving women in the firm, EY has set up a programme to pair women with a female senior partner. The aim is to provide women with a senior ally to help them overcome obstacles to their development, through support, advice, references and networking opportunities.
- *PwC's Gender Advisory Council* is an international group of 14 senior male and female leaders from around the world who work actively to improve the representation of women in the firm. PwC was recently awarded the Opportunity Now Global Award for this programme.
- *PwC's Women's Leadership Programme* targets senior women and offers support and advice on career progression, aiming to increase the number of female partners in the firm.

## 2. Pay inequalities

2.1 There is still a considerable pay gap between men and women in the accountancy profession.

2.2 In business, the average basic salary of a male chartered accountant (£88,200) is nearly 50% higher than that of a female chartered accountant (£60,500).<sup>22</sup>

2.3 Our data suggests, however, that the salary of female chartered accountants is rising faster than that of male chartered accountants—the average male salary is up by 7% on last year, while the average salary for a female chartered accountant rose by 10%.

2.4 Our data on the accountancy profession also indicates a disparity in bonus levels, with the average for men at £6,900 compared to £2,400 for females. This suggests that women in the profession earn 64% less than men in performance-related pay. A recently published survey from the Equalities and Human Rights Commission suggested that women earn around 80% less than men in performance-related pay in some finance companies.<sup>23</sup>

2.5 As with basic pay, the gap may be beginning to close—the average bonus for males dropped slightly in the past year, while that of their female colleagues increased by 33%.

<sup>22</sup> ICAEW Career Benchmarking Survey 2009.

<sup>23</sup> Financial Services Inquiry, Equality and Human Rights Commission, September 2009.

2.6 The problem of a gender pay gap is found across all sectors. While it is most pronounced in the financial sector, statistics from the Fawcett Society also show large gaps across such diverse sectors as energy, leisure, property, health and social work and public administration.<sup>24</sup>

2.7 Average statistics about the gender pay gap are problematic. Complex factors lie behind these statistics:

- Male chartered accountants are typically older—the average male chartered accountant is 46, against 40 for females.
- Male chartered accountants are more likely to be in a permanent role, as opposed to part-time and temporary positions.
- Male chartered accountants work longer hours on an average weekly basis (45 hours per week, against 38 for women).
- Women have greater representation in the government, charity and not-for-profit sector, where wages are lower on average.
- The disengagement of women from the workforce after a career break is closely linked to all these factors.

2.8 One example of projects being undertaken to address the problem of pay inequalities in the sector is EY's programme on unconscious bias. Having identified a disparity in performance ratings between male and female employees, which was impacting on pay levels, EY implemented a training and manager engagement programme to raise awareness of unconscious bias in employee assessment. This resulted in a significant reduction of the male-female disparity and the firm is now planning to extend the programme to unconscious bias on other issues.

2.9 To shed further light on the problem, a study of earnings which normalised for the impact of career breaks and compared women and men of the same age profiles could provide illuminating data on the actual financial impact of career breaks on earnings.

2.10 The pay gap must be seen as a symptom of the underlying challenges faced by women in the workplace in all sectors. Monitoring of the gender pay gap by employers can help to address unfair disparities. However policy measures which seek to target this issue specifically may not impact on the broader issues, such as ensuring that employees can return to the profession after a career break, or work flexibly if they have caring responsibilities.

### 3. *The prevalence of flexible working practices*

3.1 Flexible working practices are becoming more widespread for accountants working in business and in practice. In order to keep women in the profession and to enable employees to undertake childcare and other caring responsibilities, a more flexible approach to working hours can be very helpful.

3.2 This is not just applicable to women. A work/life balance and responsive working practices can be just as valuable to men. While there are periods in an employee's career where the 'long hours culture' is a viable option, most people will experience periods in their working lives when a more flexible approach will enable them to continue to work productively.

3.3 Modern business practices have in some ways facilitated the development of flexible working. The development of new technologies has made working from home or remote coordination of teams and projects more viable. Increasingly international workforces have meant that companies have had to adapt to working with colleagues and clients in different time zones, requiring a more flexible approach to working practices.

3.4 The cost of childcare for professional parents in the middle of their careers can be prohibitive enough to disincentivise full-time work. Policies to increase provision of and funding for childcare for this group might significantly improve parents' ability to remain in the workforce. Existing government measures have been targeted at helping women entering the workforce for the first time, often in low paid roles. While we commend these efforts to bring more women into the labour force, they are not appropriate to tackle the problem of disengagement among professional women.

3.5 We have received contrasting representations on the impact of the recession on flexible working practices. Many acknowledged that in difficult economic circumstances diversity measures and the capacity of employers to grant flexible working is reduced. Employees may be less willing to ask for flexible working measures when staff numbers are being cut, and there may be more pressure to work longer hours in order to demonstrate commitment to an employer. Other respondents have suggested that with many businesses, including some large accountancy practices, asking employees to work shorter weeks, or alternatively take sabbatical periods of leave, there is currently greater scope for flexible conditions in the short term.

<sup>24</sup> *The Pay Gap by Occupation and Region*, Fawcett Society.

4. *The extent to which the culture of the City is sexist, and the prevalence of sexual harassment and exploitation*

4.1 We do not gather specific information on the prevalence of sexual harassment and exploitation. In drawing together information for this response, we consulted directly with members on the issue of women in the sector using an online forum.

4.2 We identified a perceived issue around a male-oriented working culture being a barrier to female progression.<sup>25</sup> Responding to our consultation in September 2009, one respondent summarised the responses of several others, writing:

“There are unwritten rules within the profession which have been developed historically by men in line with the skills and structures that men tend to operate best in... For example, reward structures and ways of doing business tend to be biased towards traditionally male characteristics. Traditionally female characteristics are often not rewarded or seen as weakness rather than positive attributes... Many females feel they must act in a more traditionally masculine way in order to try to play according to the male-oriented rules in their current and previous workplaces.”

5. CONCLUSIONS

5.1 Both the ICAEW's own data and that published by other authorities demonstrates that the position of “women in the City”, the gender pay gap, the availability of flexible working and the culture of the workplace are real issues which are indicative of a wider problem in the working culture.

5.2 The experience of our members suggests that there are complex factors involved and there are broader societal issues which impact on the workplace.

5.3 We have set up a programme of work to address what we see as one of the major challenges for women in the profession. NTG is aimed at tackling disengagement from the accountancy profession following a career break, and encouraging ongoing progression.

5.4 Other major employers also recognise the importance of attracting, retaining and encouraging female talent, and have brought in a number of effective and positive measures.

5.5 The problems identified by the committee are not specific to women, nor are they specific to the City and the financial services sector. A more flexible and modernised workforce would benefit men and women, both of whose working capabilities and requirements change as their careers progress. Similarly, gender pay gaps and obstacles to career progression for women exist in all sectors.

5.6 In the long term, addressing these challenges demands a cultural and attitudinal shift beyond the workplace. Policy in areas as diverse as education, welfare, funding for childcare, rights to flexible working and maternity/paternity leave all need to be coordinated to ensure that the full range of choices are available to women.

5.7 Responsibility for this complex task cannot be assumed solely by employers, although as our examples above demonstrate, they can play a significant role.

5.8 The accountancy profession itself has a key role to play in helping to coordinate activity across the profession and facilitate the sharing of best practice, as well as offering direct support to members.

5.9 Employers must be ready to work with employees to develop career paths which include periods of disengagement from the workplace, and ensure the availability of routes back onto the main track. This is vital to ensure that the skills and motivation of trained accountants are not wasted.

5.10 The Government has an important role to play in creating a coherent policy environment to facilitate both a society and a workforce in which women and men can both plan their career to reflect their caring responsibilities and to allow for some form of work/life balance, and in which women who wish to reach the very top of their professions are able to do so.

*September 2009*

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**Written evidence submitted by the Equality and Human Rights Commission**

EXECUTIVE SUMMARY

1. The Equality and Human Rights Commission welcomes the opportunity to give evidence to the Committee's Inquiry into the role of women in the City. As the Committee may be aware, the Commission has itself been investigating gender discrimination and inequality in financial services organisations, and our work to develop effective solutions to the problems identified is continuing.

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<sup>25</sup> In collating our response to this inquiry, the ICAEW initiated an online consultation forum on the issues set out by the Treasury select committee. 1,115 members viewed the consultation item, and we received 25 individual responses on the forum and by email.

2. The financial services sector is a significant contributor to the UK economy. In 2008 it provided 1.3 million jobs in Britain, employing around 4% of the workforce. Men and women make up almost equal proportions of employees within the sector. Our Inquiry has revealed some serious indicators of gender inequality in this sector. There was evidence that some companies are serious about trying to redress this but the overall message from the Inquiry so far is that discriminatory practices persist along with a culture that makes it difficult to shift them. Headline Inquiry findings are:

- *The pay gap*: women working full-time in the finance sector earn 55% less per year than men working full-time. This gap is twice as large as the average gap across the economy. The gender gap identified in bonus payments is a shocking 80%.
- *Pay transparency*: the lack of pay transparency in the sector, particularly in relation to performance pay criteria, allows pay inequalities to persist and grow.
- *The pay gap is not historical*: 86% of new female recruits are put on lower salaries than their male colleagues.
- Occupational segregation is more marked in financial services than in the economy as a whole. Men occupy two-third of managerial and senior jobs.
- The maternity penalty is significant and is underpinned by negative management attitudes to pregnancy and maternity leave. Women returning from maternity leave may find a permanent reallocation of their clients, loss of bonuses and adverse performance assessments. Pregnant women and those on maternity leave are more likely to be made redundant.
- The age profile of the sector presents barriers to those with primary care responsibilities, still predominantly women.
- The long hours culture and resistance to flexible working, particularly for senior employees, disadvantages women with children. Those seeking flexibility often have to opt for demotion to obtain it.
- Promotion is often at the discretion of middle managers, who are predominantly male. Women are more likely than men to have experienced a peer being promoted above them.
- Informal networking and recruitment practices exacerbate the problem as it is often male-oriented.

#### THE COMMISSION'S FINANCIAL SERVICES INQUIRY

3. The Commission is conducting this Inquiry using its legal powers under s16 of the Equality Act 2006, which include mandatory disclosure powers, enabling us to obtain company information that may not be otherwise available.

4. The evidence submitted is based on research and findings from the Commission's Inquiry, obtained by the following means:

- a research report on the finance sector was commissioned to provide a profile and literature review on gender equality in the sector (phase 1 report);
- a mandatory questionnaire was issued to 50 randomly selected organisations in the financial services sector about their pay and employment policies and practices;
- the Commission issued a public call for evidence on 9 April 2009 to gather individual experiences and views; and
- discussions were held with legal and industry experts, including seminars and interviews with the Inquiry evidence panel.

5. Earlier this year, for phase 1 of its Inquiry, the Commission published its research report, "*Employment and earnings in the finance sector: a gender analysis*", and on 7 September 2009 the report of the second phase of the Inquiry was published. Both these reports are available on the Commission's website, and copies are enclosed with this submission for the Committee's convenience. The Commission's Inquiry is now in its crucial third phase which will involve collaboration with finance companies, employees, industry associations, leaders, regulators, and trade unions to develop targeted solutions to the gender inequalities identified in the report.

6. The Commission is glad to co-operate with the Treasury Select Committee Inquiry to identify and challenge the extreme gender inequalities in financial institutions and in so doing contribute to the sector's renewal.

7. Unless otherwise stated, the evidence in this submission derives from the Commission's Inquiry.

#### THE PROPORTION OF WOMEN OCCUPYING SENIOR POSITIONS IN MAJOR FINANCIAL INSTITUTIONS AND THE EXTENT OF GLASS CEILINGS TO PROMOTION

8. The Inquiry found a range of evidence of glass ceilings in the sector, including that:

- men occupy two-thirds of managerial and senior jobs in the financial services sector;
- there are almost twice as many male as female managers;

- occupational segregation is more marked in this sector than across the economy as a whole, with women concentrated in more routine and junior positions; and
- women are more likely than men to experience a peer being promoted over them.

9. The Inquiry found that women's prospects of advancement and promotion in financial institutions are significantly jeopardised by negative management attitudes to pregnancy and maternity leave.

#### PAY INEQUALITIES

10. The Commission's reports provide detailed evidence of the extent and character of the gender pay gap both across the sector generally and within those finance organisations issued with a questionnaire.

11. At the sector level, the gender pay gap for annual gross earnings (ie all earnings, irrespective of hours) is 60%, much higher than the economy-wide gap of 42%. Based on mean full-time annual gross earnings, the overall gender pay gap was found to be 55%, compared with 28% in the economy as a whole. Data collected via our questionnaire gave gender pay gaps of 39% for annual basic earnings and 47% for annual total earnings.

12. One of the key findings of our Inquiry is the contribution that the disparity in bonuses or performance pay between men and women makes to the size of the pay gap. In nearly all of the organisations responding to our questionnaire, women received significantly lower performance related pay on average than men. Women employees earned an average of £2,875 in annual performance related pay compared to an average of £14,554 for men—a gender pay gap of 80%.

13. Furthermore, the gender pay gap in finance sector companies cannot be explained away as a historical legacy. In 86% of responses to the Commission, women who had started their jobs in the last two-and-a-half years had lower starting salaries on average than men starting in the same period. It is likely that this inequality continues to be reproduced throughout the course of their careers. The information provided shows that women's annual total earnings came close to men's in only three cases, and women earned more than men in only one case.

14. Although occupational segregation is a factor in the overall gender pay gap, as women are concentrated in the lower paid jobs in finance sector companies, the Commission found that there is a significant gender pay gap within most job grades and occupation categories, that is where women and men are doing the same or equivalent work. The prevalence of in-grade pay inequality suggests that the pay gap may not simply be a consequence of vertical occupational segregation but also reflect a failure to ensure equal pay for equal work. The use of job evaluation was positively associated with a lower gender pay gap in both basic pay and total earnings. However, only a third of cases used job evaluation to determine job grading.

15. Pay transparency (by which we mean employees knowing roughly how much their colleagues earn) in the sector is poor, particularly in relation to performance pay criteria which are not generally publicised within the companies. Where there is a recognised trade union or staff association, pay arrangements tend to be more transparent.

16. The Commission asked companies whether they undertook equal pay audits or reviews—this is particularly important where pay setting is a largely discretionary process, and is recommended by the statutory Code of Practice on equal pay. The Commission was concerned to find that:

- less than half of the questionnaire cases reported that they had made any effort to address the gender pay gap in their company;
- only 23% of companies reported that they had undertaken an equal pay audit;
- only three questionnaire cases reported that they monitor starting salaries by sex; and
- less than a quarter of questionnaire cases reported that they monitor performance-related payments by sex.

17. In summary, the earnings data demonstrates a significant gender pay gap within the questionnaire organisations and within most job grades/categories. These gaps persist across basic and total annual earnings and the gap is particularly pronounced for performance-related earnings. Low levels of awareness of or compliance with the Code of Practice on Equal Pay were identified.

#### THE PREVALENCE OF FLEXIBLE WORKING PRACTICES

18. One of the most problematic issues raised by women who gave evidence to the Inquiry is the long hours culture that prevails in most finance sector companies. An unusual degree of flexibility (especially a willingness to work extra hours or undertake travel at very short notice) is routinely demanded by City employers. Long and unsocial hours can be challenging for all employees but for those with caring responsibilities the challenges are acute. A willingness to undertake unpaid overtime can be a key determinant of pay and career progression, as can "presenteeism" in the workplace—both of which can disadvantage employees with primary care responsibilities, most of whom will be women. Flexible working practices do not sit easily in this sort of working environment.

19. The Inquiry highlighted a serious mismatch between policy and practice relating to flexible working. 93% of the companies who completed the mandatory questionnaires reported that they had flexible working policies. Some of these simply reflected the statutory requirements whereas others were more extensive, progressive and stressed the positive benefits of flexible working. Despite most companies having flexible working policies, the data collected from the questionnaires showed that only 2% of employees put in requests for flexible working, the large majority of these being women.

20. One possible explanation for the low numbers of applications for flexible working is the discrepancy between espoused policy and organisational practice. Witnesses raised questions about the extent to which flexible working was encouraged in practice. For example it was reported:

“There was absolutely no flexibility on the firm’s part to even try to fit in my flexible working request as I was told it was really only for secretaries and not for lawyers or professional people . . . all the policies on paper were not really put in practice at all but to comply with laws and for appearances sake.”

21. Union submissions to the inquiry signalled a recent increase in the number of employment tribunal claims due to flexible working requests. Equally worrying was evidence linking requests for flexible working arrangements to subsequent redundancy selection.

22. The Inquiry received evidence indicating that some women who had successfully negotiated flexible working arrangements subsequently came under pressure from their managers to return to the corporate standard working hours pattern.

23. Other evidence presented to the Inquiry suggested that some senior female employees downshifted to more junior and part-time positions in response to the challenges that they faced in combining working at a senior level with care responsibilities, often following a return from maternity leave and the failure of companies to embrace flexible working practices. One respondent noted that “I have come across a few managers who have come back (from maternity leave) and they have just thrown in the towel and said ‘Do you know what? I am going to be a cashier because I cannot do this’”. Their decision to downgrade, however, appears to reflect the constrained choices facing some senior women employees and not a considered cost–benefit analysis by the employer of losing the skills of a highly trained and experienced member of staff.

#### THE EXTENT TO WHICH THE CULTURE OF THE CITY IS SEXIST, AND THE PREVALENCE OF SEXUAL HARASSMENT AND EXPLOITATION

24. The Inquiry heard compelling evidence that underpinning discriminatory managerial attitudes to women was what many witnesses referred to as a very macho workplace culture. The marked occupational segregation that sees more men working in high earning positions and more women in low earning positions remains entrenched in a sector where the cultural norm is informal recruitment methods, which often perpetuate job stereotyping by gender.

25. Networking, often male-oriented, was highlighted as an important career enabler within the financial services sector, in terms of building relationships with clients and increasing visibility with senior managers. The inquiry was told that deals with clients were often sealed at networking events to ‘entertain’ clients held at male-dominated sports venues, lap dancing clubs and hostess bars—venues that typically demean women. As one witness explained:

“If you do not attend large drinking sessions, play billiards and speak and act like a man (that is, no crying and never sleeping and never taking any days off for yourself or your children) then you have a small chance of success provided you dress like a model and express a wish never to have children.”

26. Stereotyping of women and sexist and exclusionary practices sometimes create a climate in which women feel undervalued and lack confidence. Though when women do assert confident behaviour, for example when pushing for promotion or more pay, they challenge the female stereotype and often become marked out as being “stroppy” and it seems to be common for women to be left feeling isolated and vulnerable if they complain or raise a grievance.

27. The Inquiry collected evidence revealing entrenched sexist attitudes including women being asked about family circumstances in recruitment interviews when men weren’t, and women being viewed as a “maternity risk” if they are perceived to be in the relevant age bracket. This factor is exacerbated by the finding that the finance sector overall has a lower age profile than any other sector with most employees being between the ages of 25–39. Offensive sexual “advice” was reportedly given to women, for example “keep your legs closed” to a woman in a senior executive role working for an international bank who had just returned from her second period of maternity leave, and a male manager suggesting that a female member of his team should wear fishnet tights for a month in order to get re-graded. Comments like these often get explained away as friendly workplace banter by the men making them, but the Inquiry witnesses felt they reflected an underpinning sexist attitude that, (apart from being very offensive to many women) whether intentionally or not, diminished women’s pay and promotion potential.

28. Our Inquiry did not specifically investigate the incidence of sexual harassment in the workplace. Although the phase 1 report flagged up past high profile tribunal cases involving women in the finance sector which have suggested that workplace sexual harassment appears to be fairly common. This report also

highlighted evidence that unions have organised courses on dealing with sexual harassment for women members in the finance sector. Although not specifically about the finance sector, the former Equal Opportunities Commission report *Sexual harassment in the workplace: a literature review* by Carrie Hunt, Marilyn Davidson, Sandra Fielden and Helge Hoel of the Manchester Business School at the University of Manchester (2007) analyses existing findings about the nature and prevalence of sexual harassment. A finding relevant to our Inquiry is that sexual harassment is more prevalent in working environments with an unequal sex ratio and where there are larger power differentials between men and women.

#### STEPS FOR CHANGE

##### *Recommendations for others*

29. The Commission has a detailed set of recommendations for the finance sector which we will now be testing with them and others for efficacy before producing a blueprint for change early next year. These include:

- commitment and leadership to drive forward gender equality as a business objective—including appointing a Board member in finance companies responsible for driving and mainstreaming gender equality;
- increased transparency to mitigate gender bias—including adopting non discriminatory job descriptions and job evaluation systems and regular equal pay audits; and
- better support for employees with caring responsibilities—including policies on parental leave and flexible working that translate into measurable practice.

#### ACTIONS FOR THE COMMISSION

30. A robust set of actions for the Commission is also included in the report and we have started to take these forward. These include:

- working with the Financial Services Authority to ensure they are capitalising on the potential of their gender equality duty to effect positive change for women working in the sector;
- continue to work with Government so that relevant Equality Bill provisions are an effective legislative lever for change towards greater equality for women in the sector; and
- feed the Inquiry evidence into the Commission's work on developing an effective equal pay monitoring system for employers.

*September 2009*

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### **Written evidence submitted by Barclays plc**

#### BARCLAYS GROUP

1. Listed in London and New York, Barclays plc ("Barclays") is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services with an extensive international presence in Europe, United States, Africa and Asia. With a strong long-term credit rating and over 300 years of history and expertise in banking, Barclays operates in over 50 countries and employs 156,000 people. Barclays moves, lends, invests and protects money for 48 million customers and clients worldwide. The Group is comprised of two overarching business units—Global Retail and Commercial Banking and Investment Banking and Investment Management—and a Group centre, responsible for the strategic direction of Barclays.

#### INTRODUCTION

2. Barclays welcomes this opportunity to contribute to the Treasury Select Committee's inquiry into women in the City. We recognise that as an industry the financial services sector has more to do to achieve a truly diverse workforce, particularly in respect of gender. We are committed to addressing these challenges.

3. At Barclays, we believe that a diverse team with a variety of strengths, and a shared purpose, will bring the strongest results for our business. That is why we take a proactive approach to diversity and inclusion and why gender is a key strand of our Diversity and Inclusion Strategy. We also continue to assist the Equality and Human Rights Commission in developing solutions for driving change, as part of its inquiry into "*Sex Discrimination and the Gender Pay Gap in the Financial Services Sector*".

4. This memorandum provides an overview of Barclays approach to the recruitment, development and retention of female employees. It focuses in particular on the progress of our long-term objective of creating an environment in which women want to work and which provides equality of opportunity regardless of gender. We have set out some of the policies and initiatives that we have developed to help us achieve this aim.

## FACTUAL INFORMATION

*Women at Barclays*

5. Barclays has a strong record of being pioneering and progressive in its attitude to female employees, which was evident over 100 years ago when we employed women as telephonists. In 1958, Barclays employee Hilda Harding attracted worldwide publicity on being appointed the UK's first female bank manager and by 1962 we were employing more women than men. This was groundbreaking as it came in an era when women employed in the financial services industry were typically typists or junior clerks.

6. Barclays first female Director, Mary Baker, was appointed in 1983. By 1986 women held proportionately more senior positions at Barclays than at the other four major UK banks. Today, two of our major businesses have female Chief Executive Officers including the CEO of UK Retail Banking, Deanna Oppenheimer, who is our Gender Champion. Barclays has also benefited from the talents and inspiration of our recently retired non-executive board members, Patience Wheatcroft, a highly respected financial journalist and Professor Sandra Dawson of Cambridge University's Judge Business School.

7. Whilst we are encouraged by these achievements, in common with other FTSE 100 companies, increasing representation of women at senior levels remains a challenge. This has been our focus for the last three years and we have seen trends in the right direction. We believe that it is senior level commitment, supported by a robust and structured programme of activity to support women in the workplace, that encourages women's progress. Last year, 25% of our senior managers were women (up from 20% in 2007) and since 1 April 2007, just over 20% of senior hires across the business have been women. We are committed through the robust gender action plans embedded throughout the Group to ensuring that even more women make it to the top of our organisation.

*Recruitment and development*

8. Over the past 20 years Barclays has introduced a raft of initiatives to improve the ratio of senior women to men, including better maternity leave, more opportunities for flexible working and our 2001 Equality and Diversity Charter which set out Barclays commitment to equal opportunities. Despite today's challenging economic climate, efforts to recruit and develop more women for senior jobs remain a key priority across Barclays. These include mentoring schemes and dedicated programmes for high-potential women. An overview of many of these is given below.

9. Barclays vacancies are advertised through various portals including the *Where Women Want to Work* website and recruitment websites such as Aurora, a recruitment agency focused on helping women into the workplace. Through executive recruitment, we have created a "virtual bench" of top talent externally via research partners and networking, which helped to increase the recruitment of women by 21% in the first six months of 2008. We are also continuing to build our future pipeline of female talent through our graduate scheme.

10. Further proposals currently under consideration as a means to accelerate our progress include: an enhanced focus on obtaining diverse candidate pools for senior vacancies, such as actively promoting flexible working practices; a review of recruitment processes to identify any inadvertent barriers to diversity; and developing career planning support programmes for women returning from maternity leave.

11. Barclays has a well established women's network (WiN), the aim of which is to support and promote the firm's objective to optimise the recruitment, retention and development of women. Initiatives which WiN promotes include mentoring programmes, networking events and training initiatives. We have also launched a Senior Women's Programme, to promote motivation, networking and knowledge-sharing of talented women across our organisation. Initiatives as part of the Senior Women's Programme include the introduction of a talent development tool to identify our female talent population, giving tailored personal development and coaching.

*Fostering an environment where women want to work*

12. Efforts to create an environment that appeals to women are paying off. Since 2006, Barclays has been ranked among the Top 50 employers in the "*Where Women Want To Work*" survey compiled by *The Times* newspaper. To make the Top 50 list, firms must be able to demonstrate that they have a progressive and transparent culture, that they boast truly innovative and multi-channel recruitment and retention strategies and that they can demonstrate a firm commitment to helping women to develop their careers so they can succeed at all levels. Barclays is also a recent signatory of the Fawcett Society Charter, which was launched in November 2008 and provides a platform to demonstrate our commitment to promoting a fully inclusive work environment for women.

13. The outstanding professional and personal achievements of female colleagues across the Group are recognised by the annual *Women of the Year Internal Awards*, who in turn provide inspiring role models for other women at Barclays. Last year, we won *The Times Top 50 employers Retention Award* in recognition of our development of this programme. This year, over 410 nominations were received from businesses units across the globe for achievements in personal and professional excellence. Winners are due to be announced in October 2009.

14. Other interventions include: the introduction of a requirement for every senior employee to have and be assessed against diversity objectives in their Performance Plans; development events for high potential women, a recent example being a discussion forum involving other FTSE 100 companies hosted by our Gender Champion; and a programme of research considering the causes of why fewer women are found in more senior positions.

#### *Flexible working*

15. We recognise that the availability of opportunities to work flexibly play a key part in the attractiveness of Barclays as an employer of choice. Barclays supports flexible working and takes such requests seriously. Since 2002, our flexible working policy has exceeded statutory eligibility criteria by being available to all employees. It is part of a suite of “family friendly” policies which go beyond statutory provisions and in some cases, offers alternatives to flexible working where a temporary rather than permanent change is preferred; for example, career breaks, additional paid leave for caring responsibilities, sick leave and additional unpaid leave for fertility treatment. We also provide access to 24-hour counselling and advice helplines for employees and their families.

16. Across the Group, flexible working requests are embedded in the business. We are particularly pleased to report that in our investment banking division, an area which has traditionally had a long hours culture, the number of flexible working requests per annum doubled between 2006 and 2008 and an average of 91% of those requests were accepted. Similarly, the number of women returning to work from maternity leave has also grown rapidly. We believe that this is a sign that the perceptions of the work and working practices of the City are being challenged and that the culture is changing.

#### *Remuneration*

17. In determining remuneration we are sensitive to the risk of gender bias. We have therefore designed into our governance and analytical checks specific actions to ensure that any indication of gender bias is actively managed.

*September 2009*

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### **Written evidence submitted by Dr Sarah Rutherford**

My evidence is drawn from 25 years experience of the City. It comes from a mix of my own experience as an employee, my research (refs) and my consultancy work. It is a mix of facts, quotes, views and research findings.

I am currently a diversity consultant and researcher specialising in gender and organisational culture. Much of my work and research has been in financial institutions eg Barclays, ABN Amro, Deutsche Bank, Lehman's, Merrill Lynch, Morgan Stanley.

I was a non-executive director of Singer and Friedlander from 2003 until its sale in 2006.

I did a PhD (1994–98) researching the impact of organisational cultures on women managers, using British Airways and Schroder's as my case studies.

From 1984–91 I was a financial journalist (*Sunday Times*, *Evening Standard*, *Today*) writing specifically about the stock market.

From 1981–84 I was an investment analyst at the investment bank Robert Fleming, now part of JP Morgan.

This is a very short background and summary of some of my thoughts on gender and the City. I hope it is helpful and I would be pleased to provide more information if required.

#### **1. DISCRIMINATION OF WOMEN IN THE CITY—HISTORICAL AND CULTURAL CONTEXT**

1.1 The “problem” of women in the City is both complex and simple. The key to understanding why women are so underrepresented is in the culture and the history of the Square Mile—traditional the realm of men and gentlemen at that.

1.2 On 26 March 1973 women were admitted to the London Stock Exchange for the first time in the institution's 200 year history. 10 newly elected lady members entered the Stock Exchange today on the first working day since their election took place. Women dealers were still not allowed until some years later.

1.3 Even 10 years later, women arriving into the City at the beginning of the eighties were literally walking into a man's world. The culture had developed around the needs of these men—the elite and more educated corporate financiers, the upper middle class brokers, the more middle class fund managers and the east end traders. Women only existed as wives, secretaries, waitresses, prostitutes so women's arrival as co-workers was met by some as welcome distraction but by many with resentment. As long as the numbers were small women were tolerated as “exceptional” and this view has remained largely to this day.

1.4 When I joined one of the Accepting Houses as a graduate trainee in 1981, there were sixteen women out of 110 graduates in all the 11 Accepting Houses at the time. We attended a week long series of talks, social events and one of the speakers announced it to be “The year of the woman” as never before had so many women graduates taken part. Carol Galley was the most well known female fund manager then and remained so for over twenty years, together with Nicola Horlick.

1.5 I returned to do my research in the City 10 years later. The situation was depressing with very few women having made it to senior positions. Those that had were often foreigners, especially Americans, a phenomenon which mirrors women on company boards (the *Female Ftse 2008*). No one appeared concerned about equal opportunities (this was 1995) and women were still putting up with the kinds of behaviour that had long since been outlawed in the public sector and indeed in other industries in the public sector.

1.6 In most areas of work the more prestigious/elite and/or the higher paid the job the fewer women there will be. City is an arena for power, risk and lots of money. Power is held on to tightly and the City has always been an intensely competitive place. A privileged background was one barrier in the past when you had to pay for the experience of being an apprentice. The huge expansion of the financial services industry led to a broadening of candidate background. However the more recent opportunities for huge wealth creation for a bigger number of individuals has meant even more competition. Women have still not found it an appealing place to go and/or stay. The links between these changes could be further analysed.

## 2. EQUAL OPPORTUNITIES AND DIVERSITY IN THE CITY

2.1 The City had largely ignored the 1970’s legislation on equal opportunities and discrimination apart from the retail banks, which have always employed a high number of female employees and made efforts to keep them. There are still huge differences between the retail banks and their investment arms eg. Barclays and Barclays Capital. It was only when pressure from New York following some high profile discrimination cases, pushed their UK based operations to address diversity. US owned and some European owned banks have done a lot of work over the past five years or so but most UK owned financial institutions—retail banks and insurance companies excepted—have done nothing. Even the Americans took their time not wanting to interfere with the English culture.

2.2 The 2000’s has seen some firms making an effort to recruit and retain more women along with other aspects of diversity work.<sup>26</sup> I have researched and worked in Morgan Stanley, Barclays, Deutsche Bank, Lehman Brothers, ABN Amro, Merrill Lynch, and others. They often had inspired CEO’s who made diversity a priority. Diversity became competitive—who was doing what? So there is no surprise that this year the Opportunity Now Award for education (for which I was a judge) went to Goldman Sachs, which has spent more time and money on the issue than any other bank. Several of these institutions are still taking the issue of diversity seriously, despite the credit crisis, as they have always recognised the advantage that a more diverse senior workforce can bring. Smaller institutions and particularly UK ones including the bank on which I sat as a non executives, have done nothing not even seeing it as relevant.

2.3 Today with equality of education for women and a higher profile of equality laws, the barriers to exclude women from high status positions are be informal rather than formal. The barriers today are much more subtle and rather disturbingly often debated within a discourse of choice and options, laying the paucity of senior women in the City firmly at biology’s feet in the form of an innate lack of ambition in women or their childcaring responsibilities. This requires much more attention to be taken to the development and reproduction of exclusionary organisational cultures.

## 3. HOW DO ORGANISATIONAL CULTURES EXCLUDE WOMEN?

3.1 My research and consultancy work has examined these cultures in a systematic way, using sociologically, anthropological and psychoanalytical approaches. The City cultures are all highly masculinised cultures but these will be played out in different ways in different organisations eg the issues women face in the boardroom are very different from those they face on the trading floor.

3.2 Exclusionary cultures act as a barrier to women’s progress in the City—below are five key specific aspects of organisational cultures.

### 3.2.1 *Gender and Stereotypical attitudes*

All cultures are gendered in some way ie they say something about gender relations. How are women viewed in an organisation will depend on a number of factors including the number of women employed as well as a history of equal opportunities. The paucity of professional women working in the City and the lack of equality programmes in the past has meant that stereotypical attitudes have not been challenged in ways they have in other parts of society.

“They see me as a woman first and a co worker second” (taken from my research).

“It has taken me five years longer to reach director level than my male colleague” (from my research).

<sup>26</sup> *Diversity in the City* This is the City News, December 2002 article.

### 3.2.2 *Management style*

The dominant management style of the City is masculine and indeed it can be criticised for the lack of good people management. Successful women tend to adapt and this necessity to adapt was cited as one of the greatest barriers to senior women's progress in organisations<sup>27</sup> (*Breaking the Barriers Research 2002*)

"You can get on if you're female as long as you think like a male" (taken from my research)

Whether through socialisation or innate, most women tend to have a more collaborative style, they look ahead further and are more risk averse. Work is being done on female US hedge fund managers which will make interesting reading. My research showed that differences in style decreased the more senior the managers.

### 3.2.3 *The long hours culture*<sup>28</sup>

This has been the latest cultural barrier which women with children have had to face. Long hours did not exist in the eighties and are a phenomenon of deregulation and global trading. They are also used to justify client fees and sky high salaries. In a competitive arena where women have the same qualifications and education as men, and there are no formal barriers time is now used as a competitive advantage. Women with children do not have the same resource of time as men do and men's time is very often made more available by women taking on their share of domestic responsibilities. There is no point in a company having flexible working policies if there is a culture of working long hours and this is rewarded. Too few managers in the City know about the flexible working regulations. Reducing hours for family reasons is seen as a personal choice but all agreed that if taken "you can forget promotion". The last two years have seen high numbers of women not returning to work after maternity leave—"I was offered a less lucrative position", "I felt isolated and misunderstood", "I wanted to work a shorter week but was told it was impossible"—"with redundancy an option I decided to take it, I cannot deal with the unpleasantness any more" (quotes from clients)

### 3.2.4 *Sexually harassing cultures*

These are exhibited through language, humour, entertainment and types of informal socialising, where the consequence is to highlight the outsider status that women have.

"I don't mind their banter as long as they don't talk about me like that . . ." (my research)

Cultures develop around the dominant group in any situation. These City cultures existed before the arrival of women as professionals—but the dual status women have both as objects and subjects has made for an uncomfortable status quo. Boundaries can be exaggerated or not according to the need for inclusion/exclusion. Highly stressful areas of work where risks and stakes are high require a particularly strongly bound culture. Risk and danger usually occur in male dominated work eg mining, the armed services. There is an element of risk and danger in high finance. The mechanism for men to bond together is often talking about women—very often in a highly sexualised way. High risk, danger and sex go together. Sexual language and activity can act as a release.

### 3.2.5 *Informal Socialising*

Every evening men only dinners take place around the square mile. The speakers will be male and often sportsmen. Much of my research focused on informal socialising and the exclusion of women—a notoriously hard area to research particularly for a woman. Women not asked to golf days, taken on circuit racing, left behind when the men went off to late night bars etc the stories abound. Hard to criticise without being labelled a killjoy but the effect is to exclude whether consciously or unconsciously.

## 3.3 *Conclusion*

In order to progress, women, as minorities, have to adapt to the dominant culture, a culture which has been very effective and provided a rich source of income for the City workers and the country, and as such has not really been challenged. It is only in recent months when questions have been raised about the extent of greed and risk taken to cause the credit crisis that the paucity of women has been considered with any seriousness in a wider public discourse (lobby groups like Opportunity Now, the Fawcett Society etc have been concerned for many years). In many ways the issue of pay is less relevant. Arguably some of the work is extremely transparent in terms of profitability. The gender pay gap as noted by the EHRC this week is

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<sup>27</sup> *Breaking the Barriers* Catalyst and Opportunity Now 2002.

<sup>28</sup> *Are You Going Home Already?* Rutherford S Time and Society, September, Vol 10, No 2/3, 2001.

much more to do with the segregation of women into lower paid areas of work than direct comparisons with male workers. This segregation is of much more fundamental importance and introducing equal pay audits will do nothing to ameliorate it.

*September 2009*

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### Written evidence submitted by Helen Thomas

#### EXECUTIVE SUMMARY

The research for this submission comes from a sample of women who work in the City. They are aged between 25 and 35, and hold middle to senior management positions, ranging from Compliance officer to Principal. They come from a variety of firms, including UK and European investment banks, and US and UK fund managers.

All of them had experienced a sexist culture in the firms in which they had worked. All of them believed that this would only change once women became more prevalent in senior management positions. Unfortunately, they all also noted that without equality and flexibility in terms of maternity leave, this would be unlikely to happen.

This research note is divided into the three key areas requested by the Committee. If further detail is required the author is able to represent the sample group; however, their identities must be kept anonymous. It is regrettable that the situation is such that all respondents felt the need to keep their names hidden, and it demonstrates the broader issue of how difficult it is to reveal the extent of the problem. None of the women wanted to jeopardise their future career prospects by revealing their true beliefs. Without a voice, it will be hard to resolve the issue of sexism. It is therefore incumbent upon the Committee and policymakers in general to speak up on their behalf.

#### 1. PAY INEQUALITIES

Most of the respondents agreed that pay inequalities existed although it was difficult to find out by how much due to the code of silence that surrounds remuneration. Base salaries are less problematic; it was fairly clear to most that similar levels (Vice-President, Director etc) received similar base salaries. At higher levels, it was noted that discrepancy over base salary would be irrelevant as most senior bankers reach a salary ceiling around £120,000–£150,000 (due to the employers' fixed cost associated with pension scheme payments). Bonuses, however, were a much more opaque area.

As almost all bonus payments are kept private, it is unclear whether women routinely receive lower bonuses than men. However, it was clear to most respondents that certain tactics, rather than the merit of one's work, yielded higher bonus payments. In particular, "being aggressive, playing a political game of sucking up to strategic colleagues whilst putting down others, and threatening to resign" were a common theme. This is made worse by the fact that bonuses are discretionary: there is (rarely) a formula that determines what the amount will be. This means that paying women less than men can be swept under the carpet as the employer can explain it away with reference to some arbitrary measurements.

It should be noted that bonus payments are often felt to be random, whether to men or women, which makes it difficult to assess the gender pay gap. Firms vary in the way that they measure performance; indeed, one respondent had only had one appraisal in her 10 years in the City.

There are also frequent tales of bonuses being changed, if someone shouts loudly enough and has friends in the right places. The importance of informal networks cannot be emphasised enough, and it is true that much networking takes place in locations that don't always appeal to many women (golf courses, pubs and strip clubs), or at times that would not be convenient if looking after a family.

One respondent welcomed stronger monitoring of employee pay, so that people would be able to make a complaint more easily. It is clear that the current murky world of discretionary bonuses is unlikely to lead to a transparent understanding of the gender pay gap.

Regarding promotion, many noted that junior male staff were promoted more quickly than female staff, and that senior females often failed to be promoted to heads of department. Some felt that this was because certain female qualities seem to be undervalued compared to masculine qualities: "A lot of the more female traits: being team players, being supportive to colleagues, finding flexible solutions to problems, multi-tasking, do attract praise but generally do not lead to promotion." This reinforces the impression that banking is felt to be a man's world, and consequently women feel that they have to behave in a more masculine way in order to succeed.

It was felt that the only way to mitigate this impression would be to have more women in senior positions, although one respondent noted that senior women often feel that junior women should have to go through the same difficulties that they encountered when making their way up the ladder, meaning that women often actively did not help other women.

It is clear, however, that to change the culture of an organisation, it must come from the top. Norway has made great steps towards this in forcing companies to employ more female board members; such positive discrimination is still anathema to many women struggling to make it, but it is likely to be the quickest way to effect change.

## 2. THE PREVALENCE OF FLEXIBLE WORKING PRACTICES

All the respondents felt that this was a key area that needed to be reformed. It was felt that employers were understandably concerned about hiring and promoting women of child-bearing age due to the risk of losing that employee through maternity leave, disrupting the course of business. This clearly placed negative pressure onto women in their 20s and 30s. All suggested that mitigating the burden of childcare falling mainly on the woman could be achieved through equalising maternity and paternity leave. Then it would be up to the couple to decide how to split the childcare; if both women and men were allowed 6 months each then that could cover the first year of the child's life, for example. It was acknowledged that women might still take more of their leave than the men, but at least then the institutional framework would not create an imbalance.

One respondent noted that a woman in her company had been allowed to spend a year working from home in order to look after an ill parent, which implied that flexible working practices are available if you ask for them. However, the respondent felt that simply asking for such an arrangement might in itself harm future career prospects, which is why it is so rarely asked for. The respondent believed that the situation could be improved if flexible working practices were more formalised, and explicitly open to both men and women, in order to de-stigmatise the idea.

## 3. THE EXTENT TO WHICH THE CULTURE OF THE CITY IS SEXIST, AND THE PREVALENCE OF SEXUAL HARASSMENT AND EXPLOITATION

### *Harassment*

Although every respondent commented upon a “laddish” culture, there were a variety of opinions on how this might constitute sexual harassment.

Some felt that women needed to be realistic about the kind of culture that exists when a group of men dominate: “banter” and “quips” can be taken personally by women whereas men seem to shrug off “jokey put-downs”. Women can then feel as if they are being bullied, particularly if they suffer from less self-confidence.

Others argued that men can suffer from the same lack of confidence, but that they don't show it so easily. In fact, others felt that men often felt pressured to fit in: one respondent noted that male colleagues in her graduate training group treated her more equally than more well-established men in the group, until they broke into the upper echelons and became a member of the pack. This is to say, both men and women are affected by the aggressive, macho, male-dominated tribal nature of the finance industry.

A respondent who had experience of both Mergers and Acquisitions and the Trading Floor noted that this nature was more prevalent in the latter. Indeed, most respondents identified that different parts of the finance industry had different cultures, and that the high risk stakes of the trading floor seemed to attract the worst kind of behaviour.

### *Exploitation*

Many respondents reported circumstances of being treated like administrative staff, due to the assumption that a woman working in finance must be performing a support role. This ranged from being asked to get cups of tea, to being asked to put through expenses if the team's Personal Assistant was out of the office: it was noted that men were rarely asked to do such tasks.

In part, it was felt that such behaviour wasn't necessarily intentional: without more women in the industry, there is indeed a high probability that a woman working in finance would not be in a front line role. As one respondent put it, “the old association of female staff with support and admin roles is still very prevalent and is a cliché that needs to be broken”. It was felt, however, that this did not excuse the patronizing behaviour from male staff towards women in the office.

Some respondents had experienced outright sexist comments, such as being asked personal questions about their sex life, or receiving comments about their outfit or their figure. One respondent noted that on a trading floor, male colleagues would often break off from talking to you in order to watch a woman walking behind you, often with accompanying comments about that woman's attractiveness. Even though the respondent was not herself subject to such comments, this kind of behaviour reinforces the view that women are seen as objects, rather than equal and competent colleagues.

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### Conclusion

It is hard for government to stop this kind of harassment and exploitation from happening; change will have to come by attracting more women to the industry, and making it harder for them to be discriminated against, so that they can rise to the top. In order to do this, policymakers can consider the following:

- make maternity and paternity leave equal;
- make flexible working practices applicable to both men and women;
- expose pay differentials, by close monitoring in particular of bonus payments; and
- consider positive discrimination to push more women to the top.

September 2009

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### Written evidence submitted by Royal Bank of Scotland

I write with reference to the Treasury Select Committee's enquiry into *Women in the City* on the afternoon of Wednesday 14 October and feel that it may assist the Committee by providing an overview of the areas of interest to the Committee prior to the session.

Over the course of the past decade, RBS has played an instrumental role in advancing the gender agenda within the financial sector and we believe that whilst there is a clear moral case for diversity there is also a very compelling business case. Whilst RBS has made significant progress employing women with circa 57% now making up the UK workforce and accounting for 41% of our Assistant Manager/Manager populations, we acknowledge that there is more action required to achieve greater gender diversity at senior levels.

During the early 1980s the then Chairman of NatWest commissioned a research paper on women in the workplace. The findings of the report were instrumental in the formation of the organisation *Women in Banking and Finance (WiBF)*, of which RBS has been a corporate sponsor since its inception.

RBS was also a founder member of the *Opportunity 2000* campaign which was re-titled *Opportunity Now* and is a business-led campaign that works with employers to realise the economic potential and business benefits that women at all levels contribute to the workforce. Since 2004, RBS has been awarded gold standard in the *Opportunity Now* benchmarking survey, which is a survey that gives employers the opportunity to take stock of their progress on the journey towards equality and diversity.

Since 2006 when ranking commenced, RBS has been placed in *The Times Top 50 Where Women Want to Work*. A *Focused Women Network* has been created within the Group to give women further opportunities to excel and challenge themselves and has an active membership of over 1200.

Diversity values at RBS are embedded in a set of policies and are detailed in the Group's Code of Conduct, which is available to all employees on joining thus embedding the values in the way we do business.

Realising the importance of diversity to the commercial success of RBS the position of Group Head of Diversity has been created with the remit of assisting the various divisions formulate and drive forward their diversity action plans.

We are committed to valuing and promoting diversity in all areas of recruitment, employment, training and promotion. We aim to operate in an environment that is based on meritocracy and inclusiveness, where all employees can develop their full potential—irrespective of their race, gender, marital status, age, disability, religious belief, political opinion, or sexual orientation. All our employees have the right to be treated with consideration and respect. Unwanted behaviour in the form of bullying or harassment affects the dignity of everyone subject to it. We expect our employees to behave in a professional manner towards their colleagues, customers and suppliers at all times, both in the course of employment and socially.

To make our employees aware of how important inclusion is we have developed a diversity training programme that uses drama, video, online and other media to get the messages across. Given the importance that we place on this completion of diversity training is mandatory across our retail branch network.

Our future success relies on attracting and retaining motivated and highly skilled employees. Recognising that skills and ability are not the preserve of any one gender we seek to widen our recruitment talent pool and maximise the potential of our existing employees.

We use a variety of methods to find the best talent. For example, we:

- Retain recruitment advisers, to give us tactical advice in order to identify the local markets.
- Advertise in specialised press, targeted lifestyle websites and recruitment fairs.
- Display ads in religious centres and places of worship.
- Combine with Job Centre Plus to promote our vacancies in community centres.
- Design our graduate ads and brochures to reflect the diverse mix of backgrounds sought by the Group.
- Provide translations of ads, depending on location, into Welsh, Urdu and Hindi.

An interview skills training programme was launched in the UK and Ireland in 2004. It makes certain that recruiters are aware of the moral and legal issues surrounding interviewing and includes a session on “Perceiving and Judging Others”. This programme was accredited by the Institute of Financial Services.

In terms of employee development our suite of management training modules, Management Essentials, has been reviewed to ensure that the appropriate messages on diversity and inclusion form a core element of the learning process. All training materials are checked to ensure the language and images used in them reflect the diverse nature of our employees and customers. We offer a deliberately wide range of training options, such as open learning, computer-based training, regional seminars and external courses, to ensure all employees have equal access to training—irrespective of location, working hours or preferred learning style.

We operate an internal job market with a dedicated intranet site to offer equality of access and opportunity for everyone.

At RBS, we believe that giving employees the chance to balance their work and home lives effectively helps us attract and retain the best people. Throughout the Group we encourage flexible working initiatives. All our employees have the right to ask to work flexibly. Currently, our HR system shows that 22% of employees work on a part-time basis and in the staff opinion survey for 2008, one in four employees indicated that they worked some form of flexible working arrangement.

Our award-winning “Yourtime” suite of policies enables our employees to manage their time more effectively by providing a closer link between business needs and individual preferences. A wide range of policy options is contained within the Yourtime suite and increasing numbers of both male and female employees are benefiting from our flexible working policies. The use of compressed or variable hours within teams can also give business areas more flexibility, allowing them to make better use of property and equipment and improving customer service by extending operating hours.

In recognition of the real business benefits that Yourtime brings, the then Department of Trade and Industry featured Yourtime as an example of best practice in its handbook for employers, *Flexible Working—The Business Case*.

What Yourtime offers:

Time Away From Work:

- Adoption Leave;
- Dependants Leave;
- Holidays;
- Long Term Employment Break;
- Short Term Employment Break;
- Maternity;
- Parental Leave;
- Paternity Leave;
- Special Leave; and
- Winding Down to Retirement.

Time At Work:

- Compressed Hours;
- Homeworking;
- Job Sharing;
- Maternity/Adoption Phase Back to Work;
- Term Time Working;
- Variable Hours; and
- Part-time working.

Promoting gender equality is not only the right thing to do, it makes business sense. It allows us to draw on the widest possible pool of talent and use it effectively. Within RBS in the United Kingdom women account for 57% of our employees and make up 71% of our clerical population and 41% of our appointed and managerial populations. Whilst the various initiatives have had a very positive gender impact on these grades it is acknowledged that women are still under-represented at senior management and executive levels within the organisation.

The Group Executive Committee has recently announced a series of positive action initiatives to address this imbalance, which are currently being put in place across the Group. The initiatives include the following activities:

- diversity and inclusion leadership forums to be established within divisions and functions;
- divisions and functions to establish Diversity and Inclusion action plans;
- divisions and functions to report performance to the Group Executive Committee every six months;
- at least one female must be interviewed for each Executive vacancy; and
- the selection panel for vacancies should include at least one female interviewer.

*October 2009*

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**Supplementary written evidence submitted by the Government Equalities Office**

I am writing on behalf of the Minister for Women and Equality to clarify one of the comments made during the Committee session on 20 October, in relation to why Norway can legislate for quotas for women on boards.

In response to question 149 about Norway legislating for quotas of 40 percent women on boards, the Minister replied that, “[Norway] are not within the EU so they do not come within the positive action, positive discrimination regulations that there are within the EU, and they have a much smaller corporate sector . . .”.

It might be helpful to you to elaborate on the points, particularly about the nature of Norway’s corporate sector. Although Norway is not within the EU, it is within the EFTA, which entails compliance with the relevant European Union directives.

In relation to the corporate sector, Norway’s approach is based on board members of public limited companies registered in Norway having their relationships with their companies regulated by company law and not by Norwegian employment law. Under this approach, Norway’s position is that such directors are not usually “employed” in the EU law sense. Thus for various reasons it can be argued that the amended Equal Treatment directive does not apply to them.

Under British law, in most cases directors of public limited companies will, as well as being office holders, be considered as engaged in an occupation (often, but not always, under a contract of service or a contract for services). This means that it is not open for the UK to argue that the directives do not apply to them. Both male and female company directors therefore need to be protected under domestic discrimination law, and where they have such contracts, they have been since 1975 (protection was extended to those without contracts when implementing the Equal Treatment Amendment directive in [2005]). This of course precludes our taking measures along the lines of the Norwegian approach which will inherently involve some degree of positive discrimination in favour of women.

If you require any further information on this matter, please feel free to contact my office.

*Jonathan Rees*  
 Director General  
 Government Equalities Office

*11 November 2009*

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**Supplementary written evidence submitted by Royal Bank of Scotland**

I refer to the Treasury Select Committee’s enquiry into Women in the City and the request for further information following my appearance before the Committee on 14 October.

During the evidence session, I was asked to provide copies of all of the Group’s flexible working policies and these are attached for your interest. As you will see we offer a significant range of options for our employees to help them achieve a better life-work balance.

In relation to these policies I was asked whether terminology existed in respect of core/non-core policies. I said this may be a term which was used by the Bank’s union rather than RBS but that it may refer to a distinction between those policies where it may not be possible to accommodate flexible arrangements in view of the type of work undertaken. I confirmed that I would look into the matter and get back to the Committee.

Having looked into the matter, I can confirm that the terms core/non-core are used internally to distinguish between these two groups of policies—although every request is considered on its merits. The benefit of adopting this approach of distinguishing between the two sets of policies is that it manages employee expectations in that employees are aware upfront that there are certain roles that non-core flexible working practices make it difficult to accommodate. As an example it would be difficult to agree homeworking when the nature of the role requires the physical attendance of the employee in a branch in order to serve customers.

I was also asked to explain a potential discrepancy in the data that had been submitted by the Bank's union but sourced by RBS and data that I had provided in my written submission to the Committee. I confirm that the statistics provided in my submission are accurate. Within the RBS Group in the United Kingdom women account for 57% of our employees and make up 71% of our clerical population and 41% of our appointed and managerial grades.

Our figures are based on the Hay point system for job evaluation which is the standardised measure used by companies to allow for comparisons to be made internally and across institutions. We submit diversity figures annually as part of RBS long-standing participation in the Inter Retail Bank Diversity Network. This information is also provided by Lloyds TSB, Barclays, HSBC, Nationwide, HBOS, Abbey and Alliance & Leicester, and to allow for standardised comparisons across the various grading / band scoring systems in each of the banks, Hay points are used to define managerial and senior managerial roles for comparison. The 41% managerial figure quoted above is based upon a banding using 271–30 Hay points which has been adopted by the above banks as a standard for defining a managerial role and 531 + Hay points for defining a senior managerial position.

The information provided by Unite to the Committee, as sourced from RBS is broken down by our own internal bandings rather than by the adopted bank standard for comparing managerial positions hence the reason for the discrepancy. The peer group comparison figure quoted in my submission is a more accurate measure of the percentage of women within RBS undertaking managerial positions.

If you would like any further clarifications please do not hesitate to contact me.

*John Last*  
Director, Group Policy & Employment  
The Royal Bank of Scotland Group

26 October 2009

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### **Supplementary written evidence submitted by the Institute of Chartered Accountants in England and Wales**

#### 1.1 INTRODUCTION

- In September, the ICAEW submitted a written response to the Treasury Select Committee's call for evidence for its "Women in the City" inquiry.
- Following our appearance in front of the Committee for an oral evidence session on 14 October 2009, we are pleased to respond to the Clerk's request for further information with this second submission.
- In preparation for the oral evidence session, our Member Services Department was able to run further analysis on data held on our 132,000 members, working in business and practice, across every sector and size of firm, in more than 165 countries. This submission contains the resulting information on pay differentials, the proportion of women in senior positions, and evidence supporting our analysis that career breaks impact on both pay and seniority, as outlined in our original submission.
- The ICAEW was also able to undertake further consultation with the major accountancy firms. This second submission also provides a summary of the policies and initiatives run by these employers to tackle some of the obstacles encountered by women in the profession.

#### 1.2 WHO WE ARE

- As a world-leading professional accountancy body, the ICAEW operates under a Royal Charter, working in the public interest with governments, regulators and businesses in order to ensure the highest standards are maintained.
- The regulation of our members, in particular the responsibilities in respect of auditors, is overseen by the Financial Reporting Council. The ICAEW is a founding member of the Global Accounting Alliance with over 775,000 members worldwide. The prestigious qualifications offered by the Institute are recognised around the world and allow members to call themselves chartered accountants and to use the designatory letters ACA or FCA.

#### 1.3 KEY FINDINGS AND RECOMMENDATIONS

- Considerable progress has been made in widening access to the profession for women.
- However, there is still a significant pay gap (subject to mitigating factors highlighted in paragraph 2.7 of our representation submitted in September 2009), and far fewer women progress to the higher levels of the profession. This submission gives further statistical information on this.

- We believe female disengagement from the profession resulting from career breaks is a key factor in lowering average pay for women, in limiting their opportunities for progression, and in creating the appearance of a ‘glass ceiling’.
- The average pay difference is around 60%, and the gap between performance related pay levels for men and women is 64%.
- The pay gap between women and men more than quadruples in the childbearing years, and persists into senior roles.
- Women hold only around 10% of senior positions in accountancy, measuring partners in practice and board members in business.
- There are many examples of effective schemes aiming to tackle these problems, both in the Big Four firms and beyond. This submission gives further details on these.

## 2.1 FURTHER STATISTICAL INFORMATION

This section provides new statistical information generated following our previous written submission, in preparation for the oral evidence session on 14 October.

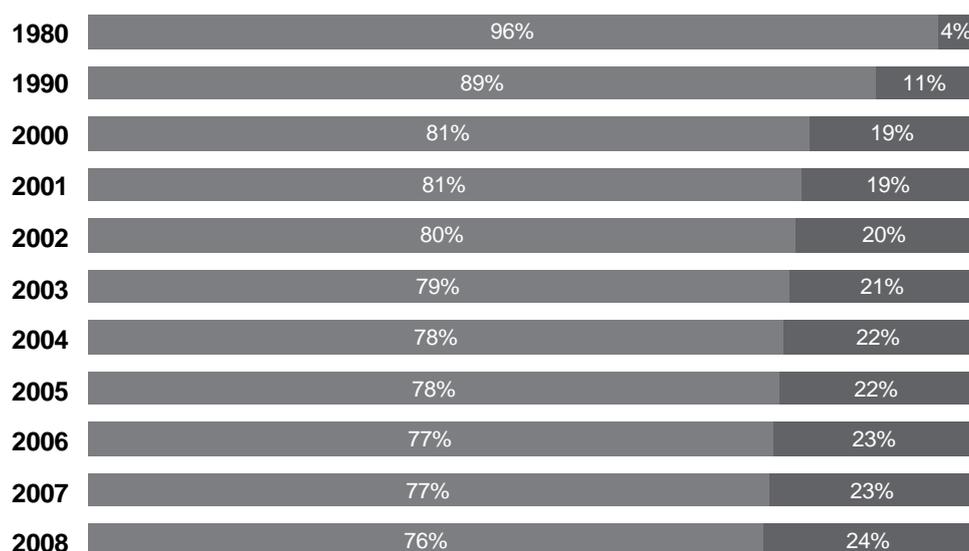
## 2.2 PROPORTION OF WOMEN IN THE PROFESSION

*Considerable progress has been made in widening access to the profession for women*

- Access to the profession for women has risen consistently and dramatically since the mid-1970s.
- In the mid-1970s, under 5% of new entrants to the profession were women. Over 30 years, this peaked at 44%.
- Of our membership as a whole, 24% are women, and this number is forecast to increase on current trends to 30% by 2018.
- The proportion of women entering the profession globally is about equal. Of the six chartered accountancy bodies, 49% of students worldwide are women.

**Figure 1**

THE PROPORTION OF MALE TO FEMALE ICAEW MEMBERS, 1980–2008

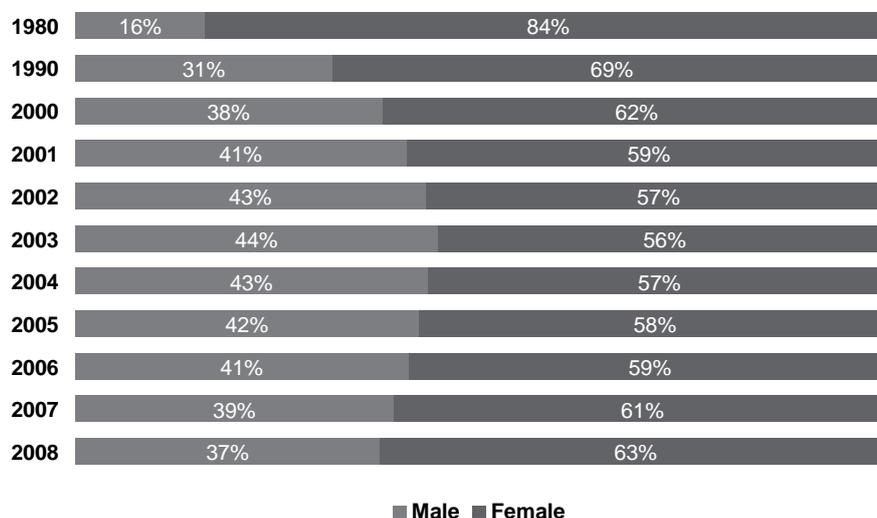


■ Male ■ Female

- In recent years, we have seen a decline from 2003’s 44% peak down to 37% in 2008.
- We are unsure as to the root cause of this, but we have initiated programmes to improve it.
- The ICAEW host “Women in Accountancy” events targeted at universities to promote the profession to female students. Events include keynote speeches from women in the profession who discuss their experiences.

Figure 2

THE PROPORTION OF WOMEN ADMISSIONS AGAINST MALE ADMISSIONS  
PEAKED IN 2003 AND HAS GRADUALLY DECLINED SINCE TO A 6 YEAR  
LOW OF JUST OVER 37% OF ADMISSIONS



### 2.3 THE IMPACT OF CAREER BREAKS ON PAY AND PROGRESSION FOR WOMEN

Over the past five years the majority of women on a career break were in the 35 to 44 year old age bracket, suggesting that they are breaking their careers to have children.

Figure 3

MEMBERS ON CAREER BREAKS, BY AGE AND GENDER

	2005		2006		2007		2008		2009	
	F	M	F	M	F	M	F	M	F	M
Less than 25	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
25 to 34	18%	14%	18%	15%	17%	11%	15%	10%	13%	9%
35 to 44	64%	25%	62%	25%	60%	24%	59%	23%	56%	25%
45 to 54	18%	35%	18%	35%	21%	35%	24%	33%	28%	34%
55 to 64	1%	23%	1%	24%	1%	26%	2%	31%	3%	27%
65 or above	0%	2%	0%	1%	0%	4%	0%	3%	0%	5%

Our information and analysis suggests that female disengagement from the profession after career breaks is a key factor in lowering average pay for women, in limiting their opportunities for progression, and in creating the appearance of a “glass ceiling”.

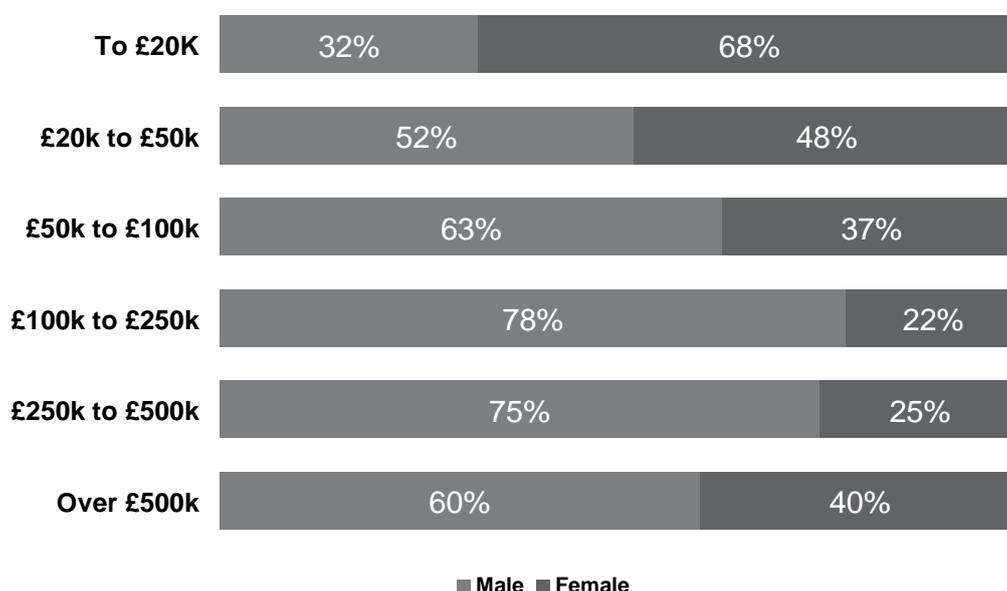
We believe this disengagement is a major factor in determining the pay gap. Our membership data shows that the pay gap between women and men more than quadruples in the childbearing years 30—45. We believe the same factor also impacts on women’s ability to rise to the top of their profession.

### 2.4 THE PAY GAP

*Our own measurements indicate that there is a gender pay gap between men and women in the accountancy profession*

- For all chartered accountants across business and practice, the average basic salary of a male chartered accountant (£128,000) is 74% higher than that of a female chartered accountant (£74,000).
- The average difference is around 60%.
- There is also a disparity in bonus levels, with the average for men at £6,900 compared to £2,400 for women. This suggests that women in the profession earn 64% less than men in performance-related pay.

**Figure 4**  
**PROPORTION OF MEN AND WOMEN IN PAY BANDS**  
**(MEN AND WOMEN IN BUSINESS AND PRACTICE)**



*The pay gap begins to widen in the child-bearing years, and continues into senior roles*

- Women in more senior positions often earn less than men in similar positions.
- Of partners in practice firms of all sizes earning between £100,000–£250,000, 90% are men, and only 10% are women.
- This gap begins at the career breaking stage. The pay gap begins to widen dramatically at the age group where many women have children.
- Data from our 2009 Career Benchmarking Survey shows that amongst chartered accountants in business, the pay gap between male and female members working in industry until the age of 30 is £10,600. After this age, the pay gap widens significantly to an average annual gap of £43,000, in the 30–45 age group.

*Younger women dominate the lowest pay bracket, while older women are paid less than older men*

- Out of our members in practice up to the 55 age group there are more women than men in the lowest earnings bracket, below £20,000 per year.
- Out of our members in practice up to the 55 age group there is an even split between the number of men and women earning from £20 to £50,000.
- Out of our members in practice the gap between earnings between the two genders rises after £50,000, with a higher proportion of men earning this amount or more.

*Women in practice drop behind in earnings after the £50,000 per annum level*

- Out of our members in practice earning up to £50,000 there is a relatively even split between the number of men and women in all organisation sizes.
- For our members in practice there are more men than women in all the organisation sizes who earn more than £50,000.

*Figures are similar for women in business*

- For our members in business, up to the age of 55 there is a relatively even split between men and women earning up to £50,000, though the proportion of women is slightly higher.
- For our members in business, there are significantly more men than women earning over £50,000 per year.

## 2.5 SENIORITY

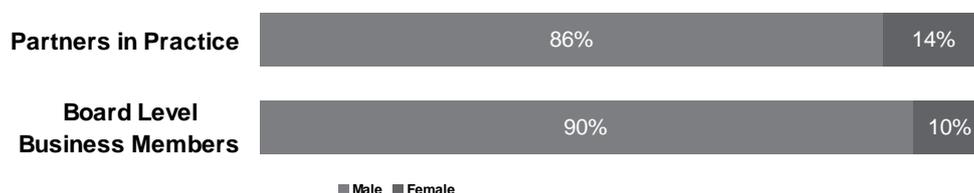
*There is a low proportion of women working in senior positions in the City*

- The glass ceiling is not impenetrable, but fewer women reach the top level of the profession.
- Women hold only around 10% of senior positions in accountancy.

- Working in major accountancy practices, far fewer become partners, and working in business, far fewer reach board level.
- The majority of those in board level roles in business and partners in practice are men.

**Figure 5**

**PROPORTION OF MEN AND WOMEN IN SENIOR ROLES**



*The representation of female chartered accountants working in business is slightly lower in the financial services sector*

- The ICAEW runs regular surveys of members working in business, in every sector across the economy.
- The proportion of women accountants working in the financial services sector (FS, banking, capital markets and insurance) is 22%—slightly lower than the average across the entire economy.
- Representation of women is above the average in the government and voluntary sectors (38% female) and healthcare and pharmaceuticals (34%).
- Representation of women is below the average in manufacturing and engineering (17%), technology, IT and telecoms (21%) and entertainment and media (21%).

**HOW THE PROFESSION IS TACKLING BARRIERS TO WOMEN**

- The ICAEW has developed programmes supporting female members at key stages of their careers and has engaged employers, diversity communities and networks to share best practice.
- Each of the “Big Four” firms, and many others including BDO, have flexible working schemes, regularly monitor their gender pay gap and are running programmes to encourage more women into senior positions.
- There are some excellent examples of best practice within the Big Four and in many other accountancy employers.
- Outside the Big Four and larger employers, smaller companies will find it harder to implement flexible working and monitor pay differentials due to lack of resources and other constraints.
- During the call for evidence over the summer, we were able to consult two of the “Big Four” accountancy firms. To add to information on these two of the four included in our original written submission, we have worked with the other major firms to present a full account of the work they are doing to improve the position of women in accountancy and the financial sector more broadly.

**3.2 TACKLING THE PAY GAP**

*ICAEW*

- Publishes an annual salary survey demonstrating pay and career gaps between men and women.
- Established our Narrowing the Gap programme in 2007 to support members in preparing for a career break, returning to work after a career break and with career progression thereafter. The programme seeks to recruit and retain women in the profession around career breaks; focuses on managerial and working practices; and considers the working culture and women’s confidence levels.

*KPMG*

- Undertake an annual equal pay audit looking at salaries and bonus awards by gender, and review and address as necessary any discrepancies in pay greater than 5%, or trends in the gap greater than 3%.

*Deloitte*

- Conduct their own internal audit on the gender pay gap and have a traffic light system which is analysed at every pay round.

*Ernst and Young*

- Ran a programme on unconscious bias. Having identified a disparity in performance ratings between male and female employees, which was impacting on pay levels, EY implemented a training and manager engagement programme to raise awareness of unconscious bias in employee assessment. This resulted in a significant reduction of the male-female disparity and the firm is now planning to extend the programme to unconscious bias on other issues.

## 3.3 ENCOURAGING WOMEN INTO SENIOR POSITIONS

*ICAEW*

- Launched mentoring-based leadership programmes to support the career transition of finance professionals.

*KPMG*

- Conducted a full survey of women managers in the firm and what they saw as the main barriers to progression. Using the information gathered during this exercise, they introduced two new programmes to develop women's careers at KPMG.
- Runs *My Family Matters*, which provides resources to support employees with caring responsibilities. These included parenting seminars, emergency childcare arrangements, advice and information.
- Their *Reach* programme aims to develop women in the organisation. It starts with a two-day training course, continues with regular contact with an internal coach and mentor, and builds into personal development plans to inform career planning. Training includes modules on career planning, networking, leadership skills and profile-raising, topics identified by female employees as the most useful topics to help in women's leadership development. The programme has contributed to an increase in representation of women at senior levels, and greatly improved feedback from employees on the quality of support for women's careers in the firm.
- Have this year agreed to set qualitative and quantitative goals on diversity in each country of operation, including plans to make senior staff responsible for progress on diversity; and setting targets and measuring progress on diversity.

*Deloitte*

- Their *CEO sounding board*, under which CEO John Connolly engages with four senior female partners who then interact with other groups of female partners within the organisation, giving a stronger voice to female partners and providing support to women looking to progress in the organisation.
- Have set targets for the number of women entering the profession, as well as at key progression points for women in leadership roles.
- Their *Connections* programme matches 100 high-performing senior managers (43% of whom are female) with 100 partners to provide senior managers with one-to-one guidance and support throughout their careers. CEO John Connolly has a female mentee within this programme.
- Deloitte's *Women's Network* is open to all men and women and is about to launch an internal mentoring programme. Some offices have also established cross-mentoring with client organisations.
- Deloitte's *Parenting Network* offers an informal support network.
- Are about to launch *Transition Coaching*, targeted at women who are about to go on maternity leave with the purpose of helping Deloitte to retain talented women and encourage them to progress. Coaching is offered before, during and after maternity or adoption leave to both the individual and their line manager.

*Ernst and Young*

- EY joined with us to host a *Back to Practice* event for women currently on career breaks. It examined the challenges associated with returning to work after a career break and advised women on how to plan for their return.
- EY runs a two-day *Women's Leadership Development Programme* which offers coaching and training in leadership skills to potential leaders.

- *EY Careerwatch* is aimed at high performing, high achieving women in the firm, EY has set up a programme to pair female employees with a female senior partner. The aim is to provide women with a senior ally to help them overcome obstacles to their development, through support, advice, references and networking opportunities.

#### *PricewaterhouseCoopers*

- Their *Women's Network and Parents' Network* offer peer-to-peer support and networking opportunities to employees.
- PwC's *Gender Advisory Council* is an international group of 14 senior male and female leaders from around the world who work actively to improve the representation of women in the firm. PwC was recently awarded the Opportunity Now Global Award for this programme.
- PwC's *Women's Leadership Programme* targets senior women and offers support and advice on career progression, aiming to increase the number of female partners in the firm. It was awarded an Opportunity Now award this year.

### 3.4 FLEXIBLE WORKING

#### *KPMG*

- Have flexible working measures which include provision for unpaid leave, annualised days, additional holiday purchase, home working, job sharing, career break, glide time (flexitime) etc. They estimate that around 20% of our workforce are working flexibly, either formally or informally. KPMG has a 98% acceptance rate for flexible working requests.

#### *Deloitte*

- Their flexible working policies are an important part of their Talent Strategy. Deloitte are currently undertaking research with employees to assess what works for individuals and the business. The goal of this research is to provide a framework of options.
- Deloitte won the Sunday Times Best 100 Companies' special award for work and home balance in 2009.

#### *BDO*

- BDO offers employees a range of flexible working options. They provide employees with a tool which helps them to work through the implications of flexible working, including the personal financial impact and the practicalities of undertaking their role on a flexible basis. BDO also provides manager guidance for those managing flexible workers to ensure that the relationship works for the benefit of both sides. They have sought to embed flexible working in their culture both formally and informally.

### OUR RECOMMENDATIONS

- *To improve access*: Reform the careers guidance service to ensure that students are equally well-informed about careers in the accountancy and the professions.
- To tackle the pay gap, encourage greater transparency about the gender pay gap with *gender pay auditing*.
- To limit disengagement after career breaks, *retain tax breaks for childcare* in order to reduce the financial disincentive for professional women to disengage from the workforce.
- To encourage promotion of women, raise awareness of the business case and advantages to corporate governance of *diverse board composition*, though we believe setting quotas for diversity on boards could be detrimental to decision-making in the short term.
- Ensure *joined-up policy-making* across policy on corporate governance, education, welfare, funding for childcare, rights to flexible working and maternity/paternity leave all need to be coordinated to ensure that the full range of choices are available to women.
- *Work with the accountancy profession, employers and other stakeholders* to work out solutions to persistent problems.
- Identify and promote *current best practice* that exists to promote greater diversity within professions and industry.

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**Written evidence submitted by Standard Chartered**

QUESTIONS FROM THE TREASURY SELECT COMMITTEE

1. *Why do you think that the City of London has a reputation for having a misogynistic environment?*

Historically, the number of women who worked in the financial services industry has been particularly low. Whilst an increasing number of women are now choosing careers in banking, female representation often still lags, particularly at senior management level.

2. *What female representation do you have on your board?*

Our own board of thirteen directors includes two women—a 15% female representation rate. Whilst higher than many other companies in the industry, we would of course welcome further qualified female board members in the future.

Within Standard Chartered in the United Kingdom, we have 25% female representation at senior management level and 34% at middle management level.

3. *Do you believe that there is a glass ceiling in the financial services sector?*

We recognise that women often face different challenges throughout their careers. For example, women typically have disproportionate familial responsibilities, and it is therefore important to create a supportive and enabling environment for employees to work flexibly and balance both personal and professional demands.

One of the other challenges many women face involves a relative lower number of female role models in the industry. However, with an increasing amount of women graduating from university and starting their careers in banking, combined with an engaging and supportive workplace, we are confident that female representation will increase over the coming years.

4. *Should training and mentoring programmes that promote female managers be the responsibility of the company or is it for women themselves in their own networking that should start those programmes off?*

Standard Chartered's commitment to diversity is rooted in the fact that we want to get the best out of the broadest spectrum of people in order to sustain strong business performance and competitive advantage. We believe that encouraging diversity enables us to understand and serve all our stakeholders better and make us the employer of choice in all the markets in which we operate. As a result of this commitment, various initiatives have been created to support women's development in the Bank, for example mentoring, development programmes and women's networks. These are supported by both the organisation and by individual employees.

5. *Can you outline the flexible working policies you have in place?*

To enable staff to manage both personal and professional commitments, the Bank has developed flexible working policies, including part-time work, flexible working hours and working from home, which have helped the Bank retain many high performing employees. Support is provided for managers help them make decisions about applications.

6. *What do you think of the idea that the Financial Times has floated that the financial industry should be committing to 30% of board members being women?*

While we are supportive of efforts designed to improve women's representation on boards, the Bank does not endorse quotas or positive discrimination. We are committed to creating the right environment for all employees to succeed, regardless of gender, ethnicity or other differences.

7. *Are HR departments involved in setting and monitoring bonus payments?*

The HR department works with the business to provide a clear framework for setting and monitoring bonus payments. There is a detailed review process at many levels to ensure adherence to our reward principles which includes both HR and the business.

12 November 2009

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**Letter from Lord Turner, Chairman of the Financial Services Authority, to the Chairman  
of the Committee**

Thank you for your letter dated 4 November 2009 concerning the Gender Equality Duty and our plans for ensuring that it is upheld.

We welcomed the Gender Equality Duty at the time of its introduction and have carefully considered how the duty applies to the Financial Services Authority as a public authority. Although we do not believe that the duty creates a particular gender equality objective for us, we are committed to making gender equality

central to the way we work. In particular, we are very much aware of the need to pay “due regard” to promoting equality of opportunity and eliminating discrimination and harassment in exercising our public functions. This applies to making policy, issuing guidance and making a supervisory decision.

A good example of how this is reflected in our work can be found in our Remuneration Code for large banks and broker-dealers that we published in August 2009. This included guidance that firms would need to take into account their statutory duties in relation to equal pay and non-discrimination as part of considering the risks arising from remuneration policies. In September we asked those firms to provide us with a Remuneration Policy Statement outlining how they will comply with the Code. We are now reviewing those statements and will provide feedback to the firms by the end of February 2010. In our Feedback Statement FS 09/3 we explained to firms that in carrying out this review we will be confirming that their pay policies comply with UK legislation on equal pay.

More generally I can confirm that we are engaging with the EHRC to ensure that we are focused on their specific concerns. Furthermore, you will also be aware of the recent restructure of the FSA, which took effect on 1 October 2009. As part of this, we are completing the move to an integrated model of firm supervision, based on a combination of supervisory and specialist resource. We are considering how issues of equality can be built into our supervisory model, with Sally Dewar, Managing Director of the Risk Business Unit, leading this work. We plan to make further decisions in January 2010 and would be happy to provide you with an update at that point.

In addition to the “general duty” on gender equality described above, we also have “specific duties”, set out in regulations made under the Sex Discrimination Act. In line with these, we published our Gender Equality Scheme in May 2007. Our Scheme is now under review, both in order to ensure its effective implementation and to consider the potential benefits of moving to a single equality scheme for disability, gender and race during 2010.

16 November 2009

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### Written evidence submitted by Karon Monaghan QC

#### BRIEFING NOTE ON THE LAW

##### *EU Law and the domestic implementation of EU law*

1. The Treaty of Rome required Member States to guarantee equality in pay as between men and women. Article 119 provided that:

“Each Member State shall during the first stage ensure and subsequently maintain the application of the principle that men and women should receive equal pay for equal work. For the purpose of this Article, ‘pay’ means the ordinary basic minimum wage or salary and any other consideration, whether in cash or in kind, which the worker receives, directly or indirectly, in respect of his employment from his employer. Equal pay without discrimination based on sex means:

- (a) that pay for the same work at piece rates shall be calculated on the basis of the same unit of measurement;
- (b) that pay for work at time rates shall be the same for the same job.”

Pursuant to that obligation two gender equality Directives were enacted by the European Council during the mid-1970s; firstly, the “*Equal Pay Directive*” (75/117/EEC) (1975) and secondly the “*Equal Treatment Directive*” (76/207/EEC) (1976). Between them they require Member States to outlaw direct and indirect sex discrimination both in contractual and non—contractual pay and in respect of working terms and conditions.

2. There is a considerable amount of case law both as to the meaning and effect of Article 119 and the gender equality Directives and, importantly, as to Article 119 this has both horizontal and vertical “*direct effect*”. This means that it can be relied upon in a domestic court (including in the UK) by a woman seeking equality in pay both as against a private and a public sector employer. The gender equality Directives, in the main, have horizontal direct effect so that they can be directly relied upon in proceedings in the UK as against a public sector employer.<sup>29</sup>

3. The EU principle of “*direct effect*” derives from the EU Treaty as it now is (Article 249, in the case of Directives) and the European Communities Act 1972 which gives domestic effect to the UK’s Treaty obligations.

4. This means, assuming the UK is to remain a member of the EU, that the Equal Pay Act 1970 and the Sex Discrimination Act 1975, to the extent that they outlaw gender discrimination falling within the scope of Article 119 and the gender equality Directives, are required to give effect to the UK’s obligations in EU

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<sup>29</sup> As to Article 119, see, for example, Defrenne (No 2), Case 43/75 [1976] ECR 455; *Bilka-Kaufhaus GmbH v Weber von Hartz*, Case 170/84 [1986] ECR 1607 and for the direct effect of the gender equality Directives see, for example, *Marshall v Southampton & South West Area Health Authority II*, Case C-271/91 [1993] ECR I-4367; *Alabaster v Barclays Bank plc (formerly Woolwich plc) and Another & Secretary of State for Social Security* (No 2) [2005] ICR 1246.

law. It also follows that were the Equal Pay Act 1970 and the Sex Discrimination Act 1975 repealed (and not replaced with comparable provision), a woman complaining of inequality in pay (whether arising from contractual or non-contractual terms of employment) could rely on Article 119 directly, in the case of a private employer as well as a public sector employer, and the more specific obligations arising under the gender equality Directives, in the case of a public sector employer. A complaint could also be made to the European Commission about the UK's failure to comply with its Treaty obligations.<sup>30</sup>

5. The Treaty of Rome 1957 and its subsequent amendments have been consolidated—forming the Treaty establishing the European Community (EC Treaty)—and its original Articles have been renumbered. Article 119 and, in particular, the guarantee of equal pay contained within it, has become Article 141 and contains more extended provision, in particular allowing for positive discrimination, in terms, in appropriate cases (Article 141(4)). It is intended to replicate the provision made under Article 119 and does so and as such its effect is the same. Similarly the gender equality Directives just referred to have been repealed and consolidated (along with certain other gender equality measures) in the “recast” Directive 2006/54/EC (2006). Again this is explicitly a consolidating measure (see Recital 1) and accordingly its effect will be no less significant than those Directives which it repeals and replaces.

6. As mentioned, the Sex Discrimination Act 1975 prohibits direct and indirect discrimination in working conditions. This gives effect to Article 141 and the gender equality Directives in respect of contractual terms addressing benefits other than remuneration; contractual and non-contractual working conditions and non-contractual pay and other forms of remuneration. It therefore covers discretionary or non-contractual bonuses, as well as matters like working hours. The prohibition against direct discrimination means that it is unlawful for an employer to treat a woman less favourably on the grounds of her sex (by, for example, paying her a lower rate of bonus).

7. The prohibition against indirect discrimination addresses facially neutral rules which disadvantage women. Thus, for example, working hours which preclude part-time working which have the effect of disadvantaging women employees (because of, most commonly, child care responsibilities) are *prima facie* unlawful. Such facially neutral provisions can be legally “justified” but any justification would depend on the identification of a legitimate aim and proof that the requirement to work the hours in issue was a “proportionate” means of achieving that aim. It is now very difficult indeed to justify, in law, rules which require full time (and preclude part-time) work. Historically it had been assumed that certain jobs could not be done part-time simply because they had always been done full time. Many cases have established that such is the disadvantage caused to women by requirements to work full time, that robust enquiry will be made of an employer who asserts that in his industry or trade, full time work is essential and justified. Many senior jobs are now held by part-time workers; job sharers; fractional workers and the like. It had been assumed, for example, that the judiciary was quintessentially a profession which required full time office holders. This has proved not to be so. Part-time working amongst at least the lower levels of the judiciary (and it is even easier at more senior, most particularly, appellate level because such judges will not be hearing trials but instead shorter matters) is a common enough feature. This followed inevitably (or perhaps in anticipation of) the ruling in *Perceval-Price & Others v Department of Economic Development & Others* [2000] IRLR 380 (NICA) that judges are “workers” for the purposes of EU law and thus have the protection of the Article 141 and the gender equality Directives. Flexible working is, therefore, extremely common including in very senior professional roles. It is difficult to see (certainly without compelling proof to the contrary) why any City job could not be carried out on a part-time/job share basis—with effective handovers and the like, especially in an age of extraordinarily good technology which allows for remote communications to address unforeseen issues and the like.

8. The Employment Rights Act 1996 now also provides a right to request flexible working and prescribes a series of grounds upon which an employer might, only, refuse the application. In any event, a refusal to grant a woman with child care responsibilities the opportunity to work flexibly will, for the reasons given, very likely violate the indirect sex discrimination provisions of the Sex Discrimination Act 1975, absent very compelling justification, and similarly the EU principle of equal treatment.

#### *The Gender Equality Duty*

9. One fairly novel feature of domestic sex discrimination law is seen in the enactment of the Gender Equality Duty. The Gender Equality Duty was enacted by the Equality Act 2006 which inserted section 76A of the Sex Discrimination Act 1975. This provides that:

- “(1) A public authority shall in carrying out its functions have due regard to the need—
- (a) to eliminate unlawful discrimination and harassment, and
  - (b) to promote equality of opportunity between men and women.”

<sup>30</sup> For such a case in the sphere of equal pay, see *Commission of the European Communities v United Kingdom of Great Britain and Northern Ireland*, Case 61/81 [1982] ICR 578.

10. By section 76A(2)(a), a “public authority” includes any person who has functions of a public nature and so includes, for example, the Financial Services Authority.

11. The reference to “unlawful discrimination” in the Gender Equality Duty is to be treated “as including a reference to a contravention of terms of contracts having effect in accordance with an equality clause within the meaning of section 1 of the Equal Pay Act 1970” (section 76A(2)(c)). This means, in summary, that in having “due regard” to the need to eliminate unlawful discrimination, a public authority must have “due regard” to the need to secure equality in pay having regard to the terms of the Equal Pay Act 1970 and the Sex Discrimination Act 1975.

12. The obligation to have “due regard” to the equality objectives in section 76A(1) is an obligation to have “proportionate” regard to the need to achieve those equality objectives (paragraph 2.22 EOC: Gender Equality Duty Code of Practice (England and Wales) (2007)). As the statutory Code of Practice makes clear:

“Public authorities will be expected to have due regard to the need to eliminate unlawful discrimination and harassment and promote equality of opportunity between men and women in relation to all their functions and to provide evidence that they have done so. This includes their core functions of policy development, service design and delivery, decision-making and employment, the exercise of statutory discretion, enforcement and any services and functions which have been contracted out.”

(paragraph 2.21)

13. Regulations have been enacted under the Sex Discrimination Act 1975 obliging listed public authorities (including the Financial Services Authority) to take specific steps directed at ensuring that the institutional arrangements are in place to secure compliance with the obligation to have “due regard” to the equality objectives set out in section 76A, Sex Discrimination Act 1975.<sup>31</sup> In short summary (and as they are described in the statutory Code of Practice) the specific duties require that a public authority should:

- prepare and publish a gender equality scheme showing how it intends to fulfil the general and specific duties and setting out its gender equality objectives;
- in preparing a scheme:
  - consult employees, service users and others (including Trade Unions);
  - take into account any information it has gathered or considers relevant as to how its policies and practices affect gender equality in the workplace and in the delivery of its services;
  - in formulating its overall gender equality objectives, consider the need to have objectives to address the causes of any gender pay gap;
- ensure that the scheme sets out the actions the authority has taken or intends to take to—
  - gather information on the effect of its policies and practices on men and women in employment, services and performance of its functions;
  - use the information to review the implementation of the scheme objectives;
  - assess the impact of its current and future policies and practices on gender equality;
  - consult relevant employees, service users and others (including Trade Unions);
  - ensure implementation of the scheme objectives;
- implement the scheme and the actions for gathering and using information within three years of publication of the scheme, unless it is unreasonable or impracticable to do so;
- review and revise the scheme at least every three years; and
- report on progress annually.<sup>32</sup>

14. All listed public authorities, including the Financial Services Authority, were required to publish their schemes no later than 30 April 2007.

15. As seen, a public authority is required to identify how it intends to fulfil its general “due regard” duty under section 76A, including by identifying its gender equality objectives and in so doing it must have regard to the need to have objectives addressing the gender pay gap. One of the aims of the Gender Equality Duty is that the “gap between women and men’s pay narrows and is eventually eliminated” (Code of Practice, paragraph 1.22). As the Code of Practice makes clear, the Gender Equality Duty does not in terms require public authorities to undertake equal pay reviews. However, the Statutory Code of Practice on Equal Pay recommends that the most effective way of establishing whether a public authority’s pay policies and pay systems are discriminatory is to undertake an equal pay review (para 3.47). This is material in deciding whether or not a public authority has taken appropriate action, or paid “due regard”, to the issue of inequality in pay in a particular case.

<sup>31</sup> See the Sex Discrimination Act 1975 (Public Authorities) (Statutory Duties) Order 2006 SI 2006/2930.

<sup>32</sup> Paragraph 3.4.

16. These are self evidently important obligations for regulatory authorities, including the Financial Services Authority and in the case of the Financial Services Authority are likely to prove increasingly important if their functions and powers are to be extended as recent reports suggest (<http://www.guardian.co.uk/business/2009/nov/15/bonus-banks-fsa-labour-myners>).

*16 November 2009*

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**Supplementary written evidence from the Government Equalities Office**

I have been asked to clarify Harriet's comments regarding a 'pledge' with the CBI.

When Harriet Harman gave evidence to the committee, she had discussed ways of increasing diversity of boards with CBI including a pledge and we were developing plans to take this forward.

The CBI felt that the time was not right to pursue a pledge as a formal mechanism. GEO will therefore not be taking forward work on a pledge right now, although this does remain a possibility for GEO in the future.

We have however looked to other courses of action, for example:

Last week, on International Woman's Day (8 March 2010), the Prime Minister called for more women in Britain's boardrooms, and said that it was 'completely unacceptable' that some of our top 100 public companies do not have a single woman on their boards. The PM also made a new commitment that all state-owned companies will be required to increase the number of women on their boards over the next two years.

Next week (Thursday, 25 March) GEO and CBI have a joint event looking at diversity in the boardroom with the aim of building commitment from business to make a difference; on the same day, GEO and CBI will jointly publish a guide for businesses wishing to improve their performance on this issue.

Lord Davies and GEO have also recently written to the FRC asking them to include a specific provision on boardroom diversity in the Combined Code on Corporate Governance.

*19 March 2010*

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**Letter from Jonathan Rees, Chair, Government Equalities Office, to Sir Christopher Hogg,  
Chair of the Financial Reporting Council, dated 11 March 2010**

I am writing to set out the views of the Government Equalities Office in response to the consultation on the Combined Code. They reiterate the view we expressed last year that the FRC should take advantage of the Code's review to set out more clearly the need for a wide range of representation on Boards as a major contribution to improving Board performance and strengthening corporate governance. These views supplement and support those set out in the letter of 26 February from Lord Davies, Minister for Trade, Investment and Small Business. The Government Equalities Office is responsible for the Government's overall strategy, legislation, and priorities on equality issues. The Government has a strong interest in promoting greater diversity and inclusion on our Boards as a means of improving innovation and the performance of the UK economy. In the public sector, the GEO and the Cabinet Office are currently leading work to improve the diversity of public appointments and set challenging targets to this effect last year.

The GEO responded to the Financial Reporting Council's 2009 Review of the Combined Code in October 2009. In our submission, we set out our particular interest in the review of the section A.3 of the current Code, which addresses board balance, composition and independence. We also submitted evidence from our recently published research project, carried out by Cranfield University, on how to improve boardroom diversity.

Through GEO's work stream on increasing boardroom diversity, we have consulted with numerous stakeholders on this topic and have commissioned research on current initiatives that exist both in the UK and internationally to improve boardroom diversity. Informed by this work, we believe that the approach of the Combined Code provides a real opportunity to bring about the step change necessary to improve boardroom diversity.

In this brief submission, I want to set out why we believe it important for the UK to increase the diversity of its boardrooms, drawing on updated evidence, and information on the actions taken to improve boardroom diversity internationally. Based on this information, I would also like to build on Lord Davies' suggestions for principles to be included in the new Code.

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#### PART 1: THE IMPORTANCE OF DIVERSE AND INCLUSIVE BOARDS TO PUBLIC CONFIDENCE

Promoting diversity and inclusion will enable boards effectively to combat group-think, and provide a more challenging environment. We agree with the FRC's Final Report which recommends a new Code principle around the need for companies to be encouraged to look outside the 'usual suspects' for boards' positions.<sup>33</sup> This is the only way to ensure that UK companies are drawing from the widest possible pool of talent as we look towards economic recovery and future growth.

These points are supported by survey research which GEO has recently commissioned from Ipsos Mori, which found that more than half of respondents (59%) believe that having senior management teams of all one sex will be more likely to think in the same way and so make poor decisions. The survey also found that nearly two thirds of respondents (61%) believe businesses are losing out on talent by having fewer women in senior roles.<sup>34</sup>

In addition, the economic downturn has left many companies with the need to rebuild trust; we believe this could be more easily achieved if companies better reflect their customers and the public. This is strongly supported by our survey findings, which show that 80% of respondents believe that a balanced senior management team will be better at understanding their customers.<sup>35</sup>

The Government is also committed to a fair and family-friendly labour market for both women and men. This cannot be achieved if our boards are exclusively male, as currently a quarter of FTSE 100 companies are. Indeed, 71% of survey respondents believe having more women on senior management teams will lead to more family-friendly working practices.<sup>36</sup>

#### PART 2: THE EVIDENCE RELATING TO BOARDROOM DIVERSITY AND PROFITABILITY.

The topic of boardroom diversity has been gaining increasing prominence across the globe, and there has been a good deal of scholarly research done to highlight the relationship between diverse boards and profitability in an effort to complement the business case for diversity and inclusion.

Much cited research by Catalyst found that Fortune 500 companies with a good gender balance on their board perform better. Companies with more women on their boards were found to out-perform their rivals with a 42% higher return in sales, 66% higher return on invested capital, and 53% higher return on equity.<sup>37</sup>

This is supported by evidence from McKinsey & Co which shows that in Europe, those companies with a higher proportion of women on their management boards are those companies with the best performance in terms of return on equity and stock market growth.<sup>38</sup>

Findings from a study of FTSE 100 companies show that the companies with ethnic minority directors had significantly higher market capitalization, and were also significantly more likely to have women on their boards.<sup>39</sup>

In addition, findings from a study of UK boards reveal that women are significantly more likely to bring international diversity to their boards and to possess an MBA degree.<sup>40</sup> In an increasingly globalised world, international experience is a key to companies seeking to compete in the new economy.

Although the evidence cited above has not set out to show causality between diverse Boards and profitability, the correlation between a diverse and inclusive Board and improved market performance is compelling.

#### PART 3: INTERNATIONAL PERSPECTIVES

The under-representation of women on boards of directors has been recognised as a problem in countries across the globe, with a variety of actions taken to improve boardroom diversity.

The 2003 Norwegian legislation requiring public companies to increase the percentage of women on their boards to 40% is most commonly cited example of Government legislation in this area, but several countries have looked to their example and are considering legislation. In 2007, Spain passed an 'Equality Law' which recommended that all listed companies on the stock exchange have 40% representation of each gender on their boards by 2015.<sup>41</sup> And the French parliament has recently introduced a bill which, if passed, would require companies listed on the French stock exchange to have 40% female directors by 2015.

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<sup>33</sup> FRC 2009 Review of the Combined Code: Final Report, December 2009, pg 17.

<sup>34</sup> The survey was commissioned by the Government Equalities Office and conducted by Ipsos MORI. Ipsos MORI interviewed a representative quota sample of 1,071 adults in Great Britain aged 16+. Interviews were conducted by telephone between 20–24 February 2010. Data are weighted to match the profile of the population. The full research report will be published on the GEO website on 11 March 2010: [www.equalities.gov.uk](http://www.equalities.gov.uk)

<sup>35</sup> Ibid.

<sup>36</sup> Ibid.

<sup>37</sup> "The Bottom Line: Corporate Performance and Women's Representation on Boards", Lois Joy, PhD, Director, Research, and Nancy M Carter, PhD, Vice President, Research, at Catalyst Inc.; Harvey M Wagner, PhD, and Sriram Narayanan, PhD, 2007.

<sup>38</sup> "Women Matter: gender diversity, a corporate performance driver", McKinsey & Company (2007).

<sup>39</sup> Val Singh, "Ethnic Diversity on Top Corporate Boards: a resource dependency perspective", *International Journal of Human Resource Management* 18:12 December 2007.

<sup>40</sup> Dr Val Singh, Dr Siri Terjesen and Prof Susan Vinnicombe (2008) "Newly appointed directors in the boardroom: How do women and men differ?" *European Management Journal*, vol 26, 1, 48.

<sup>41</sup> "Increasing Diversity on Public and Private Sector Boards", Dr Ruth Sealy, Elena Doldor and Professor Susan Vinnicombe, International Centre for Women Leaders, Cranfield School of Management.

Corporate Governance codes in other countries are also being utilised as a means to addressing the lack of diversity on Boards. Following the 2006 review of Spain's Unified Good Governance Code, the new Code explicitly stated that board nomination committees should ensure no implicit bias against women candidates and that the companies should make a conscious effort to include as directors women with the target profile.<sup>42</sup> The Spanish Code, like the UK's Combined Code, also operates on a 'comply or explain' basis.

In December 2009, the Australian ASX Corporate Governance Council announced that it will require listed companies to disclose in their annual reports the number of women in their organisations, in senior management and on the board, as well as their achievements against the gender objectives set by their boards. Alongside the new recommendations, changes will be made to the guidance to encourage nomination committees to include in their charters a requirement to continuously review the proportion of women at all levels in the company, and to require that the performance review of the board include consideration of diversity criteria in addition to skills. Also, boards will be required to disclose what skills and diversity criteria they look for in any new board appointment. The ASX Code also works on a comply or explain basis, and the new Code is due to come into force in July 2010.<sup>43</sup>

Finland's new corporate governance code came into effect in January 2010, and requires all companies listed in Finland to have at least one woman on the board, or explain why they do not.<sup>44</sup>

#### PART 4: NEW PROVISIONS

The GEO strongly agree with Lord Davies' proposals that the new Code should include a principle which requires listed companies to explain:

- what the current position is with regard to director posts occupied by women and other under-represented groups;
- how this meets the needs of the company, its governance and business; and
- what their policies are for achieving greater diversity in the boardroom.

These principles should also be incorporated into the proposals put forward in the FRC's Final Report, which calls for board evaluation reviews to be externally facilitated every three years, and companies to report on their business model.<sup>45</sup>

In addition, the main principle of section A.4 of the current Code relates to the appointments to boards, and confirms that, "There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board".<sup>46</sup> This principle should be strengthened, along the lines of the Spanish Code of Governance, by ensuring there is no implicit bias against under-represented candidates. The phrasing of such a provision could be modeled after the Spanish Code, for example:

"When women directors are few or non-existent, the board should state the reason for this situation and the measures taken to correct it; in particular, the Nominations Committee should take steps to ensure that: (a) The process of filling board vacancies has no implicit bias against women candidates; (b) The company makes a conscious effort to include women with the target profile among the candidates for board places".

As Lord Davies' set out, and the evidence supports, there are a number of obstacles to greater boardroom diversity. The Government will continue our drive to increase diversity on boards in the public sector, and we will work with business and recruitment firms to highlight best practice in this area. However, we strongly believe that companies need to be more transparent in how they balance their senior management teams, and that the Combined Code must be utilised in support of this aim.

Please do not hesitate to get in touch if you require any further information on the evidence or examples brought up in the submission.

<sup>42</sup> Unified Corporate Governance Code 2006, pg 18: "When women directors are few or non-existent, the board should state the reason for this situation and the measures taken to correct it; in particular, the Nominations Committee should take steps to ensure that: (a) The process of filling board vacancies has no implicit bias against women candidates; (b) The company makes a conscious effort to include women with the target profile among the candidates for board places" [http://www.ecgi.org/codes/documents/unified\\_code\\_may2006\\_en.pdf](http://www.ecgi.org/codes/documents/unified_code_may2006_en.pdf)

<sup>43</sup> "New ASX Corporate Governance Council Recommendations on Diversity", 7 December 2009; [http://www.asx.com.au/about/pdf/mr\\_071209\\_asx\\_cgc\\_communique.pdf](http://www.asx.com.au/about/pdf/mr_071209_asx_cgc_communique.pdf)

<sup>44</sup> Corporate Governance Review 2009, <http://www.cgfinland.fi/images/stories/pdf/corporate%20governance%20review%20october%202009.pdf>

<sup>45</sup> FRC 2009 Review of the Combined Code: Final Report, December 2009, pg 3.

<sup>46</sup> FRC 2009 Review of the Combined Code: Final Report, December 2009, pg 9.

**Letter from Lord Davies of Abersoch, Minister for Trade, Investment and Small Business, UK Trade & Investment, to Sir Christopher Hogg, Chairman of the Financial Reporting Council, dated 26 February 2010**

In recent months I have been looking at the issue of women in business, including the representation of women in the boardroom.

I am writing to you in the context of the current review of the UK Corporate Governance Code.

While the UK has made some progress in terms of the numbers of women holding director posts, the progress has been very slow. There were 12.2% women directors on the FTSE 100 boards in 2009, representing an increase of 11.7% from 2008 and 6.9% from 1999. Notably there are still 25 companies in FTSE 100 with no women directors at all.

There are a large number of extremely able women just below boardroom level who continue to be overlooked for board posts (I have direct experience of this both from my time at Standard Chartered, where I introduced policies to advance able women, and from the continuing mentoring I do). This is a waste of valuable talent; it undermines good governance and is holding UK business back in my view.

There remain a number of obstacles to women's progress which I have been discussing with company chairmen, nomination committee members and the executive search profession. I continue to work on removing these obstacles but, while they remain, we will continue to face calls for a more regulatory response, such as quotas for boardroom appointments.

I am not yet convinced by the arguments for quotas, both in terms of practicability and in terms of achieving the objective of getting the most able women into the boardroom. But I do believe that we are not going to see any significant improvement until more direct pressure is applied to companies. This is where the code can help.

I suggest that the code should include a principle (under Section B "Board Effectiveness") which requires listed companies to explain:

- What the current position is with regard to director posts occupied by women and other underrepresented groups;
- How this meets the needs of the company, its governance and business; and
- What their policies are for achieving greater diversity in the boardroom.

This will put companies in a position where they have to consider much more carefully whether they are making the most of a diverse talent pool and how they are developing talent within the company.

At this stage I am not suggesting that companies should be obliged to "comply or explain" with a Code provision to include, for example, a certain proportion of women or other underrepresented groups on the board: this appears to me to be too close to a quota regime.

We have an excellent opportunity to make a real step forward. If we do not take it I am clear that progress will continue to be sluggish/and ultimately UK business will suffer.

As you are aware, the Government Equalities Office has a long standing interest in this issue and fully supports this initiative to encourage board appointments to be drawn from a broad pool of talent.

I will of course be happy to discuss this further.

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