Pay Ratios: Sustain methodology

In 2017, Sustain commissioned social justice researcher Lindy Sharpe to propose a way for Sustain to calculate our pay ratio. This paper sets out Sustain's policy, approach and methodology. Sustain is also a registered Living Wage employer and operates a fair and transparent fixed salary scale.

1. Sustain's approach to pay ratio analysis

Sustain and many of our members and colleagues have worked for many years to improve social equality, reduce diet-related disease and health inequalities, and help people living on a low income to be able to access and enjoy fresh, healthy and affordable food. Over recent years, we and our colleagues in the food poverty movement have increasingly recognised that the inability to afford a good diet can be severely limited by other factors, such as household income, food prices, utility and housing costs and other personal circumstances. Sustain has therefore increasingly recognised such factors in our campaigning and advocacy work. We welcomed, for example, introduction of a national minimum wage (the so-called 'national living wage') and are ourselves a registered Living Wage Employer (paying at or above the cost of living, as calculated by the Living Wage Foundation).

Hunger in modern Britain is shocking enough. However, recent data shows that even when people are in work, they are often unable to feed their families due to low and precarious incomes and rising costs of other essential items. Many people referred to charitable food banks in recent years have been people in paid work. Meanwhile, the gap between the highest and lowest paid has widened incongruously.

Sustain, our staff and trustees, feel that it is important that we 'walk our talk'. There is a gap between the lowest and highest paid in our organisation, but we want to make sure that this is kept within sensible limits. And we don't want to forget the people who work hard to make our activities possible, such as freelancers, receptionists and cleaners. All deserve fair pay and to be able to live and eat well.

Taking all this into consideration, Sustain has therefore adopted the following Pay Ratio Policy. We will:

- Publish Sustain's methodology for calculating our pay ratio
- Undertake our analysis on the basis of comparing full-time equivalents for:
- Top salary to the bottom salary in Sustain's fixed salary scale
- Top salary to workers providing essential services but not directly employed by Sustain, such as the people who clean our office
- Note that we have chosen not to compare the top salary to the median salary, as for some industry pay ratio declarations. We believe this can be misleading and can divert attention from low wages at the bottom end of the scale
- Ask our auditors to check our figures and our Pay Ratio Statement for our Annual Report
- Promote this approach and methodology to Sustain members and the businesses and local and national institutions that we work with

- Integrate this analysis routinely into our annual monitoring and reporting
- Use the Wagemark 8:1 pay ratio as a benchmark within which Sustain should stay - but stay well below this and never treat this as an upper target

2. Typical third-sector organisation pay ratios

Sustain's first pay ratio calculation in 2018 shows that our pay ratio is between 2:1 and 3:1, well below the third-sector average. Of note, most non-governmental organisations have relatively narrow pay ratios in comparison to local authorities and large companies. Additionally, Sustain has no hidden bonuses or expense accounts that might boost incomes and disparities through indirect means – a practice common in large companies.

Table 1: Ratios of top pay to 'bottom' pay:

FTSE 100 companies	130:1
Local authorities	15:1
Charities with income over £50m	10:1

3. Sustain's pay ratio methodology: the details

Using actual figures for the year prior to the pay ratio calculation, and based on hourly rates or the hourly rate equivalent of our salaries, Sustain calculates our pay ratio based on comparing:

- Sustain's highest staff salary to our lowest staff salary
- Sustain's highest staff salary to the London Living Wage, which is the rate paid by our landlord the Ethical Property Company to the people who clean and service Sustain's office

In line with advice and the methodologies used by other organisations undertaking pay ratio analysis:

- Ratios should include only UK-based staff (noting that Sustain does not employ overseas staff)
- Expenses-only volunteers are not included in the calculation

It should be emphasised that there is not a one-size-fits-all approach, and Sustain, like many organisations, will have its idiosyncrasies, year to year. The key thing is for the published ratios to be based on a robust, transparent and consistent method: with the methodology published with the ratio.

Approved by the Sustain Council, May 2018
Availability: Share with Head of Finance and Auditor; Publish on Sustain website.

Developed with reference to:

- High Pay Centre (2014) FTSE 100 bosses now paid an average 130 times as much as their staff, available at: http://highpaycentre.org/blog/ftse-100-bosses-now-paid-an-average-143-times-as-much-as-their-employees
- Hutton Review (2011) Fair Pay in the Public Sector: http://webarchive.nationalarchives.gov.uk/20130129110402/http:/www.hm-treasury.gov.uk/d/hutton_fairpay_review.pdf
- High Pay Centre 2015, Pay ratios: *Just Do It*, report by Paul Marsland: http://highpaycentre.org/pubs/pay-ratios-just-do-it
- Wagemark 2017, About the Wagemark standard: www.wagemark.org/about/
- The Working Group on Executive Remuneration 2016, Final Report: www.theinvestmentassociation.org/assets/files/press/2016/ERWG%20Final%20Report%20July%202016.pdf