

WOMEN'S EMPOWERMENT PRINCIPLES

FEBRUARY 2020

WEPS IN ACTION

PRINCIPLE 2: Treat all women and men fairly at work – respect and support human rights and non-discrimination

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CASE STUDY: SWEDBANK CLOSING THE GENDER PAY GAP

LESSONS LEARNED

- Tackling the gender pay gap in a serious and concerted way requires visible and senior leadership.
- Putting in place a job evaluation system that systematically and regularly evaluates the content of each job is critical to understanding what makes roles comparable and how equal pay can be measured.
- Setting an ambitious agenda of zero pay gap is important, while having more realistic midpoints to achieve that goal.
- Having a dedicated budget to close extraordinary historical pay gaps is essential.
- Making equal pay part of the organization's scorecard and key performance indicators ensures that the goal to continually make progress on closing the pay gap is not lost.
- Integrating equal pay policies and measures into all business processes and business areas gives ownership and accountability to managers across the organization.
- Ensuring extensive training for HR managers to speak knowledgeably on equal pay issues, and unconscious bias training for managers is critical for advancing the equal pay agenda.
- Regularly measuring progress in closing the pay gaps and communicating updates helps companies accelerate progress.

CONTEXT

For Swedbank, one of Sweden's largest financial institutions based in a country where the law requires equal pay analysis, working towards eradicating the equal pay gap* was not entirely unfamiliar.

In 2014, Swedbank's leadership team decided to go above and beyond the law. Frustrated with persistent gender pay gaps which always returned even after they had been tackled, the leadership made a firm decision: women and men are equal and should be paid the same.

A new plan aiming to correct the gender pay gap in a more systematic, targeted and integrated manner was adopted across the organization. It also included a plan to put more focus on diversity in the bank and gender balance in management positions.

In 2014, Swedbank began to tackle the gender pay gap for all 16,000 employees in the four countries it operates in: Estonia, Latvia, Lithuania and Sweden.

ACTIONS

The plan to close the equal pay gap started by setting an ambitious target: to bring the pay gap to zero by 2017 for all employees in every part of the bank, and to maintain that figure.

One of the prerequisites for eliminating the pay gap was putting in place a job evaluation system. This was critical to understanding what makes roles comparable to others and how equal pay can be measured.

A detailed definition of every job in the organization was developed using the Hay Job Evaluation Method, a readily available method used to map out roles. It provides guidance on how to systematically evaluate the content of each job, avoiding biased thoughts and consideration of unfair or irrelevant factors that should not affect salaries.

This was a significant step forward for the bank, moving beyond looking just at job titles towards a more comprehensive exercise which captured each job's complexity and level of responsibility. This job evaluation is now updated regularly.

Having been defined, each job was assigned a level that reflected how much responsibility came with it. The next step was to ensure that employees doing the same type of work were receiving the same salary. If gaps were found, immediate corrective measures were taken with the help of a special budget set aside for this purpose.

The bank's HR Compensations and Benefits team drives work to close the pay gap and works closely with managers to make sure that fair and equal salary and benefits practices are maintained.

The team conduct a pay gap assessment for each part of the organization three times a year and shares the findings with each business area to make sure that no pay gap has been created. This assessment prevents pay gaps returning once they have been eradicated.

HR also works with managers throughout the annual salary review process, making sure that equal pay is considered at every step. It again provides a checkpoint, calculating the impact on equal pay if salaries are raised as proposed by the managers. If the calculation reveals that a gap will be created, managers are asked to modify their salary review proposals.

Many factors can lead to fluctuations in salary and potentially cause pay gaps, which is why eradicating the pay gap is an ongoing job.

The bank's commitment to tackling the equal pay gap moved from simply being a legal requirement to something that has become a fundamental part of its culture and operations.

Pay differences between genders can be caused by unconscious bias, economic factors in the job market that impact salaries, different levels of performance, employees entering and leaving the company, among other factors.

In the Baltics for instance, Swedbank found that a gender pay gap was being created when women take parental leave and miss out on annual salary increases.

This regular analysis of salaries allows Swedbank to control differentials that should not affect pay or benefits, making sure that discrimination cannot creep in.

Initially, a special budget was set aside to close any historical pay gaps, particularly in the Baltics. This was not needed beyond 2017 and now managers plan their annual salary budget to ensure that no pay gaps occur.

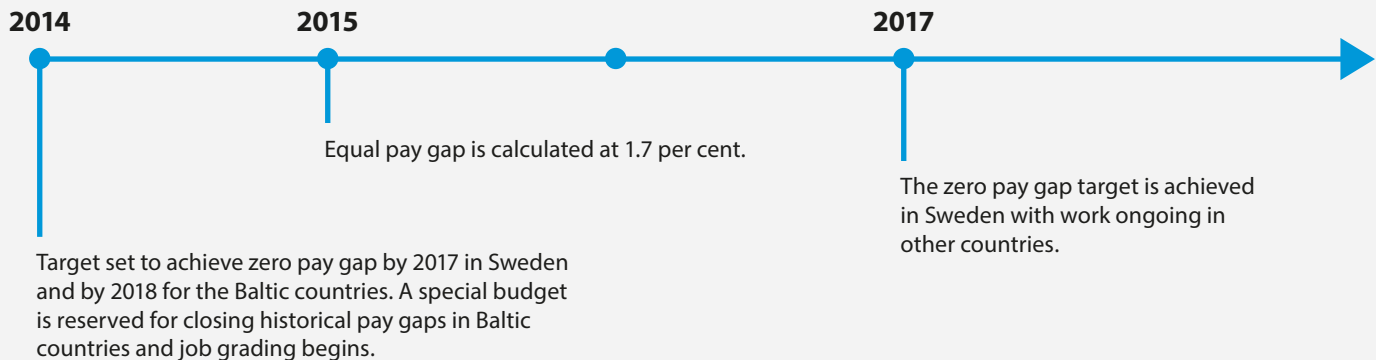
Education and training for HR professionals, who were leading the drive for equal pay, was crucial to the programme's success. This allowed them to effectively support managers and competently tackle questions on equal pay from staff. As the experts on equal pay, the Compensations and Benefits team prepares training material and runs workshops, seminars and other events to ensure that HR staff can deal with any concerns.

The other target group for learning is managers, who are trained on both equal pay and on broader topics of gender equality and diversity. Since 2014, a typical manager at Swedbank will have participated in around five gender equality and diversity courses. In the Baltics, for instance, in just 18 months 700 managers took part in a full-day, face-to-face course, covering 95 per cent of the management in that region.

Equality and diversity training happens right up to the highest levels of management, with separate workshops for their teams. It is part of every new manager's induction and each year before the annual salary review, managers attend seminars on equal pay. Training thoroughly covers the topic of bias, helping managers to make fair decisions during performance assessments or when setting salaries for new employees.

Over time, equal pay has become a deeply embedded norm in the culture of the organization. It is part of the bank's scorecard and a key performance indicator for the whole organization, demonstrating how integrated it is within the company.

TIMELINE



CHALLENGES

The largest challenge at the start of the journey was to make managers see the relevance and importance of equal pay. According to Mare Heinluht, Head of Gender Equality & Diversity, it needs to be clear that the drive comes from and is the priority of the CEO.

Closing the gender pay gap in four countries with different salary cultures was another challenge. The bank used the Swedish legal requirement as a starting point, but decided to take it even further. In the Baltic countries where larger and more widespread gender pay gaps were discovered, extra budget was needed initially. Those historical gaps were closed by 2017 and additional budget has not been required since.

Not all companies will be able to allocate additional funds to close the gender pay gap, but for Swedbank it was an option and a conscious decision. Prioritizing spending on closing the gap was a useful exercise in itself and demonstrated that the leadership team recognized and were serious about tackling the problem.

When it comes to implementing the equal pay agenda at managerial level, biased thinking can be a real challenge. Deeply entrenched perceptions that discriminate against women can inform performance appraisals and a person's individual subjectivity can directly contribute to a gender pay gap. This is why Swedbank's training sessions have had a strong focus on unconscious bias.

More than a hundred such workshops have taken place with management teams since 2014 and they include practical exercises to help people gain insights about themselves and whether bias exists in their thought processes. One such topic is the way performance goals are set differently for women and men. A manager might, for example, set business-focused goals for a man and more value-based or team-work-oriented goals for women. In this example, the manager may consider it unfair not to rank the man higher in his performance assessment, as he brought in a lot of business. The female employee,

on the other hand, has met the goals set for her but has not brought in large business deals. The manager's bias then directly leads to a pay gap.

Managers are encouraged to consider the specific needs and constraints of each employee. For example, are they consistently rewarding the employee who is able to work long hours because s/he does not have caring responsibilities?

To help mitigate the inherent difference in expectations of women and men during salary negotiations, HR supports managers in setting the salary of new recruits in a way that does not create a pay gap. And as a final check, the bank promotes an open culture that encourages employees who feel they have been incorrectly evaluated by their manager to raise it and ask HR to intervene if necessary.



Setting up a cultural norm where every manager understands the significance of equal pay.

Closing the pay gap in four countries with different salary cultures.

Overcoming bias in performance evaluations and differences in expectations of women compared to men.

Ensured that everyone understand from the outset that the equal pay agenda is a commitment by the company's top leadership.

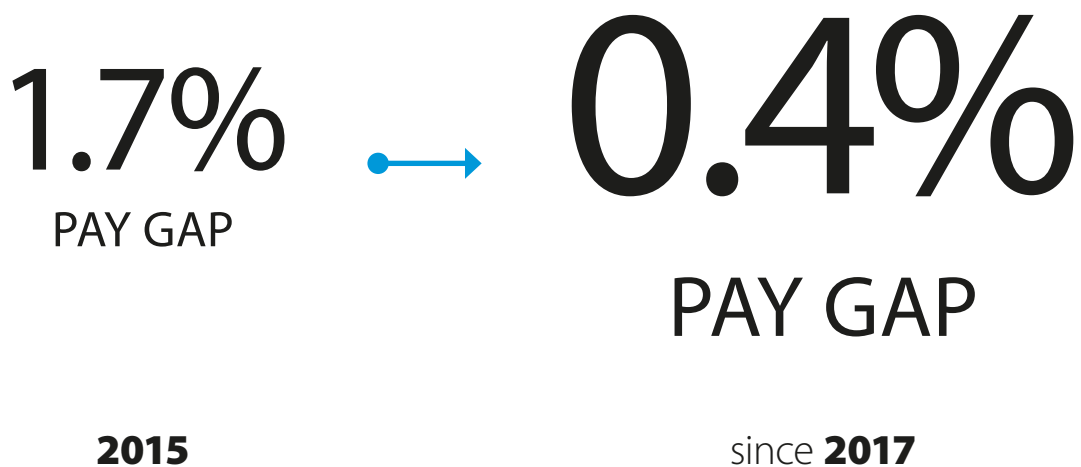
Leveraged the Swedish legal requirements and allocated special budgets for countries requiring extraordinary adjustments.

Held extensive and regular training on bias and gender equality topics.

RESULTS

Swedbank set a target of achieving a zero pay gap in Sweden by 2017 and the result was 0.003 per cent. The gender pay gap in total for all four countries in 2017 was approximately 0.4 per cent.

ACHIEVING A ZERO PAY GAP



RECOMMENDATIONS

A successful equal pay programme needs to be visibly led by the most senior leaders. It also requires a clear target, a timeline to achieve the target and specific resources to be set aside. While the target should be aiming towards a zero pay gap, it is important to have realistic benchmarks and midpoints on the way to reaching that end goal.

A dedicated team must have overall responsibility for delivering a pay gap programme, but the whole organization should feel a sense of ownership. Reducing the gender pay gap therefore needs to be an integrated effort across the company's core business processes, rather than a project implemented within one department.

Although senior leaders need to be fully engaged and actively seen to lead, they must also empower the team leading the programme to design and run it, and provide the resources to make it a reality.








Both HR and senior leaders need expert training to become skilled advocates for equal pay. This enables them to demand the same from the managers reporting to them. There also needs to be extensive training on bias, which has been the most important part of the training for managers at Swedbank.


Close monitoring and reporting of the programme is essential. For Swedbank that meant producing reports on a regular basis and distributing to the management teams. This allows for early intervention if a gap starts to emerge.


THE ROLE OF WEPs

Swedbank was eager to commit to the Women's Empowerment Principles in May 2019, hoping to show solidarity by joining a global community of like-minded companies.


It seemed like a natural progression for the bank and they are keen to contribute to the network, share valuable experience and practices, learn from others, and advance gender equality together in the world of work.

- Principle 1  Establish high-level corporate leadership for gender equality.
- Principle 2  Treat all women and men fairly at work– respect and support human rights and nondiscrimination.
- Principle 3  Ensure the health, safety and well-being of all women and men workers.
- Principle 4  Promote education, training and professional development for women.
- Principle 5  Implement enterprise development, supply chain and marketing practices that empower women.
- Principle 6  Promote equality through community initiatives and advocacy.
- Principle 7  Measure and publicly report on progress to achieve gender equality.

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