

Gender pay gap report 2020



from
**Southern
Water** 

What is the gender pay gap?

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

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

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



Ian McAulay
Chief Executive Officer



Diversity and inclusion

We recognise the huge value that having greater diversity brings to our company. This is both culturally and in increased colleague engagement.

We are delighted to have seen a decrease in our salary pay gaps this year and a slight narrowing of the gap in terms of bonus. Last year, we defined four areas of focus to help drive our diversity and inclusion agenda: Recruitment, Talent and Development, Compensation management and policies. Actions in each of these areas are summarised below.

Recruitment

We have implemented a range of initiatives, which together are aimed at minimising unconscious bias in our selection process:

- Our job advertisements are more inclusive, focusing on core deliverables and ensuring language used is gender neutral.
- We piloted 'blind CVs' in some key areas to remove unconscious bias from the shortlisting stage and will expand this further in 2021.
- We have introduced the use of video screening where candidates respond to structured interview questions, thereby having a consistent experience.



Talent and Development

Our strategic talent review framework has been used to assess our management population and will be expanded further in 2021. This evidence-based method minimises unconscious bias in the process.

Our simplified behavioural framework ensures all colleagues have a consistent message about our expectations which forms part of our performance management process. This drives consistency and helps to remove bias.

We launched a new Equality, Diversity and Inclusion (ED&I) training programme for all employees, highlighting unconscious bias and how to avoid this within the workplace.

Compensation management

We are evaluating all roles to ensure that the job rather than the person is assessed and ensuring this is fair for all colleagues.

Our reward framework, linked to the evaluation exercise, will provide a sustainable methodology to enable evidence-based rewards decisions. This means reward will be more transparent, accessible and fair for all colleagues.

We operate a salary governance framework to ensure that decisions are made consistently and based on evidenced rationale for the change.

Policies

Policies are being reviewed to ensure that they take diversity and inclusion into account.

We have enhanced our 'family friendly' policies and will continue to be supportive of flexible working arrangements where practical, to enable greater work-life balance.

Additional initiatives

- We undertook a workforce-planning exercise to gain greater insight into our colleague base and where we may wish to recruit in a different way to attract more diverse candidates.
- We piloted a graduate level apprenticeship scheme in our Procurement team and will extend this further, to enable us to attract candidates from a wider group which is representative of the communities we serve.
- We employed an Inclusion and Engagement Partner to focus on ED&I.
- We undertook a diversity survey and focus groups to understand our current profile, what we do well, less well and what we want to achieve to drive our ED&I agenda.
- We have a Diversity and Inclusion 'virtual' group where we can discuss and highlight issues within the organisation.
- We have a number of employee groups e.g. a Women's Network which can support the needs of different populations within the organisation.

How has this affected our pay gap?

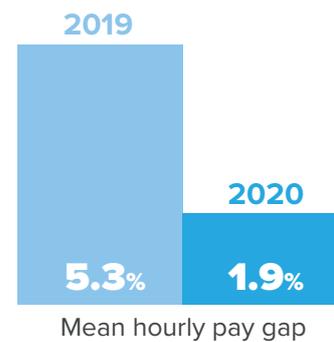
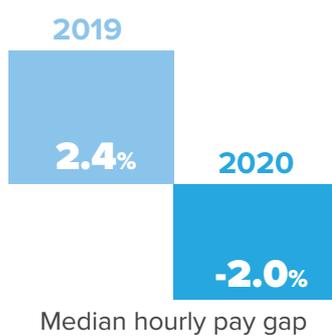
We report on two aspects of our gender pay gap:

1. The gap between the hourly pay rate for men and the hourly pay rate for women as at April 2020.
2. The gap between bonuses paid to men and women during the year 1 May 2019 to 30 April 2020. In both cases, we report the mean and median percentage gaps.

1. Hourly pay gap

During 2020, the median gender pay gap across all UK jobs, based on Office for National Statistics data reduced from 17.4% to 15.5%. At Southern Water we are pleased that not only are we below the national gap but that we can note a further reduction in our own pay gap.

Our mean hourly pay gap has reduced by 3.4 percentage points so is now just 1.9% and our median hourly pay gap has reduced by 4.4 percentage points and is -2.0% (a gap now in favour of female employees).



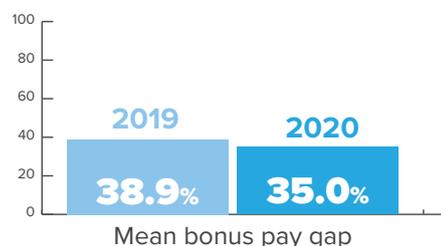
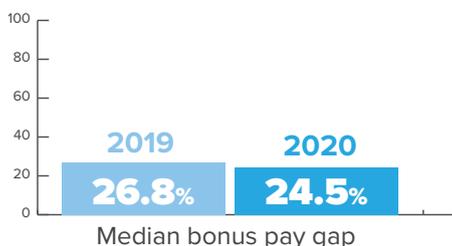
2. Bonus pay gap

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

- were employed no later than 2 January 2019
- were still employed and not under notice on 31 March 2020
- had a satisfactory performance rating.

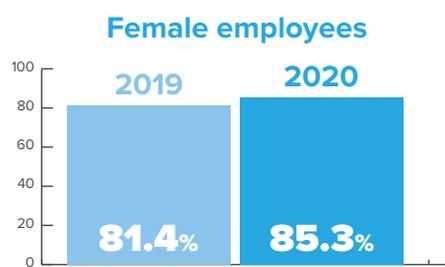
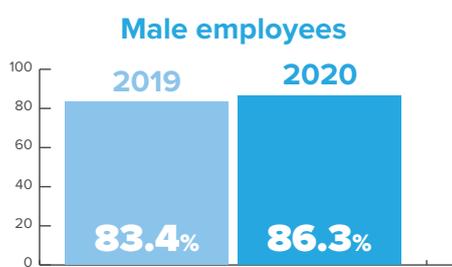


We are pleased to observe a small reduction in our bonus pay gap. However, as bonuses are proportionate to salary, it follows that people in higher paid roles receive higher bonuses. In the reporting period, there was a higher number of male employees in senior roles than female and this contributes to the gap.



In the reporting period:

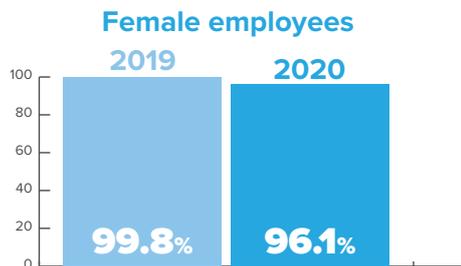
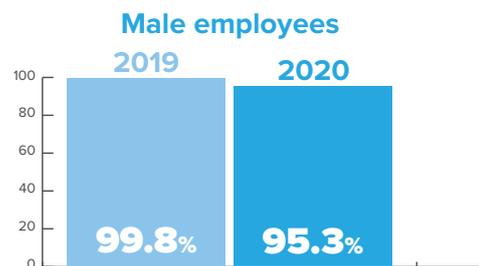
- 86.3% of male employees received a bonus (2019: 83.4%)
- 85.3% of female employees received a bonus (2019: 81.4%).



Percentage of employees who received a bonus

The legislation requires us to report bonus payments for those that were employed on the snapshot date i.e. 5 April 2020. At this time there were a number of employees who were not eligible for a bonus due to their start date.

If we were to report the data only on those eligible for a payment, we would report that 95.3% of eligible male employees received a bonus and 96.1% of eligible female employees received a bonus.



Percentage of eligible employees who received a bonus

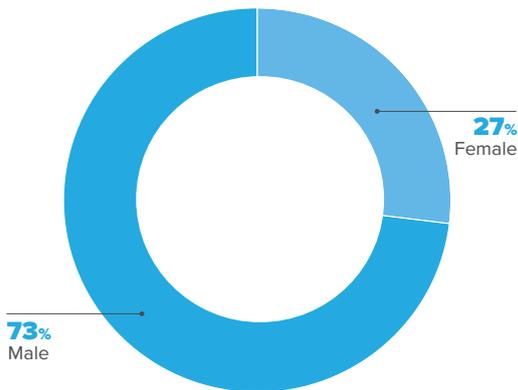
Distribution of employees in the organisation

Workforce profile

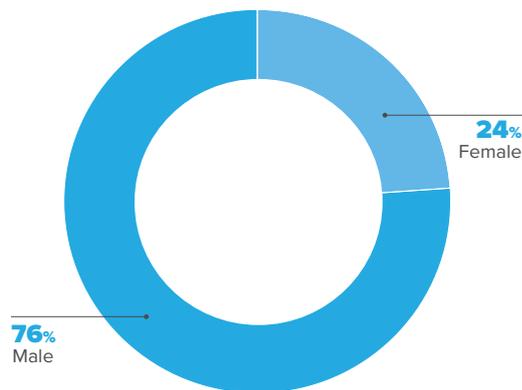
The distribution of employees in 2020 has seen a slight movement with a reduction of females in the organisation compared to 2019. Overall, 24% of our employees were women in April 2020.

This is a reduction of three percentage points from April 2019, when 27% of colleagues were women. This is mainly attributable to organisational change.

Overall workforce 2019



Overall workforce 2020



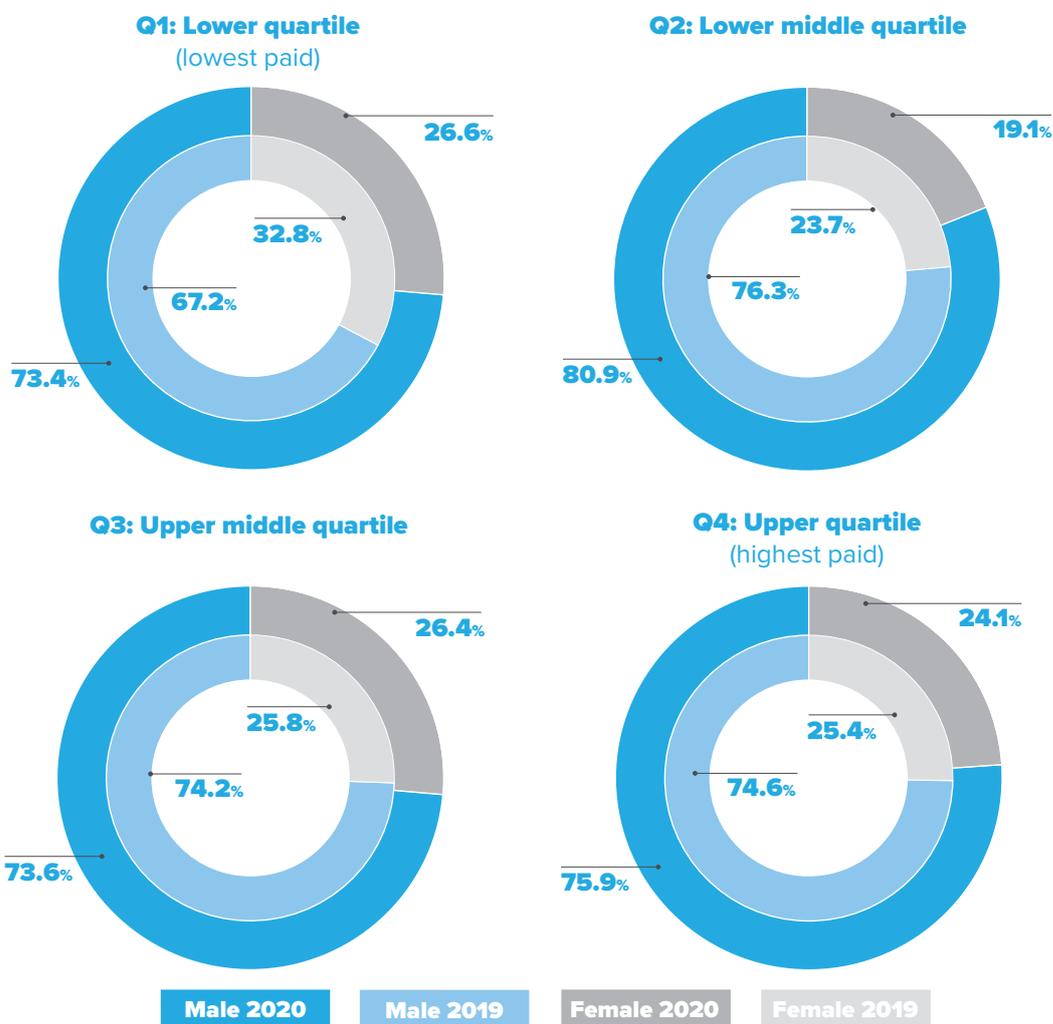
Next steps and actions

Pay distribution

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

Our gender split is approximately 75% male to 25% female in all quartiles. However, we note a reduction in the proportion of female employees in Q1 which is largely due to the outsourcing of our Customer Service Team.

The pay gaps by each quartile have remained relatively constant but we note in Q2 and Q3 our pay gap has moved in favour of women. This has strongly contributed to the narrowing of our overall pay gap. The widest mean gap remains in Q4 which is reflective of a high proportion of this higher paid population being male.



The change in our pay distribution is largely attributable to some changes in our structure including outsourcing our Customer Services function and some changes within the management structure.

The gaps by quartile remain fairly close, and it is clear that a slight change in one of these groups will have a large impact on our overall figures. As Southern Water continues to transform as a business, and it is likely that changes that have happened in 2020–21, this will impact our figures again for our next report.

Next steps and actions

Although we are of course pleased that our results show a positive change in both pay and bonus gaps, indicating that in general remuneration is applied fairly in our organisation, we are keen to do more to create an increasingly inclusive organisation.

Using the Deloitte diversity and inclusion model, our executive leadership sponsors have set a goal of a leader-led (level 3 of 4) organisation by the end of 2022 where ED&I is part of what we do.

To this end, we have defined activity in core areas:

Leadership and accountability

Our leaders set the tone for our ED&I ambition, role modelling inclusive behaviours and setting clear expectations around what is and isn't acceptable for their teams. This, combined with our newly formed governance group will help to accelerate our action plan and ensure that we are focused on achieving our ED&I ambition.

Knowledge and understanding

We talk openly about ED&I, are curious about different perspectives, tackle bias and create communities to ensure that their voices are heard and valued.

To this end we will continue to build awareness and understanding through our ED&I training, including it on our agenda for all activity and ensuring it runs through everything we do e.g. policies, courses, recruitment, development, pay decisions. We will continue to take steps to improve our data and reporting capability through self-disclosure, monitoring data collected at recruitment and surveys.

Interventions to empower diversity and inclusion

We have identified a number of areas and processes that we are targeting to help drive our inclusion agenda such as our recruitment processes, access to training, our supply chain, communication channels, inclusive facilities as well as targeted training programmes. The intent is to create both physical and psychological inclusivity.



In doing this, we will achieve our ED&I mission statement:

At Southern Water we choose to recognise and value our differences, ensuring all of our people feel they belong and that we succeed together.

Final thoughts

I am proud of the progress we have made as an organisation this year and of the ongoing plans to increase diversity and inclusion – a key pillar in our People Strategy.

We have an ambition to ensure all of our employees feel supported and engaged with our organisation and I am delighted to see that our engagement survey shows we are succeeding in building this culture. The work we are doing will truly change the way we work and enable people to join our Southern Water community and deliver Water for Life.

I confirm that the data in this report was correct as at April 2020.

Ian McAulay
Chief Executive Officer



from
Southern
Water 

The logo graphic for Southern Water features three stylized, white, wavy lines that resemble water waves, positioned to the right of the word "Water".