

GENDER PAY GAP REPORTING

What you need to know



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**If you have any questions or queries about
Gender Pay Gap Reporting
Call us on 03331 123456**

What is Gender Pay Gap Reporting?

'The Government has committed to close the gender pay gap in a generation. Gender Pay Gap Reporting is one of the main tools they are using to drive this change.'

Public, private and voluntary sector organisations, with a headcount of greater than 250 on their snapshot date, have to report annually on their gender pay gaps across six different measures that look at hourly pay rates, bonus pay and pay bands.

Gender pay gap reporting is not the same as unequal pay. Unequal pay is about men and women not getting equal pay for doing equal work. Gender pay gap reporting includes a number of contributing factors, most of which are about the kinds of industries and jobs open to women and the limitations this may have on the rates of pay.

Why is this happening?

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. This gap has come down from 17.4% in 1997.

Although this is all moving in the right direction, the Government considers that this rate of progress is too slow and has committed to close this gap within a generation.

Although the fairness of equal pay is a major part of this, it is also about boosting the economy. It has been estimated that the under-utilisation of women's skills costs the UK economy 1.3-2% of GDP annually, and that if we could eradicate the gender pay gap, it would contribute an additional £41 billion in spending each year.

In addition, pay transparency, which has long been a taboo subject in the business world, is increasingly being demanded by regulators and by the public. So gender pay gap reporting is also part of a wider move towards pay transparency.

What do the regulations ask of you?

'Gender Pay Gap reporting doesn't specifically ask who earns what, or ask you to look at individual differences, but rather what women earn as compared with men in your organisation.'

There are two sets of regulations, that, between them, cover all types of organisations across the UK.

- (i) The equality Act 2010 (Gender Pay Gap Information) Regulations 2017. These apply to private and voluntary sector organisations
- (ii) The Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017. These apply to public bodies.

The regulations apply to organisations with over 250 employees. This includes multinationals if 250 or more relevant employees are working wholly (or mainly) in Britain.

While there are slight differences in the regulatory framework for the public and private sectors, the measures are the same across all private, voluntary and public sectors.

What are the measures?

The regulations require employers to publish on a central government website, and their own website, data across six key measures:

MEAN gender pay gap	The difference between the mean hourly rate of male full-pay for relevant employees and that of female full-pay relevant employees
MEDIAN gender pay gap	The difference between the median hourly rate of male full-pay for 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 of female relevant employees
MEDIAN bonus gap	The difference between the median bonus pay paid to male relevant employees and that of 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, middle, upper middle and upper quartile pay bands

Each measure gives a slightly different take on the gender pay gap and together give a more holistic picture.

- Hourly earnings take into account the fact that many more men than women work full-time. If the data was to use weekly, monthly or annual pay figures it would skew the pay gap.
- Median rates are used in addition to mean as the median is not affected by extreme values such as small numbers of very high earners.

Providing a written statement

In addition to the data, you must also provide a 'written statement' which confirms that the published information is accurate and this statement must be signed by an 'appropriate person'. The appropriate person will be determined by the type of organisation you are:

- for any corporate body other than a limited liability partnership, this will be a director (or equivalent)
- for a limited liability partnership, this will be a designated member
- for a limited partnership, this will be a general partner
- for any other kind of partnership, this will be a partner
- for an unincorporated body of persons other than a partnership, this will be a member of the governing body or a senior officer
- for any other type of body, this will be the most senior employee

It's not just about the data - the importance of a narrative context

The written statement can also be used to include a more in-depth narrative that provides a context to the data.

Having a gender pay gap doesn't mean your organisation is discriminating against women or doing anything unlawful. Equal pay and gender pay gap are assessed using completely different measurements. Equal pay is concerned with the pay of men and women doing the same or similar jobs, or job rates equivalent, and this might not be unlawful if there is a material factor, other than gender, that explains the difference.

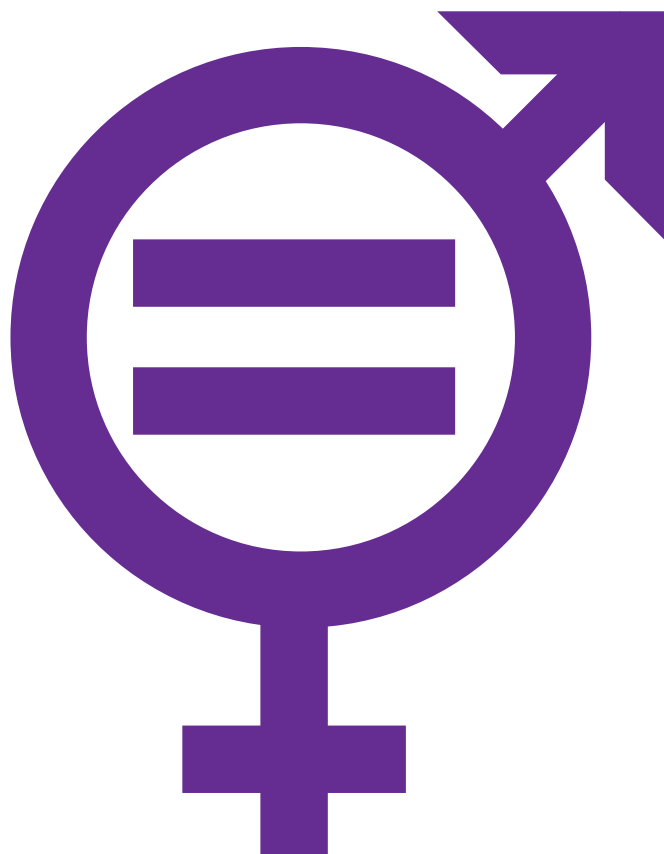
The gender pay gap reports on the difference in the average pay between men and women, regardless of the jobs they are undertaking or other factors which might explain the difference.

If there is a gap, even if there is an explanation, organisations are expected to put in strategies and actions that could help to lessen any gap. The narrative allows organisations to not only give some explanation and context to their current pay gap situation, but also provide information as to the actions that are being addressed to lessen it.

Although you are not obligated to publish a narrative, it is highly recommended as it helps anyone reading the statement understand your organisation's view of why a gender pay gap is present and what the organisation intends to do to close it.

What are the consequences for non-compliance?

While there are no sanctions as such for not complying with your gender pay gap obligations, 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. Although the likelihood of this is low, a far greater risk is the risk to reputation arising from a failure to upload the information onto your own and the government web portal.



Which employees do you include?

'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 regulations apply to all organisations with 250 or more employees (on the snapshot date) although some organisations are choosing to also publish this data even if below this threshold.

All employees who are employed on the snapshot date are counted, irrespective of the length of time they have been employed by you.

If your headcount fluctuates, or is just below the 250 threshold, employers are encouraged to publish their gender pay gap information on a voluntary basis.

What is the snapshot date?

The figures must be calculated using a specific reference date that is common across all companies and organisations. This is called the 'snapshot date'

The snapshot date each year is:

- 31 March for public sector organisations
- 5 April for businesses and charities

Organisations must publish within a year of their snapshot date. So for businesses and charities the deadline will always be 5 April 2019 and for public sector bodies, it will always be 30th March 2019.

Organisations can publish any time before this deadline.

Definition of an employee

The definition of an employee is the same as 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.

The regulations create two categories of people who have to be taken into account in gender pay gap reporting:

1. Relevant Employees

The number of relevant employees determines whether your organisation is required to submit gender pay gap information. If you have 250 + relevant employees you are obliged to submit the report.

Relevant employees are defined as:

- 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

Also classed as relevant employees are;

- Employees on leave, such as sick leave or maternity leave
- Apprentices
- Seasonal, temporary or casual employees (if they fall within the reference period created by the snapshot date)
- Employees with zero hours contracts

The gender pay gap calculations are based on the number of individual relevant employees, and not on full-time equivalents. This means that **each part-time employee counts as one employee** (even if they job share).

Those not classed as relevant employees are:

- Some overseas workers (this is complex, however and you should seek advice to clarify)
- Agency workers who are classed as relevant employees to their agency rather than your organisation
- Partners of traditional and limited liability partnerships are excluded
- Directors are excluded unless they have entered into a service contract with the company and that contract effectively makes the director into an employee

2. Relevant full pay employees

The relevant full time employees determines if you are eligible but it is your **relevant full-pay employees that you include in your reporting**. So of your relevant employees, you only include those that are receiving full pay, and there may be many reasons why they are not receiving full pay such as reduced pay sick leave or maternity pay.

Employee Status	Relevant Employee	Full-pay relevant employee
At work	✓	✓
On paid annual leave	✓	✓
On full-pay sick leave	✓	✓
On reduced-pay sick leave	✓	X
On full-pay maternity / paternity leave	✓	✓
On reduced-pay maternity / paternity leave	✓	X
On unpaid carers leave	✓	X
Unexplained absence	✓	✓
On strike	✓	✓
Employee left or started employment midway through the snapshot	✓	X

What if your headcount fluctuates?

For businesses whose headcount fluctuates around the 250 mark year on year, there is no obligation to report if it drops below 250 for a specific snapshot date and year.

You should consider, however, what benefit it could bring to continue to report, even when you are not obliged, by way of providing useful information on progress and also communicating to employees and your sector peers that you are committed to reducing the gender pay gap.

What information is to be included?

'Your calculations are based on your employees' gross ordinary pay and bonus pay in the pay period spanning the snapshot date.'

Ordinary Pay includes;

- basic pay
- allowances (other than payments to reimburse necessary expenses)
- shift premium pay (i.e. weekend work)
- London allowance
- allowance for living abroad
- car allowance
- piecework pay
- pay for leave

It does not include:

- overtime pay
- pay in lieu of leave
- benefits in kind i.e. company car, private medical insurance
- travel expenses (within UK)
- redundancy pay
- other payments related to termination

If you operate a **Salary Sacrifice Scheme** you should calculate ordinary pay based on the employee's gross pay after any reductions for salary sacrifice.

Bonus Pay includes remuneration that:

- is in the form of money, vouchers, securities, securities options
- relates to profit sharing
- performance incentives
- commissions

If the bonus payment period differs to the pay period for ordinary pay, for example if the employee is paid monthly but only receives a bonus annually, you will have to pro-rata the amount of bonus for the pay period.

Bonus Pay Period

The regulations state that, for bonus pay, the relevant period is the **12 months ending with the snapshot date**. This means that you will have to look even further back within your pay data in order to gather the information needed for your gender pay gap report due in April 2018' needs to be replaced with 'than just the pay data within your snapshot period'.

For the snapshot data of 5 April 2019, the relevant bonus period will run from 5 April 2018 to 4 April 2019.

What measures do you need to record?

'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 of National Statistics (ONS).

The ONS estimates the gender pay gap across the whole economy on a basis of hourly earnings excluding overtime, and the gender pay gap reporting requirements ask you to do the same.

By using an hourly rate figure, it allows you to assess your workforce as a whole and takes out the complexity involved in comparing people with different pay and working patterns i.e. an annual salary staff member and an employee with a zero hours contract.

Once this has been done you must provide percentage calculations across 6 key pieces of data

- | | |
|--------------------------|-----------------------|
| 1) MEAN gender pay gap | 4) MEDIAN bonus gap |
| 2) MEDIAN gender pay gap | 5) Bonus PROPORTIONS |
| 3) MEAN bonus gap | 6) QUARTILE pay bands |

Calculating hourly pay

No matter what frequency your payroll has, the regulations state that you must convert the 'ordinary pay' into a weekly value which can then be divided by weekly contracted hours to achieve the hourly pay rate.

The regulations state that for this purpose, we assume

- a year has 365.25 days
- a month has 30.44 days
- there are 52.18 weeks in the year
- a week is 7 days

For monthly pay periods

- 1) Calculate total gross pay for GPG (referred to as 'ordinary pay')
- 2) Divide total amount by 30.44 and multiply by 7 to get true weekly pay
- 3) Divide weekly pay by contracted hours to get hourly pay rate

Example: Calculating hourly pay

- 1) Jane's salary is £3000 a month. In addition she receives allowances of £100 a month and a bonus of £150, giving a total of £3250.
- 2) Jane has a pay period of a month, so the calculation needed is 7 divided by 30.44, making the appropriate multiplier 0.23.

£3250 multiplied by 0.23 gives Jane a weekly pay figure of £747.
- 3) Jane work 35 hours a week, so the calculation needed is £747 divided by 35, making her hourly pay £21.34

For staff with variable contracted hours

- 1) Calculate the average number of hours an employee has worked over the 12 week period leading up to the period falling on the snapshot date
- 2) Calculate total gross pay for GPG (referred to as 'ordinary pay')
- 3) Divide the total amount of gross pay for GPG by average weekly hours worked to get hourly pay rate

For staff with zero hours contracts

- 1) Calculate total gross pay for GPG (Referred to as 'ordinary pay')
- 2) Divide the total amount of gross pay for GPG by the actual number of hours worked to get hourly pay rate

For staff that are not contracted to work 52 weeks (e.g. term time only teachers)

- 1) Calculate the number of hours an employee is contracted to work on an annual basis then divide this by the number of pay periods there are during the year
- 2) Calculate total gross pay for GPG (referred to as 'ordinary pay')
- 3) Divide the total amount of gross pay for GPG by average number of period hours worked to get hourly pay rate

Mean Gender Pay Gap

The difference between the mean hourly rate of pay of male full-time relevant employees and that of female full-pay relevant employees

The calculation:

- Add up the hourly rates of pay of all male full-pay relevant employees
- Divide this by the number of male full-pay relevant employees (this is figure A in the calculation below)
- Add up the hourly rates of pay of all female full-pay relevant employees
- Divide this by the number of female full-pay relevant employees (this is figure B in the calculation 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 employees

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

ACME MANUFACTURING

ACME Manufacturing has 4,500 employees of whom 4,445 are relevant full-pay employees.

- 3,100 are female
- 1,345 are male

Hourly rate of pay for male employees amounts to

$$(1,000 \times £15) + (300 \times £21) + (45 \times 50) = £23,550$$

This gives a mean hourly rate for men of £17.51

Hourly rate of pay for female employees amounts to

$$(500 \times £10) + (1,000 \times £13) + (1,000 \times £15) + (500 \times £21) + (80 \times £30) + (20 \times £50) = £46,900$$

This gives a mean hourly rate for women of £15.13

ACME Manufacturing's mean gender pay gap is

$$£17.51 - £15.13 \text{ divided by } £17.51 \times 100 = 13.59\%$$

The Median Gender Pay Gap

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

To calculate this you need to calculate the median hourly rate of pay for both male and female full-time relevant employees:

- List the hourly rates of pay for all male full-pay relevant employees and find the midpoint (this is figure A in the calculation below)
- Add up the hourly rates of pay for all female full-pay relevant employees and find the midpoint (this is figure B in the calculation 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 employees

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

ACME MANUFACTURING

The mid-point of ACME Manufacturing's pay for male employees is £15 and for females it is £14

ACME Manufacturing's median gender pay gap is

£15 - £14 divided by £15 x 100 = 6.67%

Mean & Median Bonus Gap

You also have to provide a figure for the mean bonus gap between male and female relevant employees. This is done the same way as for the mean and median pay gaps based on hourly rates and is expressed as a percentage of the male figure.

Bonus Proportions

Proportion of male and female relevant employees who were paid bonus pay during the relevant period (the 12 months ending with the snapshot date).

You will need to do two calculations –

- The number of male employees who were paid bonus pay during the relevant period divided by the number of relevant male employees.

- The same calculation is then done for female employees
- Both are expressed as a percentage

ACME MANUFACTURING

ACME has

- 1,345 relevant male employees of which 789 received bonus pay in the 12 months preceding the snapshot date

$$796 / 1,345 \times 100 = 59.18\%$$
- 3,100 relevant female employees of which 1,543 received bonus pay in the 12 months preceding the snapshot date

$$1,543 / 3,100 \times 100 = 49.77\%$$

Quartile Pay Bands

The last set of data looks at the proportion of male and female full-pay relevant employees in the lower, lower middle, upper middle and upper quartile pay bands.

- Rank all employees according to their average hourly pay, starting from the lowest to highest
- The first quartile (25th percentile) is the mid-point between the smallest value and the median
- The second quartile runs to the median point
- The third quartile is the mid-point from the median to the midpoint of the highest value
- The last quartile is the remainder of highest paid employees

You may find that you have a number of employees on the same hourly rate that are spread across two quartiles (most likely in the lower middle and upper middle) and if this happens make sure males and females are split as evenly as possible across quartiles.

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

Where do you publish this data?

'Gender Pay Gap Regulations are designed to remove the long-standing business taboo of pay transparency. This then provides a framework within which gender pay gaps can be identified and strategies put in place to address them.'

In the spirit of transparency, your Gender Pay Gap figures must be easily accessible by both your employees and the public. You are required to publish in two places:

1) On your own website

This should be in a manner that is easy to find and access (no hiding on an obscure page!)

For private and voluntary organisations this information will have to be accompanied by a statement confirming its accuracy which is signed by a director or equivalent. If you choose to include a narrative, this also needs to be signed off.

2) On the Government Portal

The Government has set up a web portal where you will upload your Gender Pay gap data.

<https://www.gov.uk/report-gender-pay-gap-data>

You must have an account set up and, if eligible, you will have been sent a letter from the Government Equalities Office with a reference number and security code.

Many organisations have already submitted their figures onto the portal, you don't need to wait for the deadline.

Going beyond the data

Gender pay gap reporting isn't just about the figures, it is also about the story these figures tell about your business and your sector. The narrative is part of taking this data further by giving some context to the data, but there should also be a strategic piece of work that looks at what can be done to lessen the gaps, plus a communications plan around how these messages are being communicated to staff, the media and the wider public.

Your Communications Plan should consider a number of audiences:

The Board

The Board needs to be first to know and be actively involved. They will sign off the data and also need to be on board with any strategies for improvements

Employees

Keep them informed and be prepared to handle questions. Find out what questions they want answering and keep a feedback loop.

Press

Have your messages clear should the press take an interest. And makes sure everyone who could be a spokesperson for the organisation is 'on the same page'.

Gender Pay Reporting Myths

MYTH: There isn't much of a gender pay gap any more

FACT: Things have improved but there is still much to do, with certain industries having wider gaps than others. ONS has revealed that male financial managers and directors still earn nearly a third more (32.4%) than women in the same occupation

MYTH: These figures are going to damage our business' reputation

FACT: This is not an initiative designed to 'name and shame'. You have the opportunity not only to provide a narrative with your data to give it some context and explanation, but, in addition, more importantly is the information about the strategy you are taking to address any gaps.

MYTH: We did an equal pay audit recently so don't need to do this

FACT: Gender pay gap reporting and equal pay are not the same thing. Equal pay compares the pay of males and females doing the same job. Gender pay gap reporting looks at your whole workforce, for example, do you have a greater proportion of women in lower paid roles?

MYTH: It is going to cost a fortune to reduce the gap

FACT: It isn't always about money and paying people more. It is often about changing attitudes, or putting in place strategies to encourage a more balanced gender mix for specific roles.

MYTH: It is always women who receive less money than men

FACT: Whilst it is a fact that in many workplaces women earn less than men, this isn't always the case and gender pay gap reporting will help identify all gaps between the genders and pay.

MYTH: Women are paid less because they 'choose' to work part time

FACT: The notion of choice is a complex one. Would they chose part time if there was better flexible working or childcare provision? Are there enough high paid part time roles? Are pay inequalities between the genders driving this 'choice' of women taking on childcare and taking lower paid part time roles because men are paid more, so would have a bigger impact on the family income?

MYTH: There is no business advantage to this

FACT: Global consultancy McKinsey estimates that bridging the UK gender gap in work has the potential to create an extra £150 billion on top of 2025 business-as-usual GDP forecasts.

IN SUMMARY: 8 Steps for reporting your Gender Pay Gap

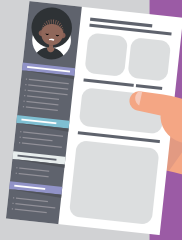
The retrospective nature of this report, with bonus data needing to look back 12 months historically as well as collating your snapshot data, mean that it is likely that some bespoke interrogation of the data will be required



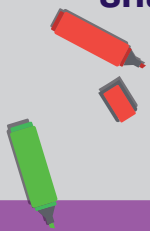
1 Report on 12 months' worth of data to identify most commonly used pay elements



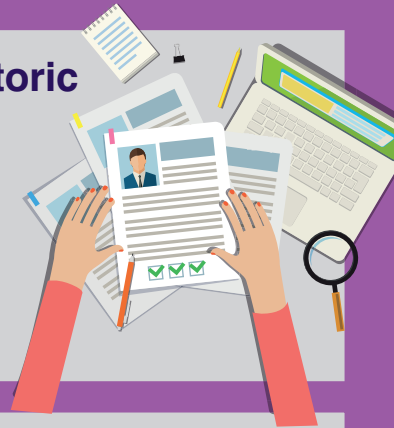
2 Review current payroll relationships and set up most commonly used pay elements



3 Build a report to retrospectively generate snapshot data



4 Generate historic bonus data



6 Data cleansing/gap plugging process with client where inconsistencies have been identified



5 Review contractual data held on system needed to generate an hourly pay rate



7 Calculate headline GPG figures and present with employee level breakdown report



8 Customise branded infographic with headline GPG figures



If you outsource your payroll to a payroll provider they have access to your employee and pay data. This provides a key opportunity for them to be able to help gather and calculate key data.

If you would like to discuss gender pay reporting with one of our payroll professionals, contact Dataplan on post@dataplan.co.uk