Association of Accounting Technician's response to Women in Finance inquiry

The Association of Accounting Technicians (AAT) is pleased to have the opportunity to respond to the Women in Finance inquiry, dated 19 October 2017

AAT is submitting this response on behalf of our membership and for the wider public benefit of achieving the sound and effective administration of taxes.

AAT has focussed on the operational elements of the proposals and has provided opinion on the practicalities in implementing the measures outlined. Furthermore, the comments reflect the potential impact that the proposed changes would have on SMEs and micro-entities, many of which employ AAT members or would be represented by our licensed accountants.

Why support the Women in Finance Charter?

In 2016, the Association of Accounting Technicians (AAT) became the first accountancy body to sign the Women in Finance Charter and it remains the only accountancy body to have done so.

AAT signed up to the Charter for a variety of reasons, not least to set a good example to its 140,000 members. 70% of AAT's members are women. 70% of AAT's students are women too.

AAT also licenses over 4,250 accountants who provide accountancy services to more than 400,000 British businesses. By setting a good example and promoting the benefits of initiatives such as the Women in Finance Charter to AAT members, they in turn can encourage change amongst their clients too.

Signing the Charter commits AAT to action and demonstrates to staff, members, customers, suppliers and other stakeholders that the organisation is serious about gender diversity.

Role models

AAT has sought to serve as a role model on gender diversity for several years and has long called for gender equality in business, not just in the financial services and accounting sector but across all business types. AAT has held a number of roundtable events, producing whitepapers and responding to numerous consultations on the issue. For example, a recent AAT roundtable event to discuss the gender pay gap produced five clear recommendations to address the problem - establishing a new "Women's network" to counter traditional "old boys" networks, encouraging women in senior positions to help mentor less experienced women; paternity leave should be boosted in its own right rather than shared; men and women should adopt far more flexible working patterns; employers must support staff requests for childcare and finally, there needs to be increased recognition that output rather than hours worked is a better measure of employee success.

In addition to calling for change, AAT has been keen to demonstrate its own credentials in this area - publishing Gender Pay Gap details (0.58% in 2016) long before having any legal obligation to do so; being an active member of the All Party Parliamentary Group on Women & Work and of course, signing up to the Women in Finance Charter.

The role of Government and financial regulators in acting as role models for good gender diversity practices is mixed. The Government does not appear to have taken the Women & Equalities Select Committee findings on a number of issues seriously, failing to respond to several reports in a timely fashion.

There is little doubt that more could be done to encourage companies to sign the Women in Finance Charter given that after 18 months operation there are only in the region of 150 signatories from the thousands of firms who are eligible. This could take many forms from an awareness raising programme to the threat of requirements becoming statutory rather than voluntary if certain targets are not met.

With regard to the regulatory position, the Financial Conduct Authority (FCA) has signed the Women in Finance Charter and is committed to 45% of their senior leadership team identifying as female by 2020, and 50% by 2025. In addition, the FCA has published an annual diversity plan for several years to ensure performance is measured. External assessment forms a key part of their activities too.

In contrast, the Financial Reporting Council appears somewhat more limited in ambition. The FRC has stated that it is seeking to ensure 33% of its Board is comprised of women by 2019. Although the FRC do state they are committed to, *"…ensuring that <u>approximately</u> half of senior roles continue to be held by female executives."*

The Treasury Select Committee is already more than familiar with gender diversity issues at the Bank of England, as highlighted by its correspondence to the Chancellor on the issue dated 19 October 2017. As a result there is nothing further that AAT need add.

Pay

Whilst the Women in Finance Charter commits organisations to ensuring there is a member of a company's senior executive team made responsible and accountable for gender diversity and inclusion, as well as requiring signatories to set internal targets for gender diversity in senior management, it's important not to lose sight of those at the lower end of the employment scale as gender balance across all job grades and functions is essential.

According to analysis from the Treasury, the new National Living Wage is expected to eradicate the gender pay gap for the lowest paid by 2020. It will be reduced further still by voluntary actions such as adopting Living Wage Foundation rates of pay – something that approximately 3,000 companies (including AAT) have now done.

Increasing pay at the bottom of the income scale helps improve productivity, staff retention and disproportionately benefits women given that most part-time work falls into a lower pay category and most part-time work is undertaken by women.

Returnships

Returnships represent a good opportunity to increase the number of women in senior roles.

There are numerous international examples of women successfully returning to work in significant numbers following time off to raise their children or care for relatives. A very good example being Denmark where 85% of mothers return to work after having children.

In contrast, the 2017 PwC *Women in Work* report, suggested that female employment levels in the UK stand at just 69%.

Increasing the percentage of women in work to match Danish levels would add tens of billions of pounds to the country's GDP. The social value of returning to work is clearly important too.

Returnships mean employers can hold onto skilled and experienced people. It's usually worth the extra HR, administration and associated costs for the longer-term benefits of ensuring the company concerned keeps its competitive edge – adding real value whilst also meeting the needs of employees.

Returnships represent a great opportunity for the individuals concerned (increased confidence, income and opportunities to progress), their employers (increased productivity, innovation and competitive edge) and the wider economy (increased GDP and tax revenue).

Larger employers in the accounting and finance world, those with 250 or more employees, are increasingly seeing the value of returnships with a significant number now offering these. Goldman Sachs initiated the concept in 2008 but Barclays, NatWest and other banks now offer these too. The Accountancy sector is also doing much in this area, with KPMG, PwC, EY and Deloitte all offering returnships.

In contrast, returnships at SMEs – whether in the financial services and accountancy sector or not - are virtually non-existent. The UK SME population accounts for over 99% of all private British businesses and employs well over 15 million people. However, 76% of the SME sector does not employ anyone aside from the owner. As a result, it should be acknowledged that the majority are highly unlikely to ever be able to offer successful returnship programmes.

This does not mean that the SME sector should be ignored. The 1.3m employing businesses are worthy of attention, especially those SMEs employing between 50-250 employees for whom a returnship programme may well be practical, offer them clear business benefits and potentially assist thousands of returners. The provision of information and advice and guidance to this sector is arguably of greater importance given they are less likely to be aware of such possibilities compared to their larger counterparts.

With 60% of AAT's 140,000 members either running their own SME or working for an SME, AAT is keen to do what it can to promote the concept but others must play their part too. Given nearly all SMEs will have a business bank account perhaps the banking industry could be encouraged to disseminate the benefits of returnships, of higher pay and of other initiatives via more frequent communications. Similarly, Government communications are in need of an increase in quality and scope in this area too.

About AAT

AAT is a professional accountancy body with approximately 50,000 full and fellow members and over 90,000 student and affiliate members worldwide. Of the full and fellow members, there are over 4,250 licensed accountants who provide accountancy and taxation services to individuals, not-for-profit organisations and the full range of business types.

AAT is a registered charity whose objectives are to advance public education and promote the study of the practice, theory and techniques of accountancy and the prevention of crime and promotion of the sound administration of the law.

Further information

If you have any queries, require any further information or would like to discuss any of the above points in more detail, please contact Phil Hall, AAT Head of Public Affairs & Public Policy, at:

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