

# Gender pay: How do you achieve and report parity?

The case example of FDM Group

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# Institute for Employment Studies

IES is an independent, apolitical, international centre of research and consultancy in public employment policy and HR management. It works closely with employers in all sectors, government departments, agencies, professional bodies and associations. IES is a focus of knowledge and practical experience in employment and training policy, the operation of labour markets, and HR planning and development. IES is a not-for-profit organisation.

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## Introduction

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*'We would be working towards gender gap equality regardless of the new regulations. Our model takes the best people, regardless of background and gives them the training and skills, making a diverse workforce a fundamental tenet of our business model and culture.'*

FDM Group's Chief Operating Officer, Sheila Flavell (June, 2017)

The initial employer response to the first year of compulsory reporting of gender pay gap figures has been, perhaps understandably, slow, although recent surveys suggest that awareness is high and preparations to report are well underway (Murray et al, 2017). The press and public furore over the BBC's publication of the pay of its 96 highest-paid stars, all earning more than the prime minister's £150,000 salary, and male/female differences highlighted the importance of the issue (Brown, 2017).

Newsnight's Emily Maitlis, who was not on that list, although co-presenter Evan Davis was earning over £250,000 per annum, told the audience at a TechUK awards dinner that evening: 'You're an industry [that's] doing so well, soon you'll be able to afford a BBC man' (Telegraph Reporters, 2017).

In fact the technology sector has an average gender pay gap in the UK of 25 per cent, according to a recent Mercer survey (Charman et al, 2016) (above the national level of 18 per cent), driven by the representation of just 13 per cent of women at executive levels. So, along with the majority of other sectors of UK industry, it has little to be complacent and more to be worried about from the reaction to the BBC's revelations. Even those technology companies adopting diversity goals and policies have struggled to deliver these into practice in male-dominated company cultures – see Google, for example (BBC, 2017).

Amongst the already published reports and statistics, however, is one employer that stands out: FDM Group (Holdings) plc, which was the sixth employer to publish its figures. FDM is a global professional services provider focusing on information technology (IT). The Group recruits, trains and provides specialised IT and business service consultants to clients across a variety of sectors, in areas such as Development, Testing, Data Services, Business Intelligence and Cyber Security, with over three thousand consultants now operating worldwide.

The Group's latest interim financial report (FDM Group holdings plc, 2017) shows both sales and profits growing at more than 30 per cent to over £117 million and £20 million respectively in the first six months, and its market capitalisation recently passed £1 billion. Its client base includes well-known names such as National Grid, HSBC, Virgin Media, the Department for Work and Pensions, News UK and Sky.

FDM's gender pay performance is equally impressive, with the required pay statistics, reported on 5 April 2017, as follows:

- Median pay gap: 0.0 per cent
- Mean pay gap: 6.0 per cent
- Median bonus gap: 12.0 per cent
- Mean bonus gap: 18.1 per cent

How has FDM been able to eliminate its median pay gap in a sector still dominated at all levels, especially the most senior, by men? What can other employers wishing to do the same learn from their experience?

The Institute for Employment Studies (IES) has worked for more than forty years on pay and diversity issues, including a recent international academic evidence review for the Equality and Human Rights Commission on 'what works' in closing gender gaps (Brown et al, 2017). In this second of a series of occasional research case studies, we attempt to define and describe the policies, practices and wider cultural dimensions which appear to underpin the success of FDM in almost removing the pay gap between its male and female employees, thereby drawing out the practical lessons for other employers who are attempting to do likewise.

As we explain later, the business case for action in the area in terms of national and business benefits seems overwhelmingly clear-cut. It appears to be a mixture of 'will' and 'skill' that is preventing effective action by employers to close their gaps. The compulsory reporting requirement at least partly addresses the 'will' of senior management to address this. But in terms of 'skill', how do you close the near 20 per cent national gender pay gap without a ruinous increase in costs and alienation of your male workforce? What policies and practices 'work' in supporting this?

At the London Borough of Lewisham (Brown, 2016) our research found that a wide range of recruitment, talent management and diversity policies, evolved and sustained over thirty years, had got the Borough to its current situation of gender pay parity. But how, in a highly competitive part of the private sector, has FDM, a 26 year old company founded by Chief Executive Rod Flavell, been able to do this?

The research method, as well as this report, has been practically-focused. IES has met with and interviewed the chief operating officer, Sheila Flavell; UK head of HR, Lara Plaxton; head of diversity and inclusion, Madeleine Field; Lynda Feeley, head of media relations; and a number of the other senior staff in FDM. We have read its HR and diversity policies, practices and statistics along with relevant literature supplied to us by the Company. Most importantly, we've also visited the Group's London head office twice where we have observed and discussed pay, diversity and cultural matters with members of staff, and taken part in our first diversity and inclusion 'hackathon', run by FDM.

In the remainder of the paper we:

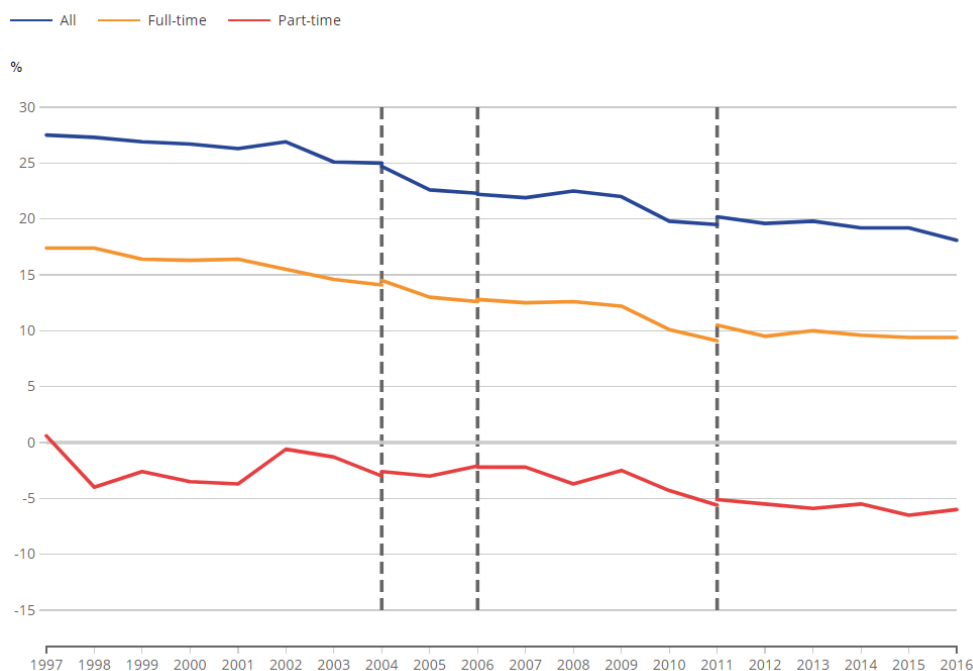
- briefly set the context for the research in terms of the gender pay reporting requirement in the UK and how other employers have been responding to it, as well as the research evidence on what works in closing gender pay gaps;
- describe our research findings on how relevant HR and diversity policies operate in the Group and the wider cultural variables that appear to relate to gender pay relativities and the absence of a median gender pay gap at FDM; and
- finally, draw relevant implications from the research for other employers.

## The context: regulations, response and the research

### The reporting regulations

The median gender pay gap for all UK employees (full-time and part-time) has reduced from 27.5 per cent in 1997 to 19.3 per cent in 2015 and down to 18.1 per cent in 2016 (ONS Digital, 2016; Hunt et al, 2016). This is marginally higher than the EU average but, as in most European countries, the rate at which the gap has reduced has slowed considerably in recent years.

**Figure 2.1: Gender pay gap over time, by full-time and part-time work, UK, 1997 to 2016**



Source: ONS Digital, 2016

The business case for closing it seems very strong. The McKinsey Global Institute (2016) estimates that harmonising female with male rates of employment and pay would add \$12 trillion dollars to GDP globally by 2025 and £150 billion to the UK economy. According to the World Economic Forum (Tyson, 2014), globally, only half of working-age women are employed, and they earn three-quarters as much as men, even when they have the same level of education and are in the same occupation. Just 13 per cent of senior management positions are held by women.

The WEF believes that:

*'The business case for women in leadership is strong. Companies with more women in top management and board positions better reflect the profiles of their customers and employees, benefit from more diverse views when solving problems, rank higher on indicators of organizational cooperation and health, and report higher profitability and returns on equity. Furthermore, the CSRI study indicates higher returns on equity, higher valuations, and higher payout ratios, with no discernible differences in risk-taking.'*

(Tyson, 2014)

With more than 75 per cent of UK employers reporting skill and talent shortages (CIPD, 2017) many are in need of boosting their labour and talent pools. Recent research has highlighted the importance of issues relating to recruitment and retention, with almost three-quarters of respondents in one survey believing that companies where large gender wage gaps are revealed will find it harder to recruit staff (Golin, 2017).

For FDM chief operating officer, Sheila Flavell, reporting early on gender pay 'was the easiest decision I've made all year and when I put it to the board they supported the move without hesitation or delay', to progress their labour supply and diversity agenda. Other firms have been much slower to respond, in reporting and on the wider gender pay agenda. Both government and employers have come in for criticism for their apparent failure in exploiting this potential, and the lack of progress in closing the gap.

Mckinsey recently wrote a stinging rebuke to the 'glacial pace of change' on female pay and representation and the lack of impact of traditional HR policies, such as diversity and unconscious bias training. It commented that it is 'time for a new gender equality playbook' (Barton, Yee, 2017). Elsewhere, academics such as Iris Bohnet argue that the lack of impact of these 'softer' HR and diversity training initiatives means that progress can only be 'by design' (Morse, 2016), forcing managers to comply with policies such as 'blind' candidate interviewing and truly representative job selection panels, within a stronger legislative enforcement framework.

A perceived lack of progress on gender pay reporting may have led the government to compel employers to report through the introduction of new regulations, introduced in April 2017. The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 require all UK-based employers with 250 or more employees to calculate the gaps in pay between their female and male employees each year on a fixed date. Six calculations are required:

- The mean and median (or mid-point) gender pay gap.
- The mean and median bonus gaps and the proportion of males and females receiving a bonus payment.
- The proportion of males and females in each quartile in a list from top to bottom of the pay levels of all their employees.

A voluntary narrative report can, and in the majority of cases published so far does, accompany the statistics. Employers have until April the following year in which to publish this information on their own and a government website.



## Employer responses

According to Sheila Flavell:

*'Reaction to our (gender pay report) results has been positive from our investors, clients, employees and other companies too. The reporting process has given us the opportunity to further demonstrate our commitment to our company values. We truly believe gender pay gap reporting is a positive step forward towards gender equality in the workplace and would encourage all employers to report early and start taking steps to close their gap.'*

But the initial general employer response was not generally as swift as FDM's or other leading employers. A Mercer survey (Gordon, 2017) of 165 employers' reactions to the regulations found them to be 'under-prepared and unenthusiastic' in their responses, with fewer than half believing that the requirement to publish their gender gap by next April will have any impact on closing it.

A study by the GW4 (2016) research consortia similarly found employers confident that the regulations would have little impact and 'complacent' that their market and performance-based pay methods were robust and non-discriminatory. As one HR head told the researchers, 'we go where the talent is, pay what the market requires, gender is an invisible thing for us'.

Those that have published their reports so far should be commended as early adopters. But many, not surprisingly, are showing 'huge gender pay gaps' (Hellier, Colby, 2017), in the majority of cases well into double figures. In explanation, the narratives generally focus on explaining that:

- The gap is a national and societal, rather than just individual employer problem. Utility company, SSE, for example, found a 32 per cent mean gap (SSE, 2017). Its report notes that 'the gender pay gap paints a picture of the level of roles that women carry out in an organisation. The roles that women fill can result from many different factors, such as historic trends of one gender dominating certain industries and type of jobs' and so closing it 'at SSE, and across the UK's labour market, [...] will require meaningful societal changes as well as improvements at organisational-level'.
- Asset manager Schroders (2017) whose report reveals a 31 per cent base pay and 66 per cent bonus gap, is similarly quick to point out that 'Our analysis of comparable roles shows we reward men and women fairly for similar work and that the gap reflects the lower representation of women at senior levels within the organisation... which is an issue across the financial services sector'.
- The gap is not an issue of paying men and women unequally for the same jobs (which has been illegal in the UK for many years), but driven by the lack of representation of women in senior and high-paid jobs. Reporting a 32 per cent mean pay gap for example, and 45 per cent bonus gap, Virgin Money has found it has too few women in senior roles (Virgin Money, 2017). It also lacked men working in lower-paid customer

service work. As a result, men make up 67 per cent of the best-paid employees and just 26 per cent of lowest-paid, which is similar to the national earnings picture.

- 'We need to make consumer-service roles more attractive to men,' director of people, Matt Elliott explains, 'I don't think we'd have been looking at this without the pay gap work.' Chief executive, Jayne-Anne Gadhia, is one of the leading proponents of the Women in Finance Charter, a voluntary initiative to increase the number of women in senior roles in financial services companies, which Schroders also mentions as a driver of its targets for increasing female senior management representation. Virgin, like FDM, is 'passionate about fairness, equality and inclusion' and is 'committed to reducing [its] gender pay gap'.

Clearly there are deep-seated and inter-related social, cultural, and educational contributors to these gaps. When the Halifax annual pocket money survey (Barrett, 2016) reveals our sons get more than our daughters, pretty much in line with the size of the gap between their mums and dads nationally, you begin to realise how difficult this is to address.

In announcing the implementation of the reporting regulations, David Cameron predicted that they would support the complete closure of the gap in a generation. The European Commission is more pessimistic and forecasts that another seventy years will be required at current rates of progress. The business-lobbying organisations strongly opposed the regulations in the original 2010 Act as being potentially misleading and a burden on smaller businesses. A survey by the CIPD (Newbery, 2017) suggested that the HR community have come round to supporting the requirement, but believe it will make 'little difference' to closing the 18 per cent national pay gap between men and women in the UK.

The most recent research evidence, however, indicates that the reporting legislation is already having a positive impact on both awareness of gender pay gaps and plans and actions to address them. A major survey of 900 employers (Murray et al, 2017) found 98 per cent were aware of gender pay gaps, a third having measured theirs in the prior 12 months (in anticipation of the legislative requirement), with almost two-thirds communicating their gaps to their senior management. Thirty-eight per cent were using the information to inform or revise their HR practices, and a quarter (26%) were developing plans or actions to address gender issues. But what actions are likely to be the most effective in addressing their gaps?

## Research evidence

IES has recently been reviewing the evidence on what actually has an impact on gender pay gaps, considering: government measures such as these reporting requirements (similar but more demanding measures have also been introduced in Germany); maternity provisions and compulsory equal pay audits (required in Scandinavia); and employer actions such as flexible working and fair pay management policies.

Looking across different studies, employers and geographies, the following factors and actions have come out as potentially making an impact.

## Transparency

A variety of studies supported by the EHRC indicate that employers with greater pay transparency have narrower gender pay gaps (see for example EHRC, 2016). This logic underpins the compulsory reporting requirement which is becoming increasingly common in Europe. In Sweden, businesses with 25 or more employees have to conduct an equality action plan every three years, which has contributed to the narrowing of the percentage gap for women working in male-dominated occupations. Iceland requires companies to explain any gender pay gaps shown, aiming to eliminate any gender gap nationally by 2022, two years after the BBC has pledged to remove its current nine per cent gap.

IES's research and client work also shows the impact of being transparent about pay ranges and pay decisions inside an employer, having robust job evaluation and pay systems and monitoring, and limiting the scope for individual and discretionary decisions on pay, with clear research evidence that men seem to be better at exploiting such flexibility to their advantage.

## Recruitment

A number of studies have identified that the uneven distribution of jobs between men and women is key to the maintenance of gender disparities (see for example Parken, 2014). In some occupations and industries such gender bias against women limits those short-listed for interview and impacts recruitment decisions, which in turn impacts the gender pay gap. The use of gender-blind screening – whereby the applicant's name is removed during the initial screening process – has been found to have a significant positive impact on the number of women recruited (Menino, 2013).

It is also at the point of recruitment that interventions around controlling starting salaries for new recruits and limiting line manager discretion in this area will, in turn, impact the size of the gender pay gap. Careers advice is a related area that is revealed to have a significant impact in a number of qualitative research studies, reinforcing heavy occupational gender skews in industries such as engineering and IT.

## Female representation

This comes out of the research as a key issue. A UK government review conducted by Lord Davies in 2011 (Department for Business, Innovation and Skills, 2015) found that the growth of numbers of females on boards was very slow and recommended that FTSE 100 companies should aim for a minimum of 25 per cent female representation by 2015. Davies' target was achieved in 2015, although this was heavily focused on growth in part-time and lower paid non-executive roles. A new five-year plan was agreed in 2016, focusing on building the talent pool below board level and greater representation in executive, as opposed to non-executive, roles. Although a voluntary initiative rooted in individual corporate actions, the tacit threat of legislation has undoubtedly also encouraged progress.

Cardoso and Winter-Ebmer (cited in Hensvik, 2014) found that female earnings increased when organisations appointed a female manager; and Bell (also cited in Hensvik, 2014) found that the earnings of female executives were higher and women were more likely to be among the highest-paid executives in female-led firms.

## Training and development

Investment in skills comes out as a driver of more equal pay and, perhaps ironically in FDM's sector of technology where such a significant gap exists, IT and STEM skills appear to be particularly influential. Quantitative research by London Economics highlighted that wages are greater when a STEM A-level is undertaken and girls taking one STEM A-level can expect annual wages to be £4,500 higher, on average, than if they hadn't; while those who take two STEM A-Levels can expect a wage return of 33.1 per cent (London Economics, 2015). Olsen et al (2010) found that training (formal study, on-site training and other training paid for by employers) was associated with six per cent higher hourly wages.

A study by the Knowledge Academy (2017), which analysed data from Eurostat alongside a survey of more than 6,000 adults conducted by the UK Commission for Employment and Skills and the National Institute of Adult Continuing Education (NIACE), revealed that just six in 10 women were offered training by their employer, compared with eight in 10 men. This appeared to be related to its finding that 32 per cent of full-time staff said that they had accessed both on- and off-the-job training in the last year, compared with just 19 per cent of part-time workers (Kirton, 2017).

## Flexible working and parental support

Despite the recent extension of the right to request flexible working to all employees in the UK, the evidence suggests it has not yet delivered substantial change. Research by legal firm Hogan Lovells and My Family Care (Hogan Lovells, 2014) based on a sample of 70 organisations, suggested that only two per cent of them had seen a significant uptake of shared parental leave since it came into effect in April 2015, with the continuing disparity between paternity and maternity pay the main factor explaining this. In fact, international comparative research shows that generally working hours' flexibility is associated with lower earnings, partly because of the so-called part-time earnings penalty of lower hourly rates.

## Minimum pay

The introduction of the UK's National Minimum Wage (NMW), followed by the more rapidly escalating National Living Wage in 2015, benefited women in particular, as they hold the majority of minimum wage jobs (59 per cent – LPC, 2015). The Low Pay Commission's research, however, suggests that the impact on the national gender pay gap has been limited by the preponderance of low-paid females in part time work.

## Culture trumps policy

So in sum, our research analysis shows that many individual actions by employers and governments have the potential to impact positively on gender pay gaps, and these are the areas that we focus on when advising individual employers on how to address their gender relativities.

Yet in almost all cases the effect of any one intervention is small and highly context dependant. It is also clear that, just as factors of causation interact – with women in their forties suffering, for example, from having both child- and elder-caring costs and responsibilities, inflexible working policies, norms in working patterns, and so on – so supporting actions can exert a positive multiplicative effect on female pay, reinforcing a culture of diversity and equality in which there is an absence of gender pay gaps. For example, the legislative right to request flexible working encourages more employers to follow the example of the leading firms and to apply their policies at more senior levels. This is why individual case studies are so important and useful. You can't copy the formula and culture from any single company, but you learn a lot from studying how others have made progress.

So, what is it about FDM and its policies that appear to explain the absence of a median gender pay gap? Is this down to the policies and interventions it has pursued? Or is it the example that the leaders set and role model? We go on to describe the Company and its policies in more detail before drawing out the implications for other employers.

## FDM: its people and strategy, its HR and diversity policies and practices

*'FDM is a people business. By combining training with commercial experience and a dynamic company culture, the Group continues to create and inspire exciting careers that shape our digital future.'*

FDM Annual Report, 2016

### The people

FDM has grown rapidly, to almost 2,000 UK employees by mid-2017 and over 1500 in the rest of the world. That it has over 75 nationalities and more than 500 trainees training in the firm gives a clue as to its success.

In terms of gender, globally 26 per cent of FDM employees and circa 50 per cent of the senior management team are female. This may help to explain the zero per cent median and six per cent mean gender pay gap in their reported statistics. But for those companies who seemingly attribute all of their much larger gaps to the preponderance of males in senior roles, it is instructive that FDM is not able either to avoid completely the male preponderance of staff in the sector as a whole and the educational disciplines feeding that, even though it continues to strive hard to improve its balance.

FDM's proportion of males and females in each pay quartile, shown in its 2017 gender pay report figures, is as follows:

**Table 3.1: FDM 2017 Gender pay report figures**

	% of Females	% of Males
Lower Quartile	26.7	73.3
Lower Middle Quartile	27.5	72.5
Upper Middle Quartile	29.7	70.3
Upper Quartile	20.5	79.5

Source: FDM Group (Holdings) plc, 2017

Almost 80 per cent of its top quartile of earners are men, and although the proportion of males and females receiving a bonus payment is much more evenly balanced than the rest of the sector – 95.3 per cent, of males versus 88.1 per cent females – actual bonus payments, particularly in Sales, are, on average, higher for men, producing a median bonus gender pay gap equal to 12.0 per cent and mean bonus gender pay gap of 18.1 per cent. Unlike many of the companies reporting larger gaps, however, in FDM, the majority of employees at all levels of earnings, including the lowest, are men.

So, just how has the Company been able to achieve a zero per cent median gender pay gap with a heavy, if reducing, male staffing distribution?

## The strategy

Establishing a business in a sector that has perennially suffered from skill and staff shortages (and the apparently inevitably resulting market pay premia, skill supplements and retention payments), Rod Flavell as founder, supported by the Executive Board, appears to have adopted two core principles, virtually from the founding of the firm, as to how it recruits and manages its people and grows the business. This appears to stem partly from their personal and now Company philosophy, and to an extent also to what has made sound, long-term, economic good sense in this particular marketplace.

First, the firm recruits people who have the aptitude, skills and the potential required, regardless of background, creed or colour. Being diverse means you have the benefit of an increased talent pool to recruit from. As Sheila Flavell, expressed it, 'if you have a narrow recruitment focus you may miss out on some of the best talent available'.

'Championing Ex-Forces and Women in IT' is one of the key messages on its recruitment and business marketing material and email footers at the moment, illustrating some of the sources of talent FDM are specifically targeting today. Women may now comprise the majority of the UK employed population but they are very much a minority group in the technology workforce and the IT and STEM disciplines and qualifications underpinning it.

But another of the firm's core messages contained in both its annual financial and pay gap reports is 'Creating and Inspiring Exciting Careers that Shape our Digital Future'.

This second principle is that FDM has a very strong 'grow your own' staffing policy, rather than trying to recruit in a tight labour market for large numbers of experienced and, still, mostly male IT consultants. Labour turnover is on average around 14 per cent in office staff and 26 per cent among consultants, who generally sit in a client's office. The latter figure is higher due to the fact that around 60 per cent go permanent with clients. This is something that the firm actively promotes and regards as a successful outcome.

As Sheila explained to IES:

*'We see ourselves as the first step in an individual's digital career and see the value in having a strong alumni network (who then themselves continue to progress and buy FDM services) over retaining people regardless. Most companies focus on retaining staff as the desired goal rather than post-employment advocacy (which risks driving gender pay differentials from discretionary individual decisions which the research shows tend to favour men). But we are in some way the opposite having a more fluid approach, it's about giving the best employee experience, so the relationship is maintained beyond employment and this offers better value for us and them.'*

So, partly from personal belief and partly from seeking out all sources of talent, the firm grew with a highly diverse population from the outset. The firm's leaders clearly set the example here, a factor which emerges from the research as being a critical underpinning



of delivering gender equality and equal pay. Sheila now feels that: 'We have created a culture which fully supports diversity and inclusion, led from the very top and embraced by all.' Sheila also notes that 'it is difference that makes us stronger' - mentioning the research that shows that, for example, more diverse firms are more innovative.

## The policies and practices

As FDM grew, the leaders hired in experienced HR, training and diversity professional managers who have developed a range of policies and practices to embed and extend the application of these principles across a fast-growing and dispersed workforce. As a result, FDM has clear and well-written policies on pay, equal opportunities, development, diversity and inclusion, based on a principle 'of being open and transparent' and fully accessible on its intranet. However, you get the impression from talking to staff on site that not many people refer to them very often. They don't have to; they can describe them to you and tell you how they and colleagues practise them. The firm does assign Diversity Champions who are spread across the business to publicise and promote the benefits that stem from diversity, as well as ensuring that these principles are put into practice day-to-day.

The policies and initiatives also seem to be constantly evolving, to adapt to the changing labour and business market outside, and to the firm's own experience and results with them, always trying to make them even more effective in practice. Since publishing its gender pay gap data, new initiatives in 2017 include:

- Leaders hosting regular 'Rising stars' breakfasts to help celebrate and engage staff with high potential to progress in the firm.
- Designing a new junior management succession planning process focused on women to ensure that they will reach senior positions in future. A number of studies point to the importance of this first-line manager level in supporting future career and pay progression, typically achieved at an age when women are more likely to have children and take career breaks (see, for example, the Women and Equalities Committee, 2016).

Some of its more important policy areas are as follows:

### Recruitment and selection

With higher-level technical and professional skills being the most common recruitment shortages referred to by UK employers (CIPD, 2017), it makes huge sense for FDM to access as wide a pool of potential talent as possible. We have also seen the research evidence of the significant positive impact of STEM qualifications on female earnings levels. FDM employs around 70 recruitment staff and deliberately recruits from a broad range of degree backgrounds, with a 2:2 degree as the minimum grade requirement. Its partnerships with, and selection of, students at over 130 universities broadens the talent pool as widely as possible.

The Company supports Career Labs in schools and runs circa 600 events on university campuses each year, along with 'Advantage Sessions' on topical subjects featuring



inspirational speakers for female students. The broad approach supports all aspects of diversity. In the UK, 31 per cent of the firm's 2016 trainee intake was the first in their family to attend university, and 51 per cent were from a BAME background. In addition, 56 per cent of the 2016 trainees went to a state school; six per cent grammar; 11 per cent private; six per cent more than one; eight per cent outside of the UK; and 13 per cent not disclosed, leading to FDM being recognised as one of the top fifty companies taking action to improve social mobility (the Social Mobility Index) and being named by Business in the Community in 2017 as one of the UK's Best Employers for Race. As you can see, FDM is also highly data-driven, measuring and monitoring a wide range of diversity statistics.

FDM also takes opportunities to promote itself externally to encourage applications from women and other under-represented groups and to help to build the tech skills base in the UK from which all employers will benefit. For example, it sponsors the FDM Everywoman in Technology awards, championing the advances and achievements of women in STEM and technology careers (Everywoman, 2017).

These long-running awards aim to celebrate and 'promote gender diversity and uncover role models for future female talent to help close the gender pay gap'. FDM also celebrates the awards it itself has won, such as the Diversity Recruitment award in Targetjobs 2016 National Graduate Recruitment Awards, and being one of the Guardian's Most Popular Graduate Employers in 2017/18. The Company's head office and culture, you soon observe, is interactive, open, energetic and celebratory.

The Company works closely with government, supporting consultations on subjects such as the technology skills gap and gender issues in technology and education, as well as joining the Think, Act, Report (TAR) initiative of the Home Office and being early and well-publicised adopters of gender pay gap reporting once the UK legislation was enacted. FDM has also signed up to the United Nations' Women's Empowerment Principles (UNWEP) and the CEO Charter of the UK Resource Centre for Women (UKRC).

These initiatives not only help to build the national talent pool and female workforce from which FDM can recruit, but also to attract positive publicity for the Company amongst those groups it is targeting to recruit from, including women. And as a number of research studies demonstrate, employing more women in this generally higher-skilled and higher-paying sector has a positive impact on the national gender pay gap. Rather than fearing the release of the gender pay information and delaying publication until the last possible minute in the 12 months permitted, as we are seeing generally in other UK companies, FDM has viewed and taken this as an opportunity to enhance its external reputation for employing women and hopefully encouraging even more female applications in the future.

As supported by Bohnet's research, the firm then goes to considerable lengths to ensure that when applications are considered, being a woman has no implications whatsoever on your chances of being selected by the firm. Specific practices to support this, which the firm has operated for some time, but still remain minority practice in the sector, include:

- unconscious-bias training for recruiters;

- using 'blind CVs' on university and personal details and only considering the specific job and skill requirements;
- structured, strength-based interviewing techniques; and
- game-based testing at assessment centres.

## Training and development

Developing its own skilled consulting, senior staff and future leaders – both in-house and for the wider client market – has also been at the root of FDM's business, HR model and success since the outset, although it now has a wider and more sophisticated range of programmes to ensure that this is delivered across a much larger organisation.

The firm's consultant training guide for the first two years of employment describes 'The FDM Business Model' as comprising very simply of three stages: 'we recruit, we train, we deploy'. All consultants receive three weeks' core foundation training and then, depending on the specialisation, are provided with another six to fourteen weeks to complete their training. The firm fully funds this training and, in return, new employees commit to a minimum two-year employment period. Several nationally recognised qualifications are aligned with the training such as PRINCE2 and ITIL. Thus the Company believes that investing in training and development pays off for its own performance but also for its customers and the wider economy.

And while adhering to and promoting its principles of diversity and equality, the Company has also not been afraid to target specific training programmes on under-represented groups including women, particularly in order to work towards a more gender-equal workforce.

According to head of HR Lara Plaxton:

*'Since Rod started the Company, there has always been a focus on ensuring good gender balance as he understood it is an important factor in creating a successful company. Being transparent about who we are and involving people in how we can improve is important.'*

In 2008, the firm had just 16 per cent female IT Consultants and as Plaxton explains, 'this is when Sheila launched and spearheaded our Women in IT initiative' with a range of internal and externally-focused development initiatives.

The Company operates a mentoring scheme aimed at all new and developing employees, and believes that, with an equal male:female senior management team taking part as mentors, it is particularly important in helping to role model and prepare women for future senior management roles. Both current and alumni consultants have the opportunity to engage in the mentoring programme, with 323 participants on the programme and 164 (matched) relationships. This, along with the allocation of a dedicated Relationship Manager throughout the consultant's training, helps to deliver the Company's stated intention, 'to create and inspire' long-term careers in technology.

The Consultant Peer Support (CPS) Programme ensures that when a new consultant is placed onsite, they are connected with a more senior FDM consultant already working

with that client to help ease their transition. These CPS ambassadors provide the guidance needed to help new consultants get settled, connect with fellow FDM employees in the area and prepare for their new roles onsite.

At various times, the Company has also designed and run specific female management development programmes and networks to help to ‘kick start’ the process of women progressing up through the firm. The Company’s view on such initiatives seems to broadly accord with the research evidence; helpful and supportive, but, on their own, not hugely impactful on the gender staff distribution and pay ratios.

Since 2016, FDM has also run a successful seven-week returners’ programme, Getting Back to Business, now with around 50 individuals on the programme globally and growing. Targeted at ‘high calibre individuals who have taken an extended break in their career’, participants are predominantly women who have had a career break for a variety of reasons, including childcare.

The six-week ex-Forces Programme similarly focuses on transitioning ex-servicemen and women into professional IT and business consultant roles, although the balance of people on this is more heavily male.

The firm is highly evidence- and metrics-focused, in terms of gender equality as well as business performance. As Shelia Flavell told IES,

*‘In developing a culture that supports diversity and inclusion, we have learned that if you measure and monitor, you can take proactive steps to understand where the issues lie and devise strategies to develop a culture that supports and improves gender parity.’*

The impact of these various initiatives has seen the percentage of females in the workforce steadily growing in recent years.

**Table 3.2: Percentage of females in FDM Group’s workforce**

	Office Staff (%)	Consultants (%)	Total (%)
2012	49	18	23
2013	48	21	25
2014	51	20	25
2015	48	22	25
2016	48	23	26
2017	49	25	28

*Source: IES internal workforce analysis*

There has also been more movement evident of female office staff onto the IT programmes in the last two years.

As we have seen in our other research case studies, gender equality and pay parity is not a 'quick win' and takes a variety of initiatives, sustained over the medium- to long-term to register an impact. As Lara Plaxton explains:

*'Improving gender diversity is a long-term goal, not something that can be turned around in a year. You need the right culture, the right environment, it should be driven from the top and it must be authentic.'*

## Remuneration and reward

FDM has closed its gender pay gap even though it has not yet achieved staffing proportions of equal numbers of men and women. Here again, the Company's HR and diversity policies and practices have had an important supporting role to play. However, in a market-oriented sector the Company has a typical technology company emphasis on paying competitively in the external market and rewarding performance, rather than a strongly internally-focused and job-evaluation-driven approach.

A key feature of the FDM pay structure is that base pay is the same for all individuals in the same role. There are no pay ranges around these rates and therefore no scope for managers and employees to bargain over base pay level, which research studies suggest may contribute to gender pay disparities. While traditional equal pay advice majored on the need for detailed job evaluation, in faster-moving environments, these processes of how managers set and adjust pay seem to be critical. Pay levels in the firm essentially reflect the market value of your role and skills. Equal pay advice from bodies such as the Equality and Human Rights Commission is increasingly focusing on this vital area of application and implementation of policies, rather than just having detailed and often slow and bureaucratic systems of job evaluation.

Bonuses are used at FDM to reward performance, both individual and collective, and are near universal across the sector. Individual performance is assessed against clear metrics and goals, and individual bonus recommendations are reviewed and moderated to ensure consistency and fairness of approach across the business, as well to ensure there is no systematic male:female differentiation in the pattern of awards. The gender bonus gap in the Company appears to result from more males operating in sales roles with higher bonus opportunities than other roles in the business.

According to Lara Plaxton, 'We are always conscious of assessing pay across genders and ensuring people have the same opportunities' and again, HR sees its role as monitoring the data and pointing out any variations to line managers to ensure that they are genuinely performance-justified.

FDM also operates an all-employee share option scheme which aims at ensuring all employees with a minimum length of service are invested in making FDM a great company and ensuring that they can benefit from the Company's growth and performance. Research supports the positive benefits such schemes can have on levels of engagement and performance in a company.

The Company provides what they describe as 'the usual benefits policies' covering maternity, flexible working, childcare vouchers, and so on. But Lara Plaxton explains, 'it's

more about having supportive management, being inclusive and having the right culture where people can voice any concerns they have’.

This open communications culture is very obvious in the Head Office and female staff are happy to sit and discuss their experiences in the firm. As Sheila Flavell puts it:

*‘Talking about these issues, being transparent, measuring, monitoring and learning from each other is vital if we are going to close the gender pay gap.’*

When talking with staff this openness, the diversity of the firm, and the supportive culture are regularly mentioned, with one recent graduate recruit explaining, ‘(FDM) introduced me to the Testing career which I honestly didn’t even know was a plausible career choice’.

# Conclusions: Building a culture of diversity and inclusion to support gender pay parity

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*'It's not enough to have 'best practice policies in place, people will see through 'token initiatives'. It has to be believed in and led from the top and fully embedded in the Company culture.'*

Heads of HR and Diversity, FDM.

This short, mostly qualitative research study has been designed to understand how one Company has achieved a position of being able to report under the new regulations a situation of gender pay parity. Although this is just one organisation, it is nonetheless instructive that a company in a male-dominated sector has been able to achieve and report positively and proactively on its gender pay parity. We would, tentatively, draw out the following six conclusions for other employers from FDM's experiences.

## Learning points

- **Leadership** and 'practising what you preach' is essential, ensuring the example is set from the top of the organisation. As Ed Schein's classic research study (Schein, 2004) found, top leadership behaviour is the most powerful influence on how other managers and employees in an organisation act and this seems very clear in FDM's case. And although an equal male:female top management team is in place in the Company, the continuing male skew in the breakdown of the top 25 per cent of earners evident in its gender pay report reveals that this need not be a barrier to achieving pay parity, nor the universal solution to it implied in some of the other employer gender pay reports.
- **Investing in your talent and a 'grow your own' approach** has been not just one of the most important features of FDM's business and approach to people management, it has also clearly underpinned the progress towards gender pay parity.
- **Appropriate HR and diversity policies** play an important supporting role, and FDM shows that a balance of informal activities (such as mentoring and manager training) and formal policies (such as fixed pay rates and job- and skills-focused recruitment methods and monitoring) appears to have been important, varying to suit over time. Initially the practices were used as the founder believed in them and subsequently as the organisation has grown, they have been formalised and more deliberately inculcated, so as to ensure that they stay as core values in the business across this fast-growth and dispersed organisation, operating in a fast-moving environment.
- **Measuring and monitoring.** Without operating a dictatorial top-down, target-driven approach, gathering and reporting gender and other diversity statistics has clearly been a key tool which FDM has used to support and monitor its progress towards gender equality. The data seems to be looked at almost as regularly as financial and sales

performance data, and the Company clearly sees an important relationship between them.

- Perhaps most importantly, gender pay reporting needs to be one external manifestation of an **open, high communications culture** in which relevant gender and other diversity data is regularly circulated and discussed.
- Gender pay reporting should be one part of a **multi-pronged and evolving approach** and this approach should be sustained over time. FDM has been trying out new initiatives even since publishing its gender pay report, constantly looking to improve.

## Gender pay reporting as part of an open and diverse culture

Culture can be a slippery concept to grasp and research, but at FDM it is very clearly specified, with openness, diversity and inclusion as core values of the Company's culture. For Sheila Flavell it is an integral part of the business model in technology today, 'a diverse and inclusive workforce to drive innovation, foster creativity, and guide business strategies'.

To communicate and practice this culture in a dispersed organisation, extensive staff communications reference its initiatives around diversity, inclusion and gender balance in general, through employee newsletters, Company events, digital screens in the office, initiatives ensuring that all employees are aware of the strong commitment to diversity and as Sheila expresses it, 'the fact that it's in our DNA'.

The HR team, along with the IT, Academy, and Diversity and Inclusion teams, support the Sales team to extend the range of interactions both face-to-face and through technology so the culture extends beyond the office walls and maintains a strong relationship with the consultants whilst they are working remotely. The culture is deliberately managed and communicated because the Company sees it as important for both a positive employee experience as well as the customer experience.

The open and transparent environment that is evident in the Head Office is viewed as essential to establish trust. Employee engagement levels are measured throughout the employee lifecycle so the firm can understand the experience at critical moments in people's careers, rather than just gathering data on an annual basis which it believes offers far less insight.

Gender pay parity isn't an easy position to achieve in the technology sector. It takes a sustained effort over many years. But the example of FDM illustrates that it is perfectly possible to achieve and it believes that the benefits of building a diverse and inclusive workforce far outweigh the investments required. Indeed, FDM believes that it underpins and drives that business success. Measuring and reporting on its diversity position, internally and externally, including its gender pay gaps, has been a key component of FDM's gender pay success.



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