

BBC Public Service Transparency Review

Acknowledgements

In May 2018 Chris Saul and I were asked by the BBC Board to undertake two companion reviews into transparency, particularly focusing on pay, in the BBC. The terms of reference are attached in the appendix at the end of this report.

Over the last eight months I have met and interviewed senior BBC executives, Board members, trade union leaders, staff members, including representative and campaigning groups, and many others. The Human Resources Department has briefed me fully, in addition providing data on varying aspects of the BBC's pay landscape.

In particular, working closely with Chris Saul and independent researcher and consultant Philippe Schneider and supported by HR, Internal Communications and external consultants Change Associates, we designed a Survey to which 2,609 BBC staff, freelancers and workers responded.

We were also again supported by Change Associates and the HR department in organising more than 20 workshops across the BBC's bases, holding face-to-face exchanges with 167 BBC staff, to get a better handle on their reflections on pay transparency, associated issues and their reaction to the initiatives the BBC has introduced. Throughout the independence of the review was respected.

Philippe Schneider undertook an extensive multi-disciplinary review of the literature, evidence base and policy debate on transparency, unconscious bias, equality in the workplace and the role of management. This substantially informed both the workshops and the survey questionnaire.

In addition, I benefited from exchanges and interviews with Egon Zehnder, ITV, Arup, Nationwide, the Government Equalities Office, CIPD, the Institute of Employment Studies, Alastair Woods of PWC and Clare Chapman, co-chair of the steering group of the Purposeful Company Taskforce.

Chris Sandford helped organise from beginning to end with great efficiency.

I should like to thank them all, and in particular the meticulous work of Philippe Schneider and the collegiality of Chris Saul with whom Philippe and I worked closely throughout.

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30 January 2019

Chapter One: The BBC and Transparency

- 1.1 The BBC is one of Britain's most trusted and valued institutions (Ipsos Mori, 2017). This review into pay transparency, commissioned by the BBC Board, comes as the corporation faces an increasingly difficult and complex set of challenges. Some are from an ever less forgiving external environment. A decade ago 83% of independent production companies were UK or European owned; today that figure is less than 40%. Global media giants like Netflix and Amazon have emerged as well-resourced competitors, over and above the familiar, if still strong, domestic competition. Streaming services and social media have become the preferred means to consume media among the young, so that 16 to 34-year olds spend less than half their time-consuming BBC services than audiences overall (Ofcom, 2018).
- 1.2 Yet the BBC must respond to these threats as its real resources are shrinking. It has achieved already some £700 million of recurring savings, and is now consulting on what should happen when the £750 million funding by government for the cost of free licence fees for the over 75s ends in 2020 – a potential burden which could severely damage its core services.
- 1.3 The Jimmy Savile crisis in 2012 was the first of a series of controversies breaking over the BBC, including more recently the revelation of significant discrepancies in pay between some of its senior men and women broadcasters, that have attracted significant public scrutiny and criticism. Yet despite all this the claim that the BBC made for itself in its 2018 Annual Plan – that it represents “a set of democratic ideals that matter greatly to the country” and ensures that “the joys of learning, culture and beauty are available to everybody – irrespective of income or background” – would be shared by the overwhelming majority of its viewers and listeners (Annual Plan, 2018 p.2). It continues to be the place that brings the country together and helps it understand itself.
- 1.4 To a degree the BBC has always faced competitive, technological and financial challenges and always employed a creative and journalistic staff for whom scepticism of its management is part of its DNA. Its leaders, wryly commented one former senior executive, are never likely to be “carried around the BBC on a chair”, enjoy staff morale at an all-time high or be free from political criticism (Wyatt, 2003). That said, the BBC's current standing needs to be as high as possible, especially as it seeks to meet the challenges listed above. The mistakes of the recent past should be put behind it, including editorial misjudgements, and the BBC should take the opportunity to strike out anew.

- 1.5 One foundation of that renewed approach will be for the BBC to live the commitment to maximise transparency and accountability that it is charged with doing under the 2016 Charter. The commitment is seen as a constitutional imperative through which it will earn trust, both with its audiences and with its staff. The Charter requires the BBC to maximise transparency across the gamut of the BBC's operations – from board decision making to individual salaries. The twin reviews commissioned by the BBC Board were asked to benchmark the BBC's approach to transparency on pay and reward, explore the linkages between that and organisational performance and wider HR issues, listen to staff and make recommendations to ensure the BBC is best in class (see the Appendix). In doing so we have taken forward work to assess the recent transparency initiatives listed below. The reviews move beyond pay to consider concerns about the fairness and openness of promotion, evaluation of performance, grievance procedures and the processes by which the BBC is managed and led – and particularly on the commercial side, transparency of governance and regulatory disclosure as compared to peer businesses.
- 1.6 In the past as the BBC has acknowledged, pay had varied depending on when people joined the organisation, the division they worked for and the impact of local union representatives and regional differences in frameworks. In particular, some managers enjoyed significant discretion, within broadly agreed frameworks, to determine the starting salary and most appropriate grade for a given role. These arrangements meant that pay practices could, in some cases be inconsistent in implementation and uneven in quality. It was a reward framework characterised by high levels of decentralisation.
- 1.7 This was compounded by a wide range of job titles - around 5,000 - which generated confusion over which roles were performing the same or similar work. Other symptoms included the tendency for a large number of people to be paid above their pay grade maximums; the existence of different tenure-based salary progression mechanisms with many more local variants; significant overlaps between pay bands; pay not linked to relevant jobs in the external market; and inconsistent practices on 'Acting Up Allowance' and pay increases on promotion. A manager reported to us that "I was really surprised by the pay data I inherited (in 2018). Some people were earning £15,000 more than others doing the same role and there was no noticeable difference in their skills and experience – if anything a negative difference in their performance."

- 1.8 In recognition of these issues, beginning in 2015, the BBC embarked on a major programme of reform to strike a better balance between local flexibility and control over pay systems and ensure pay principles were more transparent, consistent, fair and competitive. It has launched an ambitious root and branch simplification of its job classification system to create a Career Path Framework (CPF), a radical overhaul of its system of pay progression, policies and allowances (The Terms and Conditions Review), the introduction of a digital platform (PeopleView) allowing staff in jobs with over 20 incumbents periodically to see anonymously where they stand compared to others in the same job by pay quartile, brought forward the publication of its Gender Pay Gap report to October 2017, and has committed to review pay in regular intervals during the transition. It has opened an inbox to allow staff to question how their pay has been arrived at, with all cases and claims being followed up by a centralised HR and legal process.
- 1.9 On gender, the BBC's 2018 Gender Pay Gap report shows that the median and mean pay gaps are 7.6% and 8.4% respectively, down roughly a fifth on the previous year. The median figure compares favourably to a national figure of 18.4% and 17.4% in technology and media. Its BAME median and mean pay gaps in 2018 were -0.1% and 4.0 % respectively, down from 0.4% and 5.7 % in 2017.
- 1.10 However, it should be noted that the BBC is a public sector organisation, where on average pay at the top is not as high as it is in the private sector, and at the bottom not as low. This means that public sector wage levels are compressed into a narrower range than private sector wages, which is particularly significant given that much of the gender pay gap stems from vertical rather than horizontal differences (Cribb et al., 2014). Higher paid men will be paid proportionally less in the public sector; low paid women proportionately more – theoretically narrowing the gender pay gap compared to the private sector. Notwithstanding this caveat, it remains the case that the BBC's median gender pay gap is markedly lower than the public sector's 16.5 per cent as a whole.ⁱ
- 1.11 The BBC commissioned two reviews to map and understand differences in pay between men and women doing equal work (Eversheds Sutherland, 2017). In October 2017, the BBC published its Equal Pay Audit, covering grade staff levels within the public service, a similar exercise for on-air staff was concluded in January 2018. The methodology was reviewed by Sir Patrick Elias QC. It concluded that there was no systemic discrimination against women in the BBC's pay arrangements. Pay gaps were attributable to having recruited fewer women into senior leadership roles and similarly more women than men in the lowest quartile of the workforce, though this raises questions as to why this is the case.
- 1.12 To unpack the reasons for underlying pay differences, the audit selected a sample of male and female comparisons in those job roles which had a median pay gap that was 5% or over. In 99.6% of comparisons, it identified material and justifiable factors unrelated to gender such as market forces, specialist skills, TUPE transfer protection, attachment pay increases, experience and differing levels of responsibility for the pay differential. An obvious qualification to this finding, which is not limited to the BBC, is that it does not exclude the possibility of societal-wide discrimination and unconscious biases – which as observed in Chapter Five can have a significant cumulative impact and which may partly explain unaccounted sources of the gender and BAME pay gap in organisations.

- 1.13 A separate review of on-air pay by PWC (2018) again found no evidence of gender bias in decision-making on pay but acknowledged a number of anomalies that departed from the principles of consistent and transparent pay. This included the absence of explicit pay ranges; slow rate of pay progression during a period of tight budgets; spans between the top and bottom of a given pay range that were excessively broad; the greater concentration of men in the upper half of the pay distribution; and the complexity of the BBC's contractual arrangements due in part to legislative changes such as IR35. It also suggested there was a need for a more consistent approach towards the highest profile individuals.
- 1.14 Linked to the introduction of the Career Path Framework and the new market informed job pay ranges, the BBC opened, as cited above, an internal email address inviting questions from staff about their pay. It has received over 1,200 queries of which, as of December 2018, some 950 have been addressed, with 115 still outstanding. The balance is represented by 133 grievances of which 24 have been resolved. In addition, over a thousand adjustments have further followed in the wake of its Fair Pay Check. Together this represents a material part of the workforce experiencing pay discrepancies and issues of fairness that required resolution. The BBC has put in place a system involving an independent reviewer to ensure impartiality in the resolution of grievances. However, the pace at which some grievances have been dealt with is criticised for being slow with some decisions taking up to a full 90 days, with some beyond. The length of time to deal with grievances and the extent of backlog – even the lack of regular updates - was a source of comment and complaint in the workshops by managers and staff alike. Some of these cases are extremely complex, involving multiple roles spanning several years – and management are aware of the need for as quick a resolution as possible.
- 1.15 There is thus a material part of the BBC's staff who have concerns about the BBC's past employment practices, some of whom are also wary of the organisation's good faith. More positively the transparency initiatives represent determined corrective action: this is one of the most ambitious shifts towards *relative* pay transparency recently mounted in the British public sector. As we report in Chapter Six, staff recognise it as partly improving matters.
- 1.16 However, according to our survey these improvements appear to be achieved from a low base, so that only a minority agreed or strongly agreed that they knew how their pay was set for their Career Path Framework job. "A good start" said one respondent, while another reported "there are some good decisions coming out of the Career Path Framework process, some roles now have a much clearer view of how they fit into the bigger picture and how they can progress."

- 1.17 Other answers to the survey on topics other than pay, along with our own inquiries and face-to-face exchanges, also reveal ambiguity. As a case in point, while there was some welcome for the CPF, others were more guarded, despite the fact the CPF process involved consultation throughout, including formally with the unions, along with opportunities for individual participation. Nevertheless, the survey suggested that there was some ongoing distrust at how jobs had been classified and ignorance about the process. “The Career Path Framework is a mystery” said one respondent, “we don’t understand how and why some of us have been mapped.” In particular, some staff in the Nations and Regions felt their jobs were broader and more multi-faceted than recognised by the new job families, while in some craft jobs there was a feeling they had been allocated to a job title that did not reflect their distinctive skills and responsibilities.
- 1.18 In summary, notwithstanding the BBC’s impressive effort to remedy the wrongs of the recent past, there is residual and ongoing resentment among some staff about what happened and criticism, less of the intent of the new initiatives, but rather over their scope and implementation. The recent DCMS select committee report reflected some of this mood, criticising the BBC for apparently being stirred into action by disclosures – a criticism made despite some of its initiatives predating its recent difficulties. A mood of quiet distrust still exists for some staff – even though almost all staff are proud of their work and pleased, even proud, to work in an organisation that gives them the opportunity to exercise such creativity. The BBC now finds itself in an unstable position. There is continued widespread suspicion of how it has behaved as an employer in the past accompanied by demands for more transparency, but so far the anticipated gains in terms of higher morale and trust from the transparency initiatives that it has made, and which compare so favourably with the rest of the public sector, have yet to manifest themselves as they could.

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Chapter Two: Transparency – an overview

- 2.1 Transparency promotes both the integrity of the public sphere and the capacity of individuals to exercise their autonomy. However, there are complications and some trade-offs. And not everyone has an equal stake in it.
- 2.2 The lifting of the veil of secrecy at an organisational level creates the possibility to challenge and interrogate facts, so reaching a common factual basis on which to base decisions. Whatever differences in interpretation, at least the information is held in common. For individuals as employees, citizens and consumers transparency allows them the best information to navigate their life choices. An environment of open transparency is thus the basis to better understand and evaluate each other's actions, behaviour and rewards – who takes decisions, what they are, who gains and who loses and critically whether they are fair and non-arbitrary.
- 2.3 Transparency thus has a moral dimension. “Moral communication,” observes the philosopher Robert McShea “is possible among us to the extent to which we share a common view of the facts” (McShea, 1990 p.221). However, discussed in the following chapters, the evidence is that while it may be possible to achieve a common view of what the facts are, ranking their importance and impact will vary from context to context.
- 2.4 The proposition remains. The more views and decisions, based on commonly accepted facts, are tested, talked over and challenged publicly, the better the underlying reasoning for them is likely to be (Sunstein, 2017). They will have been subjected to inspection and criticism, ensuring they have more integrity; what is done behind closed doors rarely survives the sunshine of publicity. This transparency is crucial to the claim that choices have a moral dimension; alternatives were considered and discarded. But transparency cannot by itself eliminate dissatisfaction, felt unfairness, disputes over moral choices or absolve organisations from the consequences of bad actions. It is a means to an end – but does not guarantee it will be arrived at.
- 2.5 Yet the case for transparency should not be blinded by the realities of day-to-day organisational life. To avoid blame, organisations are preoccupied with observing the form of transparency as much or even more than its content. They ensure the right boxes are ticked mechanically, the right processes adhered to and a duly proper audit trail left – but the engagement with the substantive issues is often no better than token. Due transparent diligence has been observed; but the substantive problems remained unfixed (Hood and Heald, 2006).
- 2.6 Equally having a common basis of fact is only the precondition for solving today's complex problems and earning trust. Thus scientists and professionals in all walks of life need not only to be transparent about their reasoning and the facts upon which they base their recommendations; their competence needs independent third party scrutiny and verification by those with the time and skills to do just that. How appointment panels are structured; how grievances and complaints are handled – all are vital contributors to a well-functioning, high trust organisation (Etzioni, 2010).

- 2.7 The availability of information is vital also for individuals being able to shape their lives according to their own plans (Moriarty, 2017). Transparency allows individuals to compare future possibilities, make estimates and formulate routes to goals that they have reason to value most. Information about pay and work is amongst the most important to put in our hands. When decisions are relatively costless, or reversible, having appropriate information may not be as significant.
- 2.8 BBC staff who choose to train for a certain type of job, or who, say, are deciding whether to move from one of the regional centres to London or Salford (or vice-versa) are taking decisions that are costly and difficult to reverse. Work, pay and the associated career prospects are the cornerstone of our economic and social lives - more consequential than most other choices people face. Jobs give people meaning, self-respect, income and the chance to make societal contributions (Banerjee and Duflo, 2008; World Bank, 2013). Having the necessary information to inform these decisions is therefore important for autonomy.
- 2.9 This is likely to be particularly important for BBC staff. People view their work in three ways - as just a job (a means to an end with only financial benefits), a career (a deeper commitment tied to notions of status and self-esteem), or a calling (a source of fulfillment, where one is doing socially valuable work). Interestingly one finding is that with even relatively routine jobs like university administrative assistants, just as many respondents are likely to see their work as a calling as they are to see it as a career or job (Wrzesniewski et al., 1997). The BBC attracts people who see their work as a calling; they want to exercise their creativity, make a difference and have a sense of public duty. Indeed they are willing to forego higher incomes so they can meet their calling – hence the so-called BBC “discount” for some roles (BBC, 2009). The BBC can thus attract high quality staff comparatively cheaply, but the quid pro quo is that they should feel duly valued and informed about changes that affect how they carry out their work.
- 2.10 This lies behind the survey and interview responses generally in favour of as much transparency as reasonably possible – from pay to promotion opportunities. Staff did not object in principle to pay differentiation that was deserved through the exercise of skills, creativity or talent. They did however seek transparent explanations of how such pay had been arrived at.
- 2.11 An important reason why BBC pay got out of kilter was that in the former highly decentralised pay determination system with over 5,000 job titles and 32 different pay groupings, there were weaker constraints on what different divisions could pay staff. Because this took place in a context of lower transparency and organisational complexity, there were a myriad of what were considered to be fair pay settlements at an individual case level, that became so widespread and led to the issues recently experienced around fairness and pay.
- 2.12 However, the promotion of transparency must be qualified by other competing claims – for example, the protection of privacy. Many individuals for a variety of reasons – self-respect, anxiety about the impact of their salary being disclosed to family, friends and neighbours, self-esteem, a sense of dignity – want to keep details of their pay private. Thus a substantial majority of respondents in our survey wanted pay disclosure to remain anonymous. As one respondent said “Full disclosure would be a

breach of employee/employer trust. I would not want my neighbour to know what I earn.”

- 2.13 Transparency can be further differentiated by what the external public and internal staff should reasonably expect to know. Members of the public should know the parameters, principles and job families that guide BBC pay, and who earns what above £150,000 if funded from the licence fee. As the Information Commissioner’s Office argues, such senior posts should carry a greater level of accountability, because their holders are more likely to be responsible for major policy decisions and the expenditure of public funds (ICO, 2018). However, there is no comparable need nor presumption that the public should be able to see how pay is grouped in each BBC job family by, say, clicking on PeopleView. For BBC staff this is crucial information to guide their work, career and progression strategies. It cannot be claimed that this information is as relevant to a non-staff member.
- 2.14 There are comparable issues about disclosure in the commercial and public service arms of the BBC. The BBC’s commercial arm is under an obligation to be commercially competitive while the Public Service arm is wholly funded by the licence fee – raising differing costs and benefits from transparency. There are claims that rules on transparency should be indivisible because the benefits are universal; others that there are different and difficult trade-offs for the two arms of the BBC because transparency may have commercial consequences, being assessed independently in Chris Saul’s review.
- 2.15 In summary transparency should be considered as a means to the end of offering greater accountability and trust rather than an end in itself. The task is to find that optimal level of transparency, varying in different contexts, that can secure its advantages while minimising its downsides.

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Chapter Three: The BBC in the pay landscape

- 3.1 Interest in greater pay transparency is gaining traction in the public and private sectors. There is necessary compliance with new legal requirements for transparency on the gender pay gap, equal pay and from next year, pay ratios and BAME pay but there is also evidence that a growing number of companies are experimenting with different approaches that go beyond the legal minimum (CIPD, 2017).
- 3.2 The demand for information on where and how taxpayer money is spent means that trends are furthest advanced in the public sector. Government departments and other public bodies routinely publish the names, job titles and salaries of senior officials in departments, agencies and non-departmental public bodies earning £150,000 and above. Salaries are given in bands of £5,000. In accordance with the Local Government Transparency Code (2015), local authorities also publish the number of staff paid over £50,000, in salary bands of £5,000 and individual salaries of staff paid over £150,000.
- 3.3 Other countries go further than the UK in publishing information on the salaries of public sector officials. In the US, the public is able to access pay information for all federal employees, based on name, title and location searches, including lower level employees from sales store clerks to food service workers. Recently, however, there have been signs of a policy shift as the Office of Public Management has begun to redact a growing number of federal salaries that were previously available on privacy and confidentiality grounds.
- 3.4 Turning to the private sector, UK quoted companies publish the remuneration for executive directors, typically the Chief Executive and the Chief Financial Officer. Forthcoming legislation will require UK quoted companies with more than 250 employees to publish the ratio of their CEO's Single Total Figure of Remuneration (STFR) to full-time employees at the 25th, 50th and 75th quartile of pay. They will be further required to explain any changes to the ratios compared to the previous year and in the case of the median ratio, how it is consistent with the company's wider policies on employee pay, reward and progression.ⁱⁱ
- 3.5 Disclosure initiatives have been spearheaded by the reporting of gender pay. The UK became one of the first countries in the world to require employers with 250 or more employees to publish gender pay gap data in 2017. All 10,000 UK employers subject to this regulation have published their data which has spurred an increasingly urgent discussion in many companies about how to narrow the gap, especially as nearly two-thirds of women (61%) consider a potential employer's gender pay gap when job-hunting (EHRC, 2018).ⁱⁱⁱ However, companies are not required to submit specific information on part-timers' pay, despite Britain having the third highest incidence of female part-time workers in the OECD and part-time work being associated with inferior labour market outcomes (Dalingwater, 2018).

- 3.6 Despite the proliferation of these initiatives, very few have been subject to serious or systematic evaluation. A rare example is Bennedsen et al. (2019) who use detailed employee-employer administrative data to assess the impact of legislation in Denmark in 2006 that required firms with more than 35 employees to report salary data, broken down by gender. They find that disclosure has the intended effect of reducing the gender pay gap: on average the wage gap closes by roughly 2 percentage points more than in firms that are exempt from this regulation. This is driven by male employees who experience slower wage growth than their counterparts in control firms, while women experience a slight bump in their wages, though this effect is not statistically significant. The authors also find that transparency reduces firm productivity but has no negative impact on profits since the overall wage bill also fell after the passage of the law. Finally they find that companies subject to regulation are more likely to hire and promote more women up the corporate ladder.
- 3.7 Not all firms respond identically to gender pay gap reporting. The authors find that women-friendly firms close the gender gap more aggressively than other affected firms. Importantly, firms with higher pre-existing gender pay inequality also go further in closing the wage gap – suggesting that increased accountability led to the desired result of producing reactions from those most in need of acting.
- 3.8 Much less work has been done on ethnicity pay reporting; the Government’s one-year scorecard report on the implementation of the McGregor-Smith Review found that only 11% of organisations collected data on the pay of ethnic minorities (BITC, 2018). The government is currently consulting on a more mandatory approach to ethnicity pay reporting. In particular, it is exploring how nuanced reporting should be - whether it should mirror parts of the gender pay gap methodology and use one pay gap figure or differentiate outcomes for different ethnic minority groups, an approach already taken by the NHS.
- 3.9 There is very limited data on the degree to which private sector companies share pay information voluntarily to employees. There are only a few well-known companies that have always been committed to full transparency, though they are the exception; for example, Whole Foods, the US-based natural and organic food supermarket, has historically provided fully-transparent salary, and to a lesser extent financial information, since 1986. This is a firm which has 479 stores in the US, Canada and the UK, employing over 90,000 staff and was recently acquired by Amazon in a deal worth \$13.7 billion. The availability of such detailed information led the US’s financial market regulator, the Securities and Exchange Commission, in the mid-1990s to classify all of the then company’s 6,500 employees as ‘insiders’ for share-trading purposes (Fishman, 1994). Whole Foods challenges the assumption that such practices generally can only be pursued by start-ups or privately-owned companies.

3.10 However, there is a paucity of information on the extent and depth to which this is happening more widely. Industry or employer surveys provide a partial solution. The CIPD (2017) identifies four categories of pay disclosure, ranging from average pay for those occupying a similar job or grade and average pay relative to all employees to exact pay information for every individual in the same job or grade and even exact pay information for all employees in the organisation. It asks respondents to its biennial reward management survey where their organisations sit along this continuum, as the table below shows. The columns show the percentage of respondents who belong to each category of disclosure.

	None or minimal		Aggregated for reference group		Aggregated for all employees		Exact individual information for reference group		Exact individual information for all	
	Base Pay	Pay increase	Base Pay	Pay increase	Base Pay	Pay Increase	Base Pay	Pay increase	Base Pay	Pay increase
All	46	41	14	15	20	24	7	8	13	13
Manufacturing and production	61	50	9	15	14	18	6	7	9	9
Private sector services	55	50	16	16	16	21	5	6	8	7
Public services	13	17	19	19	31	26	13	13	25	26
Voluntary, community, not-for-profit	33	26	12	9	34	38	5	9	17	17
By size										
SME (<250)	50	47	11	10	18	22	7	7	14	13
Large (250-9,999)	40	29	20	25	23	24	7	10	12	12
Very large (10,000+)	35	31	8	12	35	38	12	4	12	15

Source: CIPD (2017) Table 15

- 3.11 These results show public services and the voluntary sector are more disposed towards releasing pay information than private sector services and manufacturing and production. Larger organisations, in aggregate, are more likely than SMEs to communicate salaries of practices - from minimal to full transparency – are found among SMEs.
- 3.12 However, treat the results with some caution; they do not imply that employees have direct access to this information. Rather they capture how much information is shared with line managers who subsequently have discretion over what they communicate to subordinates. In many cases, this may simply mean oral or written communication on how pay is determined and managed for a given level of granularity.

- 3.13 Internationally disclosure practices in this area also vary. In Norway, Sweden and Finland, income and tax records are publicly available – an experience we examine in Chapter Four.
- 3.14 In the US, by contrast, pay secrecy policies preventing employees from discussing how much money they make have been commonplace. A 2011 study found about half of US workers were either discouraged or prevented from discussing salary information by their employer, notwithstanding the shaky legal basis for these policies (IWPR, 2011; Estlund, 2012). In 2014, President Obama issued an executive action that prohibited federal contractors from retaliating against employees who discussed their salaries. In 2016, an executive order expanded the collection of pay data, requiring all companies with 100 employees or more to report how much they paid their employees by race, gender, and ethnicity across 10 job categories and by 12 pay bands.
- 3.15 The direction of travel for pay transparency and workplace equality is nonetheless unclear. For example, in the US, the Trump administration has scrapped a raft of protections and rights, notably the ban on forced arbitration clauses for sexual harassment and the commitment to ethnicity and gender pay reporting. On the other hand, US legislators are campaigning for further pay transparency. Democratic Senators Elizabeth Warren and Cory Booker recently wrote to the heads of the Justice Department (DOJ) and the Federal Trade Commission (FTC) calling for companies to give employees access to third party compensation surveys, so that employees would have more detailed data about wages and outside options in their particular market. They also called for measures to tackle potential collusion among employers who might otherwise exploit this informational advantage to set wages at an agreed-upon level (Booker and Warren, 2018).
- 3.16 On balance it seems likely that the UK trend will be towards more transparency, with gender and BAME pay gap reporting leading the way buttressed in the private sector by the new requirement for the reporting of the ratio of CEO pay to the lower, middle and upper quartiles. Given the attitudes of the young, demographic trends and wider trends in society, calls for greater pay transparency seem likely. The BBC would appear to be more transparent than most private sector organisations of comparable size. It goes further than current statutory requirements to disclose the full time versus part time pay gap, which is only 1.7%. Moreover it has been one of the minority of organisations in the forefront of disclosing the BAME pay gap – even if it does not match the NHS in breaking down relative pay by different ethnic groups. It monitors and discloses the disability gap (4 % median and 4.9% mean) and reports the ratio of executive directors’ pay to the median. It publishes exact salaries and expenses for off-air staff earning over £150,000, going further than the civil service, but does not go as far in offering granularity in £5,000 bands above £150,000 for on-air staff and only includes those directly paid by the BBC – the justification of this approach (which is in line with some other large public bodies) is assessed by Chris Saul in his report.
- 3.17 In summary, the BBC is among the UK leaders in pay transparency, especially if the internal degree of disclosure of *relative* pay to its staff is included which, as far as I could establish, goes further than any large British public and private sector organisation.

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Chapter Four: The Evidence

- 4.1 Transparency, as argued in Chapter Two, has two great merits. Generally, the more information, views and decisions are publicly tested and challenged, the better both the quality of information – and the decisions that result from it – are likely to be. As importantly, the more access individuals – whether as employees, customers or citizens – have to information, the more enabled they are to formulate well-founded routes to whatever goals they have reason to value.
- 4.2 However, transparency’s capacity to work effectively is compromised by individuals not having the same access to information when it is disclosed. Equally it cannot be taken for granted that what is disclosed will match the needs and capacities of the intended audiences (O’Neill, 2006). The evidence is that those transparency initiatives decoupled from these twin realities are more likely to aggravate rather than remedy problems. One group of researchers, for example, show that men have greater access to information than women via gossip networks and other informal information sources, which buttresses their access to information and their capacity to negotiate more favourable outcomes (Cullen and Pakzad-Hurson, 2018).
- 4.3 Men and women also differ in their capacity to take advantage of ambiguities and “fuzziness” about pay. The more ambiguity, the more likely men are to fare well. For example, a survey of MBA students in their first job showed that in industries with high ambiguity about the range and appropriate standards for pay such as advertising, marketing and media, men made roughly \$10,000 more than women on average, even after controlling for a wide array of salary predictors (Bowles et al., 2005). By contrast, in industries with low ambiguity such as consulting and investment banking, where applicants had good information about what pay was negotiable, the gender pay gap, in terms of base pay, virtually disappeared. Other experiments support the view that women are less likely to negotiate their wage unless explicitly told that this is permitted (Leibbrandt and List, 2014).
- 4.4 Women’s and older workers’ tendency to be risk averse can be mitigated by social interventions. For example, they are more likely to apply for jobs if they believe that the job is worth applying for – and the best indicator is discovering that many others also find that job attractive. Rather than being deterred by the prospect of many other applicants, signalling high competition and consequently leading them to shun the job, the interest is seen as validating the effort to apply for the job.
- 4.5 Field experiments support this hypothesis. Analysing the job search behaviour of 2.3 million job seekers on LinkedIn applying for 100,000 postings from 21,000 companies, one analyst finds that the mere publicising of the number for a job posting raises application rates by 3.5%. This simple intervention has the desirable effect of increasing the likelihood of a woman applying for traditionally male-dominated jobs, so potentially improving the gender balance of the applicant pool (Gee, 2018).

- 4.6 What needs to be emphasised is that it is not just pay transparency that is beneficial for pay and progression; but also, other forms of information. Managers who are adept at imparting information also help employees improve their earnings. One estimate shows that workers who report their managers are ‘very good’ at sharing strategic and organisational financial information out-earn those who report their managers are ‘very poor’ at financial disclosure by between eight and 12% (Rosenfeld and Denice, 2015). Disclosure shifts power downward within organisations by making sure employees are not denied information that managers have, helping level the playing field in negotiations.
- 4.7 Transparency should not be perceived as one-way traffic in which organisations cede information which may disadvantage them, for example by triggering higher wages than otherwise. Transparency, carefully implemented, is important in supporting norms of procedural fairness within organisations. People place considerable intrinsic value on the transparency of the processes by which procedures – hiring, promoting, and dealing with grievances – are handled. Judgements about the fairness of procedures cannot be boiled down to a simple formula (Tyler, 2003). They spring from a set of interlocking beliefs, ranging from the impartiality and trustworthiness of superiors and authorities to a belief that individuals are treated with dignity and have a voice in decisions.
- 4.8 For the best results information must enhance employees’ voice, putting them in a position genuinely to follow, check and challenge the information provided. These have important behavioural consequences; if individuals assess procedures as fair, they are more likely to accept decisions regardless of whether the outcome is beneficial (Frey and Stutzer, 2004). This particularly matters where conflicts cannot solely be settled based on outcomes alone or there is considerable uncertainty about the outcomes themselves or where cooperation would serve to increase the size of the pie. To illustrate this effect, PayScale, which provides real-time information on job market compensation, finds that how employees *feel* about the pay process at the organisation is 5.4 times more impactful on employee satisfaction than their *actual* pay (PayScale, 2017).
- 4.9 By contrast, lack of transparency endangers norms of procedural fairness. Employees may infer that they are at risk of managerial opportunism or deception because employers are deliberately withholding information that creates an uneven playing field for negotiations. Practices such as pay-for-performance and relative pay may reinforce the problem by adding a further layer of complexity and opacity. Unintended biases also mean that perceptions of unfairness can flourish in the face of secrecy. For example, in dealing with uncertainty, individuals are prone to emphasise and overweight negative information (Kramer, 2001).
- 4.10 These inferences take their cues from the wider culture and institutions. This is strikingly clear in the context of pay where the disclosure of information remains taboo. A survey of 15,000 British men and women conducted by UCL reports that people are seven times more likely to talk to a stranger about their sexual history, including affairs and sexually transmitted diseases than reveal their pay (UCL/NatCen, 2015).

- 4.11 Even organisations that champion internal transparency struggle with these issues. Google gives newly hired employees access to much of the company’s code – the “secret sauce” that makes its algorithms and products work - on their first day; Bridgewater Associates, the world’s largest hedge fund, adopts a management formula of “meaningful work and meaningful relationships through radical truth and radical transparency”, recording and distributing videos and transcripts of every meeting to employees (Brock, 2015; Dalio, 2017). Their intranets are packed with product roadmaps, launch plans, board presentations as well as employee and team quarterly goals, so that it is clear what the rest of the organisation is working on. Despite these commitments, both companies have made limited progress in the area of pay transparency.
- 4.12 However, attitudes to pay transparency are not frozen in aspic. Experience suggests that changes in demographics occasion changes in values (Jones, 2006). Millennials, who are on the cusp of outnumbering both baby boomers and Generation X in major economies such as the US, have fewer concerns about norms of openness: according to one research finding about 33% of them have shared their salary information with their co-workers — four times more than baby boomers (Cashlorette, 2017). This does not change the fact that because there is a widespread presumption *against* sharing such information, lack of pay transparency is unlikely to harm workplace trust in the short to medium-term.
- 4.13 The danger for transparency is that individuals are generally motivated not by concerns over their absolute, but in their relative standing. This preoccupation with relative status has been a constant and recurring theme in human affairs. More recently it has been given sharper focus by economists, both theoretically and empirically, with evidence that it is relativity that matters – whether job satisfaction, health, and attitudes to redistribution or even longevity. Those with higher status outlive those with lower status. (Clark and Oswald, 1996; Luttmer, 2005; Marmot, 2004 and Fliessbach et al. 2007).
- 4.14 Are social comparisons functional or dysfunctional for the operation of pay transparency? A number of studies find that disclosing peer earnings can induce a positive competition for status as employees work harder and are more productive in order to boost their relative standing. These effects are often so powerful that they exist even where there is no direct financial reward from doing better than one’s peers (Blanes i Vidal and Nossol, 2011; Huet-Vaughn, 2015).
- 4.15 But there is also a darker side to transparency. Lifting the veil of secrecy may offend less well-paid employees’ dignity and sense of self-worth, leaving them dissatisfied and stoking envy towards peers as they learn they are poorly paid in relation to others. One team of researchers conducted an experiment in which they sent emails to a random sample of University of California employees with information on how to access a website that listed the wages of all university employees (Card et al., 2012). They found that after accessing this data, workers who are paid in the bottom half of their pay unit and occupation report lower satisfaction and are more likely to look for a new job. By contrast, disclosure has no effect on the satisfaction and turnover of higher earners.

- 4.16 Larger scale real-life experiments report similar results. Tax records have been publicly available in Norway since the middle of the 19th Century. However, these records were not easily accessible until 2001, when Norwegian newspapers created websites that permitted individuals to browse tax records with minimal effort. Indeed there were some particularly active days when Norwegians were more likely to search each other's incomes than to search videos on YouTube. It had become a national pastime (Reuters, 2016). After thirteen years of searchers being able to search their friends, neighbours and colleagues' tax returns anonymously, the government in 2014 decided to strip searchers of their anonymity. This instantly had the effect of reducing the number of searches – often little more than voyeuristic.
- 4.17 But the government has still persisted with transparency. Open disclosure helped deter tax evasion increasing reported income among business owners by nearly 3% (Bo et al., 2014).
- 4.18 One downside is that higher transparency increased the gap in happiness between rich and poor by 29% and the gap in life satisfaction by 21% (Perez-Truglia, 2016). This is consistent with anecdotal evidence of children being bullied because of their parents' income and other objectionable practices.
- 4.19 This raises the question whether it matters that those on lower incomes become dissatisfied when they discover they are paid less relative to others. After all, where transparency increases dissatisfaction, it does so only by correcting basic misconceptions. One study finds an increase in worker resignations after pay disclosure; however, it is accompanied by a 4.8% growth in earnings, suggesting that the information shock motivates low relative earners to find better paying jobs (Rege and Solli, 2015). So if transparency improves outcomes, even if it reveals some uncomfortable home truths, it could reasonably be argued it has served its purpose.
- 4.20 These conflicting findings suggest that the devil is in the detail; a transparency regime that results in positive social comparisons in one context may be highly dysfunctional in a different one that lacks the right conditions and complementarities. This is difficult detective work. But there are theoretical and empirical clues - mindful that studies vary in quality - which permit a few tentative observations:
- The negative impact of social comparisons on pay satisfaction tends to be stronger for high prestige occupations (Georgellis et al., 2017);
 - The work context influences transparency decisions; where work is individual with limited scope for cooperation, workers have a single channel through which to improve their relative standing; the exertion of greater effort. However, in more collaborative settings, they can achieve the same goals by withholding support or sabotaging colleagues' efforts (Belogolovsky and Bamberger, 2014);
 - In contrast to men, some research finds that performance among women remains high regardless of their relative standing (Huet-Vaughn, 2015);
 - Employees' preferences may be critical in determining whether social comparisons are morale-boosting. Staff differ in the degree they engage in social comparisons and exhibit prosocial motivations – the willingness to protect and promote the well-being of others which has the potential to

offset the negative impact of social comparisons on workplace cooperation (Bamberger and Belogolovsky, 2017; Besley and Ghatak, 2017);

- Social comparisons are not the only game in town; there are other reference points such as past pay that also matter to individuals (Akerlof, 1982);
- Where underlying reward systems are perceived to be unfair – perhaps because pay is not commensurate with contribution - there is unlikely to be any productivity boost from the disclosure of what peers earn;
- The benefits of transparency will be greater where workers who are positively incentivised by relative earnings information have room to improve their performance. By contrast, where there is a low ceiling in performance, this effect may be outweighed by the reduced effort of those who are averse to relative earnings information, thereby lowering average output;
- Transparency is less likely to be beneficial where there is high uncertainty in the wider operating or market environment. Workers who otherwise respond positively to relative earnings information may think twice about exerting additional effort to improve performance in the face of considerable randomness in outcomes (Long and Nasiry, 2018).

4.21 Organisations are not unwitting prisoners of social comparisons. Comparisons always require some benchmark, and organisations can influence the benchmarks their employees choose – for example by identifying appropriate peer groups or emphasising individuals own past experience (Roels and Su, 2014). Another option is to create highly compressed, flat wage structures – ‘wage compression’- so that comparisons throw up less stark or invidious comparisons (Bartling and von Siemens, 2010). This can be done with a degree of flexibility so there is some room for differentiating individuals, but nonetheless within tight boundaries.

4.22 Nor does this necessarily impair performance, especially when there is a premium on collaboration (Bloom, 1999; Siegel and Hambrick, 2005; Jane, 2010). Thus, some studies have reported effects of wage compression ranging from positive to negative, while using the same data but varying the definitions of what constitutes the team. For example, one study of football teams in Italy’s Serie A finds that compression harmed performance when defining the team as only active players; but widening the definition to include non-active or squad players, this effect disappeared and even became positive (Buccioli and Piovesan, 2012).

4.23 The costs are arguably more acute in the public sector because the public have become ever less tolerant of public sector pay levels, particularly for senior jobs however justified by responsibility and skills (Donahue, 2008). Pay transparency compressing and limiting pay levels has had an identifiable impact on recruitment and retention. One study finds that disclosing the wages of senior municipal managers leads to marked declines (7%) in their compensation and a near doubling (75%) in their quit rate. A review of vacancies and manager biographies also shows that these wage cuts may have resulted in a less qualified set of applicants for vacant public sector manager positions (Mas, 2014; Dal Bó et al., 2013).

- 4.24 This is part of a more general problem. Even in a less politicised environment, the desire to avoid conflict by keeping pay ranges artificially narrow may limit the degree to which organisations can reward star performers or match offers by outside employers who have fewer limitations on their incentive structure.
- 4.25 Yet high quality organisations, particularly those in the cash constrained public sector, can compensate for their relative lack of wealth. A body of literature shows that star performance is highly dependent on the quality of the organisation and its teams - the contribution of coworkers, the resources, networks and opportunities available to individuals and organisational culture (Groysberg, 2012). A star in one context often works much less well in another.
- 4.26 Nonetheless stars may be worth exceptional pay within the right team and organisation. Standard compensation practices assume that the range of performance in a single job clusters around a market midpoint with salaries typically bounded 20-25% either side of it – a range of performance outcomes that follow the placid, predictable contours of a normal distribution. However, researchers have often discovered a distribution of pay well outside these boundaries, the so-called power law distribution, where a few individuals contribute disproportionately more – raising the question of whether they should be paid disproportionately more. (O’Boyle and Aguinis, 2012).
- 4.27 A consistent finding is that if the organisation can explain why individuals are paid what they are – whether high or low – there tend to be fewer adverse consequences in terms of negative social comparisons, reducing the pressure on employers to compress wages (Bracha et al., 2015; Breza et al., 2018). Where organisations require the latitude to reward ‘stars’, it is even more incumbent on them to provide a powerful, evidence-based narrative about why pay is as it is and ensure that managers have the confidence and support to engage in such discussions.
- 4.28 This is reinforced by research demonstrating that the effect of social comparisons weakens as individuals compare themselves with others more distant from them in the organisational or social hierarchy, and who are different in their measures of success. Research shows that learning that their peers earn more causes individuals to work less hard, but discovering that their bosses make more leads them to work *harder* (Cullen and Perez-Truglia (2018). This suggests that organisations have far more room for manoeuvre in their use of vertical inequality. By motivating top performers with the prospect of higher pay upon promotion rather than wider pay ranges for the same job, they can steer a safe and successful course between the Scylla of dampened opportunity and Charybdis of depressed morale.

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Chapter Five: The presence and impact of unconscious bias over gender and BAME

- 5.1 Transparency may throw up difficult trade-offs and problematic social dynamics but it does reveal underlying, hitherto unexposed discrepancies – some justified, some not. But where it reveals unjustified discrepancies, transparency alone will not solve them. A precondition is a recognition that some biases are deeply entrenched and pervasive which requires specially honed responses. This definition affects all organisations, and the BBC should not be expected to be immune. This chapter discusses the unconscious biases that contribute to discrimination in general across society – not specifically in the BBC - detailing its ubiquity and potential responses.
- 5.2 The BBC is making progress to address these issues judging by its reported figures. Its *Diversity and Inclusion Strategy 2016-2020* puts forward a number of initiatives and targets to achieve greater diversity by 2020, committing to integrate diversity into everything it does. As reported in Chapter One, its gender pay gap and BAME pay gaps are falling – indeed the BAME pay gap is slightly negative at a median level. Moreover, in its Diversity and Inclusion Strategy it set a demanding target for 50% of its leaders to be women by 2020, progressing towards the target with a 2018 percentage of 43.3%.
- 5.3 It has also taken significant strides towards meeting its workforce targets for diversity. In 2014/15 BAME representation with the workforce was 13.1%, climbing only slowly. However, with the introduction of the BBC's new diversity strategy, BAME representation has grown to 14.8% (2017/18) and is now 15.2%, broaching the 2020 target of 15% - though still slightly lower than the admittedly more London-based Channel 4 and Sky.
- 5.4 BAME representation, however, is highly uneven across the organisation. It is highest in the World Service Group (54.4%) but very low in divisions such as the Nations and Regions (3.1%), despite some BBC locations being in ethnically diverse towns and cities.
- 5.5 Aggregate figures also mask the low numbers of BAME employees in creative roles such as programme-making (BBC, 2018), recognising that this is likely to be a wider industry problem. The BBC's Equality Information Report, the main source of public data on ethnic diversity in the BBC, only breaks down employment into six broad categories which do not correlate closely with creative roles, and risks drowning out important variations in representation across jobs.
- 5.6 There is also continued under-representation of employees from minority ethnic backgrounds in senior management. BAME leadership figures (10.4%) are still some way off the 2020 target with particular room for improvement in divisions such as Sales/Marketing (4%). Underrepresentation is more pronounced higher up the organisation where, for example, just one of the 15 members of the current Executive Committee is from a BAME background.

- 5.7 Finally, diversity within diversity is a challenge. As the *Career Progression and Culture for BAME staff* report observed (part of the BBC's response to these issues), black employees are particularly underrepresented among BAME employees in senior positions; however, rolling all classifications of ethnic minority groups into one, as the current Equality Information Report does, can obscure this reality and potentially with it the importance of more targeted interventions. As a number of respondents in the workshops commented, the BBC needs much greater transparency and granular data about BAME pay and progression.
- 5.8 This agenda matters because of the role that diversity can play in boosting the collective intelligence of teams. The finding needs to be framed carefully; efforts to improve diversity are unlikely to deliver their intended goals if they don't actually enable women and those from minority groups to contribute their different and complementary perspectives. In organisations with skewed or lopsided demographics, the risk is that members of the minority group are viewed as token representatives rather than full contributors, leaving them isolated and under pressure to conform to group expectations (Williams and O'Reilly, 1998). The critical message is that representation needs to reach a critical mass.
- 5.9 Resolving these issues is thus not only a pressing moral imperative but an economic issue for society and employers (Marrero and Rodriguez, 2013; Ostry et al., 2018; McKinsey, 2018). The risk is that staff members who feel discriminated against – women, BAME, LGBT and the disabled – will be less likely to work wholeheartedly if they believe unconscious bias and discrimination are widespread. It can also lead to the wrong people being promoted to jobs for which they are not qualified. Finally, it can skew the rules of the game. Staff could spend more time contesting what they consider to be avoidable injustices than adding value to their employers.
- 5.10 While overt instances of discrimination are less frequent than in the past due to changing societal norms and legislation such as the Equality Act 2010, more subtle forms are still alive and kicking (Jones et al., 2017). As Iris Bohnet (2016) observes in *What Works: Gender Equality by Design*, most bias occurs unconsciously – the significance of which is underscored by the fact that 80 to 90% of our brain activity – decisions, emotions, actions and behavior – lie beyond conscious awareness.
- 5.11 Importantly such unconscious biases may be more harmful than overt discrimination. Individuals may be confronted with these hidden effects on a daily, even hourly, basis but with few concrete grounds to surface and challenge them (King and Jones, 2016). For example, recent reports in the Guardian (2018) show the prevalence of unconscious bias that still exists supporting racist attitudes in society.
- 5.12 Two US economists, Francine Blau and Lawrence Kahn (2017), have exhaustively tested what lies behind the gender pay gap in the US.^{iv} While they document improvements over time in women's education, experience and union coverage, they also find that gender differences in occupation and industry remain important explanations of the gap with women still over-represented in administrative support and service jobs and under-represented in management professions.

- 5.13 After taking these and other factors (i.e. region and race), the authors conclude that 38% of the pay gap is still unexplained.^v This does not mean that the rest of the gap is attributable to discrimination or bias by employers. Marital and family status, gender norms within the household and differences in psychological attributes such as the propensity of women to negotiate less aggressively over pay and risk aversion are also likely to be explanations for the pay gap that are not readily captured in conventional models.
- 5.14 Still discrimination is likely to be a part of the story (Correll et al., 2007; Bertrand et al., 2010; Reuben et al., 2014; Bertrand and Duflo, 2017; Neumark, 2018). Indeed, some of the explanations that account for the measured part of gender gap are themselves vulnerable to unmeasured explanations such as discrimination. Thus discrimination may operate through gender differences in occupation or industry employment – if, for example, it pushes women towards lower paying occupations and industries.
- 5.15 While it is difficult to disentangle this complex web of explanations, one point is clear: the size and persistence of the unexplained pay gap remains striking and sits uncomfortably with claims that pay differentials can *both* be largely explained *and* have a straightforward market-based rationale.^{vi}

Decomposition of Gender Wage Gap in the US, 1980 and 2010

Variables	1980		2010	
	Effect of Gender Gap in Explanatory Variables		Effect of Gender Gap in Explanatory Variables	
	Log Points	Percent of Gender Gap Explained	Log Points	Percent of Gender Gap Explained
Education Variables	0.0123	2.6%	-0.0137	-5.9%
Experience Variables	0.1005	21.1%	0.0325	14.1%
Region Variables	0.0001	0.0%	0.0008	0.3%
Race Variables	0.0067	1.4%	0.0099	4.3%
Unionization	0.0298	6.2%	-0.003	-1.3%
Industry Variables	0.0457	9.6%	0.0407	17.6%
Occupation Variables	0.0509	10.7%	0.0762	32.9%
Total Explained	0.2459	51.5%	0.1434	62.0%
Total Unexplained Gap	0.2312	48.5%	0.088	38.0%
Total Pay Gap	0.2312	100.0%	0.2314	100.0%

Source: Blau and Kahn (2017)

Notes: Sample includes full time nonfarm wage and salary workers age 25-64 with at least 26 weeks of employment based on Panel Study of Income Dynamics (PSID) microdata. Entries are the male-female differential in the indicated variables multiplied by the current year male log wage coefficients for the corresponding variables. The total unexplained gap is the mean female residual from the male log wage equation.

- 5.16 Even where individual biases are small, their cumulative effect can be powerful. The pyramid structure of most organisations where only a few make it to the top, as well as the fact that early career success is a precondition for subsequent promotion, means that initial small differences can become self-amplifying over time. Thus, one simulation found that, other things being equal, a bias accounting for only 1% of the variance in performance evaluation scores led to only 35% of the discriminated-against group reaching the top of the corporate pyramid (Martell et al., 1996). Without such cumulative small biases, each group would have been equally represented in senior positions. A further feedback entrenching this cumulative bias is the evidence suggesting that men in leadership roles cultivate less female-friendly cultures in their workplaces (Tate and Yang, 2015; Egan, Matvos and Seru., 2018).
- 5.17 Gender and racial disparities can exist even in ostensibly bias-free environments, such as the BBC, where overt discrimination is minimal. Indeed, one study refers to the paradox of meritocracy so that efforts to reward employees fairly can actually lead to greater discrimination against women; because people are led to believe that they are fair or objective, this gives permission for the expression of unconscious stereotypical views (Monin and Miller, 2001; Castilla and Benard, 2010).
- 5.18 Pay decisions are no less immune to these effects. One series of experiments found that managers were more likely to penalise female candidates than male candidates who asked for a pay increase and were less willing to work with them (Bowles et al., 2007). The implication is that women who request a pay rise are not corresponding to the stereotype that assertiveness is unwomanly, and so cannot take advantage of the same strategies for progression that men do. Women face these unconscious biases daily – as Bohnet argues, a tension between appearing as competent or likeable. Not wishing to appear assertive or unlikeable, they are less likely to negotiate for better compensation and even when they do, they typically ask for less (Blackaby et al., 2005).
- 5.19 More subjective approaches to measuring individual performance to determine compensation can also work against women. One study, which examined data of more than 8,000 employees in a financial-sector firm, found a larger gender pay gap in bonuses and variable pay than in base salary after adjusting for performance and productivity (Elvira and Graham, 2002). This is consistent with managers having discretion over bonuses which leave more room for bias and discrimination. Historically it explains why women have often been attracted to occupations that rely on piece rate schemes and objective performance measures (Jirjahn and Stephan, 2004). In the BBC, which does not have bonus arrangements for the majority of staff, it helps explain staff and union distrust of those pay progression processes based on individual managers' evaluations and the attraction of developing objective competency frameworks to evaluate performance.

- 5.20 One famous response in the musical world has been the development of “blind auditions with a screen” to conceal the identity of any candidate for a musical audition. As late as 1970, women composed only 5% of the musicians in the ‘Big Five’ orchestras in the United States. However, starting in the 1970s and 1980s most orchestras began to use blind auditions. Partly as a result of this change, women now make up more than 35% of the top orchestras – with one study saying it explained around half of the increase (Blank, 1991; Goldin and Rouse, 2000). There is a strong case for being similarly imaginative and developing parallel “blind” techniques wherever feasible – canvassing staff ideas, for example – in BBC recruitment and promotion processes.
- 5.21 Finally pay and promotion disparities can arise for reasons unrelated to conscious or unconscious bias. Claudia Goldin, Henry Lee Professor of Economics at Harvard University, finds that the very organisation of work can penalise women. Many occupations impose a penalty on those who prefer a flexible work schedule. Thus a part-timer can work half the time his or her colleague does but he or she will earn less than half their salary. In many cases, this affects more women for whom the balancing of family and career takes a higher priority. Goldin finds that these penalties are particularly stiff in the corporate, financial, and legal occupations which disproportionately reward people who work long and particular hours (Goldin, 2014).
- 5.22 Some of these dynamics have rational explicable causes. For example, it is costly to employers to allow workers to be off the job temporarily; it is difficult to hand over clients or complex tasks to colleagues and in many workplace contexts, including broadcasting, teams are highly interdependent. However, in other cases, these dynamics are the product of outdated workplace norms and practices and could be operated in a more flexible manner. Interestingly, in science, technology, and health care occupations, demands on people’s time have begun to shift due to technological and institutional changes. Workers are more likely to be compensated at a constant rate for additional time worked – regardless of whether they work part-time or full-time or take time out to care for their family. The upshot is that these occupations have among the lowest gender earnings gaps among all jobs.
- 5.23 Many dimensions of BBC work arguably lend themselves to greater flexibility. Despite this, only 13% of staff and 2.3% of senior leaders are on reduced hours contracts – figures which have barely changed in the past five years. This point was echoed by the recent *Making the BBC a Great Workplace for Women Report*. It also observed that the ratio of women to men working part-time across the BBC was 3:1. It called for more to be done, whose recommendations the BBC accepts; it has now introduced an approach whereby all new jobs are offered flexibly unless it is not possible to accommodate this. The challenge is to ensure that it is a genuine option with no diminution in status or pay for those who choose it.

- 5.24 With biases so deeply ingrained in our unconscious minds, it is not difficult to understand why many programmes such as leadership training can be ineffective and even counterproductive. Where they have shown promise, they have been coupled with interventions such as mentoring. Other studies have also found mentoring at work to be positively associated with compensation, promotion, and career satisfaction, though the benefits are generally modest (Allen et al., 2004). Nonetheless it underlines why the BBC should consider extending and enhancing its mentoring programmes for women and minority groups - something to which the BBC is now committed.
- 5.25 Participation in these schemes, however, is a matter of quality, not quantity. For example, there is evidence that women are more likely than men to have mentors; however, the mentors are often less senior wielding less influence in the organisation. In addition, the female employees' mentors tend to play an advisory or coaching role whereas the men's mentors are far more hands-on, vigorously championing their protégés cause and careers. In other words, for men assistance moves beyond mentoring into proper sponsorship (Hewlett, 2013; Bohnet, 2016).
- 5.26 Another finding is that individuals are drawn to sponsors or mentors similar to them. However, this can handicap women who, because of the paucity of senior female leaders, have a smaller set of mentors from whom to draw – and who will be similar to them. To the extent women have a smaller pool in which to recruit mentors, they are more likely to wind up with unsuitable people, making it harder to learn which courses of action are useful in progressing pay and careers (Bohnet and Saidi, 2018).
- 5.27 Finally, women are less likely to leverage their personal and strategic networks than men - perhaps because they worry that this signals insincerity and valuing their relationships for instrumental rather than intrinsic reasons (although in the BBC there is some evidence that women's networks are developing). Their work and social networks tend to overlap less than those of men, meaning that women have to work harder to build trust and achieve influence. In addition, those with children tend to have less free time than men, penalising them in cultivating relationships that often take place after work (Ibarra, 2016).
- 5.28 To acknowledge the pervasiveness of these biases and constraints does not mean to admit defeat in devising responses. Behavioural economics offers some important avenues. (Ariely, 2008).
- 5.29 Consider hiring, promotion, and job-assignment decisions; a body of evidence shows that when candidates are evaluated separately, they are implicitly judged based on stereotypical judgments; however, when they are evaluated jointly or comparatively, there is much more focus on individual performance and considerations relevant to the job. One explanation is that the availability of alternatives widens the comparison set for evaluation and makes explicit the trade-offs between what people want and what they should do (Bohnet et al. 2015).

- 5.30 Individuals also tend to seek more variety in candidates when making choices simultaneously rather than sequentially, which may be beneficial for organisations that are looking for fresh ideas (Read and Loewenstein, 1995). Bundling job searches can go a long way towards meeting both these criteria, bringing with it improvements in performance and gender equality.
- 5.31 All these unconscious biases – and some of the accompanying solutions – are as likely to affect and be applicable to the BBC as any other organisation, notwithstanding its leadership’s commitment to pay and progression equality for all its staff regardless of background – and its record in trying to address the issues. It is one of the reasons why BBC staff – men and women alike – call for more granularity over pay disclosure to include gender and ethnicity. But the evidence is that while transparency is the necessary precondition for change, it alone is insufficient.

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Chapter Six: Survey results and discussion

Introduction

- 6.1 To gauge the attitudes of the BBC workforce more accurately, we asked for a survey, informed by the evidence assembled in Chapters Four and Five. It was conducted online from 23 August to 2 October 2018 by the Internal Communications & Engagement team, and supported by external consultants Change Associates. There were 10 items across the survey, not counting the background questionnaire which contained information on the gender, age, ethnicity, division, tenure and seniority of respondents.
- 6.2 Ipsos MORI reviewed the structure and content of the questions for clarity and consistency. In total, 2,609 people responded to the survey. Among BBC staff, the response rate was 12.5% - a reasonably encouraging rate for this type of survey. By comparison, the response rate for workers and freelancers was low, so these results are unlikely to be representative and are therefore excluded from the commentary below.
- 6.3 The survey questions were a blend of quantitative, closed-end questions and more open-ended questions. The results provide insight into staff levels of familiarity with transparency; recent changes to the BBC's pay framework; the costs and benefits of pay transparency; the demand for further pay transparency; the BBC's performance along other dimensions of transparency (e.g. governance, recruitment and progression and financial, business and performance reporting) and specific themes such as the impact of an increasingly competitive market for talent, content and resources.
- 6.4 An obvious limitation of the survey is that it was based on self-selection rather than the assessment of the entire BBC workforce or samples obtained using random sampling techniques. Thus, there may have been systematic differences in respondents' willingness to participate in the survey. For example, the risk is that only the more energised members of staff take part which is unlikely to be representative of overall views. It is difficult to eliminate or mitigate these biases, though a detailed review of the qualitative responses suggests that the survey did capture the range of perspectives on transparency at the BBC.

Discussion

- 6.5 Among the more striking findings is that there is little appetite for fully transparent salary information: only 19% of respondents agree or strongly agree that all employees' salaries should be published internally *by name*.^{vii} By contrast, 62% of respondents oppose or strongly oppose the disclosure of salaries by name. Opinion is more split on whether the BBC should share precise salary details with staff on an anonymous basis, with 42% of respondents opposed to the idea, slightly higher than the 40% who are supportive.

- 6.6 However, there is a preference for a weaker form of pay transparency: all staff should be able to view anonymised pay within bands. This represents the outer boundary of what members of staff view as operationally feasible or desirable; by contrast, only 24% of respondents agree or strongly agree that pay information should be disclosed externally on *any* basis.
- 6.7 Respondents report having a better understanding of how pay is set than in the past; while a majority (40%) believe that there has been no change, 35% of respondents think that understanding has moderately or significantly increased compared to 23% who think it has moderately or significantly decreased.
- 6.8 However, these numbers start from a low base. Despite the recent programme of reform undertaken by the BBC, still only 30% and 16% of respondents agree or strongly agree that they know how pay is set for their Career Path Framework job and for other BBC jobs respectively, as opposed to 55% and 62% of respondents who disagree. This is not an issue of access; an overwhelming number (83%) say that they know where to find information about their pay, suggesting that the volume or availability of information is not a barrier. Rather the issue is more about how to put individuals in a position to judge matters for themselves, or to follow, check or challenge the information that they are provided.
- 6.9 Transparency is generally viewed as a net positive; a substantial proportion of respondents (72%) rank access to better information to advance their pay as either the most important or second most important effect of pay transparency. However, pay information is not the only intervention that is capable of meeting the same practical test of supporting pay progression – a point underlined in the evidence chapter.
- 6.10 Beyond these effects, respondents value the role of pay transparency in improving trust in management (ranked as the first or second most important effect by 36%). This is followed by the motivational benefits of transparency as a result of employees knowing where they stand relative to peers. Interestingly, and in light of the discussion in Chapter Four, respondents narrowly view these benefits as more important than the negative effects of social comparisons on morale and self-esteem, although this result should not be over-interpreted. The margin is not large and some respondents may be more well-disposed than they should because they wrongly believe they perform relatively well. Nonetheless it shows a disposition towards transparency.
- 6.11 However, there are significant differences across BBC staff:
- There is a fault line running through the survey responses by seniority (Senior Managers vs. Bands A-F). Differences by gender, age, division, by comparison, are far less pronounced than those between staff and senior managers. Senior managers report that they have a better understanding of how pay is set, are more optimistic about the impact of recent reforms and exhibit greater confidence in pay dispute mechanisms, indicating a significant and potentially unsettling gap in perception between themselves and the rest of BBC staff.
 - Senior managers' support for transparency is far more qualified. Privacy concerns and fears of a poachers charter (ranked third and fourth

respectively) feature much more prominently in the considerations of Senior Managers than they do with staff as a whole (fifth vs. eighth). The one exception is the risk of pay compression which members of staff view as a larger challenge than senior management, though neither group ranks it particularly high (sixth vs. eighth) despite the literature suggesting that uniform pay weakens incentives.^{viii} The implication is that management will struggle to convince staff that these types of arguments have merit, trumping calls to extend transparency without greater evidence to support their claims.

- The responses of women are broadly similar to those of men, especially regarding perceptions of current pay processes. Women are slightly more likely to view transparency as a way of restoring trust in management than men, whereas men are more likely to stress concerns about privacy and a poachers' charter. Again, however, these differences should not be overstated; in relative terms, men and women rank the costs and benefits of transparency more or less identically. The largest difference is the degree to which women are less likely to believe that the BBC achieves a good level of transparency in the areas of recruitment, promotion and career development – a reminder that transparency should be applied across the board.
- The News division has the highest support for full transparency: 29% of respondents support disclosure by name (vs. 62% opposed) and 51% support the disclosure of precise salary details (vs. 33% opposed) This suggests that while there is little demand in the News division to know by name what fellow team members are earning, there may be interest in more granular distribution data than is presently offered by Career Path Framework and PeopleView on an anonymous basis.
- The survey results offer partial support for the claim that younger employees are more supportive of transparency. Those aged 30-39 attach much less weight to privacy concerns and the costs of unfavourable social comparisons than older age groups. This is mirrored in slightly higher support for some forms of internal pay transparency though, again, falls short of support for full pay transparency.
- BBC Studios respondents value the informational and motivational benefits of transparency in absolute terms more highly than their Public Service Broadcasting counterparts. However they have lower levels of understanding of how their pay is set than the Public Service arm. While 31% of Public Service respondents have a good understanding of how pay is set for their CPF job that falls to 24% for Studios. This may be explained by the fact that the Career Path Framework is still being rolled out to Studios and appropriate job families have yet to be assigned for distribution roles. There is also some concern about the challenges that transparency poses for the BBC's ability to operate in a more competitive global market.
- Nations & Regions expressed slightly greater concern about transparency of recruitment, promotion and career development at the BBC than the rest of staff - a point reinforced by the workshops; otherwise the differences across the two groups were trivial.

Chapter Seven: How the BBC retains and manages its people

- 7.1 A number of executives, managers and some staff voiced concerns that transparency was in effect a poacher's charter – that, by making the specific salary of various individuals known to rivals, they were better positioned to pounce with offers too good to refuse. On the other hand, there were claims that these effects were modest; competitors already knew that they could outbid the BBC for talent, channels already existed to find out how much desirable talent got paid and in any case pay was not the main motivation for working at the BBC – although this varies from role to role.^{ix}
- 7.2 Existing evidence on the impact of salary disclosure as creating 'a poacher's charter' is largely anecdotal, recently foregrounded by the departures of Eddie Mair and Chris Evans to LBC and Virgin Radio respectively. This is not to say that salary disclosure has no adverse effects on the BBC's ability to recruit and retain skilled individuals. Wider evidence from the public sector has found that pay transparency can lead to public pressure to lower the salaries of top managers (see Chapter Four), typically fanned by media attention on public sector pay. Transparency in the private sector, when *all* companies are required to disclose senior salary information, can work in the opposite direction equipping senior executives with ammunition to lift their salaries where the increase is not too visible or salient (Hermalin and Weisbach, 2011; Faulkender and Yang, 2013; Mas, 2016). The media's focus is critical (Core et al., 2008).
- 7.3 Notwithstanding the challenges faced by the BBC, ranging from heightened public scrutiny to an ever more competitive external environment, voluntary turnover rates have remained stable. In Public Service Broadcasting, attrition rates have not risen above 5% in the past five years. Rates are higher in the commercial subsidiaries (~11%) but again have not trended upwards: in 2017/18 attrition ranged from 8.5% in BBC Studios to 14.8% in BBC Worldwide compared with 11.6% for the commercial subsidiaries as a whole in 2012/13. These figures compare favourably with voluntary turnover in comparator sectors such as technology, media, publishing and marketing (lower quartile=10.6%; median=12.7%; upper quartile=18.9%) (PWC, 2018).
- 7.4 There are, however, significant variations across the Career Path Framework Job Families: in Public Service Broadcasting, roles such as legal (15.5%) and external communications (14.8%) have experienced more attrition than average. This picture is starker for BBC Studios where roles such as programme scheduling have seen attrition rates of over 80%, though headcount for the positions is typically small, making figures extremely volatile and difficult to interpret from year to year.
- 7.5 How far voluntary turnover is a function of pay is unclear; attrition rates are typically lumpy. They are highest among staff with less than two years tenure (Public Service Broadcasting = 9.2%; Studios= 13.4%). Some of our interviewees hypothesised that the BBC's distinctive mission and values meant that it was not for everyone, leading a lot of people to leave relatively quickly. It also meant that once employees discovered they were well-matched to the BBC, they were much more likely to stay for a long time. This is an interesting hypothesis and one that warrants further investigation.

- 7.6 Although this picture may encourage management, there is no guarantee that voluntary attrition rates will continue to be stable. It is perhaps no coincidence that attrition is lowest in divisions such as news and current affairs (2.3%) where the BBC is effectively the market with few competitors and a job with the BBC is widely viewed as being ‘top of the tree’.
- 7.7 By extension, it means that where the BBC is not the market, or where working for the BBC is less special to justify the discount, then attrition rates may intensify. Some commentators have highlighted challenges in priority areas such as digital, engineering and technology as vulnerable due to the entry of streaming services and well-funded technology companies, though the latest figures for Public Service Broadcasting suggest that turnover in these areas is still relatively modest (data and analytics = 5.5%; research and development = 7.2%; technology, systems and delivery = 9%).
- 7.8 Among the more robust findings from the data on attrition is that voluntary turnover is higher in London than in the nations and regions reflecting the competitiveness and depth of the London labour market and wider creative industries. Again, there is no guarantee that this will continue to be restricted to London; for example, changes such as Channel 4’s decision to open a new headquarters in Leeds and new creative hubs in Glasgow and Bristol may increase the outside options available to workers in the nations and regions with knock-on effects for the BBC’s ability to retain and recruit staff.
- 7.9 Time-to-Hire (TTH) metrics also illuminate the labour market pressures the BBC faces. The average and maximum TTH has been consistently higher in Public Service Broadcasting than in the BBC commercial activities over the past three years (average days = 73 vs. 67 in 2017/18; 74 vs. 53 in 2016/17; 67 vs. 57 in 2015/16). In general the longer time it takes to hire may suggest that the organisation is struggling to attract suitable candidates – perhaps because employers are unwilling to offer high enough wages. However, a number of issues muddy this interpretation. For example, Public Service Broadcasting jobs may be more complex and specialised than jobs in the commercial subsidiaries meaning it takes longer to find applicants with the right skills. Another possibility is that managers in Public Service Broadcasting have wider spans of control than their commercial counterparts and consequently less time to spend on recruitment.
- 7.10 Indeed, there is limited evidence that externally the BBC’s appeal relative to other employers has fallen. Strikingly over 90% of BBC Group applications are from external candidates – a trend that has remained steady over time despite very few jobs (1 to 2%) being advertised to external candidates *only* (though around 50% of all jobs are advertised externally). While this indicator does not separate the qualified and interested applicants from the large pool of interested but unqualified applicants, it is again suggestive evidence that the BBC continues to be seen as an attractive place to work. Notwithstanding the criticism, to work at the BBC is seen by the bulk of its staff as a privilege – reflected in its low and stable attrition rates.

- 7.11 It is both easy and difficult to underestimate the role of middle and lower-level managers. It is easy because operational effectiveness - managing the nuts and bolts of the organisation but doing it exceptionally well - is too often seen as less important and rewarding than determining strategy; thinking through an organisation's long-term choices and challenges.
- 7.12 It is difficult because well executed basic management practices throughout the organisation matter significantly to performance. Research supports this observation (Bloom et al., 2017; Sadun et al., 2017). One large-scale survey of management practices in the US, though restricted to manufacturing, found that every 10% increase in management quality was associated with a striking 14% increase in labour productivity.
- 7.13 The study also examined what factors drove the difference between the best-performing and worst-performing firms. Management techniques accounted for 18% of that difference. By contrast, Research & Development accounted for 17%, employee skills, 11% and IT spending, 8%. In other words, management was far more important than the traditional drivers of business performance.
- 7.14 Good management is also an important element of pay determination. Nonetheless according to PayScale's 2017 Compensation Best Practices Report fewer than one in five organisations (19%) reported they were "very confident" in their managers' abilities to have clear and honest conversations about pay with employees (PayScale, 2017).
- 7.15 In the workshops some managers reported, notwithstanding the existence of support which they may not take up, not feeling well-equipped to deal with many aspects of transparency – pay, progression, promotion, performance management, recruitment. Some described being overwhelmed by the volume of information they are supposed to cascade and interpret, with and for their teams – recognised by HR who are taking remedial steps with initial management training sessions on the new Career Path Framework and pay frameworks. It is very much needed, as one respondent remarked: "Members of my team are told by HR to talk to their line manager about any questions they have regarding pay or how they have been categorised in the Career Path Framework. I don't have any additional information or guidance for them. I know nothing more...I have received no coaching or support in how to deal with the fall-out."
- 7.16 Ordinary recruitment processes can also conspire against good management. Problems arise when skills that are relevant at one job level are less important at the next level. Using detailed microdata on sales force workers, a recent study (Benson et al., 2017) finds that organisations tend to promote the most technically proficient employees; even though it is negatively correlated with performance when they become managers – while those who are predicted to have management skills, notwithstanding any technical shortcomings, perform much better.

- 7.17 Organisations can mitigate the risks of promoting the wrong people into management positions (Benson et al., 2018). Some organisations reward technical performance with greater incentive pay, freeing them to promote those who promise to be the best managers. Others such as Microsoft use dual career ladders that provide opportunities for upward mobility for technically-minded employees without accompanying management responsibilities, while others give managers wider spans of control which tends to rebalance recruitment priorities. When managers oversee larger teams, it is found that firms are more inclined to promote workers who are weaker technically but have stronger potential as managers. A more radical alternative is to promote people at random (Pluchino et al., 2009).
- 7.18 These early interventions matter because there are limits to how far training can compensate for hiring mistakes and alter subsequent behavior (Bock, 2015). According to Payscale (2017) only 30% of companies report that they offer training to managers to help them discuss pay. Even if these and other management training initiatives were rolled out more widely, there is criticism about their effectiveness which are seen as geared towards ease of operational delivery rather than real habit formation (Brown et al., 2014).
- 7.19 Upward feedback can also support improvements in management quality. Google, for example, operates a semi-annual Upward Feedback Survey which enables teams to give anonymous feedback on their manager. Critically these results have no bearing on a manager's performance ratings or compensation, ensuring that they do not get abused and do not distort their role as a development tool. They are used as a starting point for a conversation about how managers can be helped to develop, with particular focus on those managers identified as in need of support. As part of Google's culture of internal transparency, most of the managers share these results with their teams. While this is not a strict requirement, employees are occasionally surveyed to find out whether managers have done so. It is all part of a determined effort – whatever other criticisms may be levelled at Google's – to create a learning culture and is credited with improving management quality.
- 7.20 However, the use of upwards feedback and related mechanisms in Britain remains low. The CIPD (2017) finds that just 27% of organisations have adopted 360-degree assessments while even fewer organisations (7%) have linked them to pay and progression decisions. The time and the financial cost required to carry them out clearly is a barrier to adoption.
- 7.21 In the workshops, we heard cases where the BBC's efforts to encourage feedback has been taken up, with some line managers very proactive in using 360-degree feedback – and in those cases where it was used, staff felt it worked exceptionally well. Others said that 360-degree feedback had achieved an almost mythical status, talked about in reverential tones. However, like one of David Attenborough's rarer species, it has rarely been spotted in use. Similar inconsistencies were found in the application of Performance Development Reviews (PDRs) with participants highlighting the lack of incentives to complete them, including trade union wariness. As one participant observed "The Performance Development Reviews process is relaunched every year, but it still doesn't get followed."

7.22 There is an opportunity, if the BBC chooses, to reverse – or at least challenge - some of its staff’s cynicism with some well thought through, imaginative initiatives to boost both the skills of its management and the creativity of its staff (Cappelli and Tavis, 2018). Its leadership is aware of the critical need to boost management skills, especially over developing explanations over staff pay, and invest in training and development – although promoting the right people and organising feedback are at the core of improving management quality. The evidence is that whether dealing with pay transparency or the risk of unconscious bias, the quality of BBC management will be fundamental to its future success.

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Recommendations

- 8.1 Although the BBC's Career Path Framework and review of Terms and Conditions are important steps, taken in good faith, the current position on pay transparency is unstable. While there are benefits from pay transparency in terms of promoting trust and correcting inequities and unjustifiable discrepancies, there are costs in terms of reduced morale, potential higher future quit rates and an enormous effort to manage the resulting fall-out. Thus there are significant risks in disclosing *relative* pay information to the degree that the BBC has – which, as noted earlier, as far as I can establish is greater than any other public sector organisation and almost all private companies of comparable size. The new system legally and administratively now allows some 15,000 of the BBC's some 20,000 Public Service Broadcasting staff to see where they stand in relation to others in their pay band. It is precisely because the BBC has gone as far as it has that it confronts those challenges. The BBC must move quickly and pro-actively to capitalise upon the benefits of transparency which could be very significant both internally and externally, while minimising any adverse consequences.
- 8.2 Moreover, the BBC, even if its gender pay gap is narrower than in comparable organisations, is exposed to the same potential gender bias – indeed biases over race, age, religion, disability and ethnicity - from which all organisations in Britain suffer. The issue is not overt conscious bias, but as much how these unconscious biases can reflect deep set cultural attitudes that are hard to identify and assess. Transparency can serve an important service in exposing such discrepancies and allowing appropriate investigation where an individual feels they may exist. But it alone is not the remedy. Rather there needs to be a wider set of measures that try to insulate decision making from bias – both by managers and by staff.
- 8.3 The recommendations set out below are aimed at extending pay transparency where the evidence and survey results support it, alongside proposals to improve the BBC's capacity better to explain itself to its staff and public, and to invest in the quality of its management.

1. Pay Disclosure

- a) Anonymity should be retained for internal and external pay disclosure for all staff earning under £150,000.
- b) Gender comparisons should be made available as soon as possible. This also should be done, where the numbers permit, by ethnicity. In future this data should be regularly and predictably updated every six months, with the aim of it being updated in real time. This should be more than possible in an era in which the collection and organisation of huge volumes of data is routine and becoming required by law, in particular on earnings.
- c) The ethnicity pay gap should be broken down further to reflect Asian, Black, Mixed, White and Other Unknown ethnic groups. Where numbers permit, such disaggregated pay gaps should be disclosed by career level band – if not by the single aggregated BAME category.

- d) PeopleView needs to be progressively developed so that staff can see relative pay in adjacent job families.
- e) Staff in jobs with under 20 incumbents, and therefore not able to see the split of pay within that job, should have access to relative pay in comparable/adjacent job families in the same band. As far as possible comparisons should be like-for-like in terms of skill attainment and responsibilities.
- f) Career Path Framework and Terms and Conditions principles of fairness and transparency should be adapted as far as possible and extended to workers and freelancers.
- g) The BBC should commit to resolving the current outstanding formal pay grievance cases by 30 June 2019.
- h) To avoid ambiguity the BBC should clearly state that the current Fair Pay checks is limited to the period of transitioning to the new Career Path Framework and the new Terms and Conditions. It must ensure that subsequent arrangements are clearly time-tabled and predictable.
- i) Time limited pilots, carefully costed, should be run in due course to assess the value of providing more granularity on pay disclosure beyond quartiles on an individual basis while not violating the principle of anonymity. An early candidate could be a random team or group within the News division, to be compared to an appropriate control group within News. News should be consulted upon about the feasibility of such a pilot and/or related ideas following the results in the Survey.

2. Managing the Risks of Pay Transparency

- a) The disclosure of relative pay information must be accompanied by a strong narrative explaining how pay rates have been arrived at *in relation to others*. The BBC sets out how, in high level terms, pay is determined for each individual according to external, role and individual factors, but managers need to be better equipped to answer staff questions about why they are paid more or less than anonymised others, ensuring responses conform to equality law. Once relative pay is disclosed, it is no longer enough to tell individual staff members the principles on which pay is determined. Some work to support managers has been launched, but given the general limits on the effectiveness of such training as evidenced in other contexts, it must be built on (see the recommendations below) to allow much more robust answers along with a powerful narrative to explain relativities.
- b) The evidence review has shown that transparency in some cases delivers pay compression, but staff make more telling comparisons with their peers rather than with their seniors who are quite different from them and whose pay is

higher. This offers organisations like the BBC greater latitude to reward excellent performers with significant pay hikes upon promotion. The BBC's current framework – a de facto 7.5% cap on many salaries of the newly promoted constrains this ability – has been negotiated with the trade unions.^x However both the BBC and its unions should be aware that this means a potential safety valve against the adverse effects of pay compression in the future has closed down, even allowing for the possibility of exceptional approvals. In any case, any implicit or explicit exposure of past salary history as a result of operating the cap should be removed.

- c) The BBC should assemble a stronger evidence base to convince both its staff and the wider public when making claims that pay transparency represents a poacher's charter.
- d) The BBC needs to offer as much robust protection as possible to those earning above £150,000 who may be criticised by providing a strong narrative based on better and tougher contextual information. For example, the BBC could base its explanation by reference to the broad framework in which individuals' pay is determined. The evidence is that the public understand that pay should be related to contribution.
- e) Disclosure for higher earners should be in £5,000 bands – to promote better public trust, avoid the suspicion that there is something to hide and be consistent with other public sector organisations.

3. Broader Transparency Initiatives to empower Employees

- a) The information gap between staff and management needs to be more determinedly closed. Financial and strategic information (e.g. relevant Board presentations) should be shared as widely as possible, in the first instance piloted to the 300 senior leaders and senior BBC trade union officials with the eventual aim of extending the system to team leaders.
- b) The BBC should explore mechanisms and architecture to promote employee voice, encompassing the entire workforce, but not to disrupt existing collective pay bargaining arrangements with trade unions. The 2018 Corporate Governance Code requires organisations to engage “with the workforce through one or a combination of a director appointed from the workforce, a formal workforce advisory panel and a designated non-executive director, or other arrangements which meet the circumstances of the company and the workforce”. The BBC will want to devise its own arrangements consistent with these requirements.
- c) More must be done to structure and organise information around progression so that opportunities are made relevant to staff. Other organisations and social platforms deploy data-driven recommendation systems to link users with things of interest, now extending to the labour market. Similar approaches could be adapted in the BBC, perhaps in a phased approach, depending on costs and priorities. These would use data science methods objectively to measure the degree of similarity between sets of jobs, based on

their task, skill makeup and other tags, helping staff to identify realistic paths for progression, especially where they wish to move laterally or explore new roles. This could also be linked to data on salaries, attachments and training opportunities. The recommendation system would embrace BBC Studio and BBC Public Service Broadcasting to allow BBC employees to build careers within both divisions.

- d) The BBC should report on BAME representation in creative roles, to be included in the main body of the 2019 Annual Report and Accounts. Content and journalism are potential candidates, the BBC consulting within these job families on which job titles can be genuinely judged as creative.
- e) This information should be incorporated in a wider regular annual “Pay, Careers and Trust” report (a recommendation both Chris Saul and I make) on the distribution of employment by job family, pay band, region and gender/BAME distributed to all staff, to be launched in 2019 in a series of ‘town hall’ meetings.
- f) I also support Chris Saul’s recommendation that consideration should be given to publishing talent spend in the Annual Report as proportion of other business and production costs in the Public Broadcasting Service wing of the BBC as in its commercial operations.

4. Building Management Capacity

- a) The BBC should emphasise the crucial role of line managers, and build their capacity, to strike a better balance between central direction and necessary delegation in a fast-moving creative environment.
- b) The staff view of their line managers’ ability to have pay discussions, complete staff Personal Development Reviews (PDRs) etc – both directly to the managers themselves and to HR – should be elicited on a regular basis. This feedback can be used to prioritise support for those managers most in need; it should be made clear that it is only to be used for development rather than managers’ pay and reward. The aim is to create a more agile organisation in constant and consistent iteration about ‘what good looks like’, allowing creative solutions from staff to be capitalised upon – and to signal the importance the BBC attaches to effective management.
- c) Every effort to clarify how individuals can progress through their pay range should be made, while acknowledging concerns that although performance rating systems have their place they can be highly subjective and subject to bias. The BBC’s Design and Engineering Department (D+E) has developed an objective competency framework based on clear, codifiable skills - a fairer basis to judge performance. The BBC should explore parallel initiatives, allowing for the reality that there is a continuum of job complexity.
- d) The BBC must adopt a clearer and more rigorous process of monitoring and evaluation, including the use of randomised experiments. This is especially important as it seeks to implement well over 100 recommendations from its

Progression Reports alone. This requires a process and necessary expertise to track not just implementation, but how outcomes are progressing over time. Consideration should be given to establishing a well-publicised evaluation process, grouping its executives in a team or unit, without which it is impossible to prioritise resources and support initiatives which make a genuine causal difference.

5. Addressing all forms of unconscious bias

- a) The numbers applying for all jobs irrespective of gender should be published in real time so that individuals can see the popularity of jobs. If real time publication is not feasible in the immediate future, at the very least the numbers should be published five working days before the closure date for applications. The evidence suggests this will encourage more applications from women and BAME applicants.
- b) Systematic efforts to remove potential unconscious gender bias should be reinforced:
 - i. Mentorship by itself is insufficient as highlighted in the review of evidence. The BBC should build on its mentoring initiatives and introduce a BBC *sponsorship* system for high potential individuals, especially women, composed of men and women alike. The sponsor's mandate is actively to champion the skills, networks and career of the individuals concerned.
 - ii. Jobs need to be designed to be as flexible as possible and without a pay penalty. The recommendations of the MacKinnon Report, in particular promoting a job share register, emphasising the importance of men job-sharing as role models and asking why divisions where reduced hours working is below the BBC 13% average, should be implemented as soon as possible.
 - iii. Job interviews should be structured with a consistent set of questions for all candidates and a large element as a 'blind' task where appropriate to ensure gender anonymity.
 - iv. Comments, scores and decision making process should be available to candidates on an anonymised basis.
 - v. The interviewer should be formally accountable for the subsequent performance of the hiree.

These measures should be regarded as interlinked to constitute an important recasting of the BBC's leadership and management approach as it follows through on its transparency initiatives. The corporation needs to be an exemplar pathfinder in the quest for "optimal transparency" so strengthening its position journalistically, creatively and organisationally. Together, including the initiatives on relative pay disclosure, they will allow the BBC reasonably to claim that it is among the leaders – if not the leader - in pay transparency in the UK.

Part of the current problem is that BBC staff do not sufficiently challenge public criticism of the BBC even while they are privately proud of what they do and deliver. They should be publicly more proud, and readier to give credit when it is due; after all they are beneficiaries

of an exceptional degree of pay transparency. To better enlist them the BBC needs to be bolder and braver both managerially and editorially – extending from comedy to news. The transparency commitment is written into its Charter because its mandate is to provide as much public, unbiased information as possible to inform citizens. Transparency undergirds that process. It's why the same values must permeate how it is internally managed, led and organised – understood and valued by staff and the wider public alike. There is a degree of “initiative wariness”; scepticism among staff that while the BBC has declared excellent intentions, some of its subsequent deeds do not match its intentions.

Building determinedly on the notable achievements so far will furnish the opportunity to show that the BBC intends to do everything it can to practice what it preaches – and allow the public unreservedly to throw their weight behind it.

Appendix



Transparency Reviews - Terms of Reference

The BBC wants to ensure that it is at the forefront of transparency. We are required by our Charter to observe high standards of openness and to seek to maximise transparency and accountability. We already undertake a lot in this area, including publishing information about senior staff salaries, expenses and corporate information about the running of the BBC.

Following engagement with staff and unions over the course of this year, we want to ensure that the BBC is leading the media industry on transparency, providing information to them and to licence fee payers that demonstrate the BBC's commitment to equality, fairness and efficiency.

Our aim is to build trust, whilst also running our operations effectively and competitively.

The BBC also has significant commercial operations, which are managed separately from the public service and operate through subsidiary companies, which are part of the overall BBC Group. Although the transparency requirements on our commercial subsidiaries are different to those that apply to the BBC's public service operations, as they operate in a competitive environment in which they are required to make a commercial rate of return, we also want to ensure that our commercial operations are appropriately transparent in the way that they are run.

The Board has agreed to review transparency in both the public service and commercial parts of the BBC Group, and has established two reviews:

- We have appointed the economist Will Hutton, Principal of Hertford College Oxford, and Chair of the Big Innovation Centre's Innovation Board, to undertake a 'landscape' review of transparency in the public sector. In addition to the broader piece of work, Mr Hutton will also undertake a specific audit and review of the BBC's approach to transparency around employee pay and reward, making any recommendations to the BBC Board.
- Separately, we have appointed Christopher Saul, former Senior Partner at Slaughter and May, and now an independent adviser on governance and succession in the private sector, to review the BBC's approach to transparency in its commercial subsidiaries. Mr Saul will also provide his report, and any recommendations, to the BBC Board.

The terms of reference for both reviews, who will liaise closely, have been agreed by the Board and are set out below. The reviews will report to the BBC Board in the autumn.

BBC PUBLIC SERVICE TRANSPARENCY REVIEW

The review, led by Will Hutton, will:

1. Benchmark the BBC's approach to disclosure and transparency on pay and reward for BBC staff, freelancers and contractors in the Corporation's public service operations against best practice in the public sector and against other broadcasters. This includes reviewing international examples of disclosure and pay transparency and whether these may be appropriate to apply, in some way, to BBC staff; linkages between pay transparency with performance and wider human resource issues; as well as how pay transparency affects internal and external labour markets.
2. Review the BBC's obligations and existing practice around disclosure and transparency in the public service, and make recommendations with regard to these responsibilities to ensure that these are best in class and appropriately in line with best practice in UK corporate governance.
3. Listen to staff about their views on disclosure and transparency around BBC staff pay, performance and reward.
4. Make any other recommendations to the BBC Board on any areas where transparency around BBC pay and reward could be improved. In doing so, make an assessment of how any changes in present practice will conform with the BBC's data protection and other legal obligations (including the Freedom of Information Act).

Will Hutton will lead a small team of his choosing to produce a report, providing recommendations to the BBC Board.

BBC COMMERCIAL TRANSPARENCY REVIEW

The review, led by Christopher Saul, will:

1. Review the BBC's obligations and existing practice around disclosure and transparency in its commercial subsidiaries.
2. Benchmark the BBC's approach to disclosure and transparency in the Corporation's commercial subsidiaries against comparable businesses in the corporate sector. This will focus on comparable businesses in the UK corporate sector, but also have regard to a sample of international examples, considering whether these may be appropriate to apply, in some way, to the BBC.
3. As part of this exercise, benchmark the transparency of the BBC's approach to pay and reward in its commercial subsidiaries against best practice in UK corporate governance, speaking to staff of the commercial subsidiaries to inform this. At the same time, have particular regard to ensuring that any proposals would not adversely impact on the BBC's internal and external labour markets, recognising the need to allow competition on a level playing field with other commercial organisations.
4. Make recommendations to the BBC Board on any areas within these terms of reference. In doing so, make an assessment of how any changes in present practice will interact with the BBC's legal and other obligations.

Christopher Saul will lead a small team of his choosing to produce a report, providing recommendations to the BBC Board.

i) Leaving aside the methodological difficulties with the official reporting measures, it is worth bearing in mind that the small pay gap need not, in isolation, be evidence of a clean bill of health. For example, the sample necessarily excludes individuals who have left the organisation; women may have been more likely than men to leave due to dissatisfaction with their pay. If so, this will be underreported – an example of survivorship bias. The data, however, suggests that voluntary attrition rates are only slightly higher among women than men. Moreover, despite the collection of more granular data in recent years, it can be difficult to differentiate among reasons for resignation (i.e. pay vs. other push and pull factors).

ii) There are quantitative and qualitative approaches to understanding sources of the pay gap. Qualitative approaches rely on expert judgment, often exploiting detailed personnel records to understand differences in pay between men and women who otherwise perform like work. Quantitative approaches, by contrast, build and estimate wage models, based on standardised and measurable variables and techniques to control for unobserved variables. Both approaches have limitations. Qualitative approaches are difficult to replicate and may result in the researcher unconsciously manipulating the data to confirm existing beliefs or ideas. Quantitative approaches do not suffer from such weaknesses but are limited by the reliability and granularity of the variables that are being used.

iii) Since 2011, the BBC voluntarily has reported the top to median public service earnings multiple on an annual basis. This includes a multiple for (i) the Director-General and (ii) the executive directors group, as defined by all those directors on the Executive Committee.

iv) The BEIS Select Committee has called for widening reporting requirements to include businesses with 50 or more staff.

v) Others also find that transparency reduces overall wages. One explanation is that high transparency commits employers to negotiate aggressively over pay, because they know that a highly paid worker's salary will be learned by others and used as a benchmark for future negotiations.

vi) This is proxied by looking at whether senior management teams have more daughters than sons given the empirical finding that that men parenting daughters are more likely to adopt pro-women preferences.

vii) In 2014, women full-time workers in the US earned about 79% of what men did on an annual basis and about 83% on a weekly basis.

viii) It is important to note that the unexplained gender wage gap has fallen over time. This suggests, though it does not prove, that explanations such as discrimination have become less important.

ix) Studies for the UK find a similar unexplained gap (ONS, 2018).

x) The question used a five point scale and not sure category; as such, it does not follow that 81% of respondents opposed or strongly disclosure by name. Once respondents who were unsure or neither supported nor opposed disclosure by name, the figure stands at 69%.

xii) These rankings are based on the weighted average ranking for each answer choice whereas the earlier results in 5.10 are based on the proportion of respondents who ranked the answer choice in the first or second position.

xiii) This is also true of the private sector. Focke et al. (2017) show that Chief Executive Officers (CEOs) of prestigious firms earn less. Specifically, total compensation is on average 8% lower for firms listed in Fortune's ranking of America's most admired companies.

xiv) According to the current system, if an individual moves to an upper band salary which his or her existing pay already matches or overlaps, then his or her pay can only be lifted by a maximum of 7.5% and if he or she moves to a higher pay range within the same band, it can only be lifted by a maximum of 5%.