Pay and Rewards 2020: Depression, Hope and Anger

My hopes for 'more of' and 'less of' in the decade ahead

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Report 539

Be depressed

…**And the IES UK statistic of the 2010s-decade award goes to: … (appropriate drum roll)….0.3%!!**

Actually, that wasn't really our award: it was the winner of a competition organised by the Royal Statistical Society, at the end of what has been described as the worst decade for UK productivity (and perhaps not unrelated, employee pay too) for more than two centuries. The 'star statistic' is the average annual increase in UK productivity as estimated by the Office for National Statistics in the decade or so since the financial crash (as measured by output per hour).

According to RSS executive director Hetan Shah, the judging panel chose this 'dull sounding number' as its decade-defining statistic for two reasons. First, because while it demonstrates we have strictly speaking avoided another economic depression, it represents such a sharp contrast to the pre-crisis decade (1997-2007), when productivity growth averaged between 2% and 3% per year.

But second, looking forward to the next decade, Hetan observes that:

> *'productivity is the single biggest key to our shared prosperity. There's a strong argument to say that if the UK could lift its productivity we would be less out of sorts with ourselves as a nation, as we would have more money in our pockets and more money for government to spend on public services'.*

He hopes that it will 'draw the new Government's attention to solving this critical issue'.

IES hopes it will also draw the attention of employers and their HR leaders far more acutely to this critical issue, for the country and for them. According to our own Director Tony Wilson commenting on the latest ONS national employment stats just before the end of last year, despite the welcome record rate of employment reported of 76.2%, a serious:

> *'concern for government will be around today's earnings figures – which although decent by the standards of recent years (with regular pay up by 3.5% and pay in real terms up 1.8%), have dipped back from the 4% and 2% levels reported in the Autumn…the 'lost decade' in earnings has now stretched to eleven and a half years. Fundamentally, despite a pretty tight labour market, weak growth – particularly in productivity – combined with continued employer uncertainty is holding back growth in pay'.*

Tony is spot on with his analysis of the current situation, but perhaps overly generous to UK employers in his interpretation of the rationale for their role in creating it. 'Britain deserves a pay rise' was the slogan for all of the main political parties in 2015, during the first of the three recent general elections which have part-reflected and part-created such uncertainty. And when businesses continued to fail to respond the victorious Chancellor George Osborne forced the issue, for lower paid workers at least, surprising just about everyone, including most of his colleagues, by announcing in his Budget that year the higher National Living Wage.

Years of expertly inaccurate pay and reward forecasting, particularly over the past decade, have reinforced my agreement with Winston Churchill's famous observation that the key competence of a politician is to develop and communicate a compelling and attractive vision of the year ahead…and then twelve months later to explain why unfortunately it hasn't come about. Let's hope that's not the case with the much-vaunted incoming government's 'Good Work' agenda and speaking at our recent IES members' conference on Progression in Employment, Matthew Taylor himself gave us good grounds for hopeful optimism on that particular front at least.

But manifestly 'bad work' and work experiences, widespread pay freezes and long-running pay austerity, the extensive removal of pay and career progression and real pay and pension cuts for the majority of the UK workforce certainly weren't in my 'Top 10' predictions, or even nightmares, a decade ago. If ever employers and their employees needed a change for the 2020s, then pay and reward is the place to start.

'The greatest danger in times of turbulence is not the turbulence; it is to act with yesterday's logic' according to management writer Peter Drucker. But looking back to a time when the mass of the workforce was being similarly exploited, like all of you I am sure, I was totally 'wowed' by taking my girls to see Greta Gerwig's new production of *Little Women*. One of the lines she took directly from Louisa M. Alcott's book (1869) was where Marmee, the girls' mother, praises 'Your father, Jo - he never loses patience, never doubts or complains, but always hopes, … and works and waits so cheerfully that one is ashamed to do otherwise before him.'

So perhaps rather than inaccurate forecasting, I am better off like Mr March expressing my most optimistic hopes for the year and decade ahead. And let's hope we don't have to wait for too long to see at least some of them to be realised.

My own experience of changing pay is similar to perhaps our greatest theorist of organisational change, Kurt Lewin, who wryly observed that 'If you want to truly understand something, try to change it'. Successful organisational, HR and reward change is rarely, in our IES research and experience, revolutionary and 'big bang' in nature; but as science fiction writer Terry Pratchett observed, typically change slowly seeps up unnoticed around us, like the tide coming in, until you suddenly realise you are up to your neck and need to get out and finally change yourself in response.

Be hopeful

Although UK economic growth declined at its fastest pace for five years to a stagnant 'zero' statistic in the second half of 2019, my hopes are more reflective of some optimistic trends I am detecting and hope to see more of in the current UK pay and rewards landscape. Then we can at least turn the tide and hopefully speed its rate of progress.

So my wish list of hopes is broken down into six more achievable goals for most of us in the HR and rewards community, linked to these trends of both growth and decline, or as I like to think of them, what from a national and employer perspective we want to see 'more of' and 'less of' in the decade ahead.

‘More ofs’

1. Bigger and ‘inflation-busting’ pay awards.

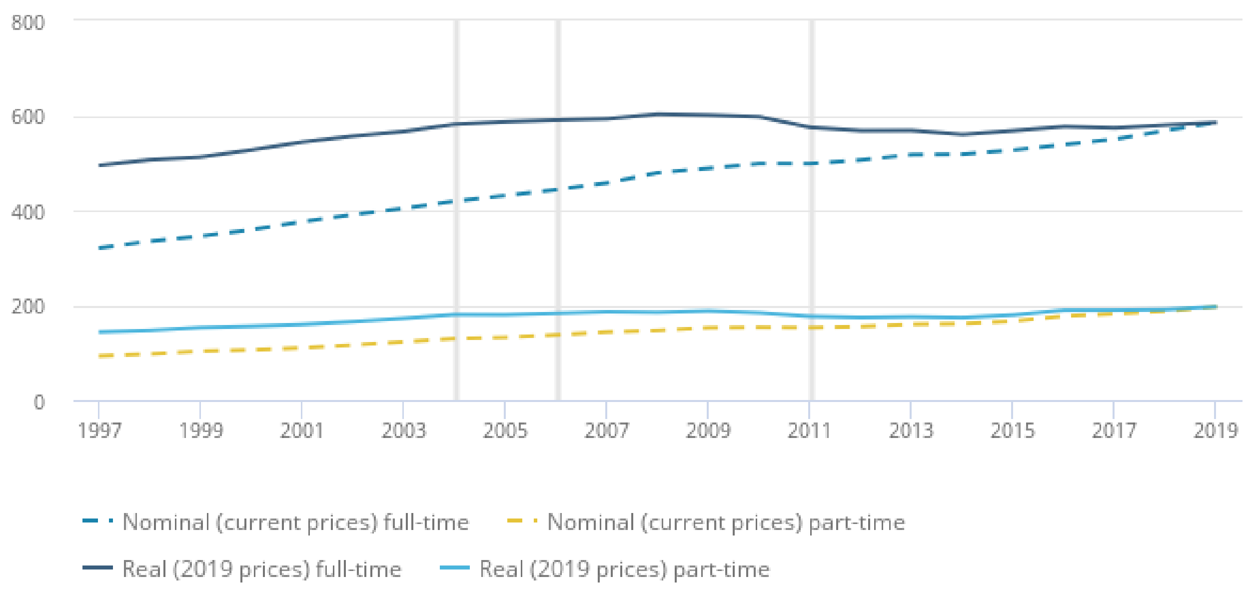
Fittingly perhaps, on the last day of the ‘old’ year the government announced that almost three million employees aged over 25 will receive a 6.2% pay rise to £8.72 per hour from April 2020, more than four times the rate of price inflation, equating to an extra £930 a year for a full-time worker. Prime Minister Boris Johnson said the increase was driven by the fact that ‘hard work should always pay, but for too long people haven’t seen the pay rises they deserve’. We can carp that it’s still over 50p an hour less than originally forecast by the Chancellor back in July 2015, who was targeting 60% of average earnings to hit £9 an hour by this new year. And it is still well below the Living Wage Commission’s real Living Wage, (whose clothes the Chancellor stole), which reflects the actual amount needed to live, which is currently £9.30 per hour (£10.75 in London). But that actually illustrates just how disappointing overall pay growth has been since then for all groups of workers – except, of course, the best-off.

2019 produced much better news for employees on the pay increase front. While like IES Director Tony Wilson I welcomed the acceleration in average annual (and return at last to real) pay growth in Britain last year, reaching 3.9% nominal / 2.0% real growth during the three months to May. However, it has remained consistently below the forecasts made by the Office of Budget Responsibility over the past decade, and has already begun to slow again to 3.2% in the three months to October amid heightened uncertainty over Brexit.

Despite this uptick, the fact is that the 2010s have marked the weakest decade for wage growth since the end of the Napoleonic wars 200 years ago, such that average pay after accounting for inflation is still worth less for most workers than it was before the financial crisis struck in 2008 (see Figure 1). First, the government with their public sector pay freeze followed by nearly a decade of 1% pay award caps; and then the private sector with general awards both well below their historic average and below price inflation for most of the decade, have induced this collective state of employer pay anorexia, which is proving difficult to shift. Even in 2019, 36% of employees received no increase or a real pay reduction (ONS).

Median weekly earnings for full-time employees increased by 2.9% in 2019 but in real terms are lower than a decade ago:

Figure 1: Real and nominal weekly gross earnings for full-time and part-time employees, UK, 1997-2019



Source: Office for National Statistics (2019), Annual Survey of Hours and Earnings

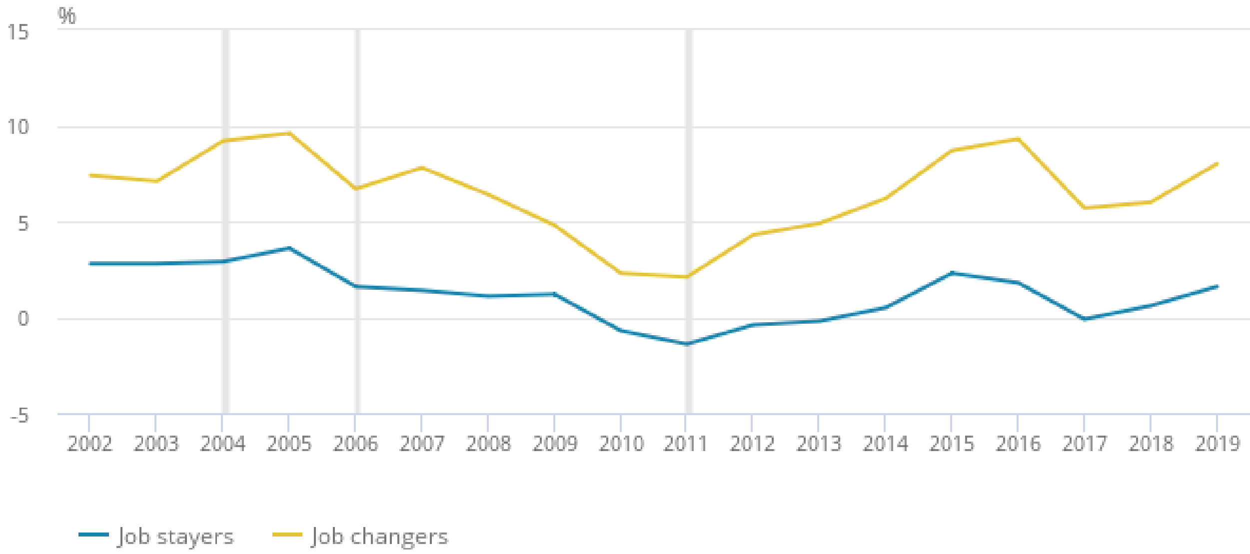
The wrong-headed and non-evidence-based attitudes of many businesses are illustrated by Hannah Essex, co-executive director of the British Chambers of Commerce, which represents 75,000 businesses. She said that the Prime Minister's move to raise the minimum wage floor by more than double the rate of inflation in 2020 would 'pile further pressure on cash flow and eat into training and investment budgets' at companies across the country. Training investment by employers actually fell steeply after the crash and like pay, still hasn't recovered to its pre-2008 level.

IES research has repeatedly shown over the past decade and more that the productivity crisis is undoubtedly linked to failings in motivation and management, and with the majority of UK employees still feeling that their pay is unfair, then our related employee engagement crisis is in danger of continuing. Paying people less that they are worth and failing to recognise their growth in skills and added value, our research on reward effectiveness shows, simply ends up costing employers more in the medium to long-term, with demotivation, higher staff turnover and absenteeism the result.

It has also resulted in the absurd situation where the best way for many employees to get a pay rise is to leave and move to another employer, as their pay increase will on average be significantly more times the annual increase they might expect if they stayed put (see ONS, Figure 2). So much for employee retention and motivation through reward, which the textbooks tell us are supposed to be at the core of any employers' pay and reward strategy.

The pay-rise premium for employees who changed jobs was high in 2019:

Figure 2: Annual percentage change in median full-time real gross hourly earnings for job-stayers and job-changers, UK, April 2002-2019



Source: Office for National Statistics (2019), Annual Survey of Hours and Earnings

So higher average pay awards to help drive a self-reinforcing cycle of higher employee motivation and higher corporate and national productivity is my first hope. And I also hope in relation to this that people earn what they are worth and actually get paid their legal entitlement.

The British Chambers of Commerce might do better to read a worrying report published by the [Low Pay Commission in April](#) which found that an estimated 439,000 people were illegally paid below the hourly minimum wage in the prior year, 30,000 more than the previous year and the highest since the NLW was introduced in 2016. They found that a higher proportion of women were underpaid the NLW than men, and the youngest and oldest were more affected than other age groups. So much for the common employer rewards goals of equality and fairness. No wonder Matthew Taylor sees a stronger labour market enforcement regime as central to his Good Work agenda.

2. More collective bonus plans and ‘sharing in success’

More ‘shared prosperity’ is one of Hetan Shah’s objectives for the next decade, and I share his wish, particularly delivered through my hope to see much greater use of collective, team, profit and gainsharing bonus plans over the next decade.

My first presentation at the CIPD’s annual national conference thirty years ago was in a heated debate on the pros and cons of individual performance-related pay. Yet despite at best a very mixed bag of research studies on its effectiveness, with considerable evidence as to its failings in many settings (with high individual sales commission arrangements for financial traders being implicated for example, by the subsequent Parliamentary enquiry into the causes of the Financial Crash), UK employer practice remains fixated with this US-imported technique, as the core means of linking employee performance and costs to employer performance and affordability. The CIPD's latest reward management survey finds that 75% of those employers offering base pay progression do so on the basis of individual performance. It is also the most common form of variable pay used by 62% of those with bonuses. Just a fifth by contrast operate collective pay plans such as profit/gainsharing or team bonuses.

Yet while their incidence may be lower in the UK, collective bonus plans on the other hand seem to have a much stronger record in research studies, as we highlighted late last year in a research review of the use and effectiveness of such plans for a major oil company, which is considering the introduction of gainsharing plans as part of its drive for increased productivity and competitiveness in its plants in the UK and Europe.

Our meta-analysis of studies of their effectiveness found that a greater presence and breadth of collective pay schemes coincides with better site performance (Eurofound, 2015 and 2016). Benson and Sajjadiani (2018) for example, reported that manufacturing plants that use these programmes perform better than those that do not – with gainsharing plans particularly associated with greater productivity, higher quality and other performance improvements. A study by Nichols (1989, reported in Gardner, 2011), found companies reported a 17.3% productivity gain after implementing gainsharing. The positive effects of these plans range from cost savings (Nyberg et al, 2018); to higher product and service quality (Hatcher and Ross, 1989, cited in Gardner, 2011); and reduced employee attrition and absenteeism (Nichols, 1989).

One reason for these performance improvements is that these incentives affect employees' collective behaviour and attitudes, because 'the incentive system is a shared experience of a group of employees, and its impact is likely reflected through shared behaviours and resulting outcomes produced by those group members' (Peterson and Luthens , 2006). In other words it is not just creating a Pavlovian response to the financial 'carrot' of the incentive plan. A Gallup study (2016) revealed that the relationship between engagement and performance at the site level is substantial; while Schemerborn (2009, cited in Jilani, 2015) found that the composition of the rewards system has a great influence and effect on employee engagement and commitment.

More, if still a minority, of employers are at last recognising the potential of these collective bonus and incentive plans. Their use has increased across Europe in recent decades (Eurofound, 2015), driven, they argue, by increased competitive pressures and rapid technological change. This particularly relates to moving towards interdependent production systems and team-based operations, which have led companies to remove traditional forms of incentive such as individual piecework and introduce rewards designed to increase worker productivity, skills, commitment, and job security (Kruse et al, 2008). 30% of multinationals in this survey operate profit sharing plans, 25% have bonuses linked to site or group performance and 5% use all-employee share ownership plans – see Table 1 below.

Let's hope more UK employers follow suit in the next year and decade to come, so that far more employees can share in their employers' success, rather than just their executives (see wish 5 below).

Table 1: The Incidence of Variable Pay in Europe

Form of variable pay	% of organisations
Individual performance pay	43%
Individual payment by results/bonuses	34%
Profit sharing	30%
Pay linked to group performance (of the team, working group or department)	25%
Employee share ownership schemes	5%

Source: European Company Survey (Eurofound, 2015)

3. More evidence-based pay and reward policies

Both of my hopes for 'more of' so far highlight my third wish for UK reward management practice (admittedly one that IES has had throughout its fifty year life, but in the 2020s who knows?!), which is for the use of more evidence-based approaches and practices. It is a need echoed throughout my other recommendations. Our IES research has highlighted both the dearth of the development and testing of reward plans which have been proven to have beneficial effects in the setting in which they are introduced; the benefits of doing so; and we also provide models and tools to make the use of such an evidence-based approach more widespread. Our work shows that 'best fit' / tailored pay scheme designs and processes, rather than copying supposed 'best practice' programmes from others, are much more likely to succeed.

For example, Shaw et al (2005) conclude in their research on collective rewards that:

> *'within-organisation variations in compensation approaches are also critical. It is not simply whether a particular compensation system is used. Rather, it is the specific characteristics within that broad compensation approach that predict effectiveness… It is the particular way the system is operationalized and implemented and particular fit of the plan within the organisational context that are critical'.*

And our own IES research on Progression in Employment (2019, see below) highlights the importance of the 'development of an evidence-base and business case for the progression of low-skilled workers, as a means of supporting the growth of the organisation, improving service quality, or reducing costs associated with staff turnover and sickness absence'.

So here's hoping for more reward research and testing as a foundation to help to drive more evidence-based, tailored and successful pay plans in the 2020s.

‘Less ofs’

4. Fewer low-paid, low-skilled workers without pay and career progression

The UK’s slow and faltering economic recovery over the last decade has seen surprisingly strong performance in terms of job creation, in contrast to the trend in pay awards, contributing to the current widely reported skill shortages. But this growth has been heavily concentrated in lower-skilled work, meaning that from a human capital perspective our economy is now more like that of a Portugal than a Germany, with more than 30% of workers in low skilled jobs according to the Joseph Rowntree Foundation and significant growth over the past decade in zero hours contract work. The National Minimum Wage has ensured that these lowest skilled and lowest paid workers, more than two-thirds of whom are women, have at least enjoyed above-inflation pay increases for the second half of the last decade.

But the continuing lack of pay and career progression opportunities being provided to these workers by employers is creating a new problem. Well over a third of employees could be paid this minimum level by the end of the next decade, and already certain traditional industrial centres are being nick-named ‘minimum wage towns’.

The problem is not the minimum wage level set by government, it is the lack of career and pay progression opportunities provided subsequently by employers.

IES’s Progression in Employment project funded by the JP Morgan Foundation has been capturing evidence and insights on developing and implementing upskilling pathways for low-skilled adults over the past two years within four ‘low pay’ sectors - retail, hospitality, health and social care – and across six countries, including the UK.

We found considerable challenges in making progression a reality at the end of the 2010s. A decade of weak economic growth and rising political uncertainty and international tensions have led significant numbers of employers to adopt a low-cost, low-value business model with low investment in their people. Yet our work suggests that even when competing on price, not investing in employees can be a false economy due to increased indirect costs resulting from employee turnover and low staff satisfaction (Ton, 2014).

This research highlights three powerful arguments supporting employer investment in pay and career progression:

- the employee, anti-poverty case – progressing in work is a key way in which in-work poverty can be alleviated;
- the employer, business case – employers should benefit from higher skills since this enables higher productivity and a better return on capital investment. Businesses may also benefit from reduced employee turnover and recruitment costs, and the reputational benefits of being perceived as a good employer.

- the national economy, government case – raising the skills of the workforce should raise productivity and ultimately the GDP of the country. Raising productivity should also lead to higher pay levels across the economy.

As the Department of Work and Pensions rightly put it when considering how to address in-work poverty, ‘enabling progression in work is central to transforming people’s lives and increasing labour productivity’ for employers and the nation.

Our study highlights the wide range of actions that ‘good work’ employers are taking to support progression of their low-skilled workers, ranging from regular career conversations and planning to multi-skill-training and skills-based pay progression. For example Scandic, the biggest hotel group in Scandinavia, has taken steps to support in-work progression and retain its employees in tight labour markets. These range from staffing each new hotel with a minimum of 50% of existing Scandic employees, to regular performance reviews and career planning for each individual within the company, as well as extensive cross-skilling and provision of its own ‘Future Leaders’ development programme that is open to all Scandic employees.

IES has itself supported a number of our members to introduce skills and competency-based pay progression in 2019, and the evidence as to the potential benefits of this approach is strong. For example, a study of 97 facilities with skill-based pay plans sponsored by WorldatWork found two-thirds to three-quarters of these plans were rated as successful on a wide range of outcomes - one of which being increased productivity (Ledford et al, 2011).

So I hope and cautiously even expect to see more signs of the return of base pay progression we detected in 2019, evident across more and more sectors and employers in 2020 and beyond. As the Treasury recognised in its pay guidance to government departments, ‘capability-based reward for growth in competence through development in the role is a way to achieve higher workforce productivity’; which is the only way we will, as a nation, be able to fund the re-establishment of the 2% pa average real growth in wage levels we saw in the 20 years prior to 2008, compared to the 0.2% average since then.

5. Lower executive pay levels and pay differentials

My fifth hope is that employers and their HR leaders do more to link their reward policies for their most senior, middle and lowest income employees and in particular address what even the Financial Times labelled ‘the madness’ of executive pay levels and differentials. This has been a constant source of criticism of, and wider reputational and motivational damage to, private sector employers, despite regular government intervention, over the past decade. The Parliamentary BEIS Select Committee endorsed these criticisms and a much stronger linkage to worker pay in March last year, through measures such as the wider use of all-employee profit sharing. As PwC (2019) puts it, ‘There is an emerging consensus, at least in Western economies, that there is something deeply flawed about the current model of executive pay’.

Hopefully in 2029 we will not still be reading the same headlines of multi-million pound pay packages being associated with poor corporate performance and low rates of employee pay as we did last year and the whole of the last decade and before. The CIPD's research indicates that 71% of employees find the high pay packages of their leaders to be unfair and demotivating, while other research finds that even the executives themselves aren't motivated by their supposed Long-term Incentive Plans.

The High Pay Centre and CIPD's annual review of executive pay in 2019 did show at least some signs of progress now, with the median total pay of large company chief executives actually falling (see Table 2 below). The median ratio of executive to employee pay also declined, from 144:1 to 114:1. But they warn against 'celebrating what could be a temporary dip…(as) our analysis finds that 43 (of 100) companies did in fact increase CEO pay in 2018, and despite the rhetoric about shareholder dissent, most remuneration packages in 2018 were voted through with levels of support of 90% or more…masking a bigger issue' of inequality.

Table 2: Summary of findings from financial years ending 2016-18

Measure	FYE 2016 (revised)	FYE 2017 (revised)	FYE 2018
FTSE 100 companies as at June each year			
CEO mean pay package	£4,656k	£5,615k	£4,701k
CEO median pay package	£3,632k	£3,970k	£3,461k
Mean ratio of CEO pay to employee pay package	130:1	144:1	114:1
Median ratio of CEO pay to employee pay package	84:1	77:1	72:1
Ratio of median CEO pay to median UK full-time worker	128:1	137:1	117:1
Ratio of median CEO pay to median UK full- and part-time worker	157:1	167:1	144:1
Ratio of mean CEO pay to mean UK full-time worker	135:1	160:1	128:1
Ratio of mean CEO pay to mean UK full- and part-time worker	165:1	195:1	158:1
FTSE 250 companies as at June each year			
CEO mean pay package	£1,876k	£2,045k	£2,124k
CEO median pay package	£1,578k	£1,611k	£1,581k
Ratio of median CEO pay to median UK full-time worker	56:1	56:1	53:1
Ratio of median CEO pay to median UK full- and part-time worker	68:1	69:1	66:1
Ratio of mean CEO pay to mean UK full-time worker	54:1	58:1	58:1
Ratio of mean CEO pay to mean UK full- and part-time worker	66:1	71:1	71:1

Source: Adapted from: High Pay Centre and CIPD (2019) 'Executive Pay in the FTSE 100 – 2019 Review'

New regulations now make it a statutory requirement as of this year for companies listed on the London Stock Exchange with more than 250 staff to disclose the ratio of their chief executives' remuneration to the median pay of their UK employees every year, and to justify the difference in their annual reports. They will also need to explain how directors take staff and other stakeholder interests into account when they decide on salaries and bonuses. The early research on the implementation of a similar requirement in the US suggests that it is already pushing issues of wider employee pay and fairness more prominently onto boardroom agendas; and I am looking forward to working with the High

Pay Centre and Standard Life Foundation in 2020 as a member of their steering group for a project investigating the drivers and effects of high pay ratios.

IES agrees with Matthew Fell, policy director at the Confederation of British Industry writing on the new requirement, both that it is 'important is that all businesses make progress toward fair and proportionate pay outcomes'; but also that 'the new legislation will help develop a better dialogue between boards and employees'. But as the High Pay Centre argues, this needs to be part of a wider set of reforms, including: improved reporting of top pay; simpler executive reward packages more closely aligned to those of all employees; and wider and more powerful remits for board remuneration committees. Here's hoping…

6. Lower gender pay gaps and fewer 'Little Women'

'Well, you're not paid to think,' Aunt March tells her tomboyish and ambitious aspiring-author niece Jo in Little Women, who retorts, frustrated, 'I'm just a woman. And as a woman, there's no way for me to make my own money, not enough to earn a living or to support my family'.

Fortunately, things are looking better in the UK 150 years later, although progress for many of us is still frustratingly mixed and miserly; and there will still be thousands of women who express and experience Jo's sentiments. 62% of those workers paid the legal minimum of the National Living Wage are women; while the winners of the satirical Observer Business Awards for 2019 included 'The FTSE 100 - for their efforts in staving off for yet another year of the fearful prospect of having more than a handful of women running top businesses… fretting that introducing some semblance of gender balance might prove too courageous a move'.

While statistically accurate, with the number of their chief executives who are women falling back to five last year, that assessment is perhaps a little unfair given the efforts many are making to address the dearth of women at senior levels. This is largely through collective voluntary initiatives, such as the Tech Talent and Women in Finance charters (both set to reach over 600 signatories by the end of 2020, including large employers such as Capgemini, Vodafone and Lloyds Banking Group); and the 30% Club, formed by business leader Helena Morrissey in 2010, with that targeted statistic of 30% of FTSE 100 directors having now been achieved (admittedly, with the majority in non-executive roles).

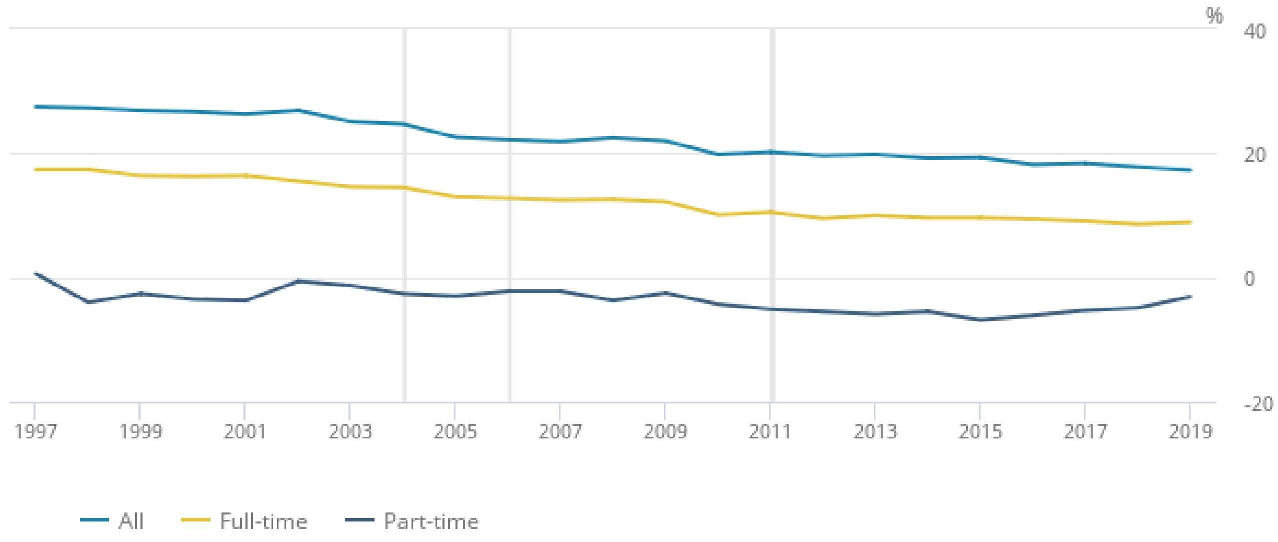
This statistic (well it was 30.6% to be decimal-point accurate), was highly commended in the RSS awards. This figure was selected for conveying positive change, and it is up from 9.5% in early 2011. Dame Jill Matheson, a former UK national statistician and member of the judging panel, said: 'We obviously have a long way to go in achieving gender equality, but the panel liked this statistic as it captures some of the progress that has been made.'

With the introduction and now two years of gender pay gap reporting, our understanding of the UK's continuing near 20% national all-employee mean gender pay gap, and the pressures to address it, have undoubtedly increased significantly.

The 0.5% decline to 17.3% in the national all-employee pay gap highlighted in the ONS's annual study published in November points to this progress, which will hopefully continue and even accelerate. For the first time women in their 40s, on average, earn more than women in their 30s, suggesting that the family friendly legislation and flexible working policies of employers are at last starting (literally) to pay off.

The gender pay gap among full time employees was 8.9% in 2019:

Figure 3: Gender pay gap for median gross hourly earnings (excluding overtime), UK, April 1997-2019



Source: Office for National Statistics (2019), Annual Survey of Hours and Earnings

Our research published on the IES gender pay hub on action plans and their effectiveness in closing pay gaps shows that the government and individual employers should rightly incorporate measures to improve the representation of women in full-time, more senior and higher paying roles, as well as enforcing equal pay for the same or similar work between men and women (which has of course been illegal in this country for more than 40 years). A significant shift in the national gap is going to require far more women working in the higher paid professional and managerial occupational groupings. Men in the highest paid managerial grouping are currently paid £22.07 per hour more than the relatively small percentage of women in these roles in the latest data, compared to the £9.53 per hour gap in the lowest paid elementary occupational category that is dominated by women.

Of course we hope that these gaps continue to close and at a faster rate in the 2020s. For HR and diversity professionals working to achieve this in their own employer, our work draws out three implications. First, carefully study the data and really understand the causes of the gender pay gaps in your organisation. Second, it is likely that a broad range of HR and employment actions will be required to address the multiple factors of causation. Third, give it time and don't expect to see significant reductions overnight. But national progress depends on progress in each employer. And progress is definitely possible.

Take the technology sector. Much has been written about male domination of the tech world and its all-employee gender pay gap in the UK is estimated to be 25%. Most tech companies are run by men, and female role models are few and far between. At its worst, the industry has cultivated a toxic 'bro culture', exemplified by Uber's founder Travis Kalanick who was forced to step down as chief executive of the ride-sharing company, accused of creating a sexist work culture that discriminated against female employees. Yet the sector is booming in the UK and helped by widespread skill shortages, hundreds have signed up to the Tech Talent Charter with its gender progress targets.

True, the national picture is still very and frustratingly mixed. According to WISE, the campaign for gender balance in science and engineering, the number of women in engineering has doubled to 50,000 over the past decade. Women now make up almost half of people in science roles, and the number of women in management roles within STEM has risen to 14%. Yet women still make up only 17% of IT professionals, a proportion that has refused to shift over the past decade.

With just 9% of female graduates in 2018 studying a core STEM subject, then the barriers to pay equality in tech obviously extend well beyond individual employers. Yet one of our IES case study reports analyses the success of IT resourcing and services company The FDM Group in achieving a zero per cent median gender pay gap, and outlines the key factors in their success. These include:

- investing in talent and a 'grow your own' approach;
- a wide range of supportive HR and diversity policies;
- leadership, in order to set the example from the top of the organisation;
- measuring and monitoring;
- an open, high-communications culture; and
- a multi-pronged approach - the case study shows that employers should try out a range of HR and diversity initiatives and constantly look to improve in a sustained approach to promoting equal pay, equality and diversity.

So we definitely hope for and need more FDMs in the next decade, if we are to confound the World Economic Forum's latest estimate of 99 years to close the gender pay gap globally if the current glacial place of progress continues, with Britain falling from 15th to 21st place in their 2019 world rankings.

Be angry

After a life of fighting the prevailing social stereotypes and constraints of her age, Marmee has this wonderful statement of hopeful emancipation and girl-power for her daughters in the film version of *Little Women* that I share still for my own girls: 'I'm angry almost every day of my life'.

I have spent a lot of the last decade growing increasingly angry at the HR and business communities, for what they have allowed to happen and (sometimes unwittingly) promoted and facilitated by their pay and reward policies. Underneath arrogant Churchillian proclamations of attractive 'total rewards' packages, 'pay-for-performance', 'health and wellbeing' programmes and 'engaged colleagues' we have in reality seen: low pay awards reducing the workforce's share of UK's the anaemic productivity growth, in favour of booming shareholder dividends and aligned and extortionate executive pay levels; widespread training investment and pension cuts; and increasing insecurity and in-work poverty for millions of workers and their kids, with more than five million predominantly female employees now earning less than the real Living Wage they need to live a half-decent existence. As IES Director Tony Wilson points out, a record 2.1 million people are now out of work due to long-term ill-health in the latest ONS statistics.

Not a great set of achievements to put on UK HR's CV for the past decade. No wonder, despite the employer moaning, that right-wing, supposedly free-market governments have been forced to intervene with more employment legislation – the NLW, the training levy, compulsory stakeholder pensions, gender and executive pay reporting and so on - when as Claire Zillman and Erika Fry observed of the #MeToo movement, 'HR is not your friend!' and not to be trusted.

This is not a political argument that I am making for a shift in the direction of our prevailing pay and reward practices. The recent general election highlighted that all of the main political parties are in perhaps surprising agreement on the country's economic and social problems and some of the solutions too: too many low skilled / low paid and insecure jobs which needs to be addressed by a NLW of at least £10 per hour; improved protection for those on highly flexible contracts and terms; and improved support for disadvantaged groups including women, BAME workers and those with disabilities. The differences are in the means and pace with which they need to be addressed.

No, my argument is one of management and morality, in terms of moving to far more widespread adoption of the rightly-named and strongly evidence-based High Performance Work and reward practices; and managing pay in a way which the majority of employees and other stakeholders can regard as reasonably fair and equitable and thereby motivational. IES led the way in the UK in identifying the positive impact of this interacting bundle of HR and reward practices (Tamkin, 2004).

There is considerable evidence across a wide range of studies that the adoption and management of employees using High Performance Work Practices (HPWPs) - indicators of which generally include the use of incentives and performance-pay (Eurofound, 2015) - are positively associated with site-level and organisational performance. Benson and Sajjadiani (2018) note that a 'large empirical literature finds that these (incentive) programs are effective when implemented as part of a bundle of complementary practices… the primary benefits of the these plans may not come directly from the incentives but the worker engagement and process improvement programs that typically accompany them'.

Even if just a few of my six optimistic hopes come true, then we should see further recovering levels of pay, internal career development and employee engagement; and thereby national productivity. With real weekly average earnings tantalisingly close to recovering to their pre-crisis levels (there is now just £1 in it!), now is the right time to change our prevailing reward policies for the 2020s.

Come on HR, let's get angrier and act on pay and reward.

References

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