



THE CHALLENGE

Gender pay gap statement 2017/18

Gender pay gap report for snapshot date 5th April 2017

Contents

Message from our CEO

At The Challenge we understand that the UK has become much more varied by age, ethnicity and income. But despite our growing diversity, many of us spend little time with people from different walks of life. This lack of connectedness affects people from all backgrounds and reaches into every corner of our society. We believe these divisions make it harder to understand others, harder to stop prejudice from sneaking in, and harder to remain connected to the community around us. So we design and deliver programmes that bring different people together to develop their confidence and skills in understanding and connecting with others.

All of this is only made possible thanks to our dedicated staff, whether they are year round or join us to for fixed periods to enable us to deliver our programmes to tens of thousands of young people every year.

Having a diverse and inclusive workforce is vitally important to us and gender equality is a key part of this. Therefore we welcome the insights that have been provided by the gender pay gap reporting regulations.

The nature of the work we do attracts a high number of female employees. 64% of our workforce is female and women are well represented across all levels of the organisation.

Our current mean gender pay gap is 12.4%, primarily driven by our employee profile where a higher than average number of men are employed in technical and systems roles, which are generally higher paid.

We take the issues of diversity and gender extremely seriously and I look forward to working with our employees as we continue to strive towards an ever more inclusive organisation.



A handwritten signature in black ink that reads "Oliver Lee". The signature is written in a cursive style and is positioned above a thin red horizontal line.

Oliver Lee OBE

Gender pay gap vs equal pay

Although equal pay and the gender pay gap look at differences between women's and men's pay, they are two different issues and this needs to be remembered when reading this report.

Equal pay is the right for men and women to be paid the same when doing the same or equivalent work. This is a legal requirement that we are committed to upholding at The Challenge.

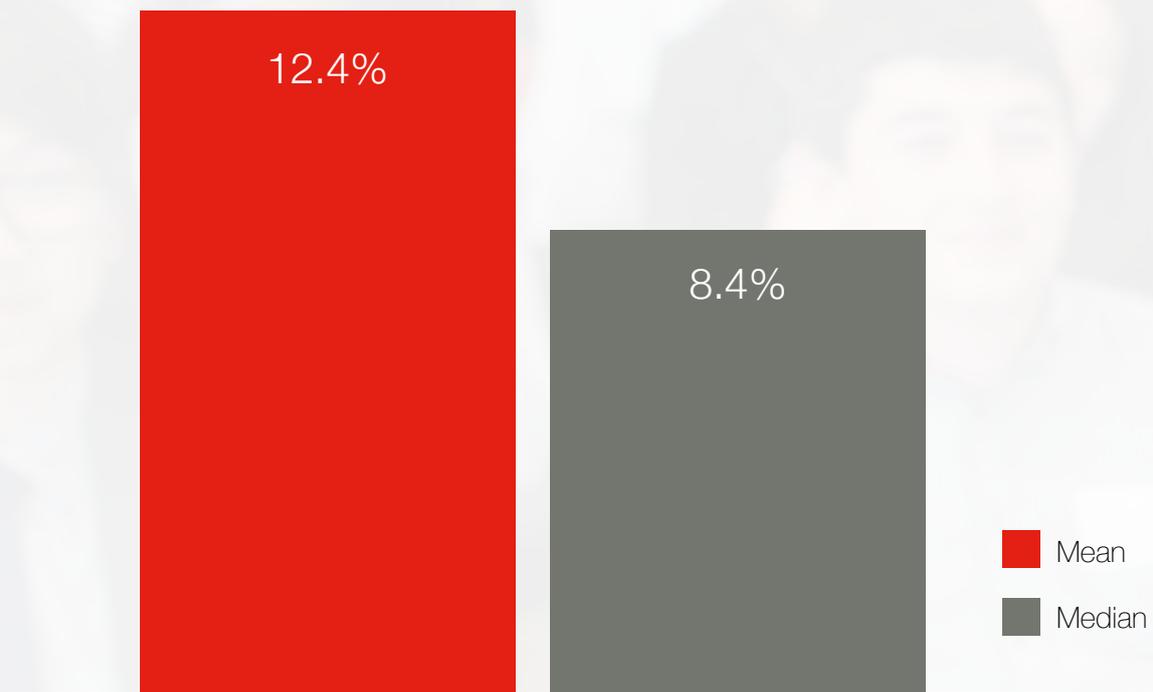
Gender pay gap is a measure of the difference between men's and women's average earnings across an organisation. All roles across the organisation are included in calculating the average earnings figure and it is expressed as a percentage of men's earnings.

This report is about our gender pay gap.

Having a gender pay gap does not automatically mean that there is an equal pay issue within an organisation. There are a number of reasons for a gender pay gap, for example, a gender imbalance in the different levels of roles or if particular types of role are dominated by a single sex. The Challenge is an equal pay employer, having regard to equal pay legislation and adhering to an equal pay practice.



Mean and Median pay gap at The Challenge



Mean gender pay gap

Our mean (average) gender pay gap was 12.4% at the snapshot date. This is significantly lower than the national average of 17.4% reported by the Office for National Statistics in October 2017.

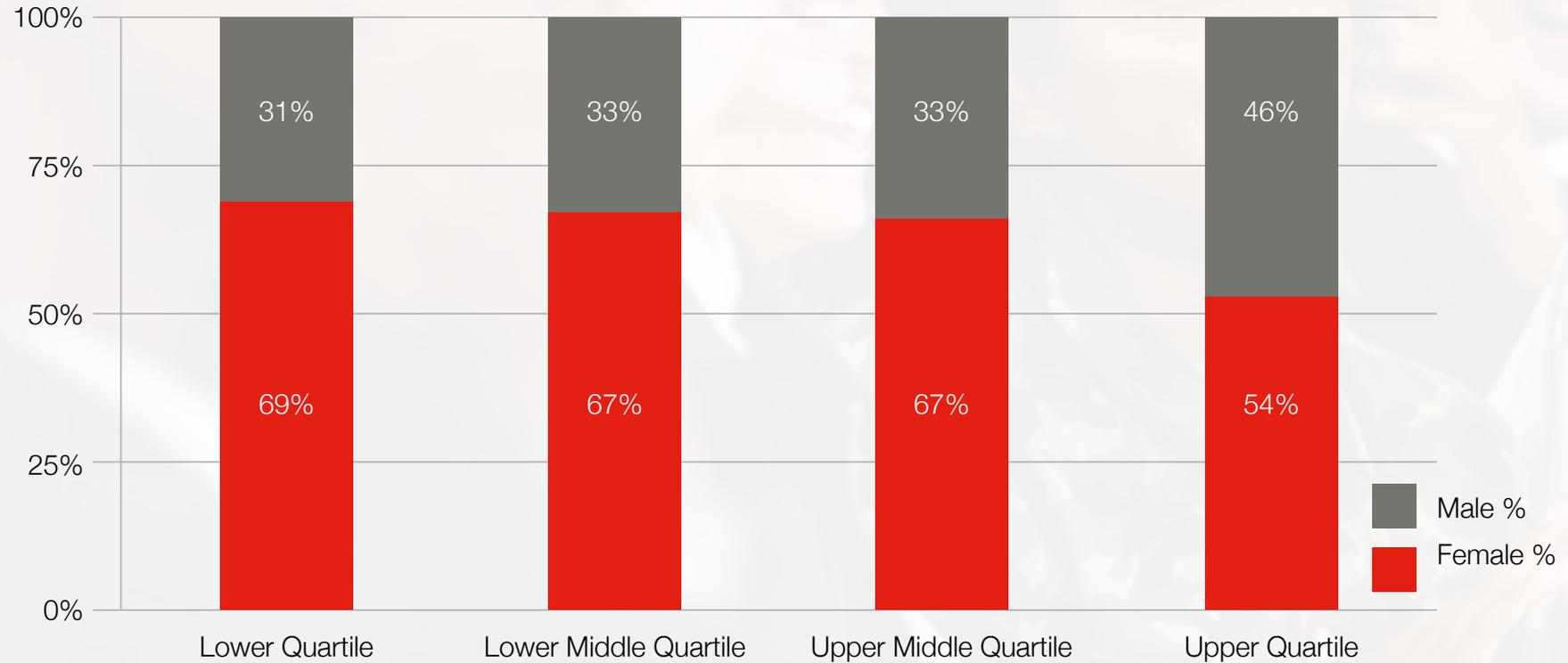
Median gender pay gap

Our median gender pay gap was 8.4% at the snapshot date. The Office for National Statistics reported an 18.4% difference nationally in October 2017.

Bonus payments

We have no figures to report for this measure because The Challenge does not make bonus payments.

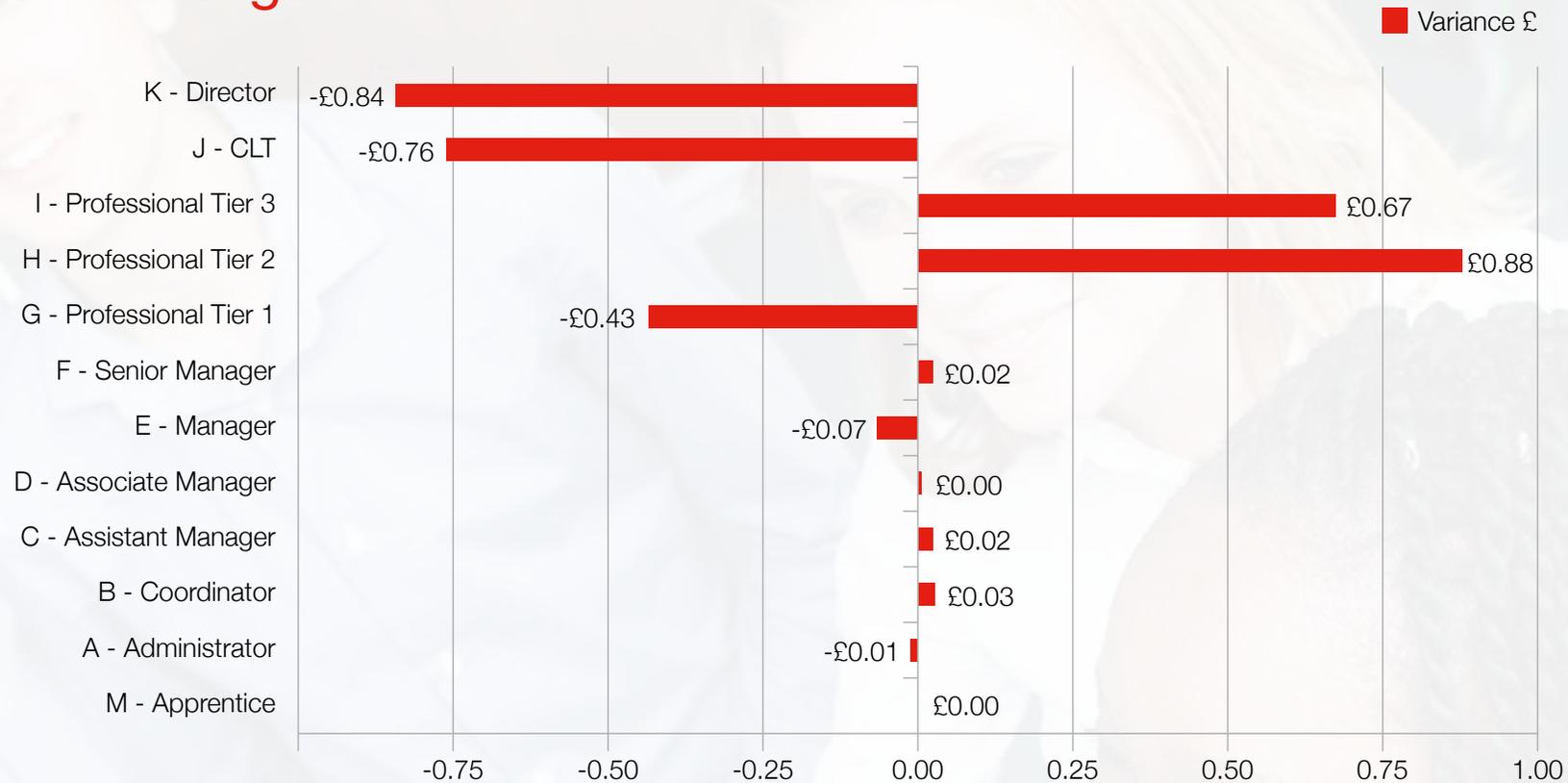
The quartile pay distribution at The Challenge



This chart shows the proportion of men and women in each of our pay quartiles (25%).

The overall gender distribution for The Challenge at the snapshot date was 64% women and 36% men, which is closely aligned with national benchmark statistics for comparison organisations.

Variance within pay bands at The Challenge



The variance within the pay bands in £s per hour is minimal with all bands showing variances below £1. A negative figure indicates that female employees in that band are paid more than the men.

This is arranged with the most senior level at the top, which shows that female directors and senior leadership in The Challenge tend to earn more than their male colleagues.

What is the reason for a gender pay gap within The Challenge?

Our mean gender pay gap was 12.4% at the snapshot date compared to an 8.4% gap in the median pay rate. When we look at the salaries we pay our men and women, this drives part of the reason for the gender pay gap as we have a higher proportion of men in systems and technology roles, which across the UK tend to have a higher representation of men. These roles are typically paid higher than other roles where we have a higher representation of women. For this reason the median pay rate tends to more accurately reflect the typical Challenge employee.

Combined with the figures for the overall median gender pay gap, this indicates that roles are fairly rewarded and that the overall gap is mainly due to more men in the upper pay quartiles as mentioned previously. This is something we are committed to changing, and looking at the March 2018 pay quartiles based on gross salaries, the upper quartile now consists of 60% women and 40% men which is more aligned with the total workforce distribution of 62% women and 38% men.



What are we doing to reduce the gender pay gap at The Challenge?

Ongoing programme of benchmarking:

- We use formal job evaluation tools to determine accurately the salary scale a role should be paid to minimise bias in the hiring process when it comes to pay.
- We will continue to carry out annual internal and external benchmarking of our salaries.
- Always consider the impact of our remuneration policy on gender pay differences.

Focus on recruitment to reduce any bias at hiring:

- As part of our wider diversity programme we track and monitor our gender representation in the organisation
- We will further develop our managers interviewing skills to raise awareness of potential gender bias in hiring decisions
- We are reviewing our existing recruitment and sourcing methods for the organisation which will enable us to increase diversity in our candidate pipeline.

Improve training and awareness:

- Further expand on our recent mental health initiative by introducing equality and diversity training for our managers
- Conducting a full review of our flexible working practices.



Appendix – Gender pay gap reporting terms

- All employers with more than 250 employees are legally required to report on their gender pay gap.
- Data provided is as at the required 'snapshot' date of 5th April 2017
- The mean gender pay gap is the difference between the mean (average) hourly pay rate for all men in our organisation, and the mean hourly pay rate for all women, expressed as a percentage of the mean hourly rate for men.
- The median gender pay gap is the difference between the median (middle) value of hourly pay rates (when ordered from lowest to highest) for all men in our organisation, and the median value of hourly pay rates for all women, expressed as a percentage of the median hourly rate for men.
- The bonus gender pay gap is not applicable to The Challenge as we do not make any bonus payments.
- Quartile pay distribution is the proportion of men and women in each 25% (quartile) of our pay structure, calculated by taking all the hourly pay rates, from lowest to highest, for all men and women and dividing them into four equal sections of 25%: lower, lower middle, upper middle and upper.



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