CIPD

Championing better work and working lives

Guide

March 2017

Gender pay gap *reporting*

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 more than 140,000 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.

Gender pay gap reporting

Guide

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Acknowledgements

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Foreword

Advances in information technology now make it relatively quick and easy for employers to collect and produce the pay data required for gender pay gap reporting. However, what's important isn't just coming up with the various measures of the pay gap in the right way and at the right time; it's also what you then do with the figures over the coming years.

On the one hand, just publishing the pay gap statistics on your website in the required way is probably going to create many queries from various interested parties, such as the media, customers or employees. As this guide makes clear, you should create a narrative that explains what the figures mean and put it in some sort of context.

On the other hand, people will want to know what your organisation is doing about the gap, especially if it's particularly large. This will require you to go beyond the headline figures to explore what may be causing them to be so large. It might be the way that employees are rewarded and recognised for their successes and achievements.

However, it could be that the gap isn't to do with reward but is being driven by some other aspect of your people management practices, such as how your organisation promotes and retains female talent or the training and development opportunities available to women, especially those with care commitments.

It could be that it reflects what's going on outside your organisation. For instance, your sector may face challenges in attracting women to certain professions. In which case, what can you do as an employer to deal with this situation? Is it practical to visit schools in your local area to encourage more girls into these professions?

The above highlights that you can't just focus on pay and benefits. You also need to look at all aspects of how you manage and develop your people. You should also explore what opportunities you can take to help the situation outside your organisation, such as through offering work experience and work placements and encouraging women to apply.

What's going to be important is not so much the size of the gender pay gap in year one, but the direction and speed of travel in the coming years.

Charles Cotton
CIPD Adviser for Performance and Reward

Introduction: from regulation to implementation

As from April 2018, public, private and voluntary sector organisations with 250 or more employees will have to report on their gender pay gaps, using six different measures (Figure 1).

In order to be able to do this by the 'snapshot date' of 31 March 2017 (public sector employers) or 5 April 2017 (private and voluntary sector employers), you will have to have pulled together some basic information (a 'snapshot') about your employees which will enable you to calculate your gender pay gap and publish your first report on your own website and on a government site in 2018.

From then on you will have to report your figures annually.

Even if your organisation does not employ enough people to be covered by the regulations, it is a useful discipline for you to calculate the size of the gap and see what action may need to be taken. Also, if the Government subsequently lowers the minimum employment threshold at which employers must report (currently 250), those who have been collecting and analysing the data will be ahead of the game and will be able to show trends over the years.

Why this is happening

The gender pay gap

In 2016 the gender pay gap for full-time employees was 9.4%, meaning that average pay for full-time female employees was 9.4% lower than for full-time male employees. The gap was down from 17.4% in 1997.[1]

The gap for all employees, full- and part-time, was 18.1%, down from 27.5% in 1997.

The Government considers that this rate of progress is too slow, and has committed to closing the gender pay gap within a generation.

Productivity

But closing the gender pay gap isn't just about achieving gender equality; it's also about boosting the economy. It's been estimated that the under-utilisation of women's skills costs the UK economy 1.3–2% of GDP annually, and that eradicating the full-time gender pay gap would contribute additional spending into the economy of £41 billion each year.[2]

Pay transparency

In addition, pay transparency, long regarded as taboo by the business world, is increasingly being demanded by regulators and by the public: companies are now required to disclose directors'

Figure 1: The gender pay gap reporting measures

Mean gender pay gap	The difference between the mean hourly rate of pay of male full-pay relevant employees and that of female full-pay relevant employees.
Median gender pay gap	The difference between the median hourly rate of pay of male full-pay relevant employees and that of female full-pay relevant employees
Mean bonus gap	The difference between the mean bonus pay paid to male relevant employees and that paid to female relevant employees
Median bonus gap	The difference between the median bonus pay paid to male relevant employees and that paid to female relevant employees
Bonus proportions	The proportions of male and female relevant employees who were paid bonus pay during the relevant period
Quartile pay bands	The proportions of male and female full-pay relevant employees in the lower, lower middle, upper middle and upper quartile pay bands

'Gender pay gap reporting doesn't specifically ask who earns what, but what women earn as compared with men.'

pay, while public bodies have to disclose the pay of their senior officers.

This kind of transparency provides people with information that helps them assess the fairness of the way in which pay is allocated, and the gender pay gap reporting requirements are part of that trend. Gender pay gap reporting doesn't specifically ask who earns what, but what women earn as compared with men. It provides a framework within which gender pay gaps can be surfaced so that, both inside and outside of the workplace, we can think constructively about why gender pay gaps exist and what to do about them.

Gender pay gap reporting is also consistent with the kind of transparency that has long been required by the equal pay legislation, namely that everyone involved in a pay system should know how it operates. Put transparency of payment structures alongside transparency of what men earn as compared with what women earn, and we have a powerful means of finding out where in the system gender pay inequalities are arising.

What you are being asked to do
You already have the people and pay data you are being asked to collect, although possibly not in the form in which you will need it. What you are being asked to do is to manipulate that data in new ways so as to be able to detect trends in your organisational gender pay gap and to achieve comparability of that gap with the national statistics.

Payroll software enables such calculations to be made relatively easily. If you're not convinced, think back to the days when payroll and HR information was all recorded manually; back then there would have been no possibility of coming up with the measures now being required.

You are not being required to carry out an equal pay audit, nor to make pay comparisons between individual male and female employees.

The skill set you need
As with any major HR or payroll project, you will need to ensure that you have the right skills on board, but be assured that payroll software will do most of the work for you. Talk to your software provider as soon as possible. Larger organisations may want to create a team that includes people with knowledge of the organisation's payroll and HR systems, a statistician, and a communications expert.

The importance of communication
The ease with which pay data can be used to create transparency of the gender pay gap makes possible a self-regulatory regime, in which the most effective sanction is the reputational risk of being shown up either for not having taken the action required or for ignoring a persistent gender pay gap. This makes communication – what you say about your gender pay gap, and where and how you choose to say it – of paramount importance.

While providing a short explanatory note, or narrative, to set your pay gap figures into context is not compulsory, this guide encourages employers to produce a narrative, as does the Government. For a start, you may well want to explain to your employees the difference between the mean and the median, so that they can understand why you have come up with two different figures for your gender pay gap.

Communication is also important because a lot of people confuse the

Box 1

The purpose of your narrative is:

- to describe the relevant organisational context, both internally and externally
- to explain the calculations to your employees
- to explain the causes of any gender pay gaps shown by the data
- to explain what actions you've already taken and/or what you're planning to do to close any significant gaps
- to describe how you are involving employees in this process.

gender pay gap with unequal pay. Unequal pay means that individual men and women are not getting equal pay for doing equal work. The gender pay gap shows the average difference between the earnings of women and men. It has a number of contributory factors, most of which are more about the kinds of industries and jobs open to women than about the ways in which men and women are paid.

Having a gender pay gap – and most organisations do – doesn't mean your organisation is discriminating against women. You might want to use your narrative to explain that your gender pay gap is not solely the result of your pay practices, but about other, much broader influences.

What this guide will cover

This guide is split into 14 short sections. It begins with a summary of the regulations, and then looks at what the gender pay gap is, how it differs from equal pay, and what its causes are. We also look at why the gender pay gap needs to be tackled, before returning to the detail of the regulations and how to calculate your gender pay gap. The guide concludes with some thoughts on how you might close the gap; a look at the reporting requirements and at how good communications will help you to explain your gender pay gap figures to the wider world.

Throughout the guide:

- Potential pitfalls are outlined in black.
- Examples are outlined in green.
- Information boxes are outlined in blue.

You will also find links to relevant documentation, and a comprehensive list of references.

Box 2

Disclaimer

The legal information set out here is for guidance only. If you are in any doubt, or are involved in, or expecting to be involved in, legal proceedings, please seek professional legal advice from a solicitor specialising in equality law.

1 A summary of what the regulations ask of you

'The Gender Pay Gap Information Regulations apply to employers in the private and voluntary sectors; the Specific Duties Regulations apply to public sector bodies.'

What are the regulations?

There are two sets of regulations:

- The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.[3] These apply to private and voluntary sector organisations.
- The Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017.[4] These apply to public bodies. In due course, there will be additional regulations for Northern Ireland.

The Gender Pay Gap Information Regulations apply to employers in the private and voluntary sectors; the Specific Duties Regulations apply to public sector bodies. Any authorities not listed as public bodies will be covered by the private and voluntary sector gender pay reporting regulations, such as private or international schools.

Between them these two sets of regulations cover private, voluntary and public sector organisations across Britain. While there are slight differences in the regulatory framework for the public and private sectors, the measures of the gender pay gap are the same for all three sectors.

In Northern Ireland, gender pay gap reporting is required by section 19 of the Employment Act (Northern Ireland) 2016.[5] At the time of writing, consultation on this has not yet begun, and so it is not yet known what the employee threshold will be, nor what the measures will be. Section 19[6] states that the regulations must come into effect by 30 June 2017.

What are the measures?

The regulations require employers to publish the following measures: the mean gender pay gap; the median gender pay gap; the mean bonus gap; the median bonus gap; the proportions of males and females who receive bonuses; and the relative proportions of male and female employees in each quartile pay band. The way in which these measures are constructed may differ from your current practice, and the guide will draw your attention to when this is likely to happen.

Each of the measures gives you a slightly different take on your gender pay gap, but each is more meaningful if read alongside the others and in the context of your overall HR and payroll policies and practices.

Which employers are covered by the regulations?

Organisations in all three sectors with 250 or more employees on the snapshot date applicable to their sector will be covered by the regulations.

Figure 2: The snapshot dates

Private and voluntary sector – 5 April	Public sector – 31 March
• In any relevant year	• In any relevant year

What are the snapshot dates?

The private and voluntary sectors
In the private and voluntary sectors, the regulations apply to employers in Britain with at least 250 employees on the 'snapshot date'. The snapshot date is 5 April in each year.

Group companies report only in respect of their own employees, and if a group company has fewer than 250 employees of its own, it does not have to report at all.

The public sector
In the public sector, the regulations apply to public authorities in England and to certain cross-border authorities and non-devolved authorities operating across Britain. The snapshot date is 31 March in each year.

The regulations apply to public bodies listed in Schedule 19 to the Specific Duties Regulations of the Equality Act 2010. Schedule 19 has been updated, and transitional provisions apply to those bodies listed in the original schedule, but not in the revised schedule.[7]

Public bodies in Scotland and Wales
Public bodies in Scotland with more than 20 employees are already required to publish gender pay gap data. In Wales, public bodies are required to have due regard to the need to have equality objectives that address the causes of pay differences, including those relating to gender, between their employees.

Which employees do you count?

All employees who are employed by your organisation on the snapshot date are counted, irrespective of the duration of their employment.

The definition of 'employee' is the same as that in the Equality Act 2010, and includes someone who works for your organisation under a contract of service, a contract of apprenticeship or a contract to do work personally. In the public sector it includes police officers, including cadets, and members of the armed forces.

What if your headcount fluctuates from one year to another?

Although not a legal requirement, where the number of employees occasionally dips below the threshold of 250 employees, employers are encouraged to publish their gender pay gap information on a voluntary basis. This guide also encourages organisations in which the number of employees is approaching the 250 mark, or is expected to hit the 250 mark within the foreseeable future, to report voluntarily.

When will you have to publish your figures?

Organisations in all three sectors will have to publish their first reports in 2018. Thereafter you will have to report annually, that is, within the 12 months beginning with the 'snapshot date'.

Figure 3: The reporting dates

Private and voluntary sector
First gender pay gap reports to be published no later than 4 April 2018

- Your first report will be based on hourly pay rates as at 5 April 2017 and bonuses paid between 6 April 2016 and 5 April 2017.

Public sector
First gender pay gap reports to be published no later than 30 March 2018

- Your first report will be based on hourly pay rates as at 31 March 2017 and bonuses paid between 1 April 2016 and 31 March 2017.

What earnings do you have to take into account?

Your calculations are based on gross ‘ordinary pay’ and ‘bonus pay’ paid in the pay period spanning the ‘snapshot date’. The length of the pay period depends on when your individual employees are usually paid.

‘Ordinary pay’ includes: basic pay; allowances (other than payments to reimburse necessary expenses); shift premium pay; piecework pay; and pay for leave. It does not include: overtime pay; pay in lieu of leave; benefits in kind; redundancy pay; and other payments referable to termination.

‘Bonus pay’ means remuneration that:

- is in the form of money, vouchers, securities, securities options, or interests in securities, and
- relates to profit-sharing, productivity, performance, incentive or commission. It does not include ordinary pay, overtime pay, redundancy pay or payments referable to termination.

Where must you publish the information?

You will need to publish your pay data on your organisation’s website in a manner that is accessible to employees and the public and you will have to ensure that it remains there for at least three years.

For private and voluntary sector employers, the information will have to be accompanied by a statement confirming its accuracy, signed by a director or equivalent.

In addition, you will have to publish the data (and, if you operate in the private or voluntary sectors, the name and job title of the person who signed the statement of accuracy) on a government-sponsored website.

The gender pay gap reporting website

This website is currently under development, but the intention is that it should be fully searchable by anyone wanting to know more about gender pay gaps at an organisational level.

Do you have to provide a narrative?

Although there is no legal obligation to publish a narrative, and the regulations do not set out a narrative formula, the Government strongly encourages employers to provide a voluntary textual narrative that provides context, tells your employees what gender pay gap reporting is, explains any pay gaps and sets out what actions will be taken. This guide also encourages you to provide a narrative.

This guide also recommends that you draw up a communications plan well before you publish any data, so as to ensure that you tell the story you want to tell and are ready to respond to challenging questions from employees, unions and the media.

What happens if you do not comply with the regulations?

While there are no sanctions as such, failure to comply amounts to a breach of the Equality Act 2010, and would therefore lay an organisation open to action by the Equality and Human Rights Commission. The likelihood of this happening is low, and a much greater risk is the reputational damage arising out of failing to upload the information onto your own and the government website.

Organisations that don’t comply are likely to be easy to identify, and unions, campaigners and the media could well be keen to name and shame those who either try to keep their gender pay record out of sight, or who ignore it to such an extent that they refuse to measure it – the Government has said it may decide to publicise the identities of defaulters, as it does with employers who fail to pay the National Minimum Wage (see Figure 4).

Figure 4: Employers named and shamed for underpaying workers

On 15 February 2017, the Government published the largest ever list of national minimum and living wage offenders, naming and shaming more than 350 employers who failed to pay the legal minimum, with a further 1,500 cases currently being investigated by HMRC.
Details published for each employer include the employer name, postcode area, region, local authority, low-paying sector, the amount of arrears and the number of workers.
Since the naming scheme was introduced by the Department for Business, Energy and Industrial Strategy (BEIS) in October 2013, more than 1,000 employers have been named and fines of more than £2 million issued.

Source: Department for Business, Energy and Industrial Strategy, press release 15 February 2017.

Public sector employers should also bear in mind that the Equality and Human Rights Commission across England, Scotland and Wales is charged with monitoring compliance by public bodies and will be able to take enforcement action if necessary.

Is there a risk of equal pay claims?

While gender pay gaps and equal pay gaps are not the same, there is the potential for one to affect the other. There is a risk that, where significant differences between the average ordinary or bonus pay of men and women are reported, gender pay gap reporting could draw attention to these, possibly leading to equal pay claims. It's a good idea to consider any risk of equal pay claims as part of both your communications plan and the action plan that you draw up to deal with the gender pay gap.

Is an action plan required?

The regulations do not require you to publish an action plan, or even to draw one up, but this guide encourages you to do so. In addition to helping you tackle the gender pay gap itself, drawing up an action plan will help you to answer questions about what you are doing.

What might happen in the future?

The regulations will be reviewed in five years' time. Matters such as the headcount of relevant employees could be re-examined – with the possibility of it being lowered to, say, 150 employees – as will the effectiveness of the regulations themselves. If compliance levels are low, sanctions for non-compliance, including fines, might be introduced.

Another possibility is that reporting might be extended to race, disability or age. The McGregor-Smith Review,[8] published in February 2017, has already called for employers to be required to report on the race pay gap.

To sum up

As from April 2018, public, private and voluntary sector organisations with 250 or more employees will have to report on their gender pay gaps, using six different measures. This means that by the relevant snapshot date, you will have to have pulled together some basic information about your employees.

This baseline information will enable you to publish your first report, as required, on your own website and on a government site in 2018. From then on you will have to report your figures annually on your own and on a government website. A narrative is not required, nor is an action plan, but you are strongly encouraged to produce both.

Box 3

Why the Government is not requiring an action plan

The Government has not required action plans because it believes that increasing transparency around the differences in pay between men and women will encourage employers to scrutinise their own recruitment, remuneration, reward and staff development practices and ensure that steps are taken to close any gender pay gaps identified by the reporting process.

Source: Mandatory Gender Pay Gap Reporting, Government Response to the Consultation on Draft Regulations, Government Equalities Office, December 2016

2 What is the gender pay gap?

'Work of equal value is intended to tackle the pay inequalities that arise out of occupational segregation, which often results in women's work being undervalued.'

The gender pay gap and the equal pay gap

People frequently confuse the gender pay gap with the equal pay gap, but the two are not the same:

- The **right to equal pay** is an individual contractual right which arises only when there is an unjustifiable difference in the individual earnings of a woman and a man doing equal work.
- The **gender pay gap** is a measure of labour market or workplace disadvantage, expressed in terms of a comparison between men's and women's average hourly rates of pay. The gap can be measured in various ways, and it's important to understand how, in any specific context, the gap is being measured.

In terms of gender pay gap reporting, the most important difference between equal pay and the gender pay gap is that, whereas determining equal pay requires you to scrutinise information at the level of the individual employee (as you would when carrying out an equal pay audit or responding to an employment tribunal claim), gender pay gap reporting asks you to examine **aggregate data**.

What is equal pay?

Equal pay means that there should be no difference in the contractual terms of a woman and a man doing equal work, who both work for the same employer.

Women (and men) have been entitled to equal pay for equal work since 1970, when the Equal Pay Act was introduced, but since 2010 the law on equal pay has been set out in the 'equality of terms' provisions of the Equality Act 2010.

As well as basic pay, 'pay' includes occupational pension benefits, non-discretionary bonuses, holiday pay, sick pay, overtime and shift payments. 'Pay' also includes non-monetary contractual terms such as leave, company cars, or access to sports and social benefits.[9]

Equal work is work which is:

- the same or broadly similar *(like work)*, or
- different, but which is rated under the same job evaluation scheme as being work of equal value *(work rated as equivalent)*, or
- different, but of equal value in terms of factors such as effort, skill and decision-making *(work of equal value)*.

Work of equal value is intended to tackle the pay inequalities that arise out of occupational segregation, which often results in women's work being undervalued.

If a woman has reason to believe she is not getting equal pay, she can bring an equal pay claim to the employment tribunal. Employers can defend the claim in a number of ways, but principally by arguing that:

- The work the woman does is not equal to that being done by the man with whom she is claiming equal pay.

Box 4

If you think you are at risk of equal pay claims

The gender pay gap reporting regulations don't require you to measure differences in individual earnings, nor do they require you to check if you are delivering equal pay.

However, while gender pay gaps and equal pay gaps are not the same, there is the potential for one to affect the other. For example, if your gender pay gap calculations expose significant differences between the average bonus pay of men and women doing similar work, gender pay gap reporting could draw attention to these differences and possibly lead to equal pay claims. If you think you are at risk of equal pay claims, it would be a good idea to seek legal advice.

- The woman's job has been rated as unequal under a non-discriminatory analytical job evaluation scheme.
- There is a non-discriminatory reason for paying her less than her male colleague.

Employment tribunals determine each case on its own facts, and a decision of equal pay in one case does not automatically mean that a tribunal will find equal pay in another case where similar jobs are being compared.

Box 5

CIPD guidance

For more on equal pay, go to the Equal Pay topic area on the CIPD website.[10]

What is the gender pay gap?

A gender pay gap is a measure of disadvantage (a gap) expressed as a comparison between what, on average, men earn and what, on average, women earn (gender pay). A gender pay gap can be expressed as:

- a **positive** measure, for example a gap of 13.9% – this indicates the extent to which women earn, on average, **less** per hour than their male counterparts
- a **negative** measure, for example a gap of −9.2% – this indicates the extent to which women earn, on average, **more** per hour than their male counterparts. This may happen, for example, if you employ a high proportion of men in low-paid part-time work, and/or your senior and higher-paid employees are women.

To fully understand the gender pay gap, we need to think about it in three different ways:

- As a measure of labour market disadvantage – it's the gender pay gap at the whole-economy level that the Government is most interested in, not only because of the inequality that it implies, but because of its impact on UK productivity.
- As a measure of workplace disadvantage – this is where the Government wants you to take action. Taking steps to reduce the gap at workplace level will help to narrow the gap at a national level.
- As a measure of the difference between the individual earnings of a man and a woman – a difference in the individual earnings of a man and a woman doesn't automatically mean that the woman is missing out on equal pay. To be entitled to equal pay, a woman has to be employed by the same employer, on the same terms and conditions, and the work that she does has to be equal to that being done by her male colleague. And even then, there may be an acceptable reason for the pay difference, such as location.

The UK gender pay gap

At the whole-economy level, the gender pay gap is calculated from data drawn from the Annual Survey of Hours and Earnings (ASHE), which is carried out by the Office for National Statistics (ONS). The ONS estimates the gender pay gap on the basis of hourly earnings excluding overtime.

Why hourly earnings?

Hourly earnings are used because they take account of the fact that many more men than women work full-time. While the proportions of men and women in paid work are converging, with 79.3% of men aged 16–64 in paid work compared with 70% of women,[11] only 1,650,000 men work part-time, compared with 5,378,000 women.[12]

If the ONS estimates were based on weekly, monthly or annual earnings, we'd see a much larger headline pay gap, almost entirely due to men's and women's different working patterns. Women's experience of paid work differs from that of men, and this can put them at a disadvantage.

Box 6

Example: A negative gender pay gap

Avocet Care employs 305 staff across six residential homes providing specialist dementia care. The employees are predominantly female. The highest-paid employees are highly qualified nursing and managerial staff, only three of whom are male. At each home four to five men are employed as maintenance staff and drivers. These jobs are relatively low paid.

Avocet's mean and median gender pay gap calculations show gaps in favour of women, and its pay quartiles show the predominance of women in all four quartiles. The company does not pay bonuses.

In its narrative Avocet points to the predominance of women in the care home sector as a whole, and to the shortage of suitably qualified male carers. It also sets out what action it is taking to recruit more men into its caring and nursing roles, and explains that, given its mixed-sex client profile, attracting more men is a business priority.

Box 7

Why the Government is excluding overtime from the calculations

In explaining why the calculation of pay that underpins gender pay gap reporting excludes overtime, the Government has said that shift premium pay or shift allowance is included because it is generally a component of an employee's regular pay used to compensate for them working undesirable or inconvenient hours, whereas overtime is used to pay for additional hours worked on an ad hoc basis.

The Government suggests that if an employer finds that female employees' earning potential is being depressed because they need to work family-friendly hours, many will want to highlight the impact of those wider cultural drivers for the gender pay gap within their voluntary contextual information.

Source: Mandatory Gender Pay Gap Reporting, Government Response to the Consultation on Draft Regulations, Government Equalities Office, December 2016

While the ONS baseline measurement is of hourly earnings, it's possible to calculate the gender pay gap by weekly, monthly and annual earnings, and also by occupation, age, ethnicity and disability status, and to analyse the gap at various points in the earnings distribution. You probably feel that the six measures you are being asked to produce are more than enough, but it's worthwhile bearing in mind that the deeper down you drill into your people and pay data, the more likely you are to be able to take effective action to reduce your gender pay gap.

Why no overtime?

Overtime is excluded because, as it is still in the main women who bear the day-to-day responsibility for looking after children or dependent relatives, they are less likely to work overtime (see Box 7).

The mean or the median?

The ONS prefers median (see section 6 for definition), rather than mean (see section 6 for definition), earnings because the median is not affected by extreme values, such as changes in the earnings of small numbers of very high earners. However, as the mean gap captures the fact that the upper end of the earnings distribution is dominated by men, the mean is an important measure of women's labour market disadvantage.

The Annual Survey of Hours and Earnings (ASHE)

ASHE is based on a 1% sample of employee jobs, drawn from HM Revenue and Customs Pay as You Earn records. ASHE collects information on the levels, distribution and make-up of earnings and hours paid. Results are produced by gender and by various industrial, occupational and geographic breakdowns, as well as by public and private sectors and age groups.

In the absence of an annual report on the gender pay gap in the UK (as, for example, that produced by Belgium), ASHE is the key official source of information on the gender pay gap in the UK, but to get a full picture of women's

Box 8

Comparing your figures with national statistics

Gender pay gap reporting aims to enable you to compare pay gaps at the workplace level with the headline figures, but the gap in any given workplace may be very different from the ONS figures.

If this is true for your organisation, it would be a good idea to think carefully about what you're going to say about your figures when you publish them. If, for example, you have a negative gap – meaning that it's men who, on average, are earning less – or if your gap is substantially larger than the national headline gap, you're likely to get a lot of questions. We'll come back to this in section 10.

earnings relative to men's, it's important to read the annual statistical bulletin in its entirety, and not just the section on the gender pay gap. Knowing, for example, that average earnings in the private sector are lower than those in the public sector, and that in 2016 earnings growth was greater for those at the lower end of the earnings distribution, helps to put the gender pay gap into context.

Why national statistics cannot measure unequal pay

National statistics do not reveal differences in rates of pay between men and women for the same or comparable jobs. This is because the measures cannot take account of the different employment characteristics of men and women, such as the duration of time spent in a job, nor is there any national framework for job evaluation. In the UK it's up to each individual employer to decide whether or not to adopt job evaluation as a means of measuring job demands, but in some countries (Slovakia, for example), there is a national job evaluation scheme, while in others (such as Australia), there is a nationally agreed voluntary standard which employers are encouraged to adopt.

The gender pay gap over time

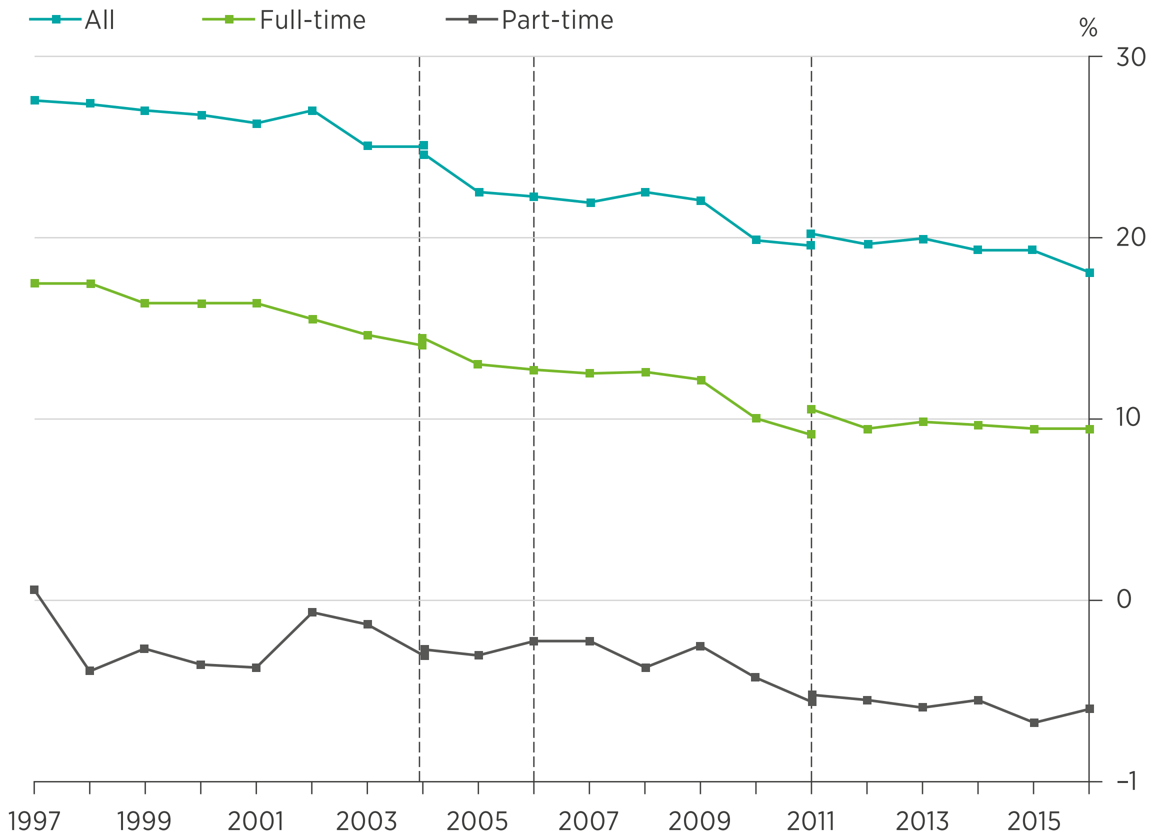
Over the past 30 years the gender pay gap in full-time employment has narrowed. Each generation of women has done better relative to men than the previous one, but the pace of improvement has been uneven. Knowing where the sticking points are may help you deal with your organisation's own gender pay gap.

In March 2014, the Department for Culture, Media and Sport (which then had oversight of equalities issues) used ONS data sources to analyse how the gender pay gap had changed during the years 1997 to 2013.[13] The focus was on full-time work, and a breakdown by age, occupation and income percentile was included.

As can be seen from Figure 5, the gender pay gap decreased markedly over time, but how it did so varied across different age groups. In 2013, the gender pay gap was lowest for those in the youngest age groups. It then increased up to the 40–49-year-old age group, before falling for the older age bands. The gap had, in general, narrowed for all age bands up to and including 40–49-year-olds, but it had stayed static for the oldest age groups.

'Over the past 30 years the gender pay gap in full-time employment has narrowed. Each generation of women has done better relative to men than the previous one, but the pace of improvement has been uneven.'

Figure 5: Gender pay gap for median gross hourly earnings (excluding overtime), UK, April 1997 to 2016



Source: ONS Annual Survey of Hours and Earnings, provisional results 2016

- Median earnings rose faster for women aged between 30 and 39 than for any other age group. The pay gap for this age group also decreased more than any other.
- The gender pay gap within different groups of occupations varied considerably, and in different ways for different occupations. The pay gap was consistently high for those in the skilled trades, and for managers and directors. The pay gap was consistently lower than the national average for professional and associate professional occupations. With increased attendance at universities, there have been more people (and proportionately more women) entering professional and associate professional occupational groups.
- The gender pay gap across high- and low-earners also varied. In 2013, the gender pay gap was lowest for those in the 10th percentile of earnings (the lowest-paid workers). This group also experienced the greatest decrease in the gap. The gap decreased for those between the 40th and 80th percentiles of earnings (those workers whose pay fell into the middle of the pay distribution). However, the gap for those at the 90th percentile (the highest-paid workers) did not decrease by as much as the other groups.
- Occupations with the highest rates of pay tended to have fewer part-time jobs than those with lower pay.

To sum up

The gender pay gap reporting regulations don't require you to measure differences in individual earnings, nor do they require you to check if you are delivering equal pay. They do require you to use aggregate data about your employees to calculate your gender pay gap.

The analysis over time shows that, when you're considering how to tackle the gender pay gap in your workplace, particular attention needs to be paid to older women workers, women working in male-dominated occupations or industries, and higher-earning women.

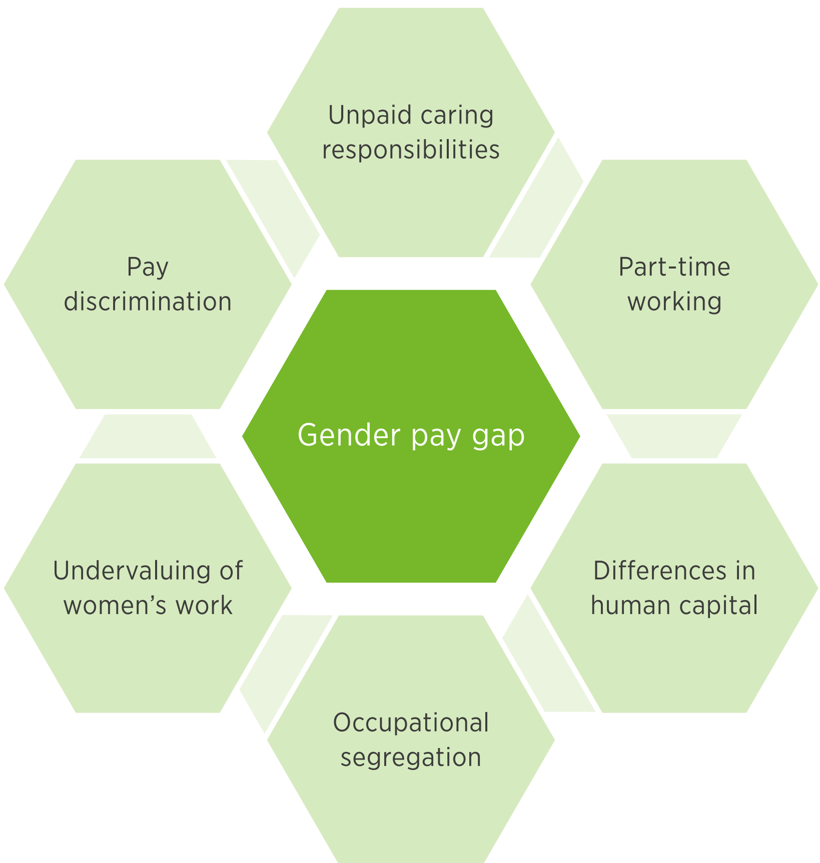
3 The causes of the gender pay gap

The key drivers of the gender pay gap
Gender pay gaps are the outcome of economic, cultural, societal and educational factors. Some argue that they also reflect the outcomes of personal choice, but, whereas the decision to seek paid employment may be an individual choice, the outcome of that choice is strongly influenced by matters outside of the control of the individual concerned, and it is still the case that women's choices are more constrained than those of men.

The key influences on the gender pay gap are summarised in Figure 6. The drivers are complex, and they feed into each other. Unpaid caring leads women into part-time work, which is perceived as reducing their human capital. Occupational segregation reduces the visibility of women's contribution to the workplace, which increases the likelihood of their work being undervalued, thus increasing the probability of pay discrimination.

'Gender pay gaps are the outcome of economic, cultural, societal and educational factors.'

Figure 6: The causes of the gender pay gap



Unpaid caring responsibilities
Women are the main providers of unpaid care. While childcare provision is improving, the position with regard to the care of older family members is arguably worsening.

In 2011 (see Box 9) the ONS looked at the economic impact on carers in England and Wales of unpaid care. The ONS found that the provision of unpaid care had increased since 2000, and that females were notably more likely to be unpaid carers than males; 57.7% of unpaid carers were women and 42.3% men.

The ONS suggests that the need for unpaid care will more than double over the next 30 years.[14] This means that, without policy interventions aimed both at redressing the inequalities in the distribution of unpaid care as between women and men, and at shifting care out of the family and into the formal economy – as is happening with childcare – the burden on women may increase.

Despite recent improvements in childcare provision, the cost of childcare has been identified as a particular barrier to work in the UK, where parents spend 33% of their net household income on childcare, as against an OECD average of 13%. Because women earn significantly less than men – the gender pay gap in action – 29% of women report that returning to work after having a child is not financially viable.[15] Many skilled women stop work because of childcare costs, and many others attempt to keep down their childcare costs by taking part-time work.

If a woman either leaves the labour market altogether for even a short period of time, or continues to work, but on a reduced hours' basis, she's more likely to be in a low-paid and low-skilled job, and to remain there throughout her working life.

Part-time working
Looking solely at part-time employees, there is a negative gender pay gap, with part-time women earning more on average than part-time men. But, the preponderance of women working part-time is such that their low hourly rates of pay result in the gender pay gap for all employees being greater than that for full-time employees only. Seventy-three per cent of part-time workers are women, and 41% of women work part-time compared with 12% of men.

Irrespective of whether the jobholders are male or female, hourly rates of pay tend to be lower for part-time than for full-time. Economists have suggested that this may be because an oversupply of women looking for work that is both part-time and local leads to an oversupply of people willing to take on such jobs, thereby depressing rates of pay.

Women are over-represented in occupations such as cleaning, catering, caring, and leisure and other services, which, while offering a ready supply of part-time jobs, are in low-pay, low-productivity sectors.

Moreover, the current UK female working week averages 29 hours, significantly lower than the 33 hours women work in France and Sweden, and the 39 hours women work in the United States.[16] This suggests that in the UK the choice of jobs available on a reduced hours' basis is unusually constrained.

Differences in men's and women's human capital
Women are more likely to be able to achieve pay parity with their male colleagues when they mirror what men do: that is, if they work full-time and don't take time out to have children.

Box 9

Unpaid care provision in England and Wales in 2011
In England, 116,801 men (1.0%) and 81,812 women (1.2%) were in full-time employment while providing 50 hours or more unpaid care; in Wales the equivalent numbers were 9,320 (1.6%) and 5,068 (1.8%) respectively.

Economically active women in both full-time and part-time employment provided a greater share of the unpaid care burden than men; in England, 12.1% of women working full-time provided unpaid care, and in Wales it was 15.3%.

The share of unpaid care provision fell most heavily on women aged 50–64.

Source: *The gender gap in unpaid care provision: is there an impact on health and economic position?* ONS, May 2013

People who work full-time are perceived as accumulating valuable skills and experience, while those who take time out, or who work part-time (even for only a limited period) are considered to acquire less human capital; this reduction in human capital is also perceived as permanent. However, in the absence of actual evidence at the level of the individual employee of a reduction in human capital, this is a form of gender stereotyping.

Occupational segregation

The UK labour market is segregated by gender,[17] but segregation is as much a cultural as an economic phenomenon; in Russia, for example, over 30% of engineers are women.

The undervaluing of women's work

The problem with occupational segregation is not that men and women are doing different types of work, but that segregation results in these jobs being valued differently. Occupational segregation has been described as *'men getting paid more for working with men, and women getting paid less for working with women'.*

Many 'female' jobs involve tasks that have traditionally been carried out by women in the home, and in consequence the jobs are assumed to call for only low-level skills. The introduction of the National Minimum Wage, and now, the National Living Wage, provides a wage floor for the lowest-paid jobs, but does nothing to challenge the underlying undervaluation of the work.

Discrimination

While evidence of the extent of the contribution made to the gender pay gap by discrimination is contentious, the UK has an unusually high incidence of equal pay claims, suggesting that in certain sectors there is a strong perception of the reality of pay discrimination.

To sum up

Knowing what the causes of the gender pay gap are will help you to get to grips with your own gender pay gap.

You may feel that as a single employer, you have little or no influence over the causes of the gender pay gap within your workplace, and even less influence over the gap for the whole economy, but there is quite a lot you can do to redress these imbalances, and in doing so you will benefit your business in ways that go far beyond the achievement of gender pay parity.

Box 10

Employment by occupation and gender

In October–December 2016, 7.9% of women in employment worked as managers or senior officials, compared with 13.0% of men – the number of female managers/senior officials has increased by 25% over the last five years. 21.4% of women were employed in professional occupations in October–December 2016, slightly higher than the 19.3% of men working in these roles.

Many more women than men work in administrative and secretarial occupations and in caring, leisure and other service occupations.

Women were much less likely to work in process, plant and machine operative occupations or in skilled trades (only 4% of women did so, compared with 29% of men).

Source: *Women and the Economy*, House of Commons Briefing Paper, March 2017

4 Why you need to address the gender pay gap

Who will benefit from closing the gender pay gap?

Gender pay gap reporting is going to make organisations more accountable for closing the gender pay gap. While some of the causes of the gap remain outside of your control, people will increasingly expect you to be taking action to close the gap. Doing so will benefit individual businesses, voluntary organisations and public bodies, and the economy as a whole, and, ultimately, working women will reap the rewards of greater equality.

Boosting the economy

Closing the gap by bringing women's earnings up to the level of men's would increase revenue from National Insurance and income tax; it would decrease the amount paid out in tax credits; and, most importantly, it would increase the likelihood of women being able to provide for their own pensions, thereby reducing both pensioner poverty and the welfare support needed to counter it. Prudential's *Class of 2015* research showed that women who retired in that year would have to live on an income of 25% a year less than their male counterparts.[18]

In 2016 the scale of the economic benefits was examined in an inquiry into the gender pay gap by the Women and Equalities Committee.

In its evidence to the committee, the UK Commission for Employment and Skills (UKCES) quoted research suggesting that the underutilisation of women's skills costs the UK economy between 1.3% and 2% of GDP every year. The UKCES also suggested that eradicating the full-time gender pay gap would contribute additional spending into the economy of £41 billion each year.[19]

Figure 7: The benefits of closing the gender pay gap

In its report,[20] the Women and Equalities Committee said that the UK's 19.2% gender pay gap is much more than an equality issue. It also represents a significant loss to UK productivity, which must be addressed in the face of an ageing workforce, a skills crisis and the need for a more competitive economy. The committee said there is a clear case that tackling the underlying causes of the gender pay gap can increase productivity, address skills shortages and improve the performance of individual organisations.

The committee concluded that the productivity case for reducing the gender pay gap has not been made strongly enough to all employers across the UK, and urged the Government, business, trade bodies, unions and public sector organisations to work to move the discussion about the gender pay gap beyond one of equality, to one of economic necessity. Gender pay gap reporting is part of that endeavour.

McKinsey's 2016 report *The Power of Parity: Advancing women's equality in the United Kingdom*[21] suggested that even partial progress towards parity is well worth striving for, with potential to add as much as £150 billion to annual GDP by 2025, over and above the business-as-usual scenario – or 6.8% higher than business as usual. This would be the equivalent of raising GDP growth by 0.7% per year for the next ten years, and it roughly equates to current annual GDP across the nation's entire financial and insurance sector or combined government expenditure on education, defence, and transport annually.[22]

Clearly, at the level of the whole economy, there is much to be gained from closing the gender pay gap.

The business imperative

At an organisational level, the benefits of closing the gender pay gap translate into higher business earnings and improved growth; the ability to attract and retain the best people; the promotion of gender equality; the opportunity to enhance public perceptions of the kind of organisation you are, and to avoid reputational damage.

Higher earnings and improved growth

Diversity of leadership and decision-making has a positive impact on organisational performance. Organisations with gender-diverse profiles at senior levels make a better financial return than those who do not.

McKinsey's *Diversity Matters* research has shown that for every 10% increase in gender diversity in a UK company's executive team, earnings before interest and taxes rose by 3.5%.[23] Yet, at 0.51, the national ratio of women in leadership relative to men is poor, with the UK lagging behind comparable economies such as the United States, Sweden and Canada.

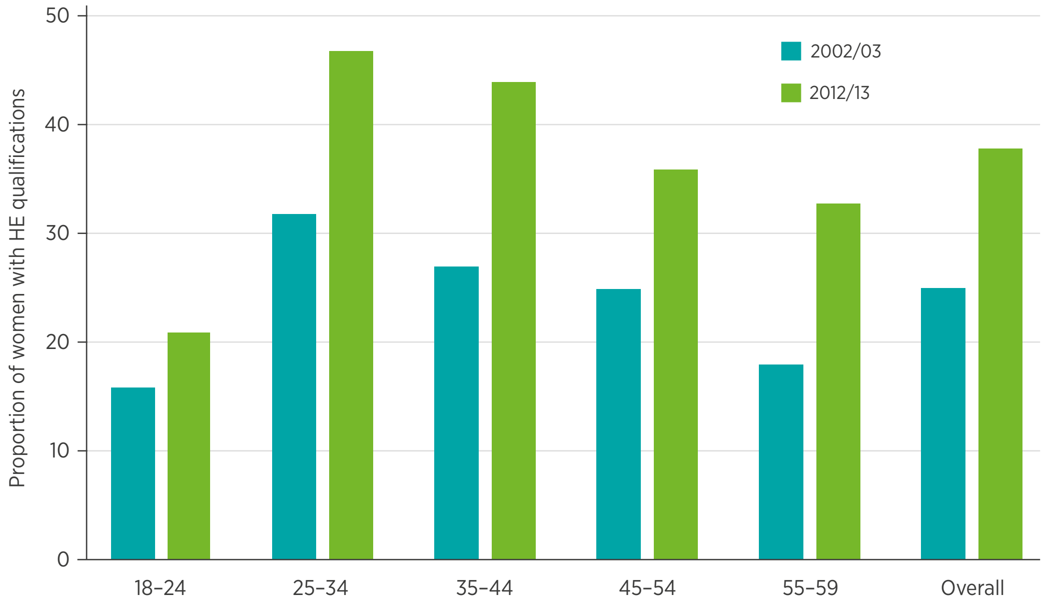
Attracting and retaining the best talent

As women make up 50% of the talent pool, attracting and retaining them is central to your future success. Women are better qualified than ever before, with girls doing better than boys at both GCSE and A Level in England, Wales and Northern Ireland. For Scotland, data for school-leavers showed more girls than boys staying on beyond 16 and achieving higher-level qualifications.[24]

With women continuing to outperform men educationally, the case for taking action to ensure their skills are fully utilised is incontestable.

'Organisations with gender-diverse profiles at senior levels make a better financial return than those who do not.'

Figure 8: Proportion of women with higher education qualifications by age, over time (%)



Source: Cited in the Women and Equalities Committee report: *Gender Pay Gap*. ONS Labour Force Survey 2002/03 and 2012/13 via Joseph Rowntree Foundation

Promoting gender equality
Promoting gender equality is part of being a good employer, one that strives to achieve fairness at work. Being transparent about your gender pay gap increases employee confidence in you as an employer, and in your pay and reward processes.

Enhancing your brand
The regulations will impact around 11 million employees in the private and voluntary sectors and another 3.8 million in the public sector, meaning that they will cover about half of the UK workforce. Your employees, and your customers, will be curious about your gender pay gap.

Employees and job-seekers of both sexes already consider pay gap data when applying for a job or considering whether to stay in one, a trend of enquiry that can only become more widespread as gender pay gap reporting makes such data more widely available. School-leavers and graduates, as well as older workers looking to change jobs, will be able to access information about your gender pay gap on the government gender pay gap reporting website, and they are sure to do so. Your clients and customers will be able to do the same.

For women, an employer's record on diversity is especially important. PwC's report *The Female Millennial: A new era of talent*[26] shows that young women seek out employers with a strong record on diversity. Eighty-five per cent of female millennials surveyed said an employer's policy on diversity, equality and workforce inclusion was important when deciding whether or not to work for an employer. And, the female millennial considers opportunities for career progression the most attractive employer trait.[27]

Reputational damage
The flipside of enhancing your brand is the reputational damage arising out of either failing to report on your gender pay gap, or of reporting but being seen to do nothing to tackle the gap. Being transparent about your gender pay gap, and proactive in tackling its causes, will reduce the likelihood of your being targeted, at best, for unfavourable media coverage, and at worst, for some kind of enforcement action.

To sum up
Only you can know the reasons why your organisation is engaging with gender pay gap reporting. If you are doing so only because you are required to do so, think again; the business case for closing the gender pay gap is a strong one.

Box 11
CIPD guidance
For more on employee attitudes to reward, take a look at the CIPD's factsheet on reward.[25]

5 Do the regulations apply to your organisation?

All employers – public, private and voluntary – are required to report on their gender pay gap if they have 250 or more employees; the regulations set out who comes within the definition of 'employee' and who does not.

Even if you're not covered by the regulations, it is a useful discipline for employers to calculate the size of the gap and see what action may need to be taken. Also, if the Government subsequently lowers the threshold from 250, those who have been collecting and analysing the data will be ahead of the game and will be able to show trends over the years. You could publicise the data after you've been doing it for a number of years to show how you've been tackling the gap.

The snapshot date

Whether or not your organisation is covered by the regulations is determined by the number of relevant employees you have on 'the snapshot date'. The snapshot date also provides the reference point for most of the data you need to collect, and we will look at this in the following sections.

The private and voluntary sectors

A private or voluntary sector organisation operating in England, Scotland or Wales must comply with the regulations if it has 250 or more relevant employees on the snapshot date of **5 April** in each year.

Groups

The regulations require each company, that is, each legal entity within a group, to report on its own gender pay gap; if a group company has fewer than 250 employees, it does not have to report.

As companies within a group will vary in size, it will sometimes happen that not all companies within the group meet the 250 or more threshold. Where this is the case, while there is no requirement to do so, the group might nonetheless decide that all companies in the group will report.

Reporting across the entire group can provide useful information about progress towards closing the gap (why is it narrowing faster

'Whether or not your organisation is covered by the regulations is determined by the number of relevant employees you have on "the snapshot date".'

Box 12

Duration of employment isn't taken into account

Employers with 250 or more relevant employees, irrespective of the duration of their employment, will come within the scope of the regulations.

Figure 9: The snapshot dates

Private and voluntary sector – 5 April

- In any relevant year

Public sector – 31 March

- In any relevant year

Box 13

Example: Group reporting

Buffalo Engineering employs 40,000 employees across 21 companies. All bar two have over 250 employees, but Buffalo Research has 227 and Buffalo Specialist Solutions has 49. Buffalo decides that all companies in the group will report. Buffalo is a leader in getting women into STEM roles and doesn't want to run the risk of any of its companies being perceived as ignoring issues important to women.

Buffalo also decides to produce an additional, group-wide report, setting its gender pay gap in the context of the business as a whole, and showcasing its range of STEM initiatives.

in one company than in another? Can the companies learn from each other?), and it will assure employees across the group that the issue is being taken seriously. It will also allow you to explore if an issue is focused in one part of the group.

Multinationals

A multinational with 250 or more relevant employees working wholly or mainly in Britain has to report on its gender pay gap.

The public sector

In the public sector, the regulations apply to public authorities in England and to certain cross-border authorities and non-devolved authorities operating across Britain. As far as maintained schools are concerned, it is the governing body that will be treated as the employer for gender pay reporting purposes.

For public bodies, the snapshot date is **31 March** in each year.

As public bodies are already expected to gather information on pay, the regulations have been brought into effect by an amendment to the Specific Duties Regulations of the Equality Act 2010, and they apply to the public bodies that are subject to those specific duties. The Government has updated Schedule 19,[28] and as a result, some authorities not previously within the scope of the specific equality duties will now find themselves in scope, and will have to report on their gender pay gaps. Transitional provisions apply to those bodies listed in the original schedule, but not in the revised schedule.[29]

The duty to publish workforce diversity information

The new reporting obligations will apply only to public bodies with at least 250 relevant employees, but the regulations sit alongside the existing duty for public bodies in England with 150 or more employees to publish information on the diversity of their workforce.

In England, each listed public body with more than 150 employees must prepare and publish one or more objectives it thinks it should achieve to eliminate discrimination, advance equality of opportunity, or foster good relations. The objectives must be published not later than 30 March 2018 and subsequently at intervals of not greater than four years, beginning with the date of last publication. Any such objective published by a public authority must be specific and measurable.

Although gender pay gap reporting is not mandatory under the duty to publish workforce diversity information, long-standing guidance from both the Government Equalities Office and the Equality and Human Rights Commission[30] states that employers should consider including gender pay gap information in the data that they publish. This guide also recommends public bodies with more than 150 employees to report on the gender pay gap, both to ensure consistency with the existing public sector duty requirements and in case at some future date the threshold is lowered to 150 employees.

Public bodies, especially those in areas with a high ethnic minority population, may also find it helpful to report on the gender pay gap by ethnicity.

Public bodies in Scotland and Wales

Public bodies in Scotland with more than 20 employees are already required to publish gender pay gap data. In Wales, public bodies are required to have due regard to the need to have equality objectives that address the causes of pay differences, including those relating to gender, between their employees.

Box 14

Example: Public body with 160 employees reporting on pay gaps by gender and race
Cobra College is a small catering college based in the West Midlands. Its student intake and its staff are representative of the local population, being approximately 82% white, 12% Asian or Asian British, 3% black or black British, and 3% mixed. Sixty-five per cent of employees are female, 35% male.

Cobra has been setting equality objectives relating to pay and ethnicity, as well as gender, for several years now, and decides to adapt its data collection and analysis on both race and gender to match the requirements of the gender pay gap reporting regulations. In addition to making some adjustments to data collection, this will also involve the preparation of a one-off in-depth report explaining the transition, and setting a baseline for future reports.

Determining your headcount

The regulations create two categories of people who have to be taken into account in gender pay gap reporting: **relevant employees**, and **relevant full-pay employees**.

The number of relevant employees determines whether or not your organisation is covered by the regulations. Relevant full-pay employees are those employees taken into account in calculating your gender pay gap in the ways required by the regulations. We look at them in section 8 of this guide.

Who are your relevant employees?
For the purposes of gender pay gap reporting, the definition of an employee is that given in the Equality Act 2010. This is an extended definition, which includes:

- employees (those with a contract of employment)
- workers with a contract to do work or provide services for your organisation
- some self-employed people who have to personally carry out the work they do for you.

The public sector – Crown employees, the armed services, police forces
In the public sector, the definition of an employee also covers Crown employment, the armed services, and serving police officers, including police cadets.

Individual employees, not full-time equivalents
The gender pay gap calculations are based on the **number of individual employees**, and not on full-time equivalents. This means that each **part-time employee** counts as **one employee**. This

Figure 10: Employees, relevant employees, and relevant full-pay employees

Box 15

Why your headcount may exceed the number of full-pay employees
In some circumstances your headcount of relevant employees will be slightly larger than the number of relevant full-pay employees. This can happen, for example, when people are on long-term sick leave; they count as relevant employees, but not as relevant full-pay employees, because they are no longer receiving full pay.

Box 16

You cannot use full-time equivalents

If you usually calculate your headcount on the basis of full-time equivalents, you will not be able to import this information directly into your gender pay gap reporting dataset.

Box 17

Liaising with employment agencies

While the agency should be collecting the relevant information, you may want to liaise with them, say over the collection of information about hours worked, so as to ensure that they have the data that they need.

Box 18

Advice on overseas workers

It may be prudent to seek legal advice on overseas workers, especially if the number of employees is large enough to substantially affect either your headcount and/or the number of relevant full-pay employees.

However, as a rough guide, employees who will come within the scope of the headcount will have a contract that is subject to British legislation; will be taxed in the UK; and will be living in Britain.

includes job-share partners: when two people share a job, they are counted as two employees.

Employees on leave

Employees on leave, such as sick leave or on maternity leave, are included as relevant employees while they are on full pay, but not when they go onto reduced pay.

Apprentices, seasonal, temporary or casual employees, zero-hours workers

These are included if they fall within the reference period created by the snapshot date.

People employed personally to carry out the work

People who are employed personally to carry out the work will usually be consultants or other self-employed service providers who are paid by you to carry out a particular project, or provide a specific service, and who carry out the work themselves – they cannot substitute someone else to do the work.

Agency workers

Agency workers will form part of the headcount of relevant employees of the agency that provides them to your organisation. You do **not** need to include them in your headcount.

Overseas workers

If your organisation has employees working abroad, some or all of these may be included in your headcount.

Partners

Partners in both traditional and limited liability partnerships are excluded from both your headcount and from the category of full-pay relevant employee. This is because they are not 'paid' in the same way as an employee is paid, but receive a share of the profits. However, where partners are salaried, they will be included as both relevant employees and relevant full-pay employees.

Directors

Directors are office-holders, not employees, and as such, would not be included either as relevant employees or as relevant full-pay employees. However, many company directors enter into a service contract with the company, and if the terms of this contract effectively make the director into an employee, the director would be counted both as a relevant employee and as a relevant full-pay employee.

Box 19

Example: A fluctuating headcount

Dragon Ceramics manufactures components for the aerospace industry. The company was formed ten years ago. It is male-dominated, but is having difficulty in recruiting suitably qualified people, either male or female, to support a planned expansion.

Dragon currently relies on short-term contracts to supplement its core team of 240 staff. The contractors all have highly specialised skills and are contracted to provide work personally for the company. At the snapshot date in the first reporting year, Dragon has 252 relevant employees, but the company knows that the number of contractors fluctuates from 7 to 20, meaning that its headcount of relevant employees will fluctuate above and below the 250 threshold for gender pay gap reporting.

Having regard to the work involved in setting up a system for gender pay gap reporting, the need to attract women with specialist skills into the company, and its expansion plans, Dragon decides to report on its gender pay gap annually, irrespective of whether or not it is required to do so in any given year.

A fluctuating headcount

In some organisations the headcount will fluctuate from one year to the next, meaning that in some years they are covered by the regulations, but not in others.

In these circumstances this guide recommends that you report even in those years when you do not have to do so. This will be administratively more efficient; it will provide useful information about progress towards closing the gap; and it will assure employees that the organisation is taking the issue seriously.

To sum up

To find out whether or not your organisation is covered by the regulations, you will need to add up the number of relevant employees as of the snapshot date of 5 April (private and voluntary sector) or 31 March (public sector).

Relevant employees are counted on an individual basis, not as full-time equivalents, and irrespective of how long they have been with you. Relevant employees include all paid employees and those paid to carry out services personally, and also any directors and partners who receive a salary for some or all of what they do. Relevant employees may also include people working overseas.

As your headcount will vary from one year to the next, you will need to check the number of relevant employees on an annual basis.

6 Comparability with national statistics

The regulations ask you to measure your gender pay gap in a number of ways. The metrics selected are broadly comparable with those used by the Office for National Statistics (ONS). This is intentional. The Government wants to know how organisations match up to the national headline figures.

As we have seen, the ONS uses data from ASHE to calculate the gender pay gap for the whole economy. ASHE is based on a 1% sample of employee jobs, drawn from HM Revenue and Customs PAYE records. Your calculations will be produced, not on the basis of a sample, but on the basis of a complete population, that of all the full-pay relevant employees in your workforce.

As the sampling techniques used in ASHE are robust, it's possible to make sensible comparisons between the ONS headline gender pay gap and the gender pay gap figures from your business or organisation, but such comparisons are broad-brush, so don't worry too much if your organisation's figures differ from those produced by the ONS. If your gender pay gap is substantially larger, say 28% as compared with an ONS figure of 9%, it would be a good idea to ask yourself why that is so, and build an explanation into any account you give of your gender pay gap.

Hourly earnings

The ONS estimates the gender pay gap on the basis of hourly earnings excluding overtime, and you are being asked to do the same.

Using hourly earnings excluding overtime enables you to consider the gender pay gap across your workforce as a whole, and not have to go into the detail of comparing the pay of people with differing working patterns – as you would have to do if you were carrying out an equal pay audit.

Bonus payments

The ONS also tracks bonus payments, but using different sources from ASHE, and here the comparability with the requirements of gender pay gap reporting is less clear. Estimates are available for both total pay (which includes bonuses) and for regular pay (which excludes bonus payments). The ONS also produces an annual commentary on bonuses, but this does not currently include an analysis by gender.[31]

This doesn't mean you should pay any less attention to the calculations of your organisation's gender bonus gap – inequalities in the distribution of bonus payments can make a big contribution to the overall gender pay gap, and they also pose a risk of unequal pay.

Box 20

Example: Comparison with the gender pay gap as measured by the ONS

Ermine is a small financial services company operating across the UK, offering investment advice to mainly older clients. Ermine employs 267 employees: 44% female, 56% male.

Ermine's median gender pay gap is 25.3%, as compared with the national figure of 9.4%. This is an improvement on the previous year, when the figure was 27.8%. Sixty per cent of females are in the lowest two quartiles. Fifty-seven per cent of the lowest quartile and 47% of the lower medium quartile are female. In the highest-paid quartile, 10% are female.

The quartile figures show that the main reason for the gap is the lower proportion of women in senior roles relative to men.

In its narrative, Ermine sets its figures in the wider context of education and employment in the UK and points out that for the majority of roles it recruits for, the pool of suitably qualified graduates is predominantly male. Ermine also says what it is doing to help its most talented women to progress to senior roles within the company.

The mean, the median and the range

Both the mean and the median are single values that describe the middle or average value of a range of values. The ONS's preferred measure of the gender pay gap is the median, but you are being asked to calculate the mean as well as the median.

The mean

The mean is the average of all the numbers in a dataset, that is, you have to add up all the numbers and then divide the result by how many numbers you are dealing with. So, to find the mean hourly rate for your organisation's full-pay relevant male employees, you would add all their hourly rates together and then divide the total by the number of full-pay relevant male employees.

The median

The median is the numerical value which splits the top 50% of the population from the bottom 50%. To find the median, list all of the values, that is, your calculations of total hourly pay for all employees, in numerical order; if there is an odd number of values, the median is the number in the middle; if there is an even number of values, the median is the mean of the two central numbers.

The range

The mean and the median need to be read in the context of the range, which is the difference between the highest and the lowest value in the data set. In the context of gender pay gap reporting, the range is your pay range. The range tells you how well the mean or the median represents the data. The regulations do not require you to report on your pay range, but the range is an inherent part of your preliminary calculations.

Proportions

A proportion is a number which is read in comparison with other numbers. It can be expressed as a numerical value (25 out of 100 women received a bonus payment); a fraction (a quarter of the women we employ received a bonus payment); or a percentage (25% of the women we employ received a bonus payment). The regulations ask you to express proportions as a percentage, but it is worthwhile remembering that in some circumstances a numerical value may be a more effective way of communicating what you have to say.

Quartiles

A quartile is one of three points that divide a population into four equal parts. In the context of gender pay gap reporting, the four quartile pay bands are created by dividing the total number of full-pay relevant employees (that is, **not** the pay bands) into four equal parts.

To sum up

Organisations are being required to measure their gender pay gap in several different ways. The measures are comparable with those being used to report on the gender pay gap at a national level.

Box 21

You cannot use existing pay bands to determine your quartiles

If you are already using quartile measures based upon your existing pay bands to provide you with information about your pay data, you will **not** be able to use these for the purposes of gender pay gap reporting.

7 The preliminaries – what to input into your payroll software

Payroll software

Some of the data you are being asked to collect can be taken from your existing pay and people records, but some, say the hourly pay of full-time relevant employees, or the amount of bonus pay, may require you to do some calculations before inputting the data into your spreadsheet or data structure. As each organisation will differ in the way in which it processes its information, it's not possible to be definitive about the way in which you will populate your dataset.

From 2013 onwards, almost all employers (with very few exceptions) have been required by law to run their payrolls on computer, so that they can transmit up-to-date information to HMRC about who their employees are and what they have paid them. This means that employers affected by the requirement to report on the gender pay gap will already be using payroll software, and you will find that most payroll software gives you sufficient control over your payroll system to be able to quickly record and analyse the information you need.

Good software will help to ensure payroll data is accurate and easy to review, and its reporting capacity should be sufficiently flexible to enable your gender pay gaps, including your bonus gap, to be calculated and reported on.

Creating your dataset

The dataset

The information you pull together on your employees is known as a dataset. A dataset is a collection of discrete items of related data that may be interrogated individually (how many hours does an individual employee work?), or in combination (how many female employees receive a bonus?), or as a whole entity (what is our mean gender pay gap?).

Data cleansing

Whether you create your dataset from scratch, or import some pay and people data into your structure or spreadsheet from your existing records, before you begin to populate your dataset it's essential to ensure the quality of the data.

Inaccurate data produces inaccurate results. At best, calculating your gender pay gap will take a lot longer than it should do, and at worst, you will come up with a figure which either overestimates or underestimates the gender pay gap in your organisation. The most likely sources of inaccurate data are changes in the hours that people work (which would affect the outcome of all of your calculations) and changes in bonus payments (which would affect the outcome of your calculation of the bonus gaps).

Box 22

Talk to your software provider

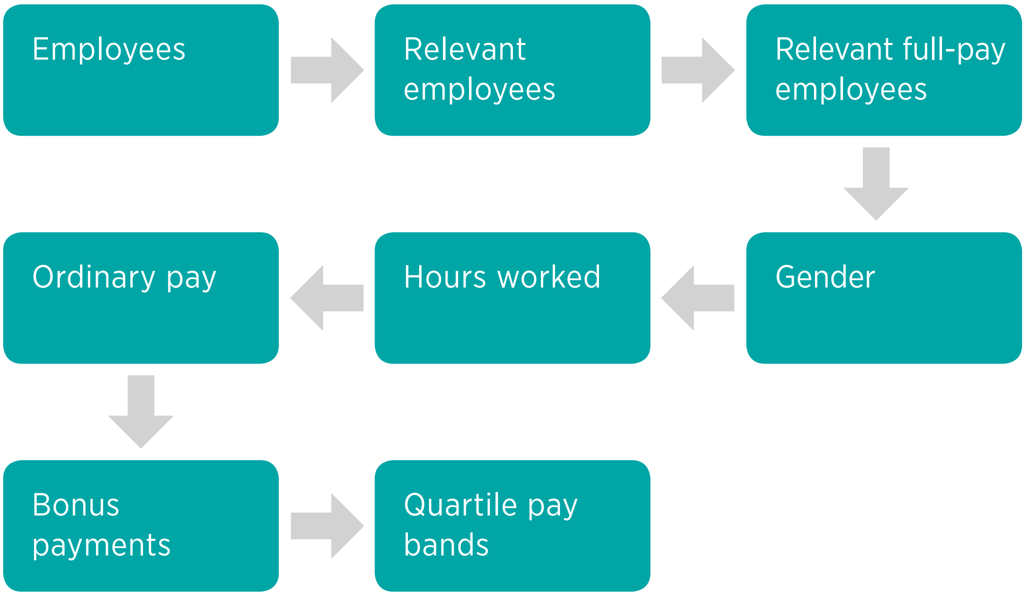
Each organisation will be at a different starting point in relation to its readiness to report on its gender pay gap. A key factor is the level of sophistication of your payroll and other information management systems, and you may need to upgrade outdated payroll and HR software. Talk to your software provider to find out what they can do to make it easy for you to collate and analyse the data you will need.

Box 23

Make sure data from different sources is compatible

You will need to ensure that data from different sources is compatible. If you use different payroll systems for different groups of employees – for example, those paid weekly wages and those paid monthly salaries – in order to calculate the gender pay gap for the organisation as a whole, data will need to be exported from each payroll system into a single spreadsheet.

Figure 11: The data you need to record



The data you need to record

You will need to record the following data:

1 A list of all **relevant employees** and all **full-pay relevant employees** – we looked at the definitions of these in section 5 of this guide, when we asked if the regulations apply to your organisation of this report. Remember that you cannot use full-time equivalents, but must base your calculations on the number of individual employees.

2 A record of whether each of the relevant and full-pay relevant employees is **male or female** – you will use male/female comparisons to determine your gender pay gap.

3 A list of all **ordinary pay** received in the **relevant pay period** for full-pay relevant employees only.

4 A record of all **bonuses** received in the **relevant bonus period** for all relevant employees and full-pay relevant employees.

5 A record of **all bonuses received** during the relevant pay period for full-pay relevant employees only.

6 A record of the **weekly working hours** for full-pay relevant employees only.

7 A record of the **hourly pay** for full-pay relevant employees only.

8 A record of the **quartile bands**.

Box 24

Asking employees to confirm their gender

Ask employees to confirm their gender. An unusual name might be wrongly assigned, or a common name such as Chris might be logged as male (Christopher), when in fact it's female (Christine).

In relation to gender identity, Acas recommends that employers establish a method that enables all employees to confirm their gender. Acas suggests doing this early on, perhaps when informing employees that the organisation will be reporting on its gender pay gap.

If an employee does not identify as being either male or female, they can be omitted from the calculations; the number of individuals will be so small as to have little or no impact on the calculation of the overall gender pay gap.

Recording employee names and contract status

Employee names
Although not required by the regulations, this guide recommends that you also record employees' names and/or assign a number to each employee. Doing so will enable you to check out any anomalies or apparent oddities.

Employee status
Although not required by the regulations, this guide also recommends that you record contract status.

Recording contract status helps you to decide who to include in the calculation of your gender pay gap, and it will also help you make year-on-year comparisons, as you will be able to see the impact of any changes in the contractual status of a group of workers, say, for example, if your organisation decided to give permanent contracts to a team of people previously retained on a consultancy basis.

Recording employee characteristics in addition to gender
The gender pay gap regulations require you to examine pay by gender, but workplace demographics vary significantly across employers, and for some organisations a full understanding of the gender pay gap will only be obtained by factoring in characteristics such as age and ethnicity.

The gender pay gap increases with age, and is deeper for some black and minority ethnic groups. If you think age or ethnicity may be a factor in your workplace, it may be helpful also to collect and record information on the age and ethnicity of your relevant employees. You may also choose to cover this in your narrative.

To sum up
Time spent ensuring that the quality of your data is as good as it can be, and, if necessary, planning to obtain any missing data, is time well spent, as is ensuring that the data you will use for gender pay gap reporting is in the format required by the regulations.

Think also about whether your analysis of the gender pay gap would benefit from you going beyond gender to examine the impact of characteristics such as age or ethnicity.

Box 25
Example: Benefits of recording employee status
Gecko Solutions is a three-year-old high-tech company producing specialist software for back-of-house archaeologists. Gecko offers cutting-edge products, and associated training, which are in high demand.

In 2017 Gecko has 253 employees, of whom:

- 3 are apprentices
- 24 are casuals brought in to support product launches
- 209 are full-time employees
- 17 are consultants – of these, 12 are supporting the development of the company's core products, and 5 are spread across three different projects.

By 2019 Gecko's headcount has risen to 292:

- 10 employees have left the company
- 25 additional permanent staff have been recruited
- the 2017 apprentices are now employed by the company
- 5 more apprentices have been taken on
- the people previously working as consultants on core products have been taken onto the payroll
- the number of consultants working on specific projects has risen to 12
- Gecko no longer employs casual staff.

By recording employee status, Gecko ensures that its headcount is accurate and is in a good position to spot potential problems, such as distortions to the pay system when consultants are taken onto the payroll.

Box 26

Example: Age as a way of exploring the reasons for a gender pay gap

Hamster Pet Foods is located on the edge of a large housing estate and near to a popular primary school. It is the employer of choice for women with young children, and increasingly, grandmothers providing childcare for their families. Hamster's mean gender pay gap is 29%.

Hamster's payment system is responsive to educational and vocational qualifications, and the achievement of in-house progression. Hamster knows that a high proportion of its staff work part-time, but working part-time does not seem to fully explain the extent of the pay gap.

Hamster runs an age check and finds that the gender pay gap for women over the age of 45 is 46%. An analysis of educational and vocational qualifications shows that these older women are not as well qualified as their younger peers. Hamster realises these women have been missing out on in-house development opportunities and initiates a skills audit, with a view to improving the uptake of in-house training and other career development opportunities.

8 Identifying full-pay employees

Relevant employees and full-pay employees

We looked at relevant employees in section 5 of this guide. To recap, you should count each individual job-holder employed by you at the snapshot date.

Full-pay relevant employees

Your list of full-pay employees is the basis of your gender pay gap calculations. It is drawn from the list of relevant employees that determines your headcount.

A full-pay relevant employee is one employed and receiving **full pay** during the specified pay period.

A man or woman taking parental leave or sick leave on **full pay** would be included, but employees on **reduced pay**, for a reason such as sick leave, maternity leave, adoption leave, shared parental leave or any other form of long-term special leave, do **not** count as full-pay relevant employees, even though you have counted them towards your total of relevant employees. If an employee is on unauthorised absence or on strike, they still count as a full-pay relevant employee.

Box 27

Example: Age as a way of exploring the reasons for a gender pay gap

Impala have 853 employees across three sites. On the snapshot date some employees are on strike. Impala's count of full-pay relevant employees is 844.

Employee attendance	Number	Relevant employee	Full-pay relevant employee
At work	811	Yes	Yes
On paid annual leave	5	Yes	Yes
On full-pay sick leave	3	Yes	Yes
On reduced-pay sick leave	2	Yes	No
On full-pay maternity leave	5	Yes	Yes
On reduced-pay maternity leave	3	Yes	No
On full-pay paternity leave	4	Yes	Yes
On full-pay parental or adoptive leave	1	Yes	Yes
On unpaid carers' leave	3	Yes	No
Unexplained absence	1	Yes	Yes
On strike	15	Yes	Yes
Totals	**853**	**853**	**844**

9 Calculating hourly pay

The amount of an employee's ordinary and bonus pay is calculated before deductions are made at source. Deductions include both employer deductions – PAYE, National Insurance and pension contributions – and compulsory employee cash deductions. If an employee uses some or all of their bonus payment to make a contribution to their pension, this too will be treated as a deduction.

Ordinary pay

You will use ordinary pay, expressed as hourly pay, to calculate your organisation's mean and median gender pay gaps.

Ordinary pay includes basic pay, shift premium pay, pay for piecework, pay for leave and allowances. Allowances include London living allowances; allowances for living abroad (where information on these can reasonably be obtained from the host employer); recruitment and retention allowances; car allowances; and allowances for additional roles such as that of a fire warden or first aider.

Ordinary pay does **not** include: overtime pay; redundancy or termination pay; pay in lieu of annual leave; interest-free loans (say for the purchase of a season ticket); expenses; nor does it include non-money benefits in kind, for example, a company car, or private medical insurance. Salary-sacrifice schemes are also excluded from the calculation of ordinary pay (see below).

Salary sacrifice

If you operate a salary-sacrifice scheme, you should calculate ordinary pay based on the employee's gross pay **after** any reduction for salary sacrifice (see Box 32).

Bonus pay

You will include bonuses received by full-pay relevant employees in the calculation of hourly pay for the relevant pay period.

You will also use information about bonus pay to calculate your organisation's mean and median bonus gaps, and to determine the proportions of men and women receiving bonus pay.

Bonus pay is pay over and above ordinary pay that relates to profit-sharing, productivity, performance,

Box 28

Recording compulsory deductions

You will need to record compulsory employee deductions, such as court orders requiring child support payments, or other forms of attachment of earnings, in your gender pay gap reporting dataset.

Box 29

Allowances or expenses?

If your organisation pays a wide range of allowances, it might be as well to check that all of these actually are allowances and not expenses: allowances are taxable; expenses are not.

Box 30

Company cars

Car allowances count towards ordinary pay; the value of a company car does not.

Box 31

Example: What counts as ordinary pay

Jackal Travel has 12,334 employees. Jackal's pay system includes shift pay, overtime, cars and car allowances, free uniforms, a London allowance, allowances for living abroad on six-month placements, allowances for staff working in the smallest offices, and additional allowances for duties such as oversight of health and safety.

Payment/allowance	Counted as ordinary pay?
Basic pay	Yes
Overtime pay	No
Shift payment for weekend working	Yes
London allowance	Yes
Allowance for living abroad	Yes
Meal allowance when working abroad	No
Travel expenses for travel within GB	No
Free uniforms	No
Health and safety allowance	Yes
Season ticket loan	No
Company car	No
Car allowance	Yes

Box 32

The rationale for excluding salary sacrifice and benefits in kind

The Government's rationale for excluding salary-sacrifice schemes and benefits in kind is that: (a) the goods and services received are typically non-cash benefits such as childcare services or health plans; (b) the value of the salary-sacrifice schemes is not necessarily equivalent to the agreed reduction in salary; and (c) the Government's preferred methodology is to work from information that is readily held on their existing payroll systems.

However, recognising that in some situations these exclusions could cause some distortion to the published gender pay gap, the Government encourages employers to highlight this in their narrative by pointing out, for example, that there are gender differences in the take-up of a scheme.

Source: Mandatory Gender Pay Gap Reporting, Government Response to the Consultation on Draft Regulations, Government Equalities Office, December 2016

incentive or commission. Bonus pay can be in the form of money, vouchers, securities, securities options, or interests in securities, and where this is the case, such payments will be captured by reference to income tax liability.

Non-consolidated bonuses are also included in the calculation of bonus pay.

Bonus pay does not include pay related to overtime, redundancy or termination of employment, nor does it include pay in lieu of annual leave.

The pay periods

The pay periods inform the calculations of **ordinary** and **bonus pay**.

In relation to any relevant employee, the pay period is that in respect of which you pay the employee their basic pay, whether weekly, fortnightly, monthly or any other period. The period over which a bonus is paid may differ from that for ordinary pay and allowances, and we look at this below.

If an employee does not receive basic pay, but receives some other form of ordinary pay, the relevant pay period is the period over which your organisation most often pays that pay.

The relevant pay period
The relevant pay period is the pay period within which the snapshot date of 31 March (public sector), or 5 April (private and voluntary sector) falls. Organisations will vary as to the length of their pay period, so it's not possible to be definitive about what this will be, but if, for example, in a private sector organisation the pay period is a month, the relevant pay period is the two weeks either side of 5 April.

The bonus period
The period over which a bonus is paid may differ from that for ordinary pay and allowances. If the period for which a bonus is received is the same as the relevant pay period, the full amount of the bonus should be recorded.

If the period for which the bonus is received differs from or exceeds the pay period – for example, the ordinary pay period is a month, but the bonus pay period is a year – you will have to pro-rate the amount of bonus; in other words, you will have to divide the amount of bonus by the number of days in the bonus period, and multiply the result by the number of days in the pay period.

If the pay period is **a month**, the regulations treat this as having **30.44** days. If the pay period is **a year**, the regulations treat this as having **365.25** days.

The relevant bonus period
The regulations state that, for bonus pay, the relevant period is the 12 months ending with the snapshot date. The relevant bonus period will always be the preceding 12 months ending on the snapshot date being used for the calculations. For example, if the snapshot date is 5 April 2018, the relevant bonus period will run from 6 April 2017 to 5 April 2018.

Box 33
Irregular pay
If employees are paid irregularly, for example they receive a different amount every month, it may be advisable to designate a pay period of a year.

Box 34
Employees to include in the calculation of bonus pay
Only those employees who actually received bonus pay during the period of 12 months ending on the snapshot date, and who are employed on that date, are taken into account in the bonus pay calculations.

Box 35
Bonuses are included when they have been received
Bonuses are included when they have been received, that is, the date on which the payment is taxed, and not when they have been attributed. For example, a bonus awarded in 2016 but not received until 2018 will be included in the calculation based on the 2018 snapshot date.

If your organisation pays bonuses in securities, the value of these is included at the time the employee incurs income tax. And so, if an employee decides to defer their entitlement to bonus pay, as for example in the case of a long-term incentive plan, you would not include the bonus in your calculation until such time as the amount gives rise to income tax.

Box 36
Bonus pay calculation when no bonuses are paid
You will have to report a gender bonus gap calculation even if you do not pay bonuses. In this case, your percentage figure will be zero.

Weekly working hours
Weekly working hours do not include either paid or unpaid overtime.

If the employee works the same hours each week, say 37 hours a week, their weekly working hours will be the number of hours set out in their contract of employment on the snapshot date. This will be so even if they leave after the snapshot date, but before the relevant pay period ends; for example, if they leave on 7 April, but their pay period does not end until 30 April, their weekly working hours will still be the hours specified in their contract.

Variable hours contracts
If the employee is on a variable hours contract, meaning that their working hours differ from week to week, or over a longer period of time, their weekly working hours will be the average number of hours that they work over the 12-week period that ends with the last complete week of the pay period;[32] that is, you divide the total number of hours worked over the 12 weeks by 12.

If the employee has not worked because they have been on sick leave, an earlier week or weeks must be used instead. In other words, if there are 'blank weeks', the reference period is extended back beyond 12 weeks.

If an employee has worked only part of a week, for example because they have taken a couple of days' unpaid leave, the whole week must be included.

Piecework
If an employee is paid on the basis of piecework, their weekly working hours will be either the number of hours of work set by the employer, or the number of hours of output work in a week during the relevant pay period.[33]

Employees on call or sleeping in
Hours during which an employee is required to be on call, awake and available for work, must be included in their weekly working hours.

Hours during which an employee is sleeping are not included, even if the employee has to sleep at or near their place of work. However, if they are woken up in order to carry out work during the reference period, the waking time must be included in their weekly working hours.[34]

People contracted to provide services personally
You may have difficulty in obtaining the information needed to determine the hourly pay of someone contracted to do work for you on a personal basis as a full-pay relevant employee. It can, for example, be difficult to quantify the hours worked by a consultant retained for their specialist expertise on a particular project, because what you're paying for is not the hours they put in, but their expertise. You can ask for the information, but if you can't get it, the person should still be included as a relevant employee in your headcount, but it will not be possible to include them as a relevant full-pay employee for the purpose of calculating the gender pay gap.

Hourly pay for the purpose of calculating the mean and median pay gaps
You will use hourly pay as the basis for calculating mean and median pay gaps, but before you can do so, you will need to calculate the hourly pay itself.

Box 37
Changes within a variable hours contract
If an employee on a variable hours contract changes their contract during the 12-week reference period, so as, say, to increase the number of hours worked, you will still divide the total number of hours worked over the 12 weeks by 12.

Box 38
New contracts for those employed to provide services personally
Acas recommend that new contracts should seek, where possible, to ensure that those employed under a contract to do work personally are required to provide the information needed for compliance with the regulations.

To calculate hourly pay on the basis of an annual salary
For each full-pay relevant employee:

1 Total the annual salary, that is, basic pay, any allowances **and** any bonus payments received during the year.

2 Divide the total annual amount by 365.25; this gives you the daily salary.

3 Then, divide the daily salary by the number of hours worked in a day; this gives you the hourly rate.

To calculate hourly pay on the basis of a monthly salary
For each full-pay relevant employee:

1 Total the monthly salary, that is, basic pay, plus any allowances and any bonus payments received during the month.

2 Divide the total monthly amount by 30.44 days; this gives you the daily salary.

3 Then divide the daily salary by the number of hours worked in a day; this gives you the hourly rate.

To calculate hourly pay on the basis of variable hours
For each full-pay relevant employee:

1 Work out how many hours the employee worked over the 12-week period.

2 Total the amount of basic pay plus any allowances and any bonus payments received in the relevant 12-week pay period.

3 Divide the total amount of pay by the total number of hours worked over the 12-week period.

Box 39

Example: Calculating hourly pay on the basis of an annual salary
In 2017, Sandra's annual salary is £26,744. In addition she receives allowances of £550 and a bonus of £900. She works 35 hours a week, or 7 hours a day.

In 2017, Sandra's pay over the year totals £28,194. Her daily pay amounts to £28,194 divided by 365.25 = £77.19, and her hourly rate is £77.19 divided by 7 = £11.03.

In 2018, Sandra's company stops paying bonuses, but makes a one-off payment to each employee of £7,000. Sandra also earns £670 in allowances.

Sandra's pay over the year totals £35,864. Her daily pay amounts to £35,864 divided by 365.25 = £98.19, and her hourly rate is £98.19 divided by 7 = £14.03.

Box 40

Example: Calculating ordinary pay on a variable hours contract
Geoff works 370 hours over the 12 weeks, of which 340 hours were worked at the standard rate of £10 an hour, and 30 hours at the night shift rate of £15 an hour. Geoff was also paid a £100 share of a team bonus for meeting an urgent production target in week 3.

Geoff's pay over the 12-week period totalled (340 x £10) + (30 x £15) + £100 = £3,950. His hourly pay amounts to £3,950 divided by 370 = £10.68.

Hourly pay for the purpose of calculating the mean and the median bonus gap

The regulations require you to produce three calculations related to bonus pay. For these calculations you will have to use the 12-month bonus pay period described above:

1 Total the amount of bonus pay received over the relevant 12-month period.

2 Divide the total amount of bonus pay by 365.25; this gives you the amount of bonus averaged over each day.

3 Divide the daily amount of bonus pay by the number of hours worked in a day; this gives you the hourly rate.

The quartile bands

We look at how to establish your quartile bands in the next section.

To sum up

Before you can do the calculations required by the regulations, you will have to do some preparatory work. Moreover, some of the records you need to compile will differ from those you already hold for other HR and payroll purposes; you are unlikely, for example, to express bonus payments as an hourly rate. Make sure that you are clear which of the various contributors to the gender pay gap calculations listed above are relevant to your circumstances and that you have all the information you need.

Box 41

Example: Calculating bonus pay

Simon's annual salary is £50,000. He works a 40-hour week, or 8 hours a day. In the year prior to the first snapshot date of 5 April 2017, he was awarded bonuses totalling £70,000. £40,000 was a personal bonus, paid to him on 31 March 2017. The remaining £30,000 was a team bonus, which is paid to him on 30 June 2017. However, within the bonus year preceding the snapshot date, Simon also received the previous year's team bonus of £17,000. This was paid to him on 30 June 2016.

For the purposes of the first gender pay gap report:

- Simon's ordinary pay amounts to £50,000 + £40,000 + £17,000 = £107,000 divided by 365.25 to give a daily rate of £292.95, and an hourly rate of £36.62.
- Simon's bonus pay is £40,000 + £17,000 = £57,000.

10 The measures: the mean and median gaps

The regulations explain how to carry out the calculations. The calculations are the same for all three sectors.

Mean gender pay gap

The mean gender pay gap is the difference between the mean hourly rate of pay of male full-pay relevant employees and that of female full-pay relevant employees.

To calculate this you will first have to calculate the mean hourly rates of pay for both male and female full-pay relevant employees.

To do this:

- Add up the hourly rates of pay for all male full-pay relevant employees.
- Divide the total by the number of male full-pay relevant employees (**A** in the equation to the right).

You then:

- Add up the hourly rates of pay for all female full-pay relevant employees.
- Divide by the total number of female full-pay relevant employees (**B** in the equation to the right).

The regulations state that the mean gender pay gap must be expressed as a percentage of the mean hourly rate of pay of male full-pay relevant employees, so your calculation is as follows:

$$\frac{(A-B)}{A} \times 100$$

Figure 12: Mean and median pay gap definitions

Mean gender pay gap	the difference between the mean hourly rate of pay of male full-pay relevant employees and that of female full-pay relevant employees
Median gender pay gap	the difference between the median hourly rate of pay of male full-pay relevant employees and that of female full-pay relevant employees

Box 42

Example: Calculating the mean gender pay gap

Kangaroo Travel has 4,500 employees, of whom 4,445 are relevant full-pay employees. Of these, 3,100 are female and 1,345 male.

The hourly rates of pay of the male employees amount to (1,000 x £15) + (300 x £21) + (45 x £50) = £23,550, which, divided by 1,345, gives a mean hourly rate of £17.51.

The hourly rates of pay of the female employees amount to (500 x £10) + (1,000 x £13) + (1,000 x £15) + (500 x £21) + (80 x £30) + (20 x £50) = £46,900, which, divided by 3,100, gives a mean hourly rate of £15.13.

Kangaroo's mean gender pay gap is 17.51 less 15.13 divided by 17.51 x 100 = 13.59%.

The median gender pay gap

The median gender pay gap is the difference between the median hourly rate of pay of male full-pay relevant employees and that of female full-pay relevant employees (the median gender pay gap).

To calculate this you will first have to calculate the median hourly rate of pay for both male and female full-pay relevant employees.

To do this:

- List the hourly rates of pay for all male full-pay relevant employees and find the midpoint (**A** in the equation to the right).
- Add up the hourly rates of pay for all female full-pay relevant employees and find the midpoint (**B** in the equation to the right).

The regulations state that the calculation of the difference between the median gender pay gap must be expressed as a percentage of the median pay of male full-pay relevant employees, so your calculation is as follows:

$$\frac{(A-B)}{A} \times 100$$

Box 43

Example: Calculating the median gender pay gap

The midpoint of Kangaroo's hourly rates of pay for male employees is £15, and for females it is £14.

Kangaroo's median gender pay gap is 15–14 divided by 15 x 100 = 6.67%.

11 The measures: mean and median bonus payments, and the proportions of men and women receiving bonuses

Figure 13: Bonus gap definitions

Mean bonus gap	the difference between the mean bonus pay paid to male relevant employees and that paid to female relevant employees
Median bonus gap	the difference between the median bonus pay paid to male relevant employees and that paid to female relevant employees
Bonus proportions	the proportions of male and female relevant employees who were paid bonus pay during the relevant period

Mean bonus gap

The mean bonus gap is the difference between the mean bonus paid to male relevant employees and that paid to female relevant employees.

To calculate this you will first have to calculate the mean bonus pay for both male and female full-pay relevant employees

To do this:

- Add up the bonus pay for all male full-pay relevant employees.
- Divide the total by the number of male full-pay relevant employees (**A** in the equation to the right).

Then:

- Add up the bonus pay for all female full-pay relevant employees.
- Divide by the total number of female full-pay relevant employees (**B** in the equation below).

The regulations state that the mean gender pay gap must be expressed as a percentage of the mean hourly rate of pay of male full-pay relevant employees, so your calculation is as follows:

$$\frac{(A-B)}{A} \times 100$$

Median bonus gap

The median bonus gap is the difference between the median bonus pay paid to male relevant employees and that paid to female relevant employees.

To do this:

- List the bonus pay for all male full-pay relevant employees and find the midpoint (**A** in the equation below).
- List the bonus pay for all female full-pay relevant employees and find the midpoint (**B** in the equation below).

The regulations state that the calculation of the difference between the median bonus pay gap must be expressed as a percentage of the median bonus pay of male full-pay relevant employees, so your calculation is as follows:

$$\frac{(A-B)}{A} \times 100$$

Bonus proportions

The bonus proportions are the proportions of male and female relevant employees who were paid bonus pay during the relevant period.

Both must be expressed as percentages.

The first part of the calculation is as follows:

$$\frac{A}{B} \times 100$$

In this equation **A** is the number of male relevant employees who were paid bonus pay during the 12-month period ending with the snapshot date; and **B** is the number of male relevant employees.

The second part of the calculation is as follows:

$$\frac{C}{D} \times 100$$

In this equation **C** is the number of female relevant employees who were paid bonus pay during the 12-month period ending with the snapshot date; and **D** is the number of female relevant employees.

Box 44

Example: Bonus calculations

Lion Sports Gear employs 457 people, of whom 230 are women and 227 are men. The pay system is relatively simple, and consists of basic pay, performance-related pay, and bonuses for sales staff who exceed pre-determined sales targets. The sales force consists of 10 women and 20 men, and in the year preceding the snapshot date their bonus payments are as follows:

Female (£)	**Male (£)**	**Male (£)**
5,000	1,000	12,000
10,000	2,000	14,000
11,000	2,000	15,000
12,000	3,000	15,000
15,000	4,000	15,000
16,000	5,000	35,000
16,000	7,000	40,000
20,000	7,000	40,000
25,000	7,000	50,000
30,000	11,000	55,000
Total F bonuses: £160,000		Total M bonuses: £340,000
F bonus range: £5,000–£30,000		M bonus range: £1,000–£55,000
Mean bonus pay: £160,000 divided by 10 = £16,000		**Mean bonus pay: £340,000 divided by 20 = £17,000**
Median bonus pay = £15,500		**Median bonus pay = £11,500**
Proportion F paid bonus = 10÷230x100 = 4.3%		**Proportion M paid bonus = 20÷227x100 = 8.8%**

This example shows the importance of reading all of the bonus measures together. The mean and median figures suggest that women are doing reasonably well, but the proportions show that a smaller proportion of women than men are receiving bonus payments.

The range (which you are not required to report on) suggests that the way in which bonuses are allocated to men may differ from the way in which they are allocated to women, in that whereas women are getting bonuses in the mid-range, men are starting at a much lower and ending at a much higher level. This is something that calls for further investigation.

12 The measures: the proportions of male and female employees according to quartile pay bands

Figure 14: Quartile bands definition

Quartile pay bands	the proportions of male and female full-pay relevant employees in the lower, lower middle, upper middle and upper quartile pay bands

To determine the proportion of male and female employees according to quartile pay bands:

1. Determine the hourly rate of pay for all male and female full-pay relevant employees.
2. List all the male and female full-pay relevant employees from the lowest hourly rate of pay to the highest.
3. Rank all employees according to average hourly pay, starting from lowest paid to the highest paid.
4. Identify the median (50th percentile) in this ranked distribution of all employees. This figure represents the second quartile.
5. Identify the first quartile (25th percentile) by calculating the midpoint between the smallest value (that is, the lowest-paid worker) and the median (that is, the second quartile).
6. Identify the third quartile (75th percentile) by calculating the midpoint between the median (that is, the second quartile) and the largest value (that is, the highest-paid worker). Seventy-five per cent of all employees are under this value and 25% are over it in the fourth ('upper') quartile.
7. If there are multiple employees on exactly the same hourly pay rate, some employees on the boundary would be split into the quartile below and some into the quartile above, so that the four quartiles have an equal proportion of people. You should ensure that the proportions of male and female employees in each of those quartiles are the same.
8. Calculate what proportion of women and what proportion of men are in each of these four quartiles and present this information as percentages.
9. Looking at the quartiles from the lowest to the highest, they are called the lower, lower middle, upper middle and upper quartiles.
10. If you have a number of employees on exactly the same rate of pay but distributed across two quartiles (this is most likely to happen in the lower middle and upper middle quartiles), make sure that males and females are split as evenly as possible across the quartiles.

The regulations state that the proportion of male full-pay relevant employees within each quartile pay band must be expressed as a percentage of the full-pay relevant employees within that band.

This calculation is as follows:

$$\frac{A}{C} \times 100$$

In this equation **A** is the number of male full-pay relevant employees in a quartile pay band; and **C** is the total number of employees in the quartile.

Similarly, the proportion of female full-pay relevant employees within each quartile pay band must be expressed as a percentage of the full-pay relevant employees. The calculation is as follows:

$$\frac{B}{C} \times 100$$

In this equation **B** is the number of female full-pay relevant employees in the quartile, and **C** is the total number of employees in the quartile.

Box 45

Example: Quartile pay bands (%)

Quartile	Women	Men
Upper: 75–100% of full-pay relevant employees	40	60
Upper middle: 50–75% of full-pay relevant employees	45	55
Lower middle: 25–50% of full-pay relevant employees	54	46
Lower: 0–25% of full-pay relevant employees	73	27

13 Closing your gender pay gap

What action you take to close your gender pay gap is for you to decide. It will vary from one sector to another and from one business to another. Some organisations will need to focus on breaking down horizontal occupational segregation, others on getting more women into senior jobs. Some will want to carry out a full equal pay audit, others to improve take-up of flexible working at senior levels. In a guide such as this it is not possible to be prescriptive, and what is presented below is a range of suggestions for action.

What do your calculations tell you?

The mean
The mean gives you an overall indication of the size of your gender pay gap and of your gender bonus gap. It is also a measure which tells you something about the influence of your payment system on your gender pay gap, especially when looked at in the context of the range.

A high mean gender pay gap, coupled with a high mean gender bonus gap and a large range, is often symptomatic of a payment system that tends to disadvantage women, so if this is what you are faced with, consider drilling down further into your payment system, for example by checking for differences in starting salaries for men and women, by carrying out spot checks, or by implementing a full equal pay audit.

As bonus payments are known to be a key influence on the size of the gender pay gap at the whole-economy level and in particular sectors, such as financial services, the Government is likely to be keeping a keen eye on the calculations relating to bonus payments. If your mean gender bonus gap is high, you may want to introduce gender monitoring of your performance appraisal system and examine the impact of managerial discretion on the award of bonuses.

The median
The median gives you an indication of what the 'typical' situation is, but, if your organisation has a complex pay system, there may not be a 'typical' situation. The mean won't pick up on all gender pay gap issues. By failing to take account, for example, of the impact on the gender pay gap of a small group of very highly paid employees, a median can give you a 'false positive', meaning that you don't take the action necessary to close the gap.

If there is no typical situation in your organisation, gender monitoring of differences in pay outcomes is an essential safeguard against the risks of a gender pay gap that is out of control and of equal pay claims being raised.

The mean and the median read together
When the mean and the median have the same or roughly the same value – for example, when the mean pay gap is 13%, and the median pay gap is 14% – the dataset is not skewed, and you can be reasonably certain that your employees, male and female, are being paid within the same income range, whatever that might be.

On the other hand, if the mean and the median are widely different, the dataset is skewed, either by the presence of very low earners (where the mean is below the median), and/or by a group of very high earners (where the mean is above the median). And if the majority of employees in those groups of earners are mainly men or mainly women, a gender pay gap issue arises. In the context of gender pay gap reporting, we don't only want to know what most people earn – the median – but also how the outliers affect the overall distribution of pay between men and women – the mean.

If the mean and the median are widely different, you may want to consider a range of initiatives, including checking the uptake of your flexible working arrangements, and taking action to break down occupational segregation.

The range
In the context of gender pay gap reporting, the range is your organisation's pay dispersion, or the difference between the lowest hourly rate of pay and the highest. If the range is large, the mean or the median is not as representative of the data as it would be if the range was small, and so the greater your pay dispersion, the less reliable are your calculations of the gender pay gap.

Proportions

Comparing the proportions of men and women who receive a bonus within the 12-month bonus period tells you how much more likely male full-pay relevant employees are to receive any amount of bonus payment compared with female full-pay relevant employees (and vice versa). If no bonuses have been paid to the relevant employees, the percentage figure will be zero.

In some organisations the average cash value of a bonus awarded to a woman may be lower than the average cash value awarded to a man because of the distribution of part-time work. If you consider that your gender bonus gap has been skewed because a percentage bonus has been paid to full-time and part-time employees, you may want to explain this skewing in your narrative.[35]

The comparative basis of a proportion is central to its usefulness as an indicator, and although the regulations require you to report specifically on the proportions of men and women getting a bonus, and the proportions of men and women in each quartile pay band, in future years you will also be able to track your progress by comparing your figures with those from previous years. This means you will be able to say, for example, that whereas in 2017 25% of women received a bonus payment, by 2019 this had risen to 30%.

The regulations ask you to report on the proportions of men and women receiving bonuses, and also on the proportions of men and women in each quartile pay band, and to express these proportions as a percentage. You should note, however, that there are circumstances, such as where only one or two women receive bonus payments, where a numerical value can be more meaningful.

Quartiles

The quartile distribution is intended to give you information about 'the glass pyramid' or how the relevant full-pay male and female employees are distributed across your organisation. If men and women are not evenly distributed throughout the organisation, you may wish to check your recruitment and progression procedures and your flexible working arrangements (see below).

The calculation of the quartiles will also pick up on pay gaps at the top of the organisation, even if the mean and median figures have masked this.

Box 46

Example: What quartile pay bands can tell you

Marten Materials manufactures industrial flooring. It has two sites, one in the north-west of England and another in the Scottish Borders. On the snapshot date it has 783 employees. The company is highly gender-segregated, with men designing, producing and delivering the products, and women performing the administrative work, servicing online sales, and doing the cleaning and catering. Marten is aware of this segregation, but has not thought it relevant to pay.

Its quartile pay band distribution across the two sites is as follows:

Quartile	Women (%)	Men (%)
Upper	2	98
Upper middle	20	80
Lower middle	50	50
Lower	90	10

Managers at the Scottish site express surprise at this distribution, and further analysis reveals that at the Borders site, gender segregation is much less pronounced, with a woman on the management team, and a number of women working in the production roles, which make up the upper middle quartile pay band. The Borders site also has male cleaners.

Scottish managers think that the differences may be down to the way in which the company recruits, in that the Borders site uses online recruitment and, when advertising through the local job centre, does not assign the jobs to the 'engineering' section. Recruitment to the English site is largely by word of mouth.

Marten decides to open up its recruitment procedures and monitor the impact of this on the quartile pay band distribution.

Additional information

While your gender pay gap calculations will tell you a lot about the reasons for your pay gap, they will be more meaningful if you have effective gender monitoring procedures in place.

Such monitoring falls into three broad categories: monitoring of recruitment and progression; monitoring of take-up and impact of flexible working; and monitoring of reward. The categories overlap, with, for example, starting salaries being part of recruitment, but also part of reward.

Monitoring of recruitment and progression

You need information on:

- The numbers of men and women who apply for and are recruited or appointed to each job type and level – women are disproportionately less likely to be promoted than men,[36] and this can be so even where their performance ratings are the same as men's or higher.[37] If this is so, why is it happening?
- The skills, qualifications and experience of the men and women who apply for and are recruited or appointed to each job type and level – are you missing out on talented women? If so, what can you do to ensure they don't get overlooked?
- How long it takes men and women to get promoted – evidence shows that men tend to get promoted more quickly than women; if this is so, why is it happening, and what can you do to even out the progression rates?
- The reasons why men and women leave the organisation – exit interviews may reveal information, such as women's experiences of unwanted behaviour at work, which people may not be willing to disclose while they are still working for you. People may also give you feedback on how well your policies and practices, say in respect of flexible working, are operating.

Mapping this information against your gender pay gap calculations will enable you to see at what point in the process women are failing to get into higher-earning jobs. Is it that they can't move sideways, or up? Or that they can't get in in sufficient numbers to be comfortable enough to want to stay? For example, one of the most severe talent shortages in coming years will be in the STEM sector, but despite the many efforts to address the shortfall of women, women still make up only 14% of the STEM workforce overall. As the issue is not one of girls' competences, the fact that women disproportionately drop out of the pipeline at every stage suggests that cultural norms are putting women off.[38]

> **Box 47**
>
> **CIPD guidance**
>
> For more on recruitment, go to the Recruitment and Induction topic area on the CIPD website.[39]

Monitoring of take-up and impact of flexible working

You need information on:

- The numbers of men and women who apply for and are granted flexible working hours and the level at which flexible working operates – if men are not applying, what can be done to encourage them to do so? If only low-level jobs are being carried out on a flexible basis, it is less likely that you will find men working flexibly, and more likely that women will be unable to progress up the career ladder.
- The numbers of men who take paternity leave and the numbers of men and women who take shared parental leave – paternity leave and shared parental leave are intended to help redistribute responsibility for looking after infant children, thereby diminishing the impact of motherhood on a woman's earnings and career.
- The proportion of women and men who return to work after maternity, paternity, adoption or shared parental leave to resume their original jobs – again, the intention behind these types of leave is that parenthood should not prejudice an employee's career.
- The proportion of women and men still in post a year after a return to work from maternity, paternity, adoption or shared parental leave – employees may return but then find it difficult to manage and leave a year or two later. This is particularly likely to happen after the birth of a second or subsequent child, where the costs of childcare may become a decisive factor.

Mapping this information against all of your gender pay gap calculations will enable you to see if your flexible working arrangements are having the effect that they are intended to do. Family leave and flexible working arrangements are not about getting more women into more part-time jobs, but about enabling working parents to redistribute the responsibility for children between themselves, so as to reduce the motherhood pay penalty.

> **Box 48**
>
> **CIPD guidance**
>
> For more on flexible working, go to the Flexible Working topic area on the CIPD website.[40]

Monitoring of reward

You need information on:

- Starting pay for men and women, both on recruitment and on appointment to higher-paid roles – differences in starting pay are one of the most common causes of the gender pay gap, and are highly likely to represent instances of unequal pay.
- The allocation to men and women of any payments that are subject to managerial discretion – unfettered managerial discretion is another common cause of both the gender pay gap and unequal pay. If your bonus system, for example, is working properly, it should reflect performance, not preference.

Mapping this information against your mean gender pay gap and all three measures of the gender bonus gap will give you a good idea of where pay inequalities are occurring. Inequalities in your reward system put you at high risk of equal pay claims being taken against you, and should be dealt with as a matter of priority.

Box 49

CIPD guidance

For more on reward, go to the Reward Strategy topic area on the CIPD website.[41]

To sum up

You are aiming to take actions that will result in:

- unpaid care being distributed more evenly between women and men
- the elimination of the occupational downgrading and career stalling that occurs when a woman becomes a mother
- all women, including those working part-time, being provided with opportunities for career progression and development on a par with those of their male colleagues
- the gradual elimination of occupational segregation, both horizontal and vertical
- a reward system that is free from sex bias.

In short, you are looking to enable women, just as much as men, to reach their full potential at work.

14 Publishing your gender pay gap figures

In this section we look at how you can communicate your gender pay gap calculations.

What the regulations require you to do

The regulations require you to publish your pay data on your organisation's website in a manner that is accessible to employees and the public and to ensure that it remains there for at least three years. For private and voluntary sector employers, the information will have to be accompanied by a statement confirming its accuracy, signed by a director or equivalent. If you choose to include a narrative, this will be part of the sign-off process.

In addition, you will have to publish the data, and (in the private sector) the name and job title of the person who signed the statement of accuracy, on a government-sponsored website. This website is currently under development, but the intention is that it should be fully searchable by anyone wanting to know more about gender pay gaps at an organisational level. It will include a space for a narrative report.

Who should sign off the data?

While the regulations say that, in the private and voluntary sectors, sign-off should be by a director or equivalent, you have some choice over who this might be. It could be, for example, the finance or HR director, or whoever at director level is leading on equalities. In deciding who to choose, their role or status is not the only consideration. If you also intend that the person doing the signing off should act as the organisation's spokesperson on gender pay gap reporting, you will want to be sure that whoever takes on this role is a good communicator who thoroughly understands gender pay gap issues, both generally and within the organisation.

What is narrative and why should you include it?

While the quantitative measures in gender pay gap reporting help to reveal the scale of the male/female earnings differential, they do little to explain the context and causes. Nor do they indicate any actions you have already been taking or are planning with a view to closing these gaps. The figures also only indicate the current situation, rather than what you intend to do in the future. This is where a narrative comes in.

Figure 15: Reporting obligations

The purpose of a narrative is:

- to describe the relevant organisational context, both internally and externally
- to explain the calculations to your employees
- to explain as far as possible the causes of any gender pay gaps shown by the data
- to explain what actions have been taken or are planned to address significant gaps
- to describe how employees and employee representatives are being involved in this process.

The Government expects that the majority of employers will wish to include narrative description alongside the quantitative measures, and this guide also encourages you to do so.

Developing a communications plan

Gender pay gap reporting isn't just about the figures you come up with; it's also about the story that those figures tell. It's your story. It's up to you to tell it effectively.

An outline plan

Ideally you will produce a written document – it need only be a single sheet of paper – outlining the aims of the plan: your key messages; your key audiences; your key channels of communication; and the sequencing of your communications. You will also need to agree an approval process for the plan itself: responsibilities, resources and, most importantly, to identify key risks, such as very few women having received bonus payments, or the potential for equal pay claims. Your risks do not have to be made public, but you need to know what they are. Your communications plan will also help you to anticipate employee concerns – will they, for example, understand why your mean and median pay gaps differ, or what the quartile pay bands represent?

Your communications plan will not only help you to plan ahead, but it will also provide you with a process that enables you to learn for the future.

Box 50

Example: A communications plan

Narwhal Financial Services employs over 50,000 employees around the world. It is headquartered in the City of London and has well over 7,000 employees in the UK. Narwhal knows that it has a severe gender imbalance and expects its gender pay gap calculations to reveal substantial gaps between the average earnings of men and women. Narwhal has already had to deal with a couple of individual equal pay claims, and is concerned that reporting on its gender pay gap figures may encourage further claimants to come forward.

Narwhal supports a small range of gender equality initiatives, but at middle management level.

Narwhal realises that it needs a communications plan, but that for this to be effective, it also needs an action plan to begin to deal with gender inequalities. It assigns a board member to take the lead on promoting gender equality, and asks that person to sign off the company's gender pay gap reports. The company assigns an experienced member of the HR team to begin to address gender pay gap issues, and asks the head of communications to be responsible for delivering the communications plan in this and subsequent years. The two are asked to work together to develop a narrative to accompany the gender pay gap figures.

Narwhal's communications plan identifies its key audiences as being present and future employees and clients, and its key risks as the possibility of equal pay claims. Narwhal plans to brief employees: first, on the process of gender pay gap reporting – explaining what measures the company is being asked to produce – and then on the actual calculations. The company's key message is: 'can do better and this is how'. Knowing that the financial services sector is in the spotlight with regard to gender pay gaps, Narwhal plans to issue a pre-emptive press release, supported by a question and answer briefing.

Aims

It is helpful to get your aims agreed at the highest level. At its simplest, your aim is to set your gender pay gap figures in context and to enable you to answer any questions that come up.

You might also want to persuade audiences of your commitment to closing the gender pay gap and to tell them about what you are doing to achieve this. You will almost certainly want to explain any figures that appear to put you in a bad light, but for which there is a straightforward explanation, such as the average cash value of bonuses being awarded to women being lower than those awarded to men because of the distribution of part-time work amongst your employees.

Key messages

Your key messages may include:

- your organisation's mission and purpose
- where reward sits in your people strategy and what your reward structure looks like
- why you are reporting on your gender pay gap
- your gender pay gap calculations
- your assessment of these
- past actions to tackle the gender pay gap and/or promote gender equality
- what you intend to do in the light of this year's figures.

For most organisations, these messages can be captured in 500–750 words. The narrative isn't meant to be a lengthy description of all of your equality and diversity policies. Select those which are relevant to the causes of your gender pay gaps and involve specific actions which will help to address them. These will enable you to show in future years that the pay gap is in fact narrowing.

You may also want to comment on the nature of the resources being directed to close the gender pay gaps and the timescales over which you anticipate the gap being closed, particularly if that gap has been found to be significant and potentially expensive to address over the short term

Box 51

Example: A narrative report

Oxpecker Logistics operates a UK-wide delivery network, and has several thousand employees. Its track record on equality initiatives is good, and these are embedded within the company's HR and operational processes. Oxpecker decides to publish its gender pay gap figures in its annual report, in the chapter on reward.

Reward

In determining reward for our staff, we balance a number of factors, including the general economic climate, company performance, and the external market for the types of role that we offer. Our reward system aims to recognise the work that our people put in, and performance over and above the required standard is recognised through our company-wide bonus system, with individual bonuses being determined at a departmental level. Bonus allocations are monitored to ensure objectivity and to keep the total allocation within budget.

In addition, we review pay and bonuses by gender, ethnicity and disability, and use the findings from these reviews to set key performance indicators aimed at narrowing any pay gaps.

This is the first time we have published our gender pay gap. Our median (or midpoint) gender pay gap is 8.1%; our mean gap (the differences between the average earnings of males and females) is 6.4%. Our mean bonus gap is 17%, and our median bonus gap 12.5%. Twenty per cent of our female employees receive bonus payments, compared with 45% of our men. This difference is largely due to the differing roles taken up by men and women within the company.

In addition to reporting on our staff by pay quartiles, we also profile our workforce by grade, and this more detailed analysis allows us to target the under-representation of women and ethnic minorities in the upper middle and upper quartiles.

We continue to take actions to address any gaps and also to take action through wider policies and activities to make sure our policies and practices are fair. Further details of our gender equality initiatives can be found below, under the heading of diversity.

Finally, you might also include in your narrative a description of how you have involved your employees in highlighting and taking actions to combat gender pay gaps. Trade unions are often knowledgeable and supportive and can lend significant weight to any actions taken to address gender pay gaps, while widespread employee communications and involvement helps to build trust that you are working towards improved and fairer rewards.

Key audiences

Your key audiences may include:

- Your board/shareholders/ senior management team – your senior people need to be briefed well in advance and kept in the loop, not least because they control the resources you need in order to tackle the gender pay gap.
- Your employees – the gender pay gap reporting regulations are intended to empower your employees to engage with you over the gender pay gap, and this means that your employees are your most important audience. Your approach to telling your employees about your gender pay gap should be underpinned by the legal definition of pay transparency set out in the Equal Pay Statutory Code of Practice from the Equality and Human Rights Commission[42], which is that *'pay and benefit systems should be capable of being understood by everyone (employers, employees and their trade unions)'*. To maximise the potential benefits of employee engagement, involve your employees at an early stage.
- Prospective employees – people thinking of coming to work for you are almost certain to check out your own and the government website for information about your gender pay gap and what you are doing about it.
- Your trade unions – if your workplace is unionised, your unions are going to want to engage with you over gender pay gap reporting, and they may want to move the focus towards equal pay. If this is the case, you may wish to identify this as a risk that needs to be addressed.
- Your customers – curious customers will be able to access the government website and may judge your organisation on the basis of your gender pay gap report.
- Your competitors – your competitors will look you up, whether you want them to or not.
- The press – the government website will provide the press, both nationally and locally, with a ready source of news. If you are a household name company, or one of only a handful of employers in your locality that is covered by the regulations, the chances are that you will be contacted by the press.

For each of these audiences, what – in addition to your gender pay gap figures – do you want them to know? What do you want them to think about you?

Channels of communication

Look first at how you already communicate information about employee remuneration to each of your key audiences. It's unlikely to be your current website, and if it isn't your website, think about how this single item on the gender pay gap is going to be perceived, both by your employees and by visitors to your site: would a revamp of your website be helpful?

As long as you fulfil the regulatory requirement to publish your pay data on your organisation's website in a manner that is accessible to employees and the public, it is up to you how you do this. You could, for example, present your gender pay gap report as part of an annual report, or on a people page. Wherever you choose to locate it, your search engine must be able to find it, and quickly.

Other well-used channels of communication might include: reports to shareholders, the board and senior management teams; annual reports, including those on corporate social responsibility; reports to membership bodies, especially those concerned with gender equality; internal briefings and reports; the corporate intranet and other forms of communication with staff; media releases and corporate presentations aimed at external audiences. Think about how information about gender pay reporting will sit within each of these and how you can use them to meet your goals.

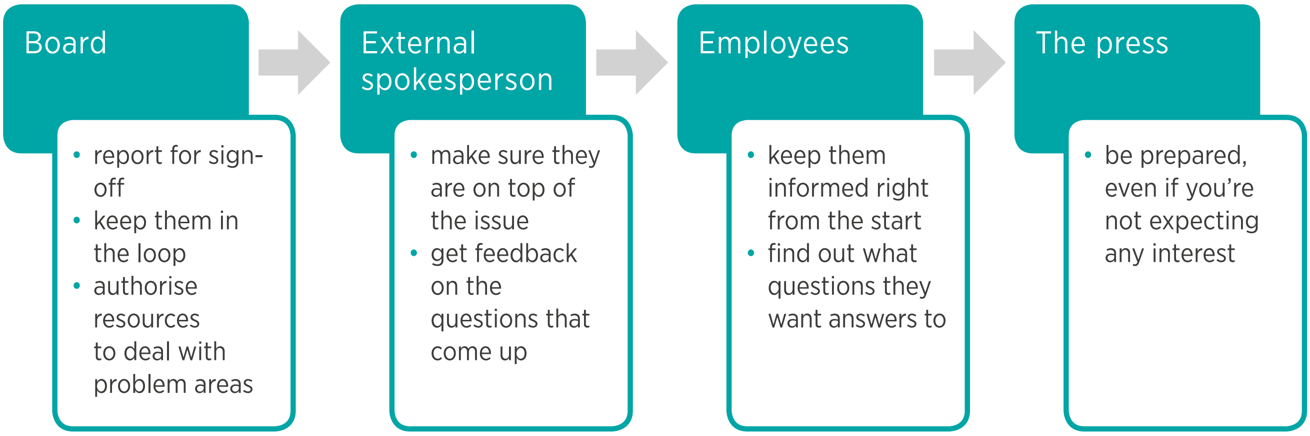
You also need to think about who needs to see the report before it goes on your own and the government website. This is not just about obtaining sign-off; it's also about getting buy-in to your action plan.

Looking at external media, will you want a press release or media briefing? Are your employees likely to take to social media when the report becomes public?

Sequencing your communications

Sequencing is important. You don't want the press hearing about your headline figures before your employees do. It is for you to decide on the timing and sequencing, but it will probably go something like the one in Figure 16.

Figure 16: Sequencing communications



Risks inherent in communicating your gender pay gap

As with any form of publicity, there are risks. They include:

- Not understanding the gender pay gap – it's important that your spokespeople understand what the gender pay gap is, how it differs from the equal pay gap, and how it plays out in your organisation. It's also important that your employees understand what gender pay gap reporting is: its limitations (it doesn't measure the extent to which men and women are getting equal pay), and why you are having to use six different measures.
- Inadequate data – if you are missing key data – which may be the case in the first year of reporting – say so, but also say what you intend to do to ensure that this data is captured for future reports.
- Picking the wrong spokesperson – the choice of lead spokesperson is a key decision. It does not have to be the person who signs off the report, and if they are too busy, or in some way not the best person to talk about your gender pay gap issues, you can choose someone else. Make sure, whoever it is, that they are fully briefed and will be available when needed.
- Being unprepared for the obvious questions – even if you don't think you are going to be questioned, it's a good idea to be prepared. Draw up a Q&A and ask internal stakeholders for their input.
- Inconsistency with other public statements or with previous reports on gender pay – check what statistics you've previously presented on the gender pay gap. If they differ from what you've come up with in the process of gender pay gap reporting, be prepared to explain why this is.

Keep a record of your communications strategy and of any lessons learned and share these with your colleagues.

To sum up

Your communications plan is a plan for success and will put you in a position to respond to whatever questions and criticisms are directed at your organisation's gender pay gap figures. The narrative and your gender pay gap figures are key components of your communications plan. The plan needs to be prepared well in advance of your figures being published and it needs to be reviewed annually.

Endnotes

1 https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2016provisionalresults#gender-pay-differences
2 http://data.parliament.uk/WrittenEvidence/CommitteeEvidence.svc/EvidenceDocument/Women%20and%20Equalities/Gender%20Pay%20Gap/written/25593.html
3 http://www.legislation.gov.uk/uksi/2017/172/pdfs/uksi_20170172_en.pdf
4 http://www.legislation.gov.uk/ukdsi/2017/9780111153277/pdfs/ukdsi_9780111153277_en.pdf
5 http://www.legislation.gov.uk/nia/2016/15/contents
6 http://www.legislation.gov.uk/nia/2016/15/section/19
7 See Regulations 9(1) and 9(2) of the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017.
8 https://www.gov.uk/government/publications/race-in-the-workplace-the-mcgregor-smith-review
9 Note the difference between what counts as pay under the equality of terms provisions, and under the gender pay gap reporting regulations.
10 https://www.cipd.co.uk/knowledge/fundamentals/emp-law/equal-pay
11 https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/feb2017#summary-of-latest-labour-market-statistics
12 https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/fulltimeparttimeandtemporaryworkersseasonallyadjustedemp01sa
13 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/295833/Analysis_of_the_Gender_Pay_Gap.pdf
14 https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandwellbeing/articles/fullstorythegendergapinunpaidcareprovisionisthereanimpactonhealthandeconomicposition/previousReleases
15 http://www.mckinsey.com/global-themes/women-matter/the-power-of-parity-advancing-womens-equality-in-the-united-kingdom
16 ibid
17 http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06838#fullreport
18 http://www.pru.co.uk/pdf/presscentre/gender-gap.pdf
19 http://data.parliament.uk/WrittenEvidence/CommitteeEvidence.svc/EvidenceDocument/Women%20and%20Equalities/Gender%20Pay%20Gap/written/25593.html
20 https://www.publications.parliament.uk/pa/cm201516/cmselect/cmwomeq/584/58402.htm
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