

Pay Inequality in Fujitsu



Unite dossier, 7th November 2016

Summary

In a society with gross inequality, Fujitsu’s pay is more unequal than the norm, based on its own figures. High paid staff are paid better than market rates, while low-paid staff are paid worse than market rates.

Fujitsu has a mean gender hourly pay gap in of 16%, and a median gender hourly pay gap of 17%.

With a high degree of statistical confidence it is shown that the “standard” pay review, in areas without collective bargaining, was not independent of gender, age or disability.

Women are concentrated in lower-paid roles, and women are on average paid less than men in the same role.

Fujitsu operates most of the pay practices identified by the Equality and Human Rights Commission as posing “risks in terms of potential non-compliance with an employer’s legal obligations”.

Fujitsu had promised Unite in 2007 that it would carry out an Equal Pay Audit but has not yet done so. It is refusing to provide requested equality information to its UK Information & Consultation of Employees body, Fujitsu Voice.

Fujitsu claims to be a Responsible Business. It is time the company stopped trying to conceal issues and started working with Unite and other employee representatives to identify and correct them. Continuing unwillingness to do so in the light of such overwhelming evidence will leave it exposed to potential litigation by employees. It has also contributed to the current industrial action by Fujitsu staff.

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Background

Fujitsu Services Limited (FSL) is the main Fujitsu company in the UK and directly employs 9526 people in the UK¹. It also has subsidiaries employing much smaller numbers, including Fujitsu Services (Engineering Services) Limited.

The company recognises unions in several parts of the company, the largest of which is the Manchester bargaining unit with Unite. All UK employees of FSL are represented by Fujitsu Voice, established through a Negotiated Agreement under the Information and Consultation of Employees Regulations 2004. The topics and scope for Fujitsu Voice include equal opportunities, diversity, pay and benefits.

Fujitsu allocates each employee a “Professional Community Role Code” (“role code” for short), which is made of three parts. The “Professional Community” is a broad job family. These are divided into narrower job families called “roles”, which are in turn divided into “benchmarks” reflecting seniority within the particular “role”.

Fujitsu generates an “Internal Reference Salary” (IRS) for each Professional Community Role Code which is the median salary of its UK employees on that role code, excluding a few hundred on a separate pay system for service desks and some related jobs, and normalised to a 37-hour week.

Fujitsu also creates two “Market Reference Salary” (MRS) figures for each role code. These are Fujitsu’s estimates of lower and upper quartile external market rates, using information from external data providers.

The “standard” pay system, for those without collective bargaining, covered 7061 people for the 1st August 2016 pay review. This is based entirely on management discretion based on “guidelines”.

The company agreed in 2007 to carry out an Equal Pay Review and to work with Unite to agree a timescale and on other related matters². Fujitsu has still not done so and has said it does not intend to.

After receiving some initial information which raised concerns, Fujitsu Voice requested further statistics about pay inequality on 8th September 2016, to allow them to carry out a proper analysis. Fujitsu refused to provide this information, leading some of the Fujitsu Voice representatives to complain using the formal dispute resolution process, which could lead to a ruling by the Central Arbitration Committee.

This dossier has been produced using company accounts, information provided to Unite for collective bargaining covering 760 employees in the Manchester bargaining unit, Fujitsu’s IRS and MRS figures, and information provided to employees via Fujitsu Voice with respect to the 7061 covered by the “standard” pay review.

¹ Information provided to Fujitsu Voice, the UK Information & Consultation of Employees body, 19 July 2016

² Section 12 of the Manchester Pay And Benefits Agreement <http://www.ourunion.org.uk/fujitsu/agreements.htm>

Overall inequality

The company accounts³ show that the highest paid director received aggregate emoluments and benefits worth £1.448m last year.

The mean salary for the people covered by the “standard” pay review was £43669⁴, but the mean masks huge inequalities. Some employees are currently paid below the £8.45 an hour Living Wage⁵, while employees of the Fujitsu Services (Engineering Services) Limited subsidiary (known as FESL) saw their bonuses cut dramatically earlier in the year just to fund the statutory National Living Wage of £7.20 an hour.

Fujitsu provides both IRS and MRS figures for each role code, allowing us to compare Fujitsu UK median salaries with Fujitsu’s view of the external market rate for the same role.

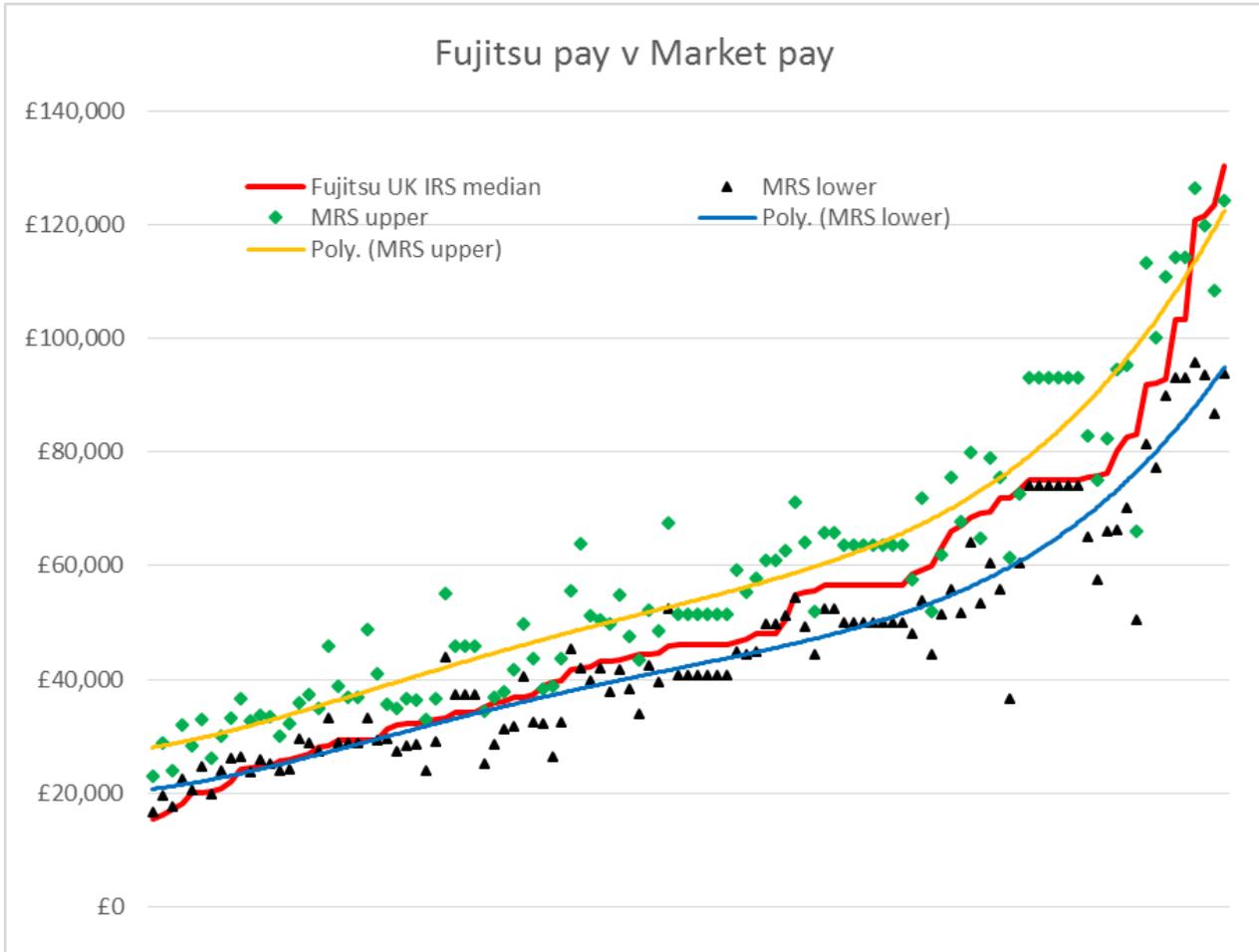


Figure 1 Fujitsu pay v Market pay

The red line on the graph above shows median Fujitsu UK salaries (IRS) for all the roles present in the Manchester bargaining unit. The orange and blue trend-lines based on the black and green markers, which are Fujitsu’s view of the lower and upper quartile external market rates for the same roles (MRS). It is clearly visible that for lower-paid roles Fujitsu tends to pay below the market rate, but for higher paid roles Fujitsu tends to pay above the market rate.

In a society and labour market that many feel is too unequal, with disproportionate rewards going to a tiny percentage of people at the top, Fujitsu is more unequal still.

³ Note 11

⁴ Information provided via Fujitsu Voice

⁵ <http://www.livingwage.org.uk/>

August 2016 “Standard” Pay Review

The company provided some very limited information to Fujitsu Voice about the distribution of pay rises for the 7061 people who were covered by the standard pay review.

The alarming results below were put to the company by Fujitsu Voice, but no meaningful response has been given or action taken.

Gender

Pay review	Male	Female
0%	1943	450
>0%	3367	1301

Men were 1.4 times more likely to receive a 0% pay review than women. Using Fisher’s Exact Test (2-tailed) shows that the statistical significance of this difference is extremely high (P=0.000000000000003%).

The P-value is showing the probability of getting this result by chance if pay review was unrelated to gender. For comparison, in most statistical fields, <5% probability of a result occurring by chance is typically considered an acceptable level for rejecting the hypothesis that there is no causal link.

Note: figures elsewhere in this dossier suggest that far from being discrimination against men, the difference is wholly inadequate to remedy a significant gender pay gap where women are paid less than male colleagues.

Disability

Pay review	Not disabled	Disabled
0%	2101	157
>0%	4248	211

Disabled staff were 1.3 times more likely to receive a 0% pay review than non-disabled staff. Using Fisher’s Exact Test (2-tailed) shows that the statistical significance of this difference is high (P=2%).

Age

Pay review	<50	50+
0%	1362	1034
>0%	3004	1661

Staff aged 50+ were 1.2 times more likely to receive a 0% pay review than younger staff. Using Fisher’s Exact Test (2-tailed) shows that the statistical significance of this difference is extremely high (P= 0.00000007%).

However, younger staff are more likely to be paid below the median (IRS) for Fujitsu staff in the same role code:

Pay	<50	50+
> IRS median	2036	1535
<= IRS median	2330	1160

Staff aged <50 were 1.2 times more likely to be paid below the IRS median than older staff. Using Fisher’s Exact Test (2-tailed) shows that the statistical significance of this difference is extremely high (P= 0.000000000000003%).

Gender Pay Gap

Manchester overall gender pay gap

Using data provided by the company for the 760 employees in the Manchester bargaining unit, Unite was able to calculate the mean hourly rates for female and male employees:

	Mean hourly rate	Number of employees
Female	£17.84	137
Male	£20.70	622
All	£20.19	759

The gender pay gap based on mean hourly pay is therefore £2.86 an hour, or 16%.

The same data also enables the calculation of the gender pay gap at median, lower and upper quartile salaries:

Salary percentile	Female hourly rate	Male hourly rate	Gap	%Gap
25%	£11.75	£14.17	£2.42	21%
50%	£16.84	£19.76	£2.92	17%
75%	£22.38	£25.28	£2.90	13%

The gender pay gap based on median hourly pay is £2.92 an hour, or 17%.

Figure 1 shows the gap at various percentiles.

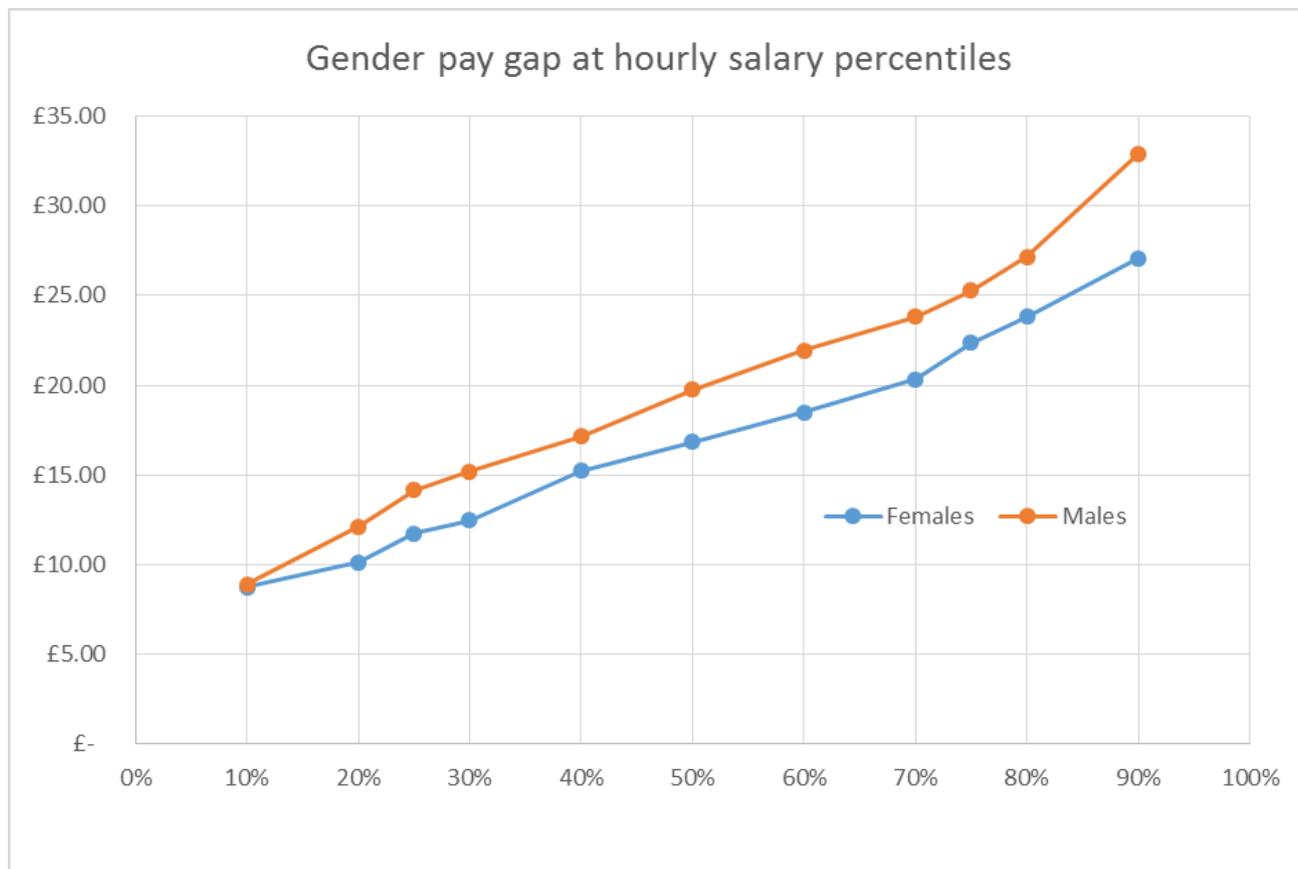


Figure 2 Gender pay gap at hourly salary percentiles

Understanding the gender pay gap can be confounded by part-time working, which is generally more prevalent among women, who bear disproportionate caring responsibilities, and which is generally lower paid. If we exclude part-time workers (those on less than 35 hours per week) from the calculations:

>=35 hour week only	Mean hourly rate	Number of employees
Female	£17.92	105
Male	£20.68	605
All	£20.27	710

The gender pay gap for full-time workers only is £2.76 or 15%, so the part-time pay gap accounts for very little of the observed gender pay gap.

Comparing full-time and part-time workers (ignoring gender) showed a mean hourly part-time pay gap of £1.32 or 6.9%:

Hours	Number of employees	Mean hourly rate
>=35 hours	710	£20.27
<35 hours	49	£18.96
All	759	£20.19

Job segregation

One of the causes of gender pay gaps is job segregation. Women may be concentrated in occupations which are paid less, or at lower levels within a particular occupation. Jobs mainly done by women may be undervalued relative to jobs mainly done by men.

The following graph shows how women⁶ are concentrated in the lower-paid Professional Community Role Codes, measured by Fujitsu's UK-wide "IRS" median salary. Each blue dot represents a role code, the black line is the trend.



Figure 3 Women are concentrated in lower-paid roles

This picture is also reflected in the Manchester population. The following graph shows the same information but with the mean hourly rate for Manchester staff, rather than Fujitsu's IRS UK-wide median.

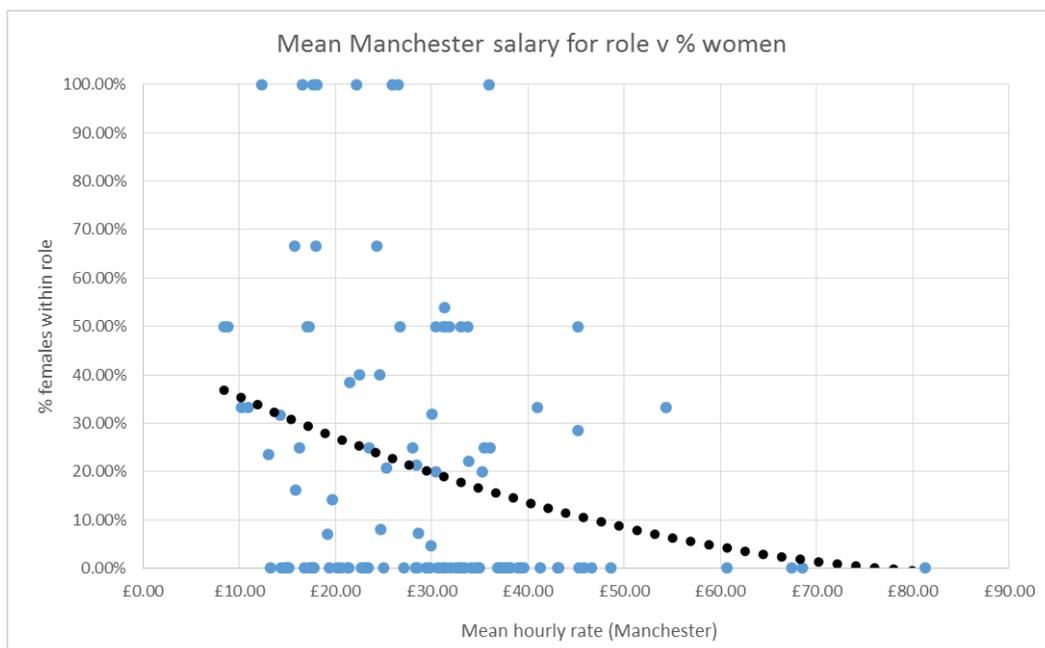


Figure 4 Women are concentrated in lower-paid roles (2)

⁶ The percentages of women are based on the 760 people in the Manchester bargaining unit

It is hard to explore the impact of job segregation in detail, given Fujitsu’s refusal to provide data beyond the Manchester bargaining unit. Meaningful analysis at the 3rd level of Professional Community / Role / Benchmark is therefore not currently possible. The following table shows jobs grouped at the 2nd level of Professional Community / Role for roles with at least 5 men and 10 women in the data available:

Professional Community / Role	Women	Mean hourly rate (female)	Men	Mean hourly rate (male)	Gender pay gap	% gender pay gap
OPC/TSS	32	£11.91	223	£14.86	£2.95	25%
PRM/PJM	10	£19.92	25	£22.78	£2.86	14%
SDM/SDMG	15	£24.98	20	£25.95	£0.97	4%
SSD/DEV	12	£17.83	71	£22.31	£4.47	25%

A likely explanation for Professional Community / Role groups with large gender pay gaps is a high degree of “vertical” segregation, where women are concentrated in the lowest benchmarks within the role.

Taking the same analysis up to the top level – just Professional Community:

Professional Community	Women	Mean hourly rate (female)	Men	Mean hourly rate (male)	Gender pay gap	% gender pay gap
OPC	50	£13.41	316	£15.25	£1.84	14%
PRM	14	£17.65	30	£22.58	£4.93	28%
SDM	18	£23.51	24	£24.31	£0.80	3%
SSD	15	£18.77	79	£23.22	£4.44	24%

Pay differences within Professional Community Role Code

While the population within each role code is too small for meaningful analysis, each role has an IRS median salary with which the 760 employees in the Manchester bargaining unit can be compared. On average, women are paid a smaller percentage of their IRS median than men – 1.4% less.

	Female	Male
Mean % of IRS median	100.70%	102.14%

What next?

This report has demonstrated that the hypothesis that pay and pay review outcomes in Fujitsu are unrelated to the protected characteristics in the Equality Act 2010 is false, with an extremely high degree of statistical confidence. This does not, in itself, tell us anything about the mechanisms at work to produce these outcomes.

The statutory Code of Practice on Equal Pay⁷ explains that “Employers are responsible for providing equal pay for equal work and for ensuring that pay systems are transparent. Where a pay system lacks transparency the employer must be able to prove there is no sex discrimination behind a pay differential”.

Fujitsu’s pay system is not transparent – there is no way for an individual to know why they get paid what they get paid or how that relates to the pay of others. The Code lists a number of common pay practices which pose risks in terms of potential non-compliance with an employer’s legal obligations. Comparing them to Fujitsu’s approach to pay and benefits perhaps indicates why the company may have a problem:

Risky practice	Fujitsu
lack of transparency and unnecessary secrecy over grading and pay	Yes
discretionary pay systems (for example, merit pay and performance-related pay) unless they are clearly structured and based on objective criteria	Yes
different non-basic pay, terms and conditions for different groups of employees (for example, attendance allowances, overtime or unsocial hours payments)	Yes
more than one grading and pay system within the organisation	Yes
long pay scales or ranges	Yes
overlapping pay scales or ranges, where the maximum of the lower pay scale is higher than the minimum of the next higher scale, including ‘broad-banded’ structures where there are significant overlaps	Yes
managerial discretion over starting salaries	Yes
market-based pay systems or supplements not underpinned by job evaluation	No
job evaluation systems which have been incorrectly implemented or not kept up to date	No job evaluation system
pay protection policies.	No

The company is now proposing to make radical changes to the job / grading structure to create a Fujitsu Role Framework, but there is no indication that the company is taking into account its obligations to avoid discriminating against employees in the design of the system.

The Code goes on to say “Most employers believe that they provide equal pay for equal work, irrespective of the sex of the job holders or whether they work full or part time. An equal pay audit is the most effective way of establishing whether an organisation is in fact providing equal pay”. Fujitsu committed to doing this nearly a decade ago, but staff are still waiting, while the company resists providing employee representatives with the information they need to investigate the problems clearly identifiable even with the limited data available.

Previous analysis by Unite showed that women, part-time workers, ethnic minorities (particularly employees of Indian origin) were significantly more likely to be selected for redundancy by Fujitsu. While this analysis did assist a number of members at risk of redundancy, there is no sign that this has resulted in any change in practices, an issue of significant concern given the proposed 1800 UK job cuts over the next 18 months.

Fujitsu claims to be a Responsible Business. It is time the company stopped trying to conceal issues and started working with Unite to identify and correct them. Continuing unwillingness to do so in the light of such overwhelming evidence will leave it exposed to potential litigation by employees. The company’s refusal to tackle inconsistent pay and benefits is a significant factor in the industrial action currently being taken by Fujitsu staff.

⁷ <https://www.equalityhumanrights.com/en/publication-download/equal-pay-statutory-code-practice>