



Co-op Socioeconomic Pay Gap Report 2023

Foreword from Shirine

Welcome to our Co-op's first Socioeconomic Pay Gap Report - this document is something I am incredibly proud of, as an important step on from the work we began and the material we made publicly available last year.

In 2023, we published research in partnership with the charity Making the Leap - to better understand social mobility, inclusion and belonging for colleagues at our Co-op. This new report marks a key milestone in a campaign, driven by our member-owners, to promote social mobility.

As a member-owned organisation - where a significant number of our members are also our colleagues - this work continues to form part of our Vision. We co-operate to build more value for our member-owners every day, and that includes value that is felt across their communities, and through meaningful change in their lives. Since our work last year, we continue to see the potential for greater productivity, a better workplace culture and improved wellbeing and security for our colleagues.

Our research demonstrated that socioeconomic background, as a characteristic, can have a profound impact on progression and performance, but its bearing on a person's career is often overlooked by employers. This report is part of our commitment to make that connection clear to all, hold our Co-op accountable and outline the steps we will take to address inequality within our business and, in turn, inspire change at a societal level.

As we share our journey to being a better Co-op through groundbreaking insight like this, we invite others - including a new Government - to take learnings from our approach. We ask them to stand with us in facing into the unfairness that workers can experience, and establish a greater equity that UK businesses evidence and stand alongside, on an annual basis.

Thank you,



Shirine Khoury-Haq
CEO, The Co-op Group



Foreword from Sarah Atkinson

We all want to be part of a society where hard work and ability are rewarded. If the system isn't set up fairly, we risk damaging the trust that is needed in a healthy community.

But in many workplaces, that is exactly what is happening. Our Class Pay Gap research reveals that employees from working-class backgrounds are paid thousands of pounds a year less than those from better-off backgrounds when working in the same professional occupations.

This cannot continue in a fair society. That's why I'm thrilled to see the Co-op measure and publish its socioeconomic pay gap for the first time. This is a brave step, because too few employers are willing to hold themselves accountable. But it's also a smart one. The Co-op has recognised that improving social mobility is both core to its purpose and makes good business sense.

Recent years have seen a welcome focus on addressing other inequalities, such as those based on ethnicity and gender. And we've seen how effective reporting has been for the gender pay gap, which is now at its narrowest since reporting became mandatory in 2017.

But socioeconomic inequality is often missing from the picture. Making it visible means that we can understand the issue and see where multiple barriers overlap, such as for women from working-class backgrounds. And we know that what gets measured gets addressed. Meaningful change can then follow to ensure that those of all backgrounds can get in, get on and belong in the workplace.

That's why we are calling on the government to make all large employers collect and report socioeconomic background data for their workforces. This would level the playing field across sectors, giving us a complete understanding of where change is needed.

Pioneers like the Co-op show that this is possible. It's up to the government to unlock that same potential across our society.



Sarah Atkinson
CEO, Social Mobility Foundation



Key points in this year's report:



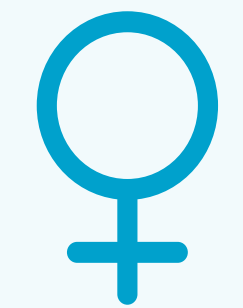
We're comparing the pay gap between colleagues from Professional and Lower socioeconomic backgrounds (SEBs)

This is our first class pay gap report and we have chosen to publish the difference in pay between colleagues from professional (or higher) SEBs and their lower SEB counterparts. Only a small percentage of our colleagues identified as coming from an intermediate background in comparison to the national average, and we'll be further exploring this in 2024. We believe that this is due to colleagues having more of an affiliation with either professional or lower SEBs.



We have a socioeconomic pay gap and we know why

Although our representation of colleagues from a lower SEB remains largely consistent at all work levels, we have more colleagues from a Professional background in our most senior leadership roles (which pay more).



Women from a lower SEB experience the biggest pay gap at Co-op

Our biggest pay gap is between female colleagues from a lower SEB and their professional counterparts. This intersection of gender and socioeconomic background can create further barriers to both progression and earning potential.



Colleagues from lower SEBS are less likely to progress into senior roles. However, retail careers can be an enabler for social mobility.

Our representation data shows that colleagues from lower SEBS are less likely to progress into more senior positions, and where we have senior leaders from a lower SEB, they are generally recruited externally into leadership positions. Our Food store operational leadership roles are an exception and show largely static representation throughout the leadership levels.



We recognise that not all colleagues identify as male or female and hope that in future years, as our diversity data completion improves, we can also report on other self-identifying categories. However, for the purposes of this report we have used the 'legal sex' data recorded on payroll.

What is socioeconomic pay gap reporting?

In the UK, it still pays to be privileged. Professionals from lower SEBs are being paid less than their more privileged peers in the same occupation, by £6,291 – or 12% less – a year. This means that they effectively work 1 in 8 days for free.¹ In 2023, 13 November was “class pay gap day”, or the day on which professionals from lower SEBs effectively stopped earning for the rest of the year.

What is socioeconomic background?

According to the Social Mobility Commission, an individual’s socioeconomic background (SEB) is defined by their highest earning parent’s occupation².

The best measure to assess someone’s SEB is to ask: “What was the occupation of your main household earner when you were aged about 14?” The responses can then be categorised as follows:

- **Professional backgrounds** – modern professional and traditional occupations; senior or junior managers or administrators
- **Intermediate backgrounds** – clerical and intermediate occupations; small-business owners
- **Working class backgrounds** – technical and craft occupations; long-term unemployed; routine, semi-routine manual and service occupations

Pay gaps measure the difference in the average earnings of staff by background or other characteristics. At Co-op, we already report on our gender and ethnicity pay gaps, but we recognise that socioeconomic background can also be a critical factor in an individual’s earning potential.

A pay gap is not the same as unequal pay, which is where colleagues are not paid equally for doing the same work.

We’ve used the same approach that we took to produce our 2023 Gender and Ethnicity pay gap reports, looking at both the mean and median averages.

A negative pay gap means that, on average, the hourly rate of pay for a colleague from a lower SEB is higher than that of the average colleague from a professional background.

86% of our colleagues are on fixed rates of pay for their job, aligned to the Real Living Wage. This means that colleagues are on a set hourly rate of pay



¹ Social Mobility Foundation

² Social Mobility Commission

Our Co-op's SEB Profile

We've produced our analysis using the same data set and approach that we've used to produce our 2023 Gender and Ethnicity Pay Gap reports.

We have 57,052 relevant colleagues. In 2023, 24,554 colleagues shared their SEB with us, which represents 48% of our workforce. Our completion rate at the time of writing stands at 72% across the organisation.

	2023
Professional	39.7%
Intermediate	13.6%
Lower	46.6%

National data

	2023
Professional	37%
Intermediate	24%
Lower	39%

Very few colleagues currently identify as being from an intermediate background and we are therefore under-represented in this category. To date, we have focused on increasing response rates, but we will further examine the under-reporting of colleagues in the intermediate category to make sure that we are able to accurately report our colleague representation.

What's the data telling us?

	Professional vs Lower
Mean Pay Gap	5.2%
Median Pay Gap	0.2%

We have a mean pay gap of **5.2%** and a median pay gap of **0.2%**.

The median compares the hourly rate of the middle professional colleague role to the middle lower SEB colleague role, and the mean compares the average hourly rate of colleagues from a professional SEB to the average hourly rate for colleagues from a lower SEB.

In the data set used to complete the analysis, the median role for each SEB categories is a Team Leader in a Food store, which explains why the gaps are very small.

We pay all our Team Leaders the same fixed hourly rate. The small variances are due to the way holiday pay is calculated based on hours worked, as set by legislation.

We have more colleagues from Professional SEBs in our most senior positions than colleagues from lower SEBs, and this is impacting our mean pay gap.



Quartiles

Quartile	Professional	Intermediate	Lower
Top Quartile	41.47%	13.05%	45.48%
Upper Middle Quartile	38.25%	15.31%	46.44%
Lower Middle Quartile	41.93%	13.03%	45.04%
Lower Quartile	37.30%	13.10%	49.60%
Overall	39.7%	13.6%	46.6%

We have sorted our colleagues in order from the highest to the lowest paid and then split them into four groups of equal numbers of people.

The quartile data shows that we have a slightly higher index of colleagues from a professional SEB in the top quartile when compared to the overall percentage of our colleagues from a professional SEB (41.47% vs 39.7%). This percentage gap is more pronounced when you look at representation in our most senior leader cohort, as demonstrated by the analysis below:

Role	Professional %	Intermediate %	Lower %
Executive	67%	0%	33%
Directors	43%	17%	39%
Heads of Departments	49%	15%	35%
Senior Managers	56%	11%	33%

Intersectionality

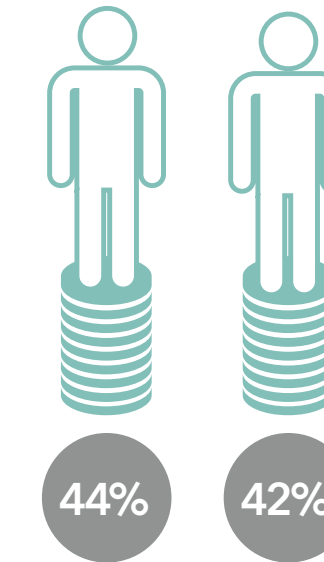
We know that when socioeconomic background intersects with a protected characteristic it can mean that individuals may face further systemic barriers.

For our first report, we have done a deep-dive analysis into the intersecting relationships between socioeconomic background and other facets of diversity. The data suggests that the most significant pay gap for our colleagues comes with the intersectionality of gender and SEB.

Male	Mean	Median
Professional vs Lower Pay Gap	-1.1%	-4.0%

44% of our male colleagues are from a lower SEB compared to 42% of male colleagues from a professional SEB.

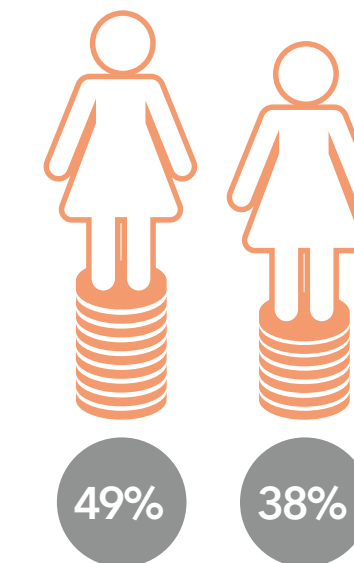
When we look at our male representation data, we typically have more male colleagues from a lower SEB in our senior operational roles compared to colleagues from a professional SEB. This is what's driving our small negative pay gap.



Female	Mean	Median
Professional vs Lower Pay Gap	9.8%	1.5%

49% of our female colleagues are from a lower SEB compared to 38% of female colleagues from a professional SEB.

When we look at our female representation data, we typically have more female colleagues from a professional SEB in our senior roles compared to colleagues from a lower SEB. This is what's driving our pay gap.



Social Mobility is something that I'm hugely passionate about. It's so important to us at Co-op because it's a true indicator of how accessible opportunities are, and it directly impacts our future as an organisation.

Earlier in my career I experienced some discrimination due to my socioeconomic status, where I felt that Line Managers made assumptions about my capabilities and didn't value diversity of thought. I also had the added complication of being female, along with coming from a poorer background. It definitely held me back in the earlier parts of my career. However, I'm really proud to be where I am today and think that I'm a really good example that nothing is impossible. The world has changed but there's still so much to do, and that's why it's so important that everyone at Co-op plays their part. Everyone can be an ally.

Kate Graham
Operations Director

Representation in our Operational Career Paths

The following analysis shows how representation changes through the career paths in operational roles across our businesses. At Co-op, we define operational roles as those which are directly involved with the service provided by our Food stores, Logistics depots and Funeralcare teams.

Food Store Operations	Professional %	Intermediate %	Lower %
Head of Operations	25%	25%	50%
Operations Manager	43%	13%	44%
Store Manager	38%	11%	51%
Team Manager	34%	11%	55%
Team Leader	38%	13%	49%
Customer Team Member	40%	14%	46%
Total	39%	13%	47%

Logistics Operations	Professional %	Intermediate %	Lower %
Distribution General Manager	75%	0%	25%
Depot Operations Manager	33%	0%	67%
Warehouse Manager	57%	0%	43%
Shift Manager	38%	10%	52%
Team Manager	36%	11%	53%
Warehouse Operative	33%	13%	54%
De-Kit Operative	37%	7%	57%
Total	33%	13%	54%

Funeralcare	Professional %	Intermediate %	Lower %
Regional Operations Manager	53%	6%	41%
Care Logistics Manager	40%	19%	40%
Care Logistics Lead	35%	23%	42%
Funeral Director	38%	13%	49%
Funeral Arranger	39%	14%	47%
Funeral Service Crew	39%	14%	47%
Total	39%	14%	47%

Other than in our Food store operations, the general trend is for representation to increase for colleagues from a professional SEB as you move up the career paths. This increase in representation is the main driver for our mean pay gap.



Our progress on social mobility and future actions to reduce our pay gap



Diversity data

We're proud to have a high completion rate for diversity data, with an average current completion rate of 86% and 72% for SEB respectively, although there are parts of the organisation where it is lower. This helps us to focus our interventions on populations or business areas where we see the most disadvantage or barriers to progression. We began asking questions relating to SEB in 2022 and have seen a steady increase in completion rates since then. Completion is optional and we will continue our communication campaigns to encourage colleagues and those applying for roles to share their data.



Task force

In 2023 we published a nine-point plan to articulate the actions we would take to improve social mobility internally at Co-op, as well as in our external campaigning activities. We created a cross-functional Social Mobility taskforce to drive the delivery of the plan and to ensure that we continued to prioritise activity that would have the most meaningful impact for colleagues.



Visible senior leadership

It's often said that you can't be what you can't see. At Co-op, we're proud that a third of our most senior leaders come from a lower SEB and speak openly about their career journeys and backgrounds to our colleagues.



2024 commitments

Our new commitments define the next phase of our social mobility strategy, with targets for 2025 and beyond. All our activity will be insight-led, and we will continue to adapt as required to ensure maximum impact.



Career development programme

We already have specific development programmes designed to address under-representation of women and ethnic minority colleagues in our leadership populations. However, we recognise that our colleagues are always more than a single characteristic, and that intersectionality can often compound disadvantage. Later this year we will launch our first career development programme specifically for lower SEB colleagues, targeting business areas where our data shows there are additional barriers to progression.



Inclusive hiring through partnerships

We want the Co-op to continue to be an organisation where people from all backgrounds can thrive. In addition to Bright Future Co-op, our recent partnerships with Tent, New Futures Network and Working Chance will support social mobility through the recruitment of marginalised groups into sustainable and meaningful employment.



My story is interesting in that I didn't identify as coming from a lower socioeconomic background until I completed my data. That's why I believe colleagues and leaders sharing their stories is so powerful. There are a lot of stories of hope and, personally for me, it shows how Co-op has helped me in my career, as I moved from Food stores into a new world of Funeralcare and the role I'm in now.

I've never felt discriminated against because of my background, but I have felt what it's like to be different. Sharing stories and opening up the conversation is one way to help colleagues feel that they belong, regardless of their backgrounds.

Mike Pengelly

Head of Client Operations, Funeralcare and member of Co-op's Social Mobility taskforce

Glossary of operational roles referenced in the report

Food Stores	
Head of Operations	Senior leader within the organisation with accountability for an average of 260 stores over a large geographical area.
Operations Manager	Accountable for approximately 25 stores over a geographical area.
Store Manager	Accountable for store performance and leading the team, helping to make shopping at Co-op a fantastic experience.
Team Leader	Helps to lead the store team and deputises for the Store Manager while also delivering great customer service.
Customer Team Member	Our entry level role focusing on providing outstanding service to our members and customers.

Logistics	
Distribution General Manager	Senior Leader, responsible for the strategic performance and leadership of the depot team.
Depot Operations Manager	Responsible for all operational areas of the depot. Leads, develops and engages colleagues, at all levels, across the operational areas of the depot.
Warehouse Manager	Responsible for the day-to-day leadership of the warehouse operation, including Health & Safety standards, cost reduction and engagement of colleagues.
Shift Manager	Responsible for the leadership of a specific shift within the warehouse and transport operations.
Team Manager	Responsible for leading a team either within the warehouse or transport teams.
Warehouse Operative	Responsible for picking and packing stock for store orders across the warehouse, using appropriate manual-handling equipment, loading and unloading vehicles.
De-kit Operative	Responsible for removal of cages, trays and rubbish from trailer on its return to depot following delivery to store.

Funeralcare	
Regional Ops Manager	Senior Leader with accountability for leadership of funeral homes over a large geographical location.
Care Logistics Manager	Responsible for leading a team of funeral operators, accountable for all aspects of the deceased's journey while in our care.
Care Logistics Lead	Supports the Care Logistics Manager in ensuring that the Funeralcare operation delivers funeral excellence, through management of Ceremonial Crew members in their day-to-day funeral activities.
Funeral Director	Leads the funeral home team to deliver a caring and compassionate service when families need it most.
Funeral Arranger	Provides expert guidance and advice to help clients plan the perfect service.
Funeral Service Crew	Helps families say their perfect goodbye via a range of manual and logistical tasks.