FINANCIAL CONDUCT AUTHORITY

Payment Systems Regulator

Our new employment offer:

Equality Impact Assessment

20 July 2022

Contents

1 Equality Impact Assessment

1. A brief summary of the proposals

The proposed changes to grading, pay and benefits were set out in detail in the Consultation Document and shared with all colleagues in September 2021. The 90-day consultation ended on 20 December 2021. The feedback was carefully considered, and changes made to the original proposals as a result. Feedback was received through a wide variety of channels, including the consultation feedback tool, consultation conversation sessions hosted by Executive Directors with small groups of colleagues, weekly sessions with the FCA's Staff Consultative Committee (SCC), SCC interim and final response, SCC counter proposals, and townhall sessions with Executive Committee (ExCo).

The analysis included in this updated version of the Equality Impact Assessment is based on the new employment offer as implemented within the organisation between April and June 2022. The analysis considers the impact to different colleague demographics and protected characteristics. The initial post consultation equality impact assessment conducted in March 2022 was based on all individuals receiving a '3' performance rating. This was because the final moderated performance ratings were not available, and we needed to ensure that we were testing the overall changes consistently. This updated Equality Impact Assessment is based on the actual performance rating distribution and the subsequent impact on the specific pay and reward outcomes. Therefore, the results are affected by two factors – the new employment offer and the performance rating distribution for the year 2021/22. This is after the completion of job family mapping, performance ratings and respective appeal processes.

The intended outcomes from the Career and Grading project are to:

- Provide fair pay at all levels.
- Incentivise strong performance.
- Simplify and make transparent our pay ranges and job families.
- Assist career development and mobility.
- Ensure we can continue to offer the benefits colleagues most value.
- Support our diversity and inclusion objectives, including reducing our pay and bonus gaps.

The analysis in this document focuses on the changes applied in April and June 2022. The new employment offer also included future commitments that will apply in April 2023.

- Increase pay ranges by at least 2%
- Guaranteed 4% base pay increase for all colleagues, dependent on receiving a performance rating of '3' or above, which would include the following elements:
  - For anyone remaining below the pay ranges in April 2023, their base pay will be brought up to the bottom of the published pay range, with any increase capped at 20%.

- 2% base pay increase.
- A minimum increase of 2% for performance related pay.

These pay changes over two years will give on average base pay increase of over 12%.

2. Who is affected?

Current and future colleagues on FCA terms and conditions, including those working at the PSR.

3. Which groups protected by the Equality Act 2010 are likely to be affected?

Our previous approach to grading, pay and benefits had been in place for many years. The introduction of change inevitably involves a transition period over the next two to three years. The changes being introduced will start to deliver some diversity and inclusion benefits during the transition period, with more substantial benefits delivered by the new framework in future years. The data analysis completed largely reflects the transition period and needs to be viewed in this context.

More broadly, the changes will not, by themselves, make the FCA more diverse or inclusive. For example, the introduction of narrower pay ranges and better management of pay within those ranges will not in itself close our pay gaps, as we still have further work to do to continue to address imbalances in representation across a range of different grades. The changes form part of a much broader diversity and inclusion strategy and effort.

We have assessed the impact of the proposed grading, pay and benefit changes across different protected characteristic groups. Our analysis shows that several of the proposed changes have had an impact, on one or more protected characteristics within the first year. Where our analysis shows that there is potential or actual disparity between the impact of the proposals on a particular characteristic as compared with those without that characteristic, we are satisfied that such disparity is a proportionate means of achieving a legitimate aim. Accordingly, we consider that no protected characteristic group have been disproportionately or unfairly affected by the proposed changes in a positive or negative way.

There are some differences in the outcomes between colleagues. For example, our younger and minority ethnic colleagues who tend to be in our more junior roles have received higher salary increases than older colleagues. This is due to the market benchmarking that informed our proposals indicating that the junior roles were behind the market, and this outcome is what we wanted to achieve.

While both gender and disability pay gaps have not reduced significantly through these changes, the new pay ranges and the use of performance related pay will ensure that colleagues progress faster through the pay ranges and reduce the pay gap.

The mapping of roles to the new career and grading structure has been conducted centrally based on direct mapping of current roles to the new structure, removing the risk of unconscious bias. Where roles have been mapped to new roles e.g., Lead Associate, job descriptions have been reviewed and aligned with Willis Towers Watson's job evaluation criteria, also addressing the risk of unconscious bias.

The application of National ranges and London ranges is based on location of colleagues, not race or nationality, and reflects underlying market evidence. Both our London and Edinburgh offices include a mix of nationalities.

4. What information or evidence is available to review when considering the impact on people who may be affected?

Introduction

We have considered the proposals looking at the different colleague demographics and protected characteristics. The key findings are set out in this document.

As discussed in our pay gap data published in July 2022, the FCA has gender and ethnicity pay gaps, like many other employers of our size. This is a result of structural issues built up over time within the organisation and its predecessors, including having more female and ethnic minority colleagues in more junior roles. As part of making progress towards meeting our diversity targets, we believe that the new career and grading structure will play a role in helping to alleviate the issue in the long run. Raising base pay significantly for many of our lower paid colleagues and improving pay progression of lower paid colleagues in tighter pay bands, will help to narrow gender and ethnicity pay gaps over time, particularly once maintained pay is introduced from April 2024 onwards.

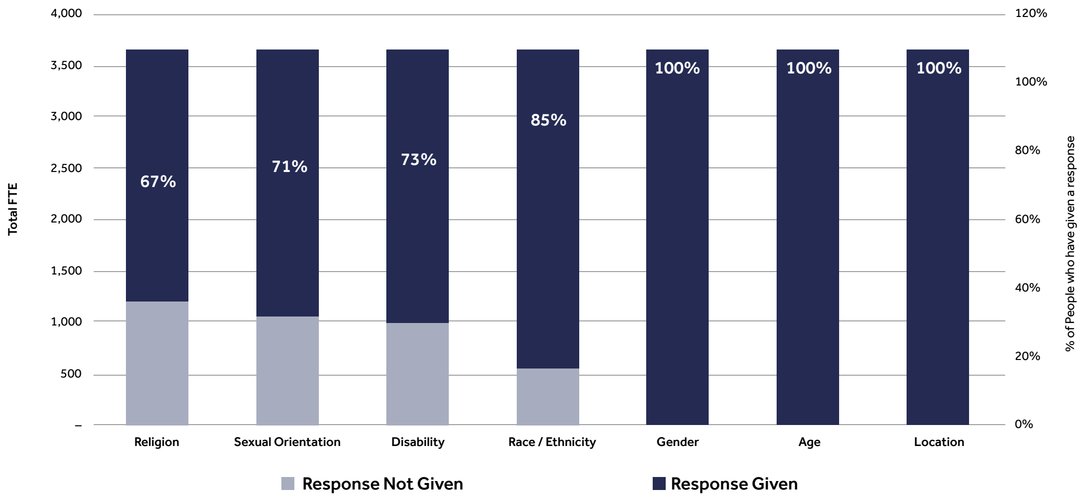
The discretionary performance bonus scheme that has now been withdrawn will be included for the last time in our bonus gap published in 2023 (covering the reporting period from 1 April 2022 – 31 March 2023).

One of the key objectives has been to raise salaries where appropriate in line with developments in the wider market, including raising minimum salaries of colleagues in more junior roles and narrowing pay ranges which have been too broad previously. The consequence will be that those colleagues who are likely to be at the lower end of the pay ranges (which includes more women and ethnic minorities) have seen higher uplifts as a result. These changes will also see strong performers at the bottom of the new pay ranges progress more quickly within those ranges resulting in higher base pay.

This report initially focuses on changes relating to grading and pay, taking each protected characteristic in turn. It is then followed by a section that focuses on the benefits changes, taking into account all protected characteristics.

Figure 1.

Declaration rates used within the EIA



Disclosure rates

When reviewing the EIA, it is important to recognise that the results are affected by the level of colleague disclosure. The current disclosure rates are shown in the graph.

Source: FCA HR system, Workday

Key notes and assumptions in undertaking this EIA are set out below:

- The EIA analysis focuses on the position in year 1, as of 1 April 2022. This reflects the changes announced in March 2022 and implemented from April 2022. Year 0 is the position prior to the changes implemented on 1 April 2022.
- The data set is based on a population of 3662 colleagues on a full time equivalent (FTE) basis who were eligible for the annual performance review. Calculations are based on FTE values. Executive Directors and other colleagues not eligible for base pay changes as part of the new employment offer have been excluded from calculations involving base pay. Information on Executive Director remuneration is provided in the FCA's annual report and accounts. Executive Directors did not receive a base salary increase in April 2022. Contingent workers are excluded from the analysis.
- The analysis is based on the impact of the changes against the data that we hold for colleagues' protected characteristics. As seen in the above figures we do not have full characteristic disclosure for all colleagues.
- The data set is based on legal sex as required by HMRC for payroll purposes. This is a binary field (male or female) and is used for the gender characteristic.
- The salaries considered are as 1 April 2022. No Mid-Year salary uplifts are considered. Probationers are considered on their current salaries and not the salaries they would be entitled to at the end of their probation.
- Excludes all known and future leavers.
- The analysis excludes manager allowance from the comparisons on base pay. This is because the manager allowance was previously paid as an allowance worth up to an additional £10,000 for eligible colleagues. It is therefore not included in the base pay for year 0. Colleagues had the option to consolidate this into their base pay at 86% of its value. Including the consolidation, for those who chose to consolidate, would increase base pay for year 1 by up to £8,600 when this is not a net increase in fixed remuneration for colleagues. A comparison of salaries with the manager allowance consolidated is provided in Table 10 on page 15.

Summary

Salary increases

The table below summarises the salary increases for each of the protected characteristics. The analysis focuses on base pay. An increase to base pay will also lead to an increase in the flexible benefits allowance and employer pension contribution for an individual.

There is an overall average salary increase of 7.1% across the total population eligible as of 1 April 2022. The salary increase includes base pay uplifts, performance related uplifts and guaranteed uplifts and excludes manager allowance consolidation, backdated pay, and discretionary performance bonuses and does not take account of the additional pension contribution and flexible benefits accruing from salary uplifts. The resulting average (mean) salary is £66,047. This increases to £67,653 with the manager allowance consolidated.

The overall average salary increase is 6.8% for men and 7.4% for women.

Salaries across our Black colleagues increased on average by 8.5%, across Asian colleagues by 8.2% and across Mixed/multiple ethnic groups colleagues by 7.7%. The ethnic diversity within the FCA shows that there is greater representation of some ethnic minorities at more junior grades. The career and grading review and market benchmarking determined that the junior roles were behind the market and so these received higher salary increases. Black and Asian colleagues have been beneficiaries of this, and this is one of the outcomes we wanted to achieve.

A similar pattern is shown when comparing by religion and belief in that those of a Muslim, Hindu and Sikh faith have received the highest average salary increases.

Our younger colleagues also tend to be in our more junior roles and have also received higher salary increases. The age groups 18-21, 21-31 have seen salary increases of 14.3% and 11.5% respectively.

A breakdown of the Associate contractual grade into the four levels of Associate from level 9 through to Lead Associate at level 6 showed that those colleagues at Associate levels 8 and 9, our more junior levels, received on average, significantly higher increases at 11.2% and 8.0% respectively.

When considering the consolidation of the manager allowance into base pay, we identified that this could have an adverse impact for those colleagues who are on long term sick or family leave where they continue to receive payment of their benefits during the absence. We therefore provided individuals the option to either consolidate their manager allowance or continue to receive this through their flexible benefits and consolidate at a later date. The data on salaries after the manager allowance consolidation is provided in Table 10 on page 15.

Table 1. Summary of average salary (mean) % change in Year 1 for protected characteristics

GENDER	% Change from year 0
Total	7.1%
Male	6.8%
Female	7.4%

RACE / ETHNICITY	% Change from year 0
Total	7.1%
Black	8.5%
White	6.6%
Mixed /multiple ethnic groups	7.7%
Asian	8.2%
Other	7.4%
Prefer not to say	7.2%

AGE	% Change from year 0
Total	7.1%
18 – 21	14.3%
21 – 31	11.5%
31 – 41	7.2%
41 – 50	5.9%
> 50	5.6%

Gender

The base pay changes that have been implemented slightly reduce the existing average mean salary gap between men and women from Year 0 at 11.7% difference, to Year 1 at 11.2% difference.

The changes will help narrow the gap this year and the narrower structure of the pay bands will decrease the pay gap further going forwards. Overall, on total remuneration the gap between men and women is narrowed further by the withdrawal of the discretionary performance bonus scheme with the last payments made in April 2022.

The average base salary increase for Year 1 by gender and contractual grade shows very little difference as shown in the table below. The largest difference of 2.5% between males and females within the Director grade is mainly due to a lower starting base for females. This means as a result they will experience greater salary uplifts in future years due to how performance related pay operates.

Table 2. Average (mean) base salary increases by gender and contractual grade

GENDER	Administrator	Associate	Technical Specialist	Manager	Head of Department	Director	TOTAL
Total	5.9%	8.0%	5.6%	5.7%	5.5%	4.9%	7.1%
Males	7.8%	7.6%	5.4%	5.7%	5.5%	3.9%	6.8%
Females	5.7%	8.2%	5.5%	5.7%	5.5%	6.4%	7.4%

- The female population is comparatively younger compared to the male population with 60.1% females less than 41 years of age compared to 52.8% males being less than 41 years. Colleagues in the younger age brackets tend to be positioned lower in their respective pay range, and therefore benefit from greater increases.
- A breakdown of the Associate population into the four levels shows that the more junior Associate grades at levels 9 and 8 receive the highest increases, with females at level 8 receiving the highest increase of 11.4%, compared to males at the same level who received 10.9%.
- Overall, our view is that the changes do not affect colleagues based on gender in a positive or negative way that is disproportionate or unfair.

Age

- The average salary increases for the organisation is 7.1%. The 50+ group received the lowest salary change on average, at 5.6%. This is because the 50+ group has the highest proportion of individuals in the upper third of the pay ranges and above the new salary ranges (44.7% compared to the 24.5% average).
- The age groups of 21-31, 31-41, and 41-50, received average pay rises of 11.5%, 7.2%, and 5.9% respectively. Again, the differences are mainly due to older colleagues being paid higher in their pay ranges based on skills and experience.
- Our younger colleagues who tend to be in our more junior roles received higher salary increases as the market benchmarking determined that the junior roles were behind the market and addressing this was an outcome we wanted to achieve.
- A breakdown of the Associate grade also shows that as our younger colleagues tend to be in our more junior roles, those in Associate level 8 received the greatest increases, and those in the 18-21 age group received the highest increase of 27.9% followed by the 21-31 group who received an average increase of 14.8%.

Table 3. Average (mean) base salary increases by age and grade

AGE	% CHANGE						
	Administrator	Associate	Technical Specialist	Manager	Head of Department	Director	TOTAL
Total	5.9%	8.0%	5.6%	5.7%	5.5%	4.9%	7.1%
18 – 21	11.4%	17.8%	*	*	*	*	14.3%
21 – 31	6.1%	12.2%	*	7.2%	*	*	11.5%
31 – 41	5.7%	7.8%	5.6%	6.3%	6.6%	*	7.2%
41 – 50	5.5%	6.2%	5.7%	5.6%	5.5%	5.3%	5.9%
> 50	5.3%	6.2%	5.3%	5.0%	5.0%	*	5.6%

*Where there are fewer than 10 people an asterisk is used to avoid identifying individuals

- Overall, our view is that the changes affect colleagues based on age in a positive way but that it is not disproportionate or unfair.

Race and ethnicity

- Due to the existing distribution of ethnicity across the different grade levels, Black and Asian colleagues are the biggest beneficiaries of the policy to uplift colleagues towards the minimum of new pay ranges. In year 1, 28.3% Black colleagues and 25.0% Asian colleagues received an increment greater than 15.0%, compared to 10.7% White colleagues.
- All colleagues receiving a performance rating of '3' or above have been uplifted into their new salary band subject to a 20% cap in any year. The proportion of Black and Asian colleagues who are considered below the minimum salary after the April pay revision with the new salary band structure is 12.8% and 11.9% respectively. This is higher than the overall average proportion of those below the minimum band of 6.5%, with White colleagues below the minimum band being 4.0%. We expect every colleague who receives a performance rating of '3' or above to be brought into range by April 2023.
- The narrowing of the bands and the application of performance related pay will see our strong performers progressing quickly towards the mid-point of the salary range, which will decrease the ethnicity pay gap.
- The full breakdown of average base salary increases in year 1 is shown in the table below. Overall, Mixed /multiple ethnic colleagues in Administrator and Associate levels receive greater increases than White colleagues. This reflects their current salary placement when compared to the new pay ranges. The impact of this reduces at more senior levels.
- Asian colleagues represent our youngest population with 73.0% colleagues younger than 41 years of age, followed by mixed ethnicity colleagues at 69.0%. Colleagues in the lower age brackets tend to be positioned in more junior roles and lower in their respective pay range, and therefore benefit from greater increases.
- The Associate breakdown into the four levels of Associate also reveals that Black, Mixed/multiple ethnicity and Asian colleagues received the highest average increase at Associate level 8 of 13.1%, 13.7% and 12.9% respectively. They also received higher increases at level 9. Across the rest of the Associate levels i.e., Senior and Lead, the average increases were similar to the White population.

Table 4. Average (mean) base salary increases by race/ethnicity and grade

	% CHANGE						
ETHNICITY	Administrator	Associate	Technical Specialist	Manager	Head of Department	Director	TOTAL
Total	5.9%	8.0%	5.6%	5.7%	5.5%	4.9%	7.1%
Black	5.6%	8.8%	*	5.9%	*	*	8.5%
White	5.9%	7.4%	5.6%	5.6%	5.5%	5.3%	6.6%
Mixed/ Multiple Ethnicity	6.8%	9.1%	6.3%	5.7%	*	*	7.7%
Asian	5.8%	8.9%	5.0%	5.8%	*	*	8.2%
Other	*	7.8%	*	*	*	*	7.4%

*Where there are fewer than 10 people an asterisk is used to avoid identifying individuals

- Overall, our view is that the changes affect colleagues based on race and ethnicity but in a positive way that is not disproportionate or unfair.

Location and nationality

Table 5. Average (mean) base salary increases by location

LOCATION	% Change from year 0
Total	7.1%
London	7.1%
Outside London	6.5%

- In response to consultation feedback, we are sharing information about the impact on different locations and our consideration of any connection to nationality. We do not hold colleague disclosure information about nationality (such as Scottish) and so have considered this by looking at location.
- The proportion of London and outside London colleagues, who are considered below their new minimum salary range post the April pay revision, is 6.1% and 17.0% respectively.
- Overall, there does not appear to be a material difference in the way in which the changes will affect London based and outside London colleagues differently. However, future earning potential for colleagues based outside London will be managed to a lower National salary level in future. This will bring outside London based colleagues in line with the National pay ranges that reflect the differences in salaries paid in London compared to national locations. No salaries of those outside London will be reduced, individuals paid above the pay ranges for the first 2 years will continue to receive salary increases. New joiners are managed to the new national ranges as of 1 April 2022, with transitional arrangements for existing colleagues based in Edinburgh over three years.
- Whilst there are differences based on location, these differences are not based on nationality. The mapping to London and National salary ranges has been consistently applied based on benchmark data and the location. Colleagues of different nationalities work from our offices in London and Edinburgh, and nationality has not been an influencing factor in the setting of London and National pay ranges.

Table 6. Average (mean) base salary increases by location and contractual grade

LOCATION	% CHANGE						
	Administrator	Associate	Technical Specialist	Manager	Head of Department	Director	TOTAL
Total	5.9%	8.0%	5.6%	5.7%	5.5%	4.9%	7.1%
London	6.0%	8.1%	5.6%	5.7%	5.5%	4.9%	7.1%
Outside London	*	6.8%	*	5.9%	*	*	6.5%

*Where there are fewer than 10 people an asterisk is used to avoid identifying individuals

- Overall, our view is that the changes do not affect colleagues based on nationality in a positive or negative way that is disproportionate or unfair.

Religion or belief

Table 7. Average (mean) base salary increases by religion

RELIGION	% Change from year 0
Total	7.1%
Christian	6.8%
Atheist	7.0%
Other	6.6%
Prefer not to say	6.9%
Sikh	8.2%
Jewish	5.6%
Hindu	8.0%
Muslim	9.1%
Buddhist	6.9%
n/a	7.0%

- Comparing the average increase in salary there is no material difference by religion after Year 1. Jewish colleagues have the lowest change with 5.6% followed by Christian colleagues with 6.8% change, while Muslim colleagues have the highest change with 9.1%, higher than the Sikh and Hindu colleagues with 8.2% and 8.0% change.
- The proportion of Muslim and Sikh colleagues who are considered below the minimum salary after the April pay revision with the new salary band structure is 18.7% and 11.4% respectively.
- Muslim colleagues have the youngest population with 81.9% colleagues younger than 41 years of age followed by Hindu colleagues 65.2%. Colleagues in the lower age brackets tend to be positioned lower in their respective pay range, and therefore benefit from greater increases. Overall, our view is that the changes do not affect colleagues based on religion or belief in a positive or negative way that is disproportionate or unfair.

Sexual orientation

Table 8. Average (mean) base salary increases by sexual orientation

SEXUAL ORIENTATION	% Change from year 0
Total	7.1%
Heterosexual/Straight	7.2%
Gay/Lesbian	6.7%
Bisexual	8.2%
Other	5.0%
Prefer not to say	6.5%
n/a	7.0%

- There are small differences to the salary changes by sexual orientation after Year 1. The salaries of Heterosexual colleagues will increase on average by 7.2% (equivalent to the organisation wide average of 7.1%), Gay/Lesbian colleagues 6.7%, and Bisexual colleagues 8.2%.
- The proportion of Bisexual and Heterosexual colleagues who are considered below the minimum salary after the April 2022 pay revision with the new salary band structure is 9.0% and 7.3% respectively. This is slightly higher than the proportion of Gay/Lesbian colleagues projected to be below the minimum band (4.8%). We expect all colleagues who get a performance rating of '3' or above will be brought into range by year 2.
- Bisexual colleagues have the youngest population with 77.7% colleagues younger than 41 years of age followed by Heterosexual colleagues 57.3%. Colleagues in the lower age brackets tend to be positioned lower in their respective pay range, and therefore benefit from greater increases.
- Overall, our view is that the changes do not affect colleagues based on sexual orientation in a positive or negative way that is disproportionate or unfair.

Disability

Table 9. Average (mean) base salary increases by disability

DISABILITY	% Change from year 0
Total	7.1%
Yes	7.2%
No	7.2%
Undeclared	6.6%
Prefer not to say	6.6%

- The proposed changes do not materially change the existing average salary pay gap between disabled and non-disabled colleagues from Year 0. The average salary gap of 5.4% remains the same.
- The proportion of Disabled and Non-disabled colleagues who are below the minimum salary with the new salary band structure is 6.6% and 6.0% respectively. This is equivalent to the average number at 6.4%. We expect all colleagues who get a performance rating of '3' or above will be brought into range by year 2.
- Overall, our view is that the changes do not affect colleagues based on disability in a positive or negative way that is disproportionate or unfair.

Additional protected characteristics

- Overall, our view is that the changes do not affect colleagues based on gender reassignment, marriage and civil partnership, or pregnancy and maternity in a positive or negative way that is disproportionate or unfair.
- Where we have identified concerns, we have considered these carefully and modified the outcome where appropriate – see manager allowance below.

Key benefit changes to highlight

Private Medical Insurance

- When considering the changes to private medical insurance it is not possible to link past usage with colleague level information to understand whether any characteristic will be impacted adversely. BUPA only provide high level information on the number of claims, the medical intervention required and the overall cost. For example, we are unable to determine if colleagues with disabilities accessed the service more. Private medical provision covers immediate medical needs, whereas should a condition become chronic then generally this is not covered by private medical provision and would need to be covered through the NHS.
- Our core benefit provided to colleagues is for personal cover. Colleagues may choose whether to extend this cover to family members, and the scheme is able to offer this at a group rather than individual rate. We communicated this change in advance of the new benefits year which started from 1 June.
- When considering the introduction of an excess payment to access private medical we have considered whether to introduce a universal excess payment for all colleagues or to differentiate based on those in the lowest salary bands. We believe that the introduction of two levels of excess is appropriate and does not impact any protected characteristic adversely. However, if any protected characteristic is adversely impacted, we consider that such impact is a proportionate means of achieving a legitimate aim.

Dependants' Pension on death in service

- We recognise that the Dependants' Pension was of different value to different colleagues. We understand it was more highly valued by colleagues with younger children, as well as those colleagues who have dependants and consider themselves at greater risk of dying in service. At the same time, there was no benefit payable for colleagues who do not have dependant partners, spouses, or children.
- In needing to withdraw this benefit, we considered the different options available. We took the impact on different colleague groups into account as part of this decision.
- We do not consider that the change has a disproportionate or adverse impact on any protected characteristic.
- The increase in life assurance to 8x is also considered a fairer and more inclusive way to provide a similar benefit provision to all regardless of whether they have dependants.

Consolidation of manager allowance

Colleagues receiving manager allowance had the choice to consolidate into their basic salary or not. Based on those that consolidated their manager allowance, men received a 9.9% increase in Year 1 compared to 9.5% for women. The reason for the difference is that a larger proportion of men are employed in Manager or above grades and therefore eligible to receive it (28.3% for men compared to 16.7% for women).
Of the 836 colleagues (people, not FTE) who were eligible to consolidate their manager allowance, 773 (92%) chose to consolidate.

Table 10. Average (mean) base salary increases following consolidation of manager allowance

GENDER	% Change from year 0
Total	9.7%
Male	9.9%
Female	9.5%
AGE	**% Change from year 0**
Total	9.7%
18 – 21	14.3%
21 – 31	11.8%
31 – 41	9.3%
41 – 50	9.6%
> 50	8.9%
RACE / ETHNICITY	**% Change from year 0**
Total	9.7%
Black	9.4%
White	9.7%
Mixed /multiple ethnic groups	9.9%
Asian	9.9%
Other	8.9%
Prefer not to say	9.5%
RELIGION	**% Change from year 0**
Total	9.7%
Christian	9.6%
Atheist	9.7%
Other	8.5%
Prefer not to say	9.7%
Sikh	10.7%
Jewish	9.6%
Hindu	9.9%
Muslim	10.1%
Buddhist	8.5%
n/a	9.6%
SEXUAL ORIENTATION	**% Change from year 0**
Total	9.7%
Heterosexual/Straight	9.7%
Gay/Lesbian	10.4%
Bisexual	9.5%
Other	6.1%
Prefer not to say	9.1%
n/a	9.6%
LOCATION	**% Change from year 0**
Total	9.7%
London	9.7%
Outside London	8.1%

5. For each of the protected characteristics, does the information or evidence you have considered identify any existing discrimination or disadvantage faced by persons who share a protected characteristic in the work area, sector, or market that is most relevant to your policy/project/proposal?

- Overall, our view is that the changes do not affect colleagues based on protective characteristics in a positive or negative way that is disproportionate or unfair.

6. PSED (1): Does your policy/project/proposal tackle or seek to eliminate any discrimination or disadvantage faced by persons who share a protected characteristic and who may be affected by your policy/project/proposal?

In making this assessment, you should have regard to the information provided above in relation to: (i) who may be affected by your policy/project/proposal; (ii) what protected characteristics those persons share; and (iii) what discrimination or disadvantage the evidence you have considered suggests that those persons already face.

See Section 5 above for a detailed analysis.

7. PSED (2): Does your policy/project/proposal seek to advance the equality of opportunity between persons who share a 'relevant protected characteristic' and those who do not?

One of the objectives of the changes is to reduce the pay gaps and increase equality of opportunity between those colleagues who share a relevant protected characteristic and those who do not. The smaller pay ranges and changed performance model will raise salaries quicker for more junior colleagues who are more likely to have protected characteristics. The removal of the discretionary bonus scheme will alleviate the associated bonus gap.

8. PSED (3): Does your policy/project/proposal seek to foster good relations between persons who share a 'relevant protected characteristic' and those who do not?

The changes seek to build better relationships between colleagues with and without particular protected characteristics.

1 Appendix A

Bonus gap for period 1 April 2022 – 31 March 2023 reported in July 2023

Bonus gap

The table below shows the bonus gaps as reported over the last few years. The gender bonus gap has in the past been mainly driven by men having higher salaries, which drives the monetary value of the bonus as it was calculated as a percentage of salary.

In 2021 due to the pandemic, eligible colleagues received a fixed bonus based on the average salary and set percentage for their respective contractual grade, rather than a performance rating. This meant there was more standardisation in the bonus awards received and the mean bonus gap reduced significantly. However, the median bonus gap does show an increase. The increase to the median bonus gap is reflective of the higher representation of females in more junior roles compared to males who were more likely to sit in more senior roles.

In 2022, the performance ratings were re-introduced, and individuals received a bonus award based on a fixed percentage of their salary. The percentage award was higher for those in more junior roles. Only those with a performance rating of '4' or '5' at Head of Department level or below received an award. This resulted in an average (mean) gender bonus gap of 12.1%, and an ethnicity average bonus gap of 14.8% amongst the population that received it. The median female sat in the Associate grade level compared to the median male who sat in the Senior Associate grade level. Both were eligible for the same percentage bonus award, but the financial value was higher for the male due to the higher salary of the Senior Associate grade level.

As with the gender bonus gap, the largest driver of the ethnicity bonus gap at the median was reflective of the higher representation of minority ethnic colleagues in more junior roles compared to white colleagues in more senior roles. The median minority ethnic employee sat in the Associate grade compared to the median white colleague who sat in the Senior Associate grade.

The final calculation of the bonus gap will be completed at the end of the reporting period in March 2023. The figures will differ from those shown here due to changes in the population within the calculation by that date.

The discretionary performance bonus scheme that has now been withdrawn will be included for the last time in our bonus gap published in 2023 (covering the reporting period from 1 April 2022).

Table A1. Gender and ethnicity bonus gap

	GENDER – Bonus Gap				
	2018/19	2019/20	2020/21	2021/22	2022/23
Mean	20.5%	19.0%	20.2%	16.4%	12.1%
Median	23.5%	22.6%	23.5%	33.3%	20.0%
	ETHNICITY – Bonus Gap				
	2018/19	2019/20	2020/21	2021/22	2022/23
Mean	30.9%	31.8%	25.9%	13.7%	14.8%
Median	31.8%	32.0%	28.8%	33.3%	15.5%

FINANCIAL CONDUCT AUTHORITY

Payment Systems Regulator