

London Travel Watch – Equal Pay Audit

1. Introduction
 - 1.1 London TravelWatch supports the principle of equal pay for work of equal value and recognises that we should operate a transparent pay system based on objective criteria. This document constitutes our first equal pay audit.
 - 1.2 Most employers believe that they provide equal pay for equal work, irrespective of whether job holders are men, women, of minority ethnic origin, white, disabled, work part-time etc. An equal pay audit is the most effective way of establishing whether an organisation is providing equal pay and rewarding employees fairly in practice, and is an effective demonstration of action to promote equal pay under the terms of the equality duties enshrined in the 2010 Equality Act. It provides a risk assessment tool for an organisation's pay structure.
2. What is an equal pay audit?
 - 2.1 An equal pay audit involves comparing the pay of protected groups who are doing equal work in the organisation, investigating the causes of any pay gaps by gender, ethnicity, disability or working pattern and planning to close any gaps that cannot be justified on grounds other than one of those characteristics.
 - 2.2 An equal pay audit is concerned with an important, but narrow, aspect of potential discrimination in employment – unequal pay for equal work. It does not directly address other aspects of inequality, such as the glass ceiling, but such aspects – which may well contribute to overall pay gaps between, for example, men and women – may be highlighted by the audit.
 - 2.3 The audit is not simply a data collection exercise. It entails a commitment to put right any unjustified pay inequalities and therefore must have the support of those with the authority to deliver the necessary changes.
3. Benefits
 - 3.1 In summary then, the benefits of undertaking an equal pay audit are:
 - complying with the law and good practice;
 - identifying, explaining and eliminating unjustifiable pay gaps;
 - having rational, fair, transparent pay arrangements;

- demonstrating to employees and to potential employees a commitment to fairness and equality;
- demonstrating our values to those we do business with.

4. Methodology

4.1 Whatever kind of equal pay audit process is used, the essential features are the same, whatever the size of the organisation and whatever protected groups are included in the audit:

- comparing the pay of men/women; minority ethnic/white; disabled/non-disabled staff; full-time/part-time staff;
- explaining any equal pay gaps;
- closing those gaps that cannot satisfactorily be explained on grounds other than one of the protected grounds.

4.2 There is no legal guidance on what constitutes a significant difference. However, as a general guide, any pay differences of 5% or more, or 3% if there is a pattern of gaps favouring one group over another, will require exploration and explanation.

4.3 The audit model recommended by the Equality and Human Rights Commission is in five steps:

- deciding the scope of the audit and identifying the data required;
- identifying where employees in protected groups are doing equal work;
- collecting and comparing pay data to identify any significant equal pay gaps;
- establishing the causes of any significant pay gaps and deciding whether these are free from discrimination;
- developing an equal pay action plan and continuing to audit and monitor pay.

5. Scope

5.1 London TravelWatch is such a small organisation, currently 19 employees, there is no reason not to include all staff within the scope of the audit. In fact its relative size is rather a hindrance in undertaking analysis because the limited number of staff in each chosen group (gender, ethnicity, disability etc) when broken down by grade mean comparisons often become statistically invalid. This audit will therefore concentrate on three areas - gender, ethnicity and working patterns - as there is only one member of staff in the organisation considered disabled.

5.2 A comprehensive equal pay audit will include any additional payments above basic pay – for example, bonus payments, performance related pay, working time payments or benefits such as private health insurance and cars. Whilst we have the facility to make additional payments for undertaking higher level duties in the form of acting-up allowances and additional responsibility allowances, in practice these are rarely used. Only one individual (a woman) is in receipt of such an allowance equivalent to 5% of her salary. Any additional benefits at London TravelWatch, e.g.

access to the pension scheme, bike purchase scheme etc are available to all staff. For this reason the audit will concentrate only on differences in basic pay.

6. Identifying equal work

6.1 All jobs in London TravelWatch are evaluated using the Hay Job Evaluation system which is one of the most widely used in the world and has shown to be robust against equal value legislation. This analytical system is a tool for determining the 'size' of a job in the form of a number of points. It allows us to compare different jobs which in turn enables us to determine which grade or band they should be in. There is a direct read across between a job score under the Hay system and London TravelWatch's grading structure as shown in appendix 1. Using job evaluation therefore gives us a high degree of confidence that all jobs in a particular grade or band are doing like, or equal value, work.

7. Comparing pay data and identifying equal pay gaps

7.1 Appendix 2 shows a breakdown of the pay and other characteristics of our staff by grade (and therefore equal value). The following three pages of the appendix then take this information and compare the average salaries by grade for gender, ethnicity and working pattern against the total average for the grade to identify any equal pay gaps.

7.2 A summary of what the pay data shows us is given below.

Gender

- there is almost a 50/50 gender split in the organisation with 10 men and 9 women;
- overall on average women are paid more than men but have shorter length of service in the grade (this is the impact of two re-gradings explained below);
- there are only two grades (grades 2 and 4) that contain a mixture of men and women;
- in grade 2, the one woman earns 102% of the average, and in grade 4 women earn 103% of the average and have slightly shorter service in the grade than the men – an average of 4.3 years against 5.2 years;

Ethnicity

- the organisation employs 14 white staff (74%) and 5 black and minority ethnic staff (26%);
- on average BME staff earn 84% of the overall average salary and white staff 106% although they have much shorter service in the grade – 1.9 years against 6.4 years;
- there is only one grade (grade 4) that contains a mixture of white and BME staff;
- in grade 4 white and BME staff earn almost the same average salaries and BME staff have slightly lower average length of service in the grade.

Working Pattern

- 11 staff (58%) work full-time and 8 staff (42%) work part-time;
- of the part-time staff, 4 are men and 4 are women; 5 are white and 3 are BME;
- overall, part-time staff earn 83% of the average full-time equivalent salary – their full-time colleagues earn 113% against the average;
- the average length of service in the grade of part-time staff is 3.6 years compared with 6 years for those working full-time;
- in grade 4 which has the largest concentration of part-time staff (3), the average salary is almost identical.

7.3 It is worth bearing in mind that the overall comparisons are not comparing 'like with like', for example men and women doing equal work. This is because men and women are spread throughout the jobs and levels in the organisation. So any overall gender pay gap can more accurately be seen as an 'equal opportunity gap'. It generally favours men because they tend to occupy more of the higher paid jobs and men are usually more heavily represented at senior levels. This is not the case at London TravelWatch where women are paid 106% of the average salary and men 95%.

7.4 However, overall figures for the other two groups do show gaps which confirm that BME (84% of the average) and part-time staff (83% of the average) are under represented at senior levels.

8. Establishing the causes of any significant pay gaps

8.1 In practice, the most common explanations for significant pay gaps found in equal pay reviews tend to be one (or more, working in combination) of the following:

- length of service;
- starting pay and progression;
- pay protection;
- market factors;
- performance.

8.2 At London TravelWatch it is the first two of these and the operation of our pay and grading arrangements that are the main reason for any significant equal pay gaps although it will be argued these are free from discrimination.

8.2 The grade and salary structure shown in appendix 3 is fairly typical of the public sector and is analogous with the GLA's arrangements. There are 7 separate grades or bands and each one (apart from band 7) has six incremental points. (Band 7 is a spot salary used for the remuneration of the Chief Executive). In the terms and conditions of employment booklet the first incremental point of the band is described as the 'starting salary rate' and it goes on to say 'in the first year of employment you will normally be paid this lower rate of pay to recognise the learning curve within a new role'. Individuals move up one incremental point on the anniversary of their

appointment (worth 5.3%) and thereafter on 1 April each year. These further annual increments are worth between 2.0% (bands 5 and 6) and 2.5% (bands 1 to 4). Typically then, an individual will reach the top of the grade/band within five years of their appointment.

- 8.3 Once at the top of the grade there is no further progression and salary increases are only available through the 'annual' pay, or cost of living, settlement. London Travel Watch does not determine this unilaterally and historically has applied the increases agreed by the GLA.
- 8.4 Under our organisation's pay and grading arrangements then it is possible for one individual at the top of the grade to be paid over 15% more than another at the bottom although they are ostensibly doing like work, or work of equal value. This is clearly because length of service in the grade means that individual A has progressed through all the increments and has reached the top whilst for individual B it will take another 5 years or so to reach that position.

Length of service and pay progression

- 8.5 The use of length of service as a method of increasing pay and recognising service is generally accepted as a valid reason for differences in pay. Therefore employers do not need to provide specific justification for using length of service as a criterion in a pay system, even where that results in unequal pay between men and women.
- 8.6 However there may be situations where using length of service would have to be justified. In this case the employer would have to be confident that what is true as a general rule – namely that length of service goes hand in hand with experience, and that experience enables the worker to perform his or her duties better – is true for the particular job in question. There is undoubtedly less correlation between length of service and improved performance for some jobs than in others especially beyond a certain period.

Starting pay

- 8.7 Typically employees will join a pay grade or job as a new recruit or on promotion. Some employers like us will use a set formula or rule, others will have managerial discretion to simply agree an amount which can produce different outcomes by gender, ethnicity or disability.
- 8.8 In the last five years there have been 13 external appointments at London Travel Watch and 3 internal re-gradings. All those externally recruited were placed on the starting salary of the relevant grade regardless of previous salary. Those regraded were either placed at the bottom increment of the new grade or where scales overlap, placed on a point immediately above their existing salary.

9. Equal pay action plan

9.1 This audit has not discovered any pay gaps related to protected groups for which there was no satisfactory explanation and justification. However we should continue to monitor the situation and in particular:

- a) continue to appoint only on lowest incremental point and have an explicit statement in the terms and conditions on starting pay and why this is important;
- b) review job descriptions annually to ensure they remain up to date and re-evaluate where necessary;
- c) consider how we may achieve greater representation of BME and part-time staff at senior levels;
- d) consider whether our pay scales should be shortened so they accurately reflect the time need to become fully competent in the job;
- e) publish an equal pay policy that commits the organisation to providing equal pay, with clear accountabilities and regular monitoring/auditing;
- f) monitor all pay increases and starting salaries on an annual basis and report to the Governance Committee.