

The Rt Hon Greg Clark MP
Secretary of State
Department for Business, Energy &
Industrial Strategy
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Richard Pennycook
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Dear Secretary of State,

Thank you for your letter of 14 September regarding the work of the Retail Sector Council in relation to the retail gender pay gap. Please find enclosed a paper prepared for the recent Sector Council meeting on the gender pay gap.

At the Retail Sector Council meeting on 12 November we discussed the gender pay gap in retail and the work the industry is currently engaged with to create inclusive workplaces. The gender pay gap in retail stands at 9.1%, significantly lower than both the UK average and the average for the broader Wholesale and Retail industry classification (17.9%).

The retail industry is proud of the diversity across the workforce but cannot afford to be complacent. Inclusive workplaces are critical to the future success of our industry. I am pleased to report that the retail industry is already engaged in a range of actions to reduce the gap. For example, the industry has a number of cross-industry forums designed to facilitate networking, celebrate the role of women in retail and inspire others to reach their potential. In addition, the BRC's *Better Retail, Better World* initiative has seen more than 30 leading retail brands commit to take action on 5 of the UN's Sustainable Development Goals, including reducing inequalities.

As part of the discussion at the meeting Sector Council members drew attention to some of the limitations of the current legislation that have resulted in unhelpful and incorrect commentary. These include:

- The requirement to publish bonus data without reference to hours worked. For an industry in which more than half of the workforce works part-time bonus gap data has little meaning unless it is put in the context of hours worked.
- The requirement to publish both a mean and median figure has resulted in confusion and inaccurate comparisons of the different averages. The median average is taken to be the more accurate representation and therefore should be the required disclosure.
- There continues to be conflation between the gender pay gap and equal pay. The industry recognises the work done by the GEO and government to separate the issues and would like to see this continued as new data is disclosed.

The Council decided that the BRC should continue to lead ongoing engagement with the GEO on behalf of the Sector Council. In addition, the BRC will lead efforts to highlight and promote best practice in relation to reducing the gender pay gap. We are pleased that, ahead of the 2019 reporting deadline, the industry will be working directly with the GEO via the BRC on two sessions designed to raise awareness of the impact of part-time progression in retail and deliver practical support for retailers ahead of publishing new data and action plans.

As retail strives to create inclusive workplaces we will engage fully with your department's current consultation on ethnicity pay reporting. As the government develops the new regulations it is important lessons are learned from the existing gender pay gap regulations to ensure future pay gap data is contextualised and drives an informed and progressive debate about inclusivity, that is outcome focused.

Should you wish to discuss this further please do let me know.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richard Pennycook', written in a cursive style.

Richard Pennycook

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BACKGROUND PAPER: THE GENDER PAY GAP IN RETAIL

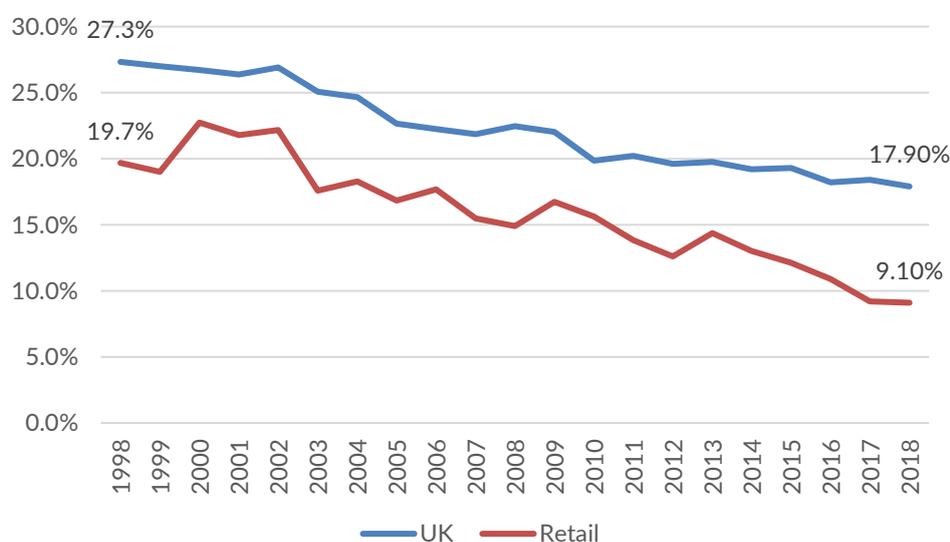
October 2018

The retail industry is diverse and has been making good progress to reduce the gender pay gap than the UK in recent years

Retail supports 3.1m jobs in all corners of the UK, providing people of all ages and from all backgrounds with employment. Over half of those jobs are part-time, offering unparalleled flexibility to individuals who need their work to fit around other priorities such as studying or caring. We know retail colleagues value this flexibility, for three consecutive years flexibility in hours has topped the list of reasons why people choose to work in the industry.¹ The retail workforce has a higher proportion of younger workers than the UK average with 24% of retail workers under 24 years.² At the same time, retail is seeing a growing number of older workers join the industry as people remain active within labour market for longer.

The retail industry is proud of this diversity. It enables the industry to deliver a great service and range of products to customers. This diversity also means that the retail industry has a lower gender pay gap than the average. The UK average gender pay gap currently sits at 17.9%. The Wholesale and Retail Industry average is 17.8% while the retail industry's average pay gap is 9.1%, less than half the UK average. As Chart 1 shows, over the past two decades the retail industry has reduced the average pay gap by nearly 10%. Since 2013, the retail industry has been making faster progress to reduce the pay gap than the UK average.

Chart 1: Median pay gap in the UK and Retail, 1998-2018



Source: ONS, ASHE (2018)

¹ BRC, Employee Perceptions Survey, 2017.

² BRC, Workforce Survey 2018.

The retail industry responded positively to the introduction of gender pay gap reporting

Retailers support the drive for greater transparency in this area and welcomed the introduction of gender pay gap regulations. Ahead of publishing data externally, retailers took time to share the data internally, to explain their pay gap and the actions they were taking, or planned to take, to reduce the pay gap. For many retailers the decision about when to publish their data was determined by a number of different factors including other reporting requirements.

In line with other industries, retailers were conscious that gender pay gap data was not conflated with equal pay issues. Despite efforts made by government, business and informed stakeholders there was still much media commentary about equal pay following gender pay gap disclosures as well as ill-informed comparisons of the mean pay gap with the median. Neither of these were helpful to the debate on gender pay but serve as a reminder that there remains an education piece to support understanding and future interpretation of the data.

The headline data alone does not tell the full story of the pay gap in retail. BRC analysis of the data reveals that more than two thirds of the gender pay gap can be accounted for by the participation of women working part-time and occupational roles. 63% of the retail part-time workforce is made up of women, compared to 40% of men. More than half of women in retail are employed in the lowest paying occupation, sales and customer services occupations, compared to just 25% of men.

Chart 2: Wholesale and retail wage and gender employment by occupation

	Median Hourly Wage	Male (% share of employment)	Female (% share of employment)
Professional occupations	£20.43	5%	3%
Manager, Director and senior officials	£14.83	17%	10%
Associate professional and technical occupations	£14.79	14%	10%
Skilled trades occupations	£11.00	13%	1%
Administrative and secretarial occupation	£10.00	4%	14%
Caring, Leisure and other Service Occupations	£8.86	0%	1%
Process, Plant and Machine Operatives	£8.84	10%	1%
Elementary Occupations	£8.45	11%	7%
Sales and Customer Service Occupations	£8.10	25%	53%

Source: ONS, ASHE, Table 29.6 (2017)

Retail is not alone in the fact that more women work in part-time roles than men nor is it a feature of the retail industry that part-time roles tend to be lower paid. Across the UK 77% of

the part-time workforce is comprised of women and while 60% of the full-time workforce is made up of men.³ While there is work the industry can do – and is doing – to support part-time progression and reduce the incidence of low pay across the industry these issues are societal and require a collaborative solution.

Retailers are building from a strong base to create inclusive workplaces

Retailers have long been working to develop and maintain inclusive workplaces that provide opportunities for all to enter the workplace and progress, regardless of background. The BRC's Better Jobs campaign identified leadership in diversity and inclusion as a core pillar of the industry's Better Jobs vision. More recently the BRC's Better Retail, Better World initiative has seen more than 30 of the leading retail brands sign up to 5 of the UN's Sustainable Development Goals, including SDG 10: Reducing Inequalities, to collectively take action to build a better, more prosperous and sustainable world.

Retailers are taking a range of steps to enhance inclusivity and gender diversity across their organisations including:

Improving gender diversity at executive and board level: In recent years executive and board level female representation has been under the spotlight. The retail industry was no exception and has put a significant focus on expanding female representation at the executive level. A report from 2016 showed that while 60% of the retail workforce was female only 20% of executive teams were women and just 10% of executive boards were women.⁴

The Hampton-Alexander review set a target of 33% women on FTSE 350 Boards and FTSE 100 leadership teams by 2020. While there is still a way to go before that target is achieved, the retail industry has made good progress with 47% of those listed already exceeding the 33% target for boards.⁵

Taking steps to develop talent pipelines: To support gender diversity at all levels it is critical retailers focus on developing a talent pipeline and support colleagues to progress. A number of retailers have internal support systems such as mentoring and networks in place to provide role models and practical support for colleagues. Retailers are also working across the industry to empower women and support progression. Everywoman, Women in Retail, and Retail Week's *Be Inspired* campaign provide cross-industry forums to network with peers, celebrate the role of women in retail and inspire others to reach their potential.

In January 2019 the BRC's Future Retail Leaders Lecture, designed to inspire the industry's future leaders, will feature two high profile females from leading retailers. Attendees will hear from Paula Nickolds, Managing Director of John Lewis, and Jill McDonald, Clothing, Home & Beauty Managing Director at M&S about their careers to date and top tips for success in the industry.

Improving part-time progression: The majority of jobs in the retail industry are part-time and while these roles provide unprecedented flexibility for many individuals they tend to be clustered at the more junior and lower-paid end of the workforce. For those who need to work part-time, the lack of more senior jobs offered on a part-time basis results in many being stuck in junior roles and retailers losing out on key talent. BRC data points to a

³ ONS, Labour Force Survey, October 2018.

⁴ Women in Retail & Elixirr, The commercial advantage of more women in the boardroom, 2016.

⁵ Hampton-Alexander, FTSE Women Leaders analysis, accessed: <https://ftsewomenleaders.com/>

perception among the workforce that progressing in the workplace will result in a loss of part-time or flexible working status.⁶

To overcome this issue, the retail industry has been working with Timewise to identify and overcome the structural and mindset barriers that stand in the way of creating flexible retail roles at all levels and support those who wish to work part-time progress without having to take on a full-time role. Timewise have worked closely with 6 national retailers as part of their Retail Pioneers Programme and through their partnership with the BRC, established in 2017, learnings from the Pioneers are being disseminated throughout industry and Timewise are actively working with other retailers.

As the retail industry transforms, we must continue to build on this progress to establish ourselves as a diversity and inclusion leader

While the retail industry is in a stronger position than other industries, further progress can be made to create inclusive workplaces, and where possible, reduce the pay gap. Ahead of the 2019 reporting deadline the BRC will be working with the GEO to develop a best practice webinar on part-time progression and will be hosting a workshop with retailers focused on action planning.

The gender pay gap reporting requirement is driving a more focused discussion across the industry. To support this discussion the BRC collects data from the retail workforce about perceptions of progression and part-time work. This enables us to understand the impact of actions taken by the industry on the workforce alongside the publication of annual data. However, this is just one aspect of a broader discussion on workplace inclusivity that is ongoing within retail.

The transformation of the industry that is currently underway means for many retailers their future workforce will be made up of current colleagues. Putting inclusivity and engagement at the centre of the workplace is no longer an optional extra, it is critical to the retention and progression of the current workforce.

⁶ BRC, Employee Perceptions Survey, 2017. 26% of retail workers [earning £9 or below] did not apply for a promotion due to concern about the loss of part-time/flexible status.