

## **Written evidence submitted by the Chartered Institute of Personnel and Development (CIPD)**

### **Background**

The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has 155,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

Public policy at the CIPD draws on our extensive research and thought leadership, practical advice and guidance, along with the experience and expertise of our diverse membership, to inform and shape debate, government policy and legislation for the benefit of employees and employers, to improve best practice in the workplace, to promote high standards of work and to represent the interests of our members at the highest level.

### **Executive summary**

To really support gender equality at work, organisations need to lead from the top, so the CIPD believes it is vital that at board level there is knowledge of workforce policies, practices, behaviours, and data to inform its understanding of people risks, in the same way that the board is expected to have sufficient understanding of the financial risks. It should also support its organisations' leaders to genuinely champion gender equality as role models, through ensuring they understand the importance and the value of EDI to the business, employees and wider society.

Managers play a key role in delivering EDI practices meaning they should receive ongoing training to help them support individuals, create inclusive workplaces, and have the confidence and capability to be proactive and deal with conflict at the earliest possible stage.

It is also important to give employees a voice at all levels to give their views on the barriers to women entering and progressing their careers in the specific organisation context, and feedback on the organisation's current approaches to improve gender equality. To help employers make meaningful change, there needs to be practical guidance on how to gather and use data and evidence to identify where to focus their attention and take action to improve gender equality in access to work and progression.

We also believe that the Government should conduct a review of workforce reporting among large employers to improve consistency of disclosures about the workforce, as well as make the provision of a narrative and action plan a mandatory element of Gender Pay Gap reporting.

## **Our response**

### **Q.1 The progress in removing the barriers to women entering and progressing their careers across the financial services industry, including progress to financial services firms' Boards, including executive roles**

In this section we look ahead at where attention may need to be focused within the finance and insurance industry to make further progress on women's equality. Our [Inclusion at Work survey 2022](#), in partnership with Reed, highlights the gaps where EDI practice in the finance and insurance sector differs from practice in UK organisations overall and needs to be strengthened to support women's equality.

Although the survey data we draw on looks at improving inclusion and diversity in general, we know from wider research that many of the practices we asked about can help improve women's equality. Therefore, the findings can be helpful in ascertaining where further attention may be needed to remove the barriers to equality of opportunity for women in this sector. For example, we know leaders and managers play a key role in creating an inclusive workplace, setting and influencing the organisation culture, role modelling what's acceptable behaviour and addressing unacceptable behaviour. However, the findings suggest there is room for improvement in how they support diversity and foster inclusion within this sector.

#### **Inclusion at Work survey data**

Our Inclusion at Work survey 2022, in partnership with Reed, asked employers about their approach to improve inclusion and diversity and the practices they are using, as well as future plans. A large sample of 2,009 senior decision makers responded about their organisation's approach; 130 of these were from the Finance and Insurance industry.

#### **Focus on gender diversity and inclusion**

The finance and insurance industry are slightly ahead of UK organisations in general in terms of a focus on gender as an area of diversity and inclusion. However, percentages are still low, suggesting there is significant room for improvement here, although the finance and insurance industry is not alone here.

- The finance and insurance industry are slightly more likely to have **focus on gender as an area of inclusion and diversity** over the past 5 years (since 2017) than the whole sample (27% versus 21%).
- And also slightly more likely to say they are planning to focus on gender over the next 5 years (up to 2027) (20% versus 14% of the whole sample).

## Senior leaders

The EDI agenda needs to be owned by the whole business, including gender equality, starting with leaders. They set the tone for the organisation, are a significant influence on its culture, and signal to the rest of the workforce what is acceptable or unacceptable behaviour through their position as role models.

Progress on gender equality therefore requires serious commitment and dedicated attention from leaders. However, like most employees and managers, leaders will also need training and support on equality, diversity and inclusion to understand how to lead in this way, including what it means for them and their role. Ensuring they have capability and confidence in this area is essential. They need to exemplify inclusive behaviour as well as ensure inclusion is a key consideration in strategy and high-level business decisions. They won't have lived experience of all aspects of diversity, yet they need to be internal and external champions of inclusion and diversity.

The survey findings reveal some interesting trends and flag where attention is needed. Senior decision makers in the finance and insurance industry were less likely to say senior leaders in their organisation are committed to having a diverse workforce (63% versus 71% of whole sample) but there was little difference in the percentages who said senior leaders are committed to having an inclusive workplace (72% versus 75% of whole sample).

Positively, they were more likely to say:

- **Tangible action on inclusion and diversity is part of how senior leaders' performance is judged** (37% versus 29%).
- And that **senior leaders actively promote inclusion and diversity in their organisation** (55% versus 48% of whole sample).

However, they were also more likely to say:

- **Senior leaders just pay lip service to inclusion and diversity** (31% versus 21% of whole sample).
- **Senior leaders wrongly believe we already have an inclusive and diverse organisation** (30% versus 23% of whole sample).

- **Senior leaders feel uncomfortable talking about inclusion and diversity** (34% versus 23% of whole sample).

**Recommendation 1:** Support leaders to genuinely champion gender equality as role models, through ensuring they also receive training and ongoing support. They need to understand the importance and the value of EDI to the business, employees and wider society as well as what it means for them and their role, including feeling confident talking about gender equality at work.

## Managers

We know managers are a key influence on employees' day to day experience at work. They enact people management practices, design jobs, allocate work, and have a significant influence over hiring and promotion decisions. They are employees' main, formal point of contact with the organisation, and their behaviour and management style shapes the culture of the team. Just like leaders, their behaviour sends a clear message to employees about what's acceptable behaviour and what's not.

Recognising managers' pivotal role in creating an inclusive and diverse workplace is fundamental to progress in this area. The findings suggest some organisations in the industry are already taking steps to equip managers with the skills to manage inclusively; however, there is room for improvement here.

Senior decision makers in the finance and insurance industry were more likely to say they thought managers in their organisation had the time and the resources needed to foster diversity and inclusion in their team than respondents as a whole. They were less likely to agree that **Managers are not given the time and resources to foster a diverse and inclusive team** (20% versus 28% of whole sample). Employers in the finance and insurance industry were also more likely than employers overall to say they **train managers in fair and inclusive people management** (32% versus 23%).

However, they were also less likely to agree that managers have the capability, and are taking action to, create a diverse and inclusive organisation:

- **In general, managers feel confident to improve inclusion and diversity in their team** (46% versus 51%)
- **Managers have the 'softer' people management skills to manage people as individuals with empathy, fairness and compassion.** (49% versus 60% of whole sample)
- **Managers call out behaviour that undermines inclusion and diversity at a local level** (48% versus 55% of whole sample)

**Recommendation 2:** Ensure managers' EDI training is complemented by ongoing support and broader training on 'softer' people management skills including how to manage people as individuals with empathy, fairness and compassion. Also, that they feel confident to manage EDI in their team, putting training into practice.

**Recommendation 3:** Ensure that managers understand the importance of their management role in creating an inclusive workplace, and the benefits for employees and the business.

### **Recruitment approaches and organisation policies**

Employers in the finance and insurance industry are more likely than the sample as a whole to have/use:

- Diversity targets (e.g. aiming for a proportion of interviews to be offered to women) (18% versus 9% of whole sample)
- Expressing commitment to inclusion and diversity on recruitment materials and career web pages – 28% versus 21% of whole sample
- Making reasonable adjustments where possible throughout the recruitment process (39% versus 34% of whole sample)
- Alternative selection methods to enable candidates to demonstrate job-related skills (e.g. role play, written exercises, problem solving tasks) – 29% versus 18% in the sample as a whole.

Employers in the finance and insurance industry are more likely than the sample as a whole to have/use:

- Hybrid working policies (e.g. ability to work from home/ remotely and in physical workspace) (64% versus 48%)
- Anti-discrimination, bullying and harassment policies (55% versus 49%).
- Internal mobility policy (e.g. supporting a transparent approach to internal movements, developments, career opportunities) (27% versus 19%).

It's encouraging that these recruitment approaches and organisation policies are in place across some of the industry, but the low prevalence figures (particularly concerning the inclusive recruitment approaches) suggests significant room for improvement across the industry, as well as UK organisations more generally.

It's important to also note that policies and practices alone, although necessary, are not sufficient to create a diverse and inclusive workplace with genuine equality of opportunity. They can help attract a diverse candidate pool, but need to be complemented by an inclusive culture, leadership and management as discussed above.

**Recommendation 4:** In complement to having inclusive policies and people management practices in place, people's day to day experience of working at the organisation and the opportunities they are offered needs to be understood through data and evidence, and issues which undermine EDI urgently addressed.

### **Employee involvement**

A deep understanding of the organisation culture and lived experience of working there requires insight from employees. Their views should be an essential part of data and evidence gathering. This insight can be extremely valuable in not only identifying barriers to equality, but also in designing solutions to address them.

Finance and insurance industry employers were less likely to say their organisation **Encourages employee involvement in issues of workforce representation and progression** (33% versus 45% of whole sample).

**Recommendation 5:** Invite employees at all levels to give their views on the barriers to women entering and progressing their careers in the specific organisation context, and feedback on the organisation's current approaches to improve gender equality. But firstly, ensure the culture supports this engagement e.g. do employees feel psychologically safe to voice their views and concerns? Is there a selection of robust mechanisms in place to support employees to do this? Do all employees feel able to engage?

### **Conflict management**

People managers are at the forefront of identifying and managing conflict. They need to challenge behaviours that cross the line into being inappropriate and being sensitive to situations where banter becomes bickering or bullying, as well as picking up on any underlying tensions in their team.

The Inclusion at Work survey findings show that although some measures are in place, there is also room for improvement. Employers in the finance and insurance industry are more likely than the sample as a whole to have:

- Confidential reporting channels, such as telephone helplines run by third parties, to provide support for employees wishing to report bullying or harassment (32% versus 17%).
- Conducting/ reviewing exit interviews for inclusion and diversity issues (32% versus 19%)

However, they're less likely to agree that:

- Overall, managers deal with any discrimination, bullying, or harassment issues promptly, seriously, and discreetly (63% versus 72% of whole sample).
- And they're less likely to say their organisation Monitors/ measures the application of disciplinary processes across different personal characteristics (19% versus 26% of whole sample).

**Recommendation 6:** Ensure managers have the confidence and capability to be proactive and deal with conflict at the earliest possible stage. This requires employers to invest in the skills and competence of managers so that they are not afraid of tackling conflict head on, and that they encourage informal, positive routes to resolution where appropriate.

#### **Q.4 The progress on removing gender pay gaps in financial services and in implementing measures to address such gaps**

The gender pay gap remains stubbornly high, and too many women continue to face sexual harassment and discrimination in the workplace. The introduction of gender pay gap reporting has helped ensure more organisations are taking steps to tackle inequality at work, but more action is needed.

If not addressed, this gap not only disadvantages individuals, but means employers miss out on a wealth of talent as they risk their reputation as a fair and inclusive employer. Gender pay gap reporting has brought transparency to workplace gender equality issues that need addressing, but it's the action that follows that makes the real difference.

The CIPD has [conducted an analysis](#) of company reporting on the gender pay gap and found that the widest gender pay gaps are in the financial and insurance activities (22.2%), construction (22.1%) and education (20.4%) sectors. By contrast, the gender pay gap is narrowest in the accommodation and food service activities (1.1%), and human health and social work activities (1.9%) sectors.

When disclosing their pay data to the official gender pay gap reporting website, organisations can upload a link explaining the reasons behind the size of the gap as well as any actions that they might be taking to tackle it. In the first year of gender pay gap reporting in 2017/18, 74% of all employers took advantage of this option. However, by the most recent reporting period, this percentage had fallen to 56%.

Within the financial services sector, at the start of reporting, 83% of employers uploaded a link to a narrative explaining the reasons behind the size of the gap and any actions that they might be taking to tackle it. By the reporting period 2022/23, this percentage had dropped to 72%.

While the drop in the proportion of financial service firms uploading a url is not as great as in some sectors, the fact that it has fallen can be taken as a sign that some companies no longer feel that they need to justify their figures or actions.

**Recommendation 7:** We call on government to make the provision of a narrative and action plan a mandatory element of Gender Pay Gap reporting.

## **Q.5 The role of the Government and financial regulators in:**

### **Acting as role models for good gender diversity practices**

It's important that those asking others to improve their EDI practices 'walk the talk' themselves. As well as there being an expectation that those setting the standards for others maintain those standards themselves, there is credibility to be gained from government and regulators having themselves 'tried and tested' the practices they're recommending to improve gender diversity. This experience can provide valuable for organisations in the industry.

Furthermore, it's likely that organisations look to those in power/with influence to see what they are doing and view that as the required tone and practice for their own organisation. As a professional body ourselves, we are mindful of this and strive to be a role model as well as sharing the learning from our endeavours with other professional bodies.

### **Highlighting research on good gender diversity practices**

There is also an educational role for government and regulators in highlighting research and good practice. The FCA's evidence review on diversity & inclusion in the workplace<sup>i</sup> is



likely to have brought this information to a wider audience and could be a foundation stone for further research and resource on 'what works'. Responses to the recent Department for Business & Trade call for evidence on non-financial reporting could also provide further examples.

### **Setting standards for good gender diversity practices**

The FCA Disclosure & Transparency rules require listed companies to report since 2022 on whether they have met specified board and executive management diversity targets (at least 40% women on board, including 1 senior board position and 1 ethnic minority background), or to explain why they have not done so. This gives shareholders the opportunity to understand the make-up of boards, and to vote against boards which they consider unrepresentative of their customer base and likely to underperform competitors, and provides information to other stakeholders. It would be useful to see a review as to how well the disclosures are made at some stage as we are only in the first year of reporting; we understand that the FCA review is currently scheduled for 2025.

FRC Board Effectiveness Guidance asks boards to consider:

*How often is a skills audit undertaken and are we keeping up with the pace of change? CIPD research suggests that the focus of regulators and shareholders is too much on the individual rather than the team skillsets.*

### **Encouraging the development of good management cultures**

Ultimately the responsibility lies with management, but regulators can play a role in emphasizing the role that corporate culture can play in good governance, as the Financial Reporting Council has done via various reports including Creating Positive Cultures Opportunities and Challenges, December 2021.

In addition, the [FRC's Board Effectiveness guidance](#) includes relevant questions for boards to ask themselves.

### **Ensuring appropriate data is collected and published**

The CIPD is calling for the gender pay gap regulations to be amended by government, so that employers that are required to report, must also publish an accompanying narrative that explains why the figures are what they are, what action has so far been taken, the impact of these actions, and a plan that sets out the future steps to reduce the size of the gap. Alternatively, given their role, the financial regulators can ask for this information instead.

To help reduce the size of the gender pay gap, the CIPD also supports the publication of pay and pension information in job adverts, and we support Government legislation, or regulatory requirement, in this area.

Furthermore, we believe introducing workforce reporting across other employee groups experiencing disadvantage at work is vital to:

- shine a long-overdue and much-needed spotlight on the inequalities experienced by these employee groups in terms of access to work and progression, as well as
- impact gender equality for reasons of intersectionality (people having overlapping identities). It's unlikely that all women will benefit equally from progress unless we also address barriers to equality that exist relating to another aspect of their identity.

Therefore we also urge government to introduce mandatory ethnicity pay reporting for large companies to help address discrimination and enable organisations to understand where they need to take action, and to work with employer and professional bodies to encourage and enable more firms to voluntarily report on disabilities in their workforce using the DWP framework.

**Recommendation 8:** We call on government to conduct a review of workforce reporting among large employers (250 or more employees) to improve consistency of disclosures about the workforce as a means to tackle discrimination and improve inclusion at work.

### **Gender equality in company annual reports**

Increased disclosure in company annual reports around gender equality makes it easier to compare the information provided across sectors and across countries. It can shine a spotlight on what organisations are doing to combat sexual harassment and can set expectation from investors and other stakeholders that the organisation is taking action.

**Recommendation 9:** Encourage employers to include how they are improving gender equality in their annual report, through providing guidance

### **Marketing the financial industry to a more diverse base of potential recruits**

An important part of marketing the industry to a more diverse range of potential recruits is to ensure organisations in that industry are recruiting in an inclusive way. People will quickly see if an organisation is inclusive or not, whether they feel valued and whether they feel they belong there, whether that's during the recruitment process or when they join the organisation. There are practices employers can use to attract a more diverse talent pool.

### **Employer actions to drive change**

Every organisation is different and will be experiencing different challenges when it comes to gender equality and progression. We recommend employers start with their own data to see where to focus their efforts and target their actions to achieve the most effective results.

Once employers have an understanding of the areas they need to focus their efforts on, it's important to look at the evidence of actions that work to support gender equality at work. The Behavioural Insights Team (BIT) have produced evidence-based [guidance](#) to help employers do just that, and we summarise the most promising actions below. See also the CIPD's [guidance](#) on inclusive recruitment, written by the BIT, which can help employers expand the talent pool they're recruiting from.

<ol style="list-style-type: none"> <li>1. <b>Set internal targets for gender representation and equality</b> – targets are most successful when they are specific and clear, time-bound, challenging but realistic and monitored, with progress being tracked and reviewed regularly.</li> <li>2. <b>Appoint equality diversity and inclusion leads and/or taskforces</b> – having an equality diversity and inclusion lead is linked to better representation of women and minority groups in organisations. Diversity leads and taskforces should be able to review hiring, progression and talent management decisions and ask for justifications for them to create accountability.</li> <li>3. <b>Offer flexible working in job adverts</b> – advertising new roles or promotions as open to part-time or job-sharing by default increased applications from women to senior roles by 19% at Insurance and 35% at John Lewis &amp; Partners, and few hiring managers opted out.</li> <li>4. <b>Use structured interviews for recruitment and promotions</b> – compared to unstructured interviews are more likely to allow unfair bias to creep in and influence decisions. Use structured interviews that ask exactly the same questions of all candidates and grade the responses using standardised criteria.</li> <li>5. <b>Use skill-based assessment tasks in recruitment</b> – during recruitment, ask candidates to perform a range of tasks they would be expected to perform in the role they are applying for. Assessing tasks that assess a variety of skills and abilities may help to reduce differences in how men and women are rated overall.</li> <li>6. <b>Make expectations around salaries and negotiation clear</b> – women are less likely to negotiate their pay, on average, which can lead to women having lower starting salaries than men. These differences persist over time. Employers should clearly state the salary range available and whether the salary is negotiable.</li> <li>7. <b>Increase transparency to promotion, pay and reward processes</b> – ensure openness about processes and criteria for decision-making so that employees are clear about what is involved to get a pay increase or exactly how promotions are decided. Managers also understand that their decisions need to be fair and objective because they will be reviewed by others.</li> <li>8. <b>Share local support for parental leave and flexible working</b> – flexible working arrangements and generous parental leave attract diverse talent and employers need to ensure that take up is encouraged. Men may privately support other men taking longer parental leave and working flexibly, but incorrectly believe that their male colleagues think differently, so share local support.</li> </ol>	
---	--

**Recommendation 10:** Encourage and provide guidance for employers on how to gather and use data and evidence to identify where to focus their attention and take action to improve gender equality in access to work and progression.

**Recommendation 11:** Provide practical guidance for employers on how to expand the talent pool they're recruiting from, drawing on evidence-based research such as that referenced here from BIT, GEO and CIPD.

### **Sharing personal stories**

Sharing personal stories from those working in the industry can be a powerful way of attracting underrepresented groups into the industry. People look to see if 'others like them' can progress their career and reach their potential in an organisation when deciding to join it or stay. However, it's important to note that not everyone with a certain characteristic will want to share their story.

In addition, it's very important to consider intersectionality when looking at representation of a certain characteristic. People have more than one identity and people's working experience will be affected by these overlapping identities. For example, are women from all ethnic backgrounds, all sexual orientations and with different family circumstances represented at different levels of the organisation?

### **Ensuring firm cultures, policies and practices support women's aspirations and progress**

A holistic approach to building a strong and sustainable female talent pipeline is essential. This requires the development of several supportive and inclusive strategies which reach out to female employees across the workforce (including flexible working, making career paths transparent, reviewing recruitment and selection processes, analysing your people data). Ultimately, we need to be taking a systemic approach, identifying and tackling the organisation culture, systems and processes that are preventing change on gender equality happening at the pace it's required.

### **Recommendations for government**

- Ensure that the Equality and Human Rights Commission has the necessary resources to prevent sexual harassment and discrimination at work by investigating – and taking action against – employers flouting the law.
- **Establish a flexible working challenge fund** for businesses with non-office and frontline workers to trial and promote different forms of flexible working and their benefits for business and employees.
- **Increase statutory paternity leave to six weeks at or near the full rate of pay**, to help deliver more balance and choice for working parents over how to manage caring responsibilities.

- **Review and reform Shared Parental Leave to boost its uptake** by making it more attractive and simpler for working parents to use and reducing the administrative burden for employers.
- **Require employers to include basic pay and pension information in job adverts** to improve reward transparency and help reduce pay and pension gaps.
- **Run an employer-led campaign to create more menopause friendly workplaces**, building on and supporting the work of the Menopause Employment Champion

From our research we also have specific recommendations for employers about how to ensure culture, policy and practice support equality of opportunity in access to work and progression. These could help inform the creation of further support and guidance to employers.

- All employers should be taking positive steps to ensure that women are paid and treated equally in the workplace, and demonstrate a zero-tolerance approach to all forms of discrimination and harassment.
- **Senior leaders need to role-model** – and champion – flexible working.
- **Ensure there is a clearly-communicated policy on dignity and respect at work**, highlighting that there is zero tolerance of any form of discrimination and harassment.
- **Train all managers to manage people effectively**, including on the importance of leading by example, proactively tackling conflict or inappropriate behaviour, and taking formal disciplinary action (where necessary).
- **Interrogate your people data**: employers need to look at every stage of the employee lifecycle to ensure that people management practices are fair and inclusive. For example, ascertain the number of men and women applying for each role and who gets the job, and look for any ‘cliff-edge’ points in careers when women tend to leave the organisation and examine insight from exit interviews.
- **Provide a narrative and action plan to explain their gender pay gap figures** and set realistic goals for improvement, reporting on the plan’s progress in subsequent reports.
- **Wherever possible, advertise jobs as flexible** using the tagline Happy to talk flexible working.
- **Improve workplace flexibility for all** by designing more flexible jobs and training line managers to manage flexible workers.
- **Publish policies on flexible working and parental and carers leave** on the organisation’s website to highlight how the organisation supports parents and other people with caring responsibilities.
- **Enhance parental leave offerings**, wherever possible, giving families more choice over how they manage work and caring responsibilities. Create a supportive culture where people feel able to take up the provisions on offer.

## **Ensure people expertise on Boards to advance progress on women's equality and wider EDI**

Recent [CIPD research](#) found that many corporate boards are lacking directors with people expertise who can help them address organisation challenges such as closing the skills gap, attracting, and retaining talent, EDI and workforce mental health. In all, 99% of boards have a chief financial officer or a finance director among their executive directors, but just 2% have an HR director at this level, and only 25% have a non-executive director with HR experience.

People professionals can add value to boards by giving insight on remuneration, succession planning, culture, people data, organisational performance and change and EDI. There is often a significant mismatch between the skills and knowledge of UK boards and those needed to understand the main people-related risks facing organisations.

The majority of UK boards lack directors with a professional background in HR and people development, which would not be seen as acceptable for financial expertise. While all FTSE 350 company boards have members with finance or accounting backgrounds, only a quarter have a member with professional HR experience. There is even a lack of HR representation on remuneration committees (23%) and nomination committees (20%), despite these both being focused on the key people issues of reward and talent.

Among the common errors that CPOs interviewed for this research see board members making are an over-confidence/a lack of understanding of people issues and a lack of awareness/discomfort around EDI.

FRC Guidance on Risk Management and Internal Control states that: "The board should consider whether it, and any committee or management group to which it delegates activities, has the necessary skills, knowledge, experience, authority and support to enable it to assess the risks the company faces and exercise its responsibilities effectively. Boards should consider specifically assessing this as part of their regular evaluations of their effectiveness."

**Recommendation 12:** The board, supported by the HRD (if not represented on the board), should ensure that it has the necessary knowledge of workforce policies, practices, behaviours, and data to inform its understanding of people risks, in the same way that the board is expected to have sufficient understanding of the financial risks.

## **Q.6 The role of, and progress of, firms, Government and financial regulators in combatting sexual harassment and misogyny in financial services, and offering effective ways to escalate concerns about sexual harassment**

### ***Incidence of sexual harassment***

The CIPD's [2020 research](#) found that, overall 4% of employees had been sexually harassed over the past three years (7% of women reporting it versus 2% of men) and a further 7% had observed it, with the same proportion (4%) reporting sexual harassment in the financial services and insurance sector. Younger employees were more likely to report sexual harassment.

Our research explored whether the increased focus on sexual harassment, for example through the #MeToo movement, had changed workplace attitudes and practices. Encouragingly, there had been positive change in the previous two years in employees' confidence about tackling sexual harassment: a third (33%) felt more confident to challenge it and 29% felt more confident to raise a complaint about it. We are very aware of the concerns and [reported increased incidence of sexual harassment complaints](#) in the financial services sector. However, it's difficult to discern whether or not this can partly be attributed to people's increased confidence in reporting such misconduct. If so this is to be welcomed but it remains the case that any incidence of sexual harassment, in any industry, is unacceptable and it remains a stubborn problem in many workplaces.

### ***Legislative change***

Tackling sexual harassment at work requires concerted and robust action on a number of levels, including by regulators. We need much more focused change at a public policy level, including on enforcement and more awareness by employers of their statutory obligations. We note the progress of the [Worker Protection \(Amendment of Equality Act 2010\) Bill](#) through Parliament and likely amendments to it. The [CIPD's response](#) to the Government's consultation explains why we are not convinced that a new preventative statutory duty on employers at this time would have the desired impact, and there's a risk of using legislation as a blunt tool. Employers are already required under the law to take reasonable steps to prevent sexual harassment of workers by their colleagues. However, much more can be done to bridge the gap regarding current law and its effective implementation in the workplace. We do believe there is a strong case for reforming the law to make more explicit employer liability for harassment by a third party.

The Government's 2021 [response](#) to its consultation set out several intended steps which still need attention, including support for EHRC to develop a statutory code of practice and accompanying guidance issued by Government. It is important this emphasises the importance of people managers being trained to manage people properly and treat all employees with dignity and respect, and to intervene and tackle inappropriate behaviour at an early stage if it occurs. We need employers to create long-term, sustainable cultural and behavioural change, and a new statutory code could help to achieve this in workplaces.

### ***Public policy reform – role of Government and regulators***



The [CIPD's response](#) underlines the importance of Government, regulators and other stakeholders working in partnership to ensure sexual harassment is a high priority for employers. We are concerned that responsibility for enforcement is too heavily weighted on individuals. Bolder and more targeted use of the EHRC's unique enforcement powers, with the necessary additional resourcing, could help to rebalance the enforcement burden away from over-reliance on individuals. The culture around enforcement also needs to change so that there is greater awareness by employers of the consequences of not complying with their statutory equality obligations in relation to sexual harassment.

We also fully agree with the [Women and Equalities Committee](#) during its previous Inquiry, that sexual harassment (and other forms of harassment) merits the HSE's attention. Given the potential impact of harassment and discrimination on people's psychological wellbeing and the HSE's responsibility for ensuring that employers provide healthy and safe working environments, there is a clear overlap with the HSE's enforcement activity.

We welcome the Financial Conduct Authority's (FCA's) focus as a regulator in addressing sexual harassment and misconduct in the industry, including through the role played by the [Senior Managers and Certification Regime](#). The scheme helps to reinforce the need for employers to take a proactive and zero-tolerance approach to prevent and deal with sexual harassment at work, an approach strongly advocated by the CIPD. Our response sets out other priority steps needed to address sexual harassment at work, including the need for stronger corporate governance, transparency and reporting, for example employers being encouraged to publish their sexual harassment policy on their website.

#### *Organisational and cultural change – the role of leaders and managers*

It's encouraging that the CIPD's [2020 research](#) showed a significant proportion of employers reporting positive behavioural change among senior leaders, managers and employees in relation to sexual harassment. Senior and middle managers have a defining influence on the working culture and set the tone for expectations around dignity and respect.

Line managers also play a very important role in identifying, challenging and dealing with unfair treatment including sexual harassment. However, a third of employees (32%) who reported a conflict agreed their people manager made the situation worse (45% disagreed), and two in five (41%) disagreed that their people manager helped to resolve the dispute. This is not surprising given that less than half (40%) of people managers say their organisation has provided them with training in people management skills to support them in their management role. Government, working with stakeholders and regulators as well as professional bodies like the CIPD, could play a stronger role in nudging and supporting employers to improve their people management capability and inclusive working practices at a national, sector and local level.

**September 2023**