

Gender pay gap report 2019



from
**Southern
Water** 

What is the gender pay gap?

A gender pay gap is the difference between the average pay of men and women working for an organisation.

The hourly rate for women is expressed as a percentage of the hourly rate for men to illustrate the difference in how much men and women are paid. This is not the same as equal pay which is legislation to ensure that men and women doing equivalent work receive equal pay.

Any company with more than 250 employees must publish its gender pay gap.



Ian McAulay
Chief Executive Officer

Diversity and inclusion

We recognise the value that creating a diverse and inclusive environment will bring to our organisation. We have already seen some improvements and are pleased to report a reduction in our pay gap again this year.

Last year, we stated the action we intended to take.

What we said:

- We would support agile and flexible working to enable our employees to have a good work-life balance. Alongside this, we said we would publish our family-friendly policies and an active return-to-work policy.
- We would look at our leadership development and recruitment processes with particular focus on how we encourage more women to be successful in senior positions.
- We would do further work on our recruitment policies and take steps to remove unconscious bias.
- We would monitor diversity in how we manage our employees and continue to tackle any inequality.
- We would develop a revised job architecture framework which increases transparency around promotion, development and reward – and underpins all elements of reward including pay, benefits and bonus.

What we did:

- Our flexible working policy is published on our intranet and available to all employees. We have a number of employees working on agreed flexible contracts.
- We have reviewed our suite of family-friendly policies and will enhance our family support by improving our existing policies and introducing new ones.
- We developed a talent review process this year which mitigates unconscious bias. This was implemented at leadership level and we plan to expand this process to other levels in future. While we have had some success in women achieving management roles within the organisation this year, we have more to do in this area.
- We have taken steps to standardise our recruitment adverts using our 'Water for Life' brand. We are working with our recruitment partner to create adverts that appeal to all.
- We have included diversity reporting in a number of key processes, including performance management and talent reviews. This allows us to monitor for signs of gender bias in the process.
- We have adopted a new approach to job evaluation which is allowing us to take a detailed look at jobs in our organisation and ensure there is role parity. This exercise will underpin our reward structure, built on a consistent view of the organisation. We have also developed clear recommendations and governance around pay movement to ensure that decisions are applied consistently and fairly.

How has this affected our pay gap?

We report on two aspects of our gender pay gap:

1. The gap between the hourly pay rate for men and the hourly pay rate for women as at April 2019.
2. The gap between bonuses paid to men and women during the year 1 April 2018 to 31 March 2019.

In both cases, we report the mean and median percentage gaps.

1. Hourly pay gap

During 2019, we're pleased to note a further reduction in our hourly pay gaps.

Our mean hourly pay gap has reduced by 1.93% and our median hourly pay gap has reduced by 5.07%. Several factors have contributed to this reduction. For example, more consistency in how pay increases are applied within the organisation.

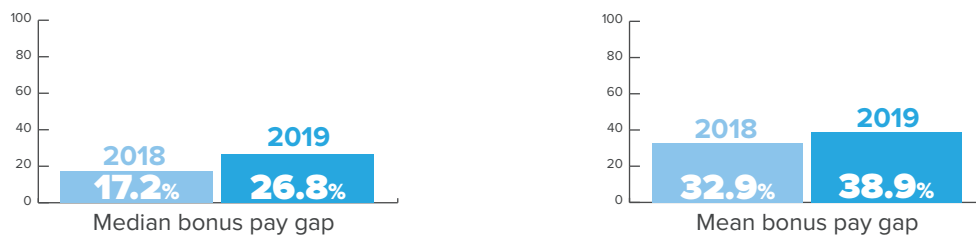


2. Bonus pay gap

All our employees are eligible to receive a bonus providing they:

- were employed no later than 31 December the previous year
- were still employed and not under notice on 31 March
- have a satisfactory performance rating.

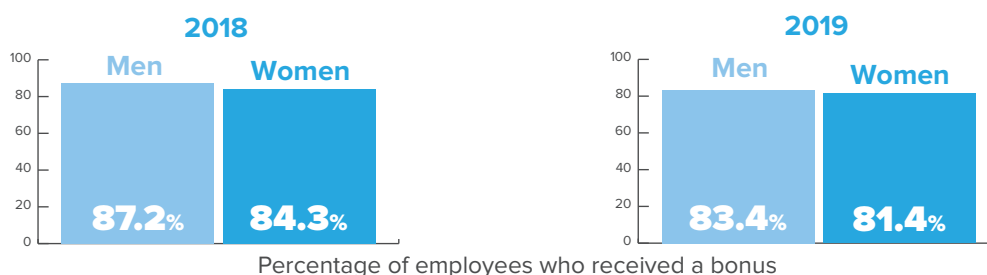
We are disappointed to observe a widening in our bonus pay gap. As bonuses are proportionate to salary, it follows that people in higher paid roles receive higher bonuses. In the reporting period, there was a higher proportion of men in the more senior roles than women (see distribution data below).



In the reporting period:

- 83.4% of male employees received a bonus (2018: 87.2%)
- 81.4% of female employees (2018: 84.3%).

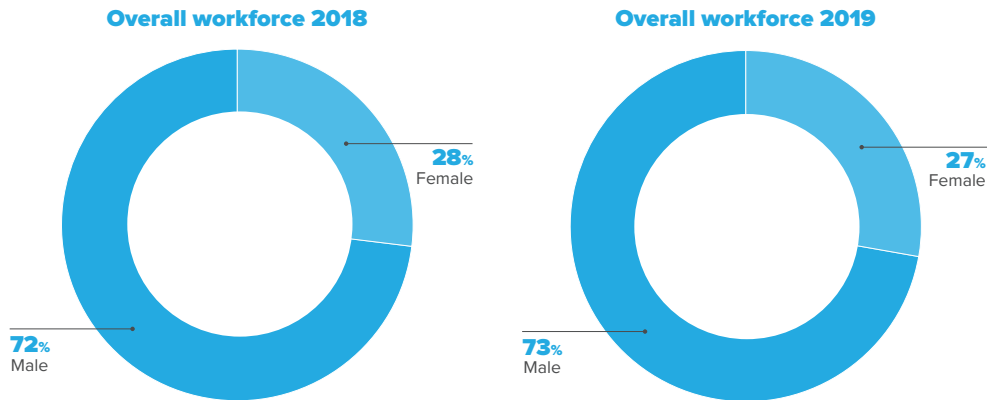
The legislation requires us to report bonus payments for those that were employed on the snapshot date i.e. 5 April 2020. At this time there were a number of employees who were not eligible for a bonus due to their start date – all participants must have been employed on or before 2 January to qualify for a payment. If we were to report the data only on those eligible for a payment, we would report that 99.79% of eligible male employees received a bonus and 99.81% of eligible female employees received a bonus.



Distribution of employees in the organisation

Workforce profile

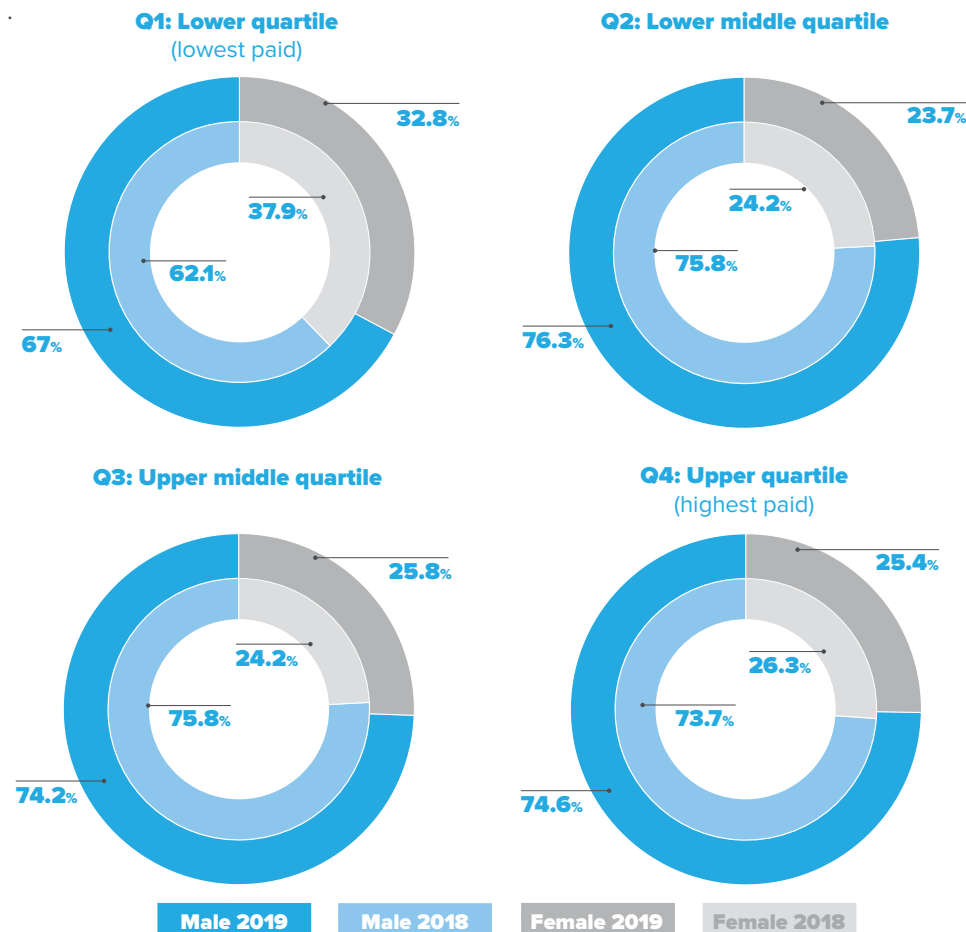
The distribution of employees in 2019 is fairly similar in profile compared to 2018. Overall, 27% of our employees were women in April 2019. This is broadly similar to April 2018, when 28% were women.



Pay distribution

We've examined the mean distribution of pay by looking at the hourly pay rate for all employees in rank order, then splitting the population into four equal quartiles – where quartile one (Q1) is the lowest paid and quartile four (Q4) is the highest paid.

We have noted a positive gender pay difference in Q3 in favour of women and virtually no pay gap in Q2. Q4 has the biggest pay gap, which is 5.57%. This highlights the need to do more to support women in achieving senior management positions within our organisation.



Next steps and actions

To further encourage diversity and inclusion within our organisation, we are focusing on four key areas in the next year:

Recruitment

We will:

- revise job descriptions to contain only key accountabilities to encourage more women to apply – this is based on insight that indicates women will typically apply for a role if they can fulfil all the stated accountabilities, whereas men will typically apply if they can fulfil half of them
- introduce a new competency framework for recruitment which shows expected levels of achievement, providing a measureable framework to minimise bias within the process.

Compensation framework

We will:

- launch a new grading system to promote fairness and transparency
- review and refine our Salary Governance policy to inform pay decisions
- make sure pay progression is skill/competency led and the requirements for each pay level are clearly articulated and measured.

Talent process

We will:

- adopt a measureable talent process to examine potential across the organisation
- launch our Behavioural Framework (developed during 2019) so all employees understand where development may be needed to change roles within the organisation
- review our accessibility of training to ensure that all employees are able to equally access this and progress their careers.

Policies

We will:

- continue to review policies and procedures to remove unconscious bias and make them accessible to all.

Final thoughts

We're pleased the work we are doing to promote diversity and inclusion is having a positive effect on our gender pay gap. However, we still have work to do to create a more inclusive environment within our organisation.

Diversity and inclusion is one of the key pillars of our People Strategy. It is at the heart of all our people initiatives, which seek to ensure all of our employees feel supported and engaged with our organisation, and able to use their skills to deliver Water for Life.

I confirm that the data in this report was correct as at April 2019.



Ian McAulay
Chief Executive Officer

