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## **LAPFF challenges companies on equal pay for women**

1. The Local Authority Pension Fund Forum (LAPFF) has written this week to every FTSE 350 company to promote equal pay for women employees as part of its campaign to improve company workforce practices.
2. Cllr Darrell Pulk, chair of the £60 billion strong Forum, said: "There is growing recognition of a link between company workforce practices and corporate performance and institutional investors have an increasingly important role in encouraging best practice in 'human capital reporting'. This issue is fast becoming an important new criterion for pension fund investors to be able to assess how companies value their employees, and successfully manage their 'human capital'."
3. "Attraction and retention of skilled employees is a core requirement for successful businesses and for the creation of long-term shareholder value," said Cllr Pulk. "If companies do not pay women equally for equal work", he continued, "they fail to tap into a valuable skill resource and ultimately lose out financially in the longer term. This makes it a concern for pension fund investors as shareholders."
4. The Forum recognises that although equal pay legislation has been in force for over 30 years, women still earn on average 81% of the hourly earnings of male employees.<sup>1</sup> Increasing women's participation in the labour market could be equivalent to up to £23 billion or 2.0 per cent of GDP, concludes the recent report of the Women and Work Commission.<sup>2</sup> Continuing inequality increases the risk of equal pay cases being taken against companies, resulting in both the actual costs of proceedings and settlements, and indirect costs arising from reputational damage and loss of shareholder confidence. More hidden costs include those arising from lower productivity and absenteeism amongst women workers who feel they are discriminated against by low levels of pay.
5. LAPFF takes the view that companies and their shareholders will benefit from going beyond legal compliance to establish best practice in 'human capital reporting', and promoting equal pay by implementing relevant policies and conducting equal pay audits is a key initiative that it wishes companies to consider.

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<sup>1</sup> Equal Opportunities Commission, *Code of Practice on Equal Pay*, 2003

<sup>2</sup> Women and Work Commission, *Shaping a fairer future*, January 2006

6. The Forum has therefore adopted the best practice set out by the Equal Opportunities Commission (EOC) as the framework under which it expects listed companies to identify, address and report on equal pay issues.<sup>3</sup>
7. In the letter, Cllr Pulk asks the companies whether they have equal pay policies in place, and whether they have conducted an equal pay audit.
8. Cllr Pulk concluded: “The EOC’s guidance on equal pay audits is straightforward, and the benefits of these audits will outweigh the costs. The Government’s target that 45% of large organisations should complete a pay review by 2008 is welcome, but we think that every company would be well advised to address pay inequality today.”

#### About LAPFF:

The Local Authority Pension Fund Forum (LAPFF), which was set up in 1991, is a voluntary association of 38 public sector pension funds based in the UK. It exists ‘to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest.’ The Forum’s members currently have combined assets of over £60 billion.

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<sup>3</sup> Available at [www.eoc.org.uk](http://www.eoc.org.uk)