

## **BBC WORLDWIDE LIMITED**

### Equal Pay Audit Report

December 2017



Eversheds Sutherland (International) LLP ("ES") and PricewaterhouseCoopers LLP ("PwC") have been separately instructed by BBC Worldwide Limited to conduct a UK equal pay audit of grades 1 to 4 and Senex<sup>1</sup> roles within BBC Worldwide Limited. The audit did not consider remuneration of contractors or Director positions.

ES and PwC have undertaken separate and clearly defined roles as set out in more detail below.

In completing this audit the five stage process contained within the Equality and Human Rights Commission (EHRC) toolkit on equal pay, a summary of which is attached as Appendix 2, was followed by PwC and ES.<sup>2</sup>

In summary, PwC's role in the equal pay audit involved working with BBC Worldwide Limited to source, validate and review the quality of the data that ES then used for the audit. Their role included suggesting potential lines of investigation based on the data. PwC also sought to identify appropriate sample male and female comparisons where on the face of it one might have expected the pay to be the same but where it differed by more than 5%<sup>3</sup>. Samples of individual case comparisons were selected from every job role where there was a greater than median 5% base pay gap, from a sample of jobs across the same grade, and a small number of outliers. This enabled ES to conduct more detailed examination of the reasons why in those cases, the pay was different.

These cases were examined not only to see if they might reveal potential areas of discrimination but also to test the procedures which have been used to determine an individual's pay. A detailed explanation of the respective roles of PwC and ES are set out in Appendix 1. The process for selection of individual comparisons is also set out in Appendix 1.

## **Executive Summary**

This Executive Summary is provided to identify key conclusions and recommendations – further detail is set out in the body of the report.

- No evidence of systemic discrimination was apparent within the high level job role data. There are 242 distinct job roles of which 126 have a single gender represented. Of the mixed gender roles 44 job roles have a median pay gap (as defined by base salary) of greater than or equal to 5% in favour of men. 33 job roles have a median pay gap of more than or equal to 5% in favour of women. Of the remainder, 37 have a pay gap in either direction of less than 5% and 2 have no pay gap. A more detailed analysis of the statistics as set out in the body of the report supports this overall conclusion.
- BBC Worldwide is a relatively small organisation and therefore the number of employees in each job role is often small. For example, only 21 roles contain ten or more employees. This means that employees leaving and joining roles can make a significant difference to gender representation.
- BBC Worldwide has a well-established and well documented performance management process which is helpful to demonstrate where performance of individuals is driving pay differentials.
- The payment of bonuses applies equally to males and females as both company and sales bonus schemes are operated on a percentage salary basis within grades. Therefore the bonus system is not discriminatory in its application. The bonus differentials are driven by the number of males in more senior grades which attract higher bonus and salary levels.

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<sup>1</sup> The gender pay gap report refers to grades 1 to 5 as it is based on data as at 5 April 2017. By the time data was frozen for this audit, at 30 October 2017, there were no grade 5 roles in BBC Worldwide.

<sup>2</sup> The equal pay audit is in line with EHRC toolkit for equal pay audits. The International Standards on Auditing do not apply to this kind of audit.

<sup>3</sup> The Equality and Human Rights Commission suggests that differences of 5% or more merit further investigation or 3% or more where pay differentials are recurring. As this is the first audit the focus has been on differences of 5% or more.

- Job titles can sometimes be misleading if individuals are in reality undertaking very different roles. We would therefore recommend a job title review by managers to provide more clarity in relation to job titles.

Market ranges for job families are used for benchmarking purposes to allocate pay within grades. These pay ranges should continue to be followed to ensure a consistent approach to salary within job families

- The contractual position was clear from personal files and we would recommend that contracts continue to be auto filed to ensure retention.

## **Background and Observations**

ES has considered HR documentation (e.g. contracts) issued and obtained information verbally from HR and management. ES (with PwC's support in providing the relevant data as set out above) have considered pay distribution and pay gaps across job roles and pay grades.

ES only considered documentation held on personnel or recruitment files for the individual comparisons. Typically this would include offer letters, employment contracts, appraisals, attachment/promotion details and pay information. In a number of cases, additional explanations were also provided by HR and managers to supplement the information provided. It is recognised that documentation may be retained elsewhere, and that managers often know the background to pay decisions which may not have been recorded but which can be provided orally.

This exercise of course is an audit, not a comprehensive view of the pay of each and every individual employee. Therefore the conclusions reached below are based on comparisons undertaken and should not be read as concluding that there are no individual potential equal pay issues within BBC Worldwide Limited. Any individual pay concerns should be raised with HR/line management and investigated appropriately.

## **Analysis**

The first exercise we have undertaken is to consider a range of statistical information, which casts some light on the explanation for pay differences in particular grades, in favour of either men or women. The table below sets out these statistics, using data from BBC Worldwide Limited as at 30 October 2017 when the audit commenced<sup>4</sup>. We received information on both base pay, base plus any continuing allowances (specifically car allowance) and bonus payments but the focus of this report is on base pay in line with the recommendations made by the EHRC toolkit, and the fact that continuing allowances are protected and are no longer paid to new recruits. Car allowances in particular have not been paid to new joiners since 2014. Prior to 2014 the payment of car allowance was allocated by job (see section on allowances and bonuses below).

- There are 242 distinct job roles covering 956 employees of which 126 job roles have a single gender represented comprising 248 individuals. Of the remaining jobs, 44 have a median pay gap (as defined by base salary) of greater than or equal to 5% in favour of men. 33 job roles have a median pay gap of more than or equal to 5% in favour of women.
- BBC Worldwide is a relatively small organisation and therefore the number of employees in each job role is often small. For example, only 21 roles contain ten or more employees. This means that employees leaving and joining roles can make a significant difference to gender representation.

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<sup>4</sup> The data in an organisation the size of BBC Worldwide Limited will change on a regular basis. The data in this report is frozen as at 30 October 2017. Therefore, numbers quoted in this report will vary as compared with those in BBC Worldwide Gender Pay Gap Report which refers to figures as at 5 April 2017.

Base salary only – Senex 1 and below

Job pay gaps:	Median		Mean	
	Jobs	Headcount	Jobs	Headcount
>=5% in favour of females	33	186	29	162
<5% in favour of females	13	93	18	132
No pay gap	2	26	0	0
<5% in favour of males	24	150	25	178
>=5% in favour of males	44	253	44	236

	Jobs	Headcount
Single gender jobs	126	248

Total compensation - base Salary, bonus and any protected allowances – Senex 1 and below

Job pay gaps:	Median		Mean		Mean
	Jobs	Headcount	Jobs	Headcount	
>=5% in favour of females	34	196	30	169	
<5%in favour of females	15	94	16	119	
No pay gap	2	26	0	0	
<5% in favour of males	22	152	26	193	
>=5% in favour of males	43	240	44	227	

	Jobs	Headcount
Single gender jobs	126	248

ES were able to conclude that, overall, there was no evidence of systemic discrimination apparent within the high level job role data.

In addition, ES has undertaken an audit of pay arrangements by grade across the whole pay range.

We have also analysed the statistics by focusing on the gender pay gaps in the grades as set out in the table below, which identifies the median and mean pay gaps by grade:-

Base salary only – Senex 1 and below

Grade pay gaps	Headcount	Number of males	Number of females	Female representation	Median	Mean
SENEX1	54	31	23	43%	10.0%	9.8%
SENEX	243	114	129	53%	8.2%	7.8%
1	203	99	104	51%	7.5%	8.0%
2	248	106	142	57%	0.5%	2.3%
3	137	52	85	62%	2.4%	-2.4%
4	71	10	61	86%	0.9%	-7.2%

Total compensation - Base Salary, bonus and any protected allowances – Senex 1 and below

Grade pay gaps	Headcount	Number of males	Number of females	Female representation	Median	Mean
SENEX1	54	31	23	43%	12.6%	11.3%
SENEX	243	114	129	53%	8.2%	8.9%
1	203	99	104	51%	8.4%	7.5%
2	248	106	142	57%	1.6%	3.4%
3	137	52	85	62%	-0.2%	-2.9%
4	71	10	61	86%	0.9%	-7.5%

The table shows that overall the tendency is that the median gaps move from being small in favour of men or women at the lower grades to being in favour of men at higher grades. This is explained by the representation of females in the roles which have higher pay gaps at median level. For example in Senex 1 we can see that there are twelve less females in that group than males out of a total headcount of 54 which produces a higher pay gap in favour of men.

The question that arises is why this should be. There are many contributory factors and it is not possible to identify in this audit what precisely the factors are. It may be the result of recruiting more men than women for more senior jobs or more women than men in more junior roles.

We have considered whether the length of service of employees in grades 1-4, Senex and Senex 1 provide some explanation, given that this is often a relevant factor, and this information has been available to us as part of this audit process.

## Pay Gaps and Service (base pay)

Job pay gaps:	Median				Mean			
	Jobs	Headcount	Avg. male tenure	Avg. female tenure	Jobs	Headcount	Avg. male tenure	Avg. female tenure
>=5% in favour of females	33	186	2.7	3.8	29	162	2.8	3.8
<5%in favour of females	13	93	3.4	2.6	18	132	3.3	2.5
No pay gap	2	26	2.3	2.6	0	0	n/a	n/a
<5%in favour of males	24	150	3.1	3.0	25	178	2.8	2.9
>=5% in favour of males	44	253	3.6	2.5	44	236	3.6	2.7

	Jobs	Headcount
Single gender jobs	126	248

This table demonstrates that jobs where the median gap is  $\geq 5\%$  in favour of either gender, length of service does seem to be a key factor driving the gap.

As stated above, it is not possible to identify in this audit what precisely the factors for these gaps are. However, knowledge, experience and market demands are all factors which add value to organisations and can influence pay. We therefore undertook some sampling in order to investigate matters further.

### **Sampling**

PwC identified individuals to conduct a more detailed examination of the reasons underlying their pay.

Appropriate sample male and female comparisons were identified from every job role where the median pay gap was 5% or above. The comparisons were selected on the basis that one might have expected the pay between a man and a woman to be the same but where it differed by more than 5%. We sampled comparisons provided by PwC (in line with the audit process outlined at Appendix 1) by considering a combination of documents and oral/HR management information for 82 individual comparisons (c. 164 employees) and made additional enquiries which enabled us to reach the conclusions outlined below. Comparisons were made for those in the same job and for those doing different jobs in the same grade.

We have analysed the reasons for any pay disparities which exist, and whether they are gender related. We found that in all of the comparisons there appears to be a non-gender reason for the pay differential; whilst the quality of the evidence varies (in some cases being particularly strong and in others less so) it is sufficient for ES to draw the conclusion that it is unlikely that the difference in pay is by reason of gender.

Examples of the reasons identified for the pay differentials were market forces, specialist skills, TUPE transfer protection, attachment pay increases, experience and differing levels of responsibility.

It is important to note that the comparisons were selected on the basis that there were differentials in favour of both men and women. The reasons identified explained why both men and women comparators received higher pay. Furthermore it is important to note where, on occasions, there was more or less

evidence available to demonstrate the reason for any pay differentials, this was apparent for both men and women alike.

## Allowances

There is only one continuing allowance paid at BBC Worldwide to a small group of employees and that is a protected historical car allowance. This has not been offered to new joiners since 2014. Entitlement to a car allowance was mostly dictated by role and seniority though in some instances it relates to terms transferring in from other employers.

### Car Allowance Statistics

	<b>Count</b>	35
<b>Male</b>		
	<b>Average</b>	£5,361
	<b>Count</b>	18
<b>Female</b>		
	<b>Average</b>	£4,917

The above table demonstrates that less women than men in grades 1 – 4, Senex and Senex 1 still receive car allowance but the average allowance received is very similar. This gap is likely to be driven by the lower representation of women in more senior roles which tended to qualify for a car allowance.

## Bonus

Achievable bonus levels (calculated as a percentage of basic full year salary) vary throughout the organisation, according to grade/role.

### Bonus Statistics

	<b>Count</b>	407
<b>Male</b>		
	<b>Average</b>	£8,748
	<b>Count</b>	539
<b>Female</b>		
	<b>Average</b>	£6,471

The above table demonstrates that more women than men receive a bonus in grades 1 – 4 Senex and Senex 1. The payment of bonus is based on business focussed performance criteria and defined targets. Once these criteria/targets are met, entitlement is achieved. Bonus will only be withheld if an employee is given an 'inconsistent' or 'unacceptable' appraisal rating which occurs in very few cases. The level of bonus is dictated by grade as the more senior roles attract a higher bonus percentage. Therefore on average, men receive a higher level of bonus because more men than women are in senior positions attracting higher salaries. Therefore whilst male and female percentage bonuses are the same under the Annual Company Bonus Plan Rules and the Sales Compensation Framework Plan Rules, a higher base salary will result in a higher bonus payment. The bonus is not applied in a discriminatory way. It is reflective of representation of females in the senior roles.

## **ES Conclusions and Recommendations**

### **1. Job Titles and Roles Comparisons**

When undertaking the comparison analysis we identified that some individuals who held the same job title were undertaking very different roles. This creates a lack of clarity in relation to what roles are performing the same or similar work.

#### Recommendation

*Where job title issues are identified in an equal pay audit, we would recommend a job title review to ensure that the job titles properly reflect what work an individual employee is undertaking and enable more consistency between colleagues.*

### **2. Pay Grade Ranges**

Whilst BBC Worldwide operates broad pay ranges within grades they do use market ranges for job families as guidance to appropriate pay levels

#### Recommendation

*We would recommend that the job family pay ranges continue to be used to ensure consistency of approach to pay allocation.*

### **3. Contractual Arrangements**

The personnel documentation contains employment contracts for the current role. Contracts are automatically filed when they are produced/varied.

#### Recommendation

*We would recommend that BBC Worldwide Limited continue to autofile contracts so that the contractual position can be easily established by reference to the personal file.*

### **4. Management Discretion in Grading Allocations and Starting Salaries**

In undertaking the individual analysis we observed that the exercise of management discretion in the allocation of starting salaries when individuals were recruited into roles was not always fully recorded.

#### Recommendation

*We would recommend that the rationale for starting salary decisions is referenced to agreed job role pay ranges and properly recorded and retained for future reference. We would also recommend that pay decisions should be captured on the existing on-line authorisation form to achieve consistency in decision making and record retention.*

### **5. Documentation on Personnel Files**

A common issue in equal pay audits, which was also identified in this audit on some files, is the lack of documentation contained on either personnel or recruitment records. Often managers have background information which has not been documented. It is good practice to ensure that this is captured in a document, ideally contemporaneous but if necessary retrospectively, as heavy reliance on oral evidence is not recommended. Managers may leave the business and if their rationale for pay decisions has not been captured that valuable evidence can be lost.

Having a well-documented system showing contractual arrangements in force and demonstrating pay decisions taken, and other relevant factors such as appraisal decisions, is important in operating a fair and consistent pay process which can demonstrate that decisions have been taken for justifiable reasons and were not related to gender (or indeed any other protected characteristic).

We understand recruitment records are destroyed after 6 months. Whilst we understand and endorse this practice for unsuccessful candidates we believe a different process should be adopted for successful candidates as recruitment documentation, particularly CVs and interviewer notes, may provide an explanation for why the salary offered to an applicant was at a particular level. We note however that

BBC Worldwide has recently put in place an HR Service Centre, thereby implementing a system whereby core documentation can be retained and is readily accessible by HR in a controlled manner; line managers are therefore able to obtain information on request from HR.

Recommendation

*We would recommend that all personnel files be reviewed against the existing framework for core document retention to ensure that historical documents are available, whether recruitment related, contractual, appraisal or relating to pay protection or increases. ES recognises the steps already taken by BBC Worldwide to achieve this, given that the new system ought to ensure more robust document management.*

We would also recommend that recruitment documentation for successful candidates is retained on their personal file.

**6. Appraisals**

The retention of appraisal documentation is good within BBC worldwide which makes it easier to compare like with like and understand and demonstrate where pay differentials are being driven by performance.

Recommendation

*It is good practice to have a consistent performance appraisal system in operation to enable individuals to be consistently assessed in terms of their overall development. As there is such a system in place, we would recommend that this be maintained going forward.*

**7. Individual Analysis Categories**

Our analysis resulted in us reaching the conclusion that in all of the comparisons there appears to be a non-gender reason for the pay differential; whilst the quality of the evidence varies (in some cases being particularly strong and in others less so) it is sufficient for ES to draw the conclusion that it is unlikely that the difference in pay is by reason of gender.

Comparisons undertaken identified pay differentials in favour of both men and women.

**Confirmations**

We confirm that we have supported BBC Worldwide Limited with this audit in accordance with the process recommended in the Equality and Human Rights Commission toolkit and as set out in detail above. In accordance with that process and as agreed with ES, where potential pay inequality was identified, we have selected potentially comparable male and female employees in order to allow ES to test and review whether the pay differentials may be justified.

Signed.....

on behalf of PricewaterhouseCoopers LLP

We confirm that we have progressed this audit in accordance with the process recommended in the Equality and Human Rights Commission toolkit. In accordance with that process we have reviewed the spreadsheet pay data provided by PwC, information and personal documentation provided by BBC Worldwide Limited Reward/HR for each individual employee within male/female comparisons to assess the reason for any pay differential, ascertain how determination of pay was reached by reference to the applicable pay policy, understand whether causes of pay differences are tainted by gender discrimination, considered how management discretion was exercised, and established how decision making in relation to pay was captured/recorded/retained to enable us to reach the conclusions and recommendations outlined above.

Signed.....

on behalf of Eversheds Sutherland (International) LLP

## Appendix 1

### The Audit Process - Roles and Responsibilities of each party

#### PwC

PwC's role in relation to the audit involved the following:

- Gathering, aggregating and analysing data as requested by BBC Worldwide Limited and agreed with ES
- Checking the validity of the source data, the correct components of pay used, against the correct individuals
- Checking the overall calculation across job roles and grades. Where additional elements of pay were required, liaising with BBC Worldwide Limited Reward to collect and blend data required for calculations.
- Identifying at least one male/female comparison sample within each job role who appeared (where possible) to be close in terms of location, time in role and between whom there was an apparent pay differential which on its face required further legal analysis by ES
- Identifying at least 6 male/female comparisons across job families in pay grades where there was a gender pay gap above 5% who are close in terms of location, time in role and between whom there is a pay differential which, again, on its face requires further legal analysis
- Provided such further support in relation to data extraction and review that ES required during its process of analysis in relation to the underlying pay data.

#### BBC WORLDWIDE LIMITED HR/Reward

Supervised the work carried out by ES and PwC. Provided information for each individual employee within the male/female comparisons identified including:

- Starting salary with organisation
- Starting salary in role
- Salary history in role showing all pay rises and payroll reason given for the same
- Copies of personal documentation in scanned document format for each individual employee within a male/female comparison for consideration to explain pay differential which may include :-
- Remuneration Committee approvals
- Explanation for starting salary in role e.g. recruitment paperwork
- Documentation issued when pay rises awarded
- Any performance appraisal documentation
- Any documentation in relation to any increase in role responsibilities
- Contract of employment
- CV or application form
- Any recruitment and retention information
- Any personal pay protection information e.g. TUPE/redundancy

#### ES

Once PwC had gathered the data as set out above, ES was responsible for analysing the data and carrying out the audit. In this role, ES reviewed the spreadsheet pay data HR/Management information provided and personal documentation supplied for each individual employee within male/female comparisons to: assess the reason for any pay differential; ascertain how determination of pay was reached by reference to the applicable pay policy; understand whether causes of pay differences were tainted by gender discrimination; considered how management discretion was exercised; and establish how decision making in relation to pay was captured/recorded/retained.

ES then prepared and finalised this audit report summarising the audit process adopted and confirming its compliance with the EHRC recommended process, setting out conclusions reached and making any

recommendations considered necessary to ensure that consistency is achieved and transparent pay systems are operated.

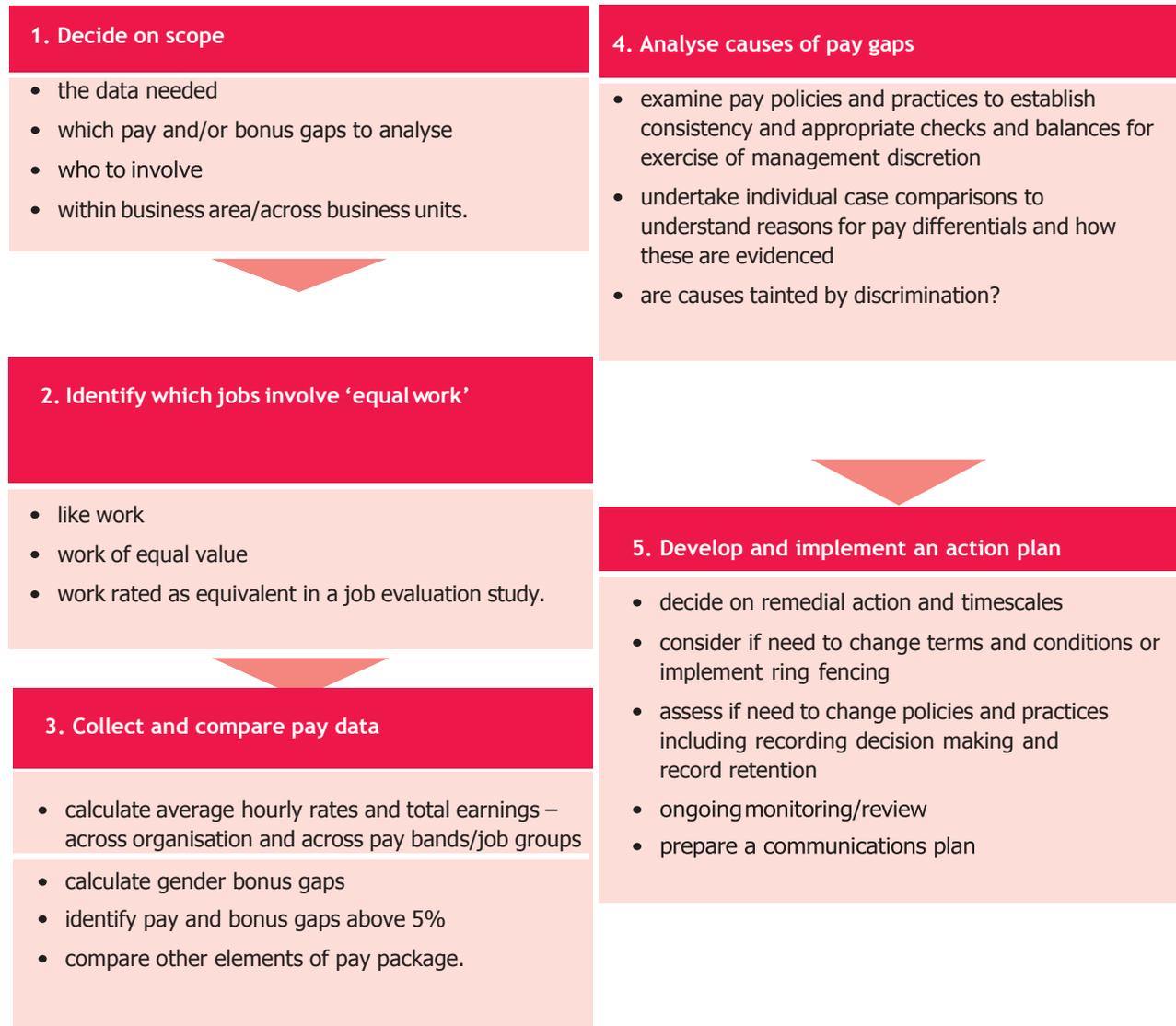
### **Selection of Individual Comparisons**

PwC selected the individual comparisons from job roles and grades which showed a gender pay gap of 5% or above either in favour of men or women. Comparisons were selected by PwC on the basis that where the job role showed a gap in favour of men, a pay differential would be considered which benefited the male employee; where the job role showed a gap in favour of women, a pay differential would be considered which benefited the female employee. The pay grades had been created following a job evaluation process implemented by BBC Worldwide Limited with support from Willis Towers Watson whereby individual roles were evaluated using an analytical job evaluation process. Neither PwC nor ES were involved in that job evaluation process and have not reviewed it as part of this audit.

In addition there were some comparisons across roles within pay grades.

## Appendix 2

### Equal Pay Audit Process in accordance with the Equality and Human Rights Commission (EHRC) Equal Pay Toolkit.



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