An introduction to gender pay gap reporting
## Glossary of terms

To fully understand the legislation several terms must be explained beforehand. This is not the pure explanation taken from the legislation, we have added further explanation so that the calculations can be easily understood. From early consultations, we have seen several employers who have misunderstood the definition, and in most cases this had led to gross miscalculations. The following list is not exhaustive, but instead, seeks to identify the most important terms.

<table>
<thead>
<tr>
<th>Term</th>
<th>Explanation</th>
<th>Usage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee</td>
<td>According to the Equality Act 2010 and known as the 'extended' definition, it includes: (i) employees (those with a contract of employment), (ii) workers and agency workers, and (iii) some self-employed people.</td>
<td>Determines if an organisation has 250 or more employees, and therefore must report.</td>
</tr>
<tr>
<td>Snapshot date</td>
<td>5 April in the year to which the information required by the regulations dictates.</td>
<td>Determines relevant employees, full-pay relevant employees, relevant pay period, bonus pay (RPP) and hourly rate of pay.</td>
</tr>
<tr>
<td>Relevant employer</td>
<td>An employer who has 250 or more employees on the snapshot date.</td>
<td>Only relevant employers need to report, but there is nothing to stop all employers releasing their data.</td>
</tr>
<tr>
<td>Relevant employee</td>
<td>An employee employed by the relevant employer on the snapshot date. Partners, LLP members, some casual workers and contractors are excluded.</td>
<td>Bonus pay (FY).</td>
</tr>
<tr>
<td>Full-pay relevant employee</td>
<td>A relevant employee who isn't, during the relevant pay period, being paid at a reduced rate or nil due to any leave apart from annual paid leave. (e.g., reduced parental leave, unpaid compassionate leave). Employees 'on strike' are still full pay relevant employees.</td>
<td>Hourly rate of pay, Bonus pay (RPP), Relevant pay period.</td>
</tr>
<tr>
<td>Pay period</td>
<td>The normal period over which the employee receives basic pay - weekly, fortnightly, weekly, monthly or other. If the employee does not receive basic pay then another portion of ordinary pay should be selected and the pay period should be derived from this.</td>
<td>Relevant pay period &amp; Bonus (RPP) pay.</td>
</tr>
<tr>
<td>Ordinary pay</td>
<td>Basic pay, allowances, piecework pay, paid leave, shift premium pay - it doesn't include pay for overtime, redundancy/termination, pay in lieu of leave &amp; remuneration other than money</td>
<td>Used in all calculations that mention full-pay relevant employees.</td>
</tr>
<tr>
<td>Relevant pay period (RPP)</td>
<td>The Pay period in which the snapshot date falls (for employees who get paid monthly, the relevant pay period will be the April payroll run)</td>
<td>Full-pay relevant employee.</td>
</tr>
<tr>
<td>Piecework</td>
<td>When an employee gets paid with reference to the number of pieces made or processed, or number of tasks performed. See page 15 for an explanation.</td>
<td>If using this variable, close attention must be paid to Chapter 4 of Part 5 of the National Minimum Wage Regulations 2015.</td>
</tr>
<tr>
<td>Bonus pay (FY) [received in the financial year]</td>
<td>Bonuses paid to relevant employees not just full-pay in the preceding 12 months up to the snapshot date (6 April 2016 - 5 April 2017). i.e. Jane may have resigned on 6 April 17, but received bonus in November 16</td>
<td>Mean &amp; Median Bonus pay (items 3 &amp; 4 of the requested information) Proportions of employees receiving bonus (item 3 of the requested information)</td>
</tr>
<tr>
<td>Bonus pay (RPP) [received in the relevant pay period]</td>
<td>Bonuses paid to full-pay relevant employees in the relevant pay period. If the bonus paid relates to a period of a different length to the pay period then the bonus must be adjusted pro rata.</td>
<td>Used in all calculations that mention full-pay relevant employees.</td>
</tr>
<tr>
<td>Working hours per week</td>
<td>Static hours week to week - contracted weekly hours in force on snapshot date. Erratic hours week to week - average hours over RPP and back by 12 weeks. No history - use expected hours or hours that a similar employee would work. See page 15 for a detailed explanation.</td>
<td>Mean &amp; Median pay, Quartiles (items 1, 2 &amp; 6 of the requested information)</td>
</tr>
<tr>
<td>Hourly rate of pay</td>
<td>This is the six-step calculation which requires the following variables to be defined: ordinary and bonus (RPP) pay, relevant pay period, working hours in the week.</td>
<td>Mean &amp; Median pay, Quartiles (items 1, 2 &amp; 6 of the requested information)</td>
</tr>
</tbody>
</table>
Are you ready for gender pay gap reporting?

For organisations with 250 or more employees, gender pay gap legislation represents several challenges. Compliance with the legislation will require thought regarding how data is collected, analysed and published.

The outcomes may act as a catalyst for change across many business areas such as recruitment, talent management and performance management. It also has implications for corporate culture.

The longer-term effects could reach further, leading to increased scrutiny and analysis of other key issues such as ethnic and disability representation, salary deltas and working patterns.

Towards greater transparency

As of 6 April 2017, private and voluntary sector organisations in the UK with 250 or more employees have until 4 April 2018 to produce and submit their gender pay gap report to Government. Legislation was passed through Parliament on 6 February 2017 as an addition to the Equality Act 2010.

The primary reason for introducing gender pay gap reporting is to bring greater transparency to any gender pay difference and gender balance across organisations, especially at senior levels. By highlighting imbalances, action can be taken through the implementation of business change initiatives. In turn this can create wide-ranging business benefits for employees, customers and shareholders alike.

In January 2017, the UK Government published guidance on how organisations should report their gender pay gap. Six key metrics are required for the report and while the calculations appear to be straightforward, many decisions will have to be made during the data gathering process that in some organisations will add complexity, time and effort.

These complexities relate to identifying different classes of employee and in calculating the hourly rate of ordinary and bonus pay. The raw data required for these calculations could be held in different formats on payroll systems and human resource information systems (HRIS). In some cases, data may sit outside of these systems.

Finance and HR will have to collaborate with senior management to agree on how the data will be gathered and analysed. Organisations may have to engage with their payroll providers to communicate their requirements and ensure the right data is available.

Some employers may find that manual analysis and adjustment to a portion of data on a line by line basis is required. It may also be necessary to ask employees to update their personal pay, bonus and working hour details before it is collated and analysed. Planning is crucial and it will draw on manpower and take time.

Once accurate data has been produced, organisations should consider the report content and how the data is contextualised for internal and external purposes. The report must be published on the company’s own website and uploaded to a dedicated government portal. Messaging will dictate how the results are perceived and should take into consideration for different audiences: current employees, prospective employees, customers, suppliers and investors.

To assist organisations with gender pay gap reporting, we have outlined a seven-step process from planning through to submission of the final report. This is available in our accompanying white paper ‘Considerations in preparing for gender pay gap reporting’.

Staffmetrix assists organisations with the complete process. Using our analytics platform, we help organisations quickly understand their gender pay position. Our consulting team can provide further advice and context, change management and assistance with the final messaging and communication of the report.
Background

Gender pay gap reporting has been introduced by the UK government to bring greater transparency to a range of diversity issues faced by public, private and voluntary organisations across the UK. While the reporting requirements were signed into law in February 2017, the need for greater transparency can be traced back to 2012. Progress is shown in Exhibit 1.

What is the gender pay gap, and how is it different from equal pay?

The gender pay gap is a measure of the difference between men’s and women’s average earnings across the labour market, an industry sector or an organisation. Gender pay gap’s matter as they are the empirical measure of income inequality and can lead to an imbalance in workforce participation.

Equal pay on the other hand requires men and women who are in the same employment and performing equal work to be paid the same for that work, as defined in the Equality Act 2010. Violating this is illegal.

Closing the gender pay gap: a recent history

The Equalities Act 2010 included a power (Section 78) to introduce regulations requiring employers with 250 or more employees to publish information showing whether there was a difference in pay between male and female employees.

Since 2011, the UK Government has encouraged businesses to report this information voluntarily. In 2015, the Government published a consultation document Closing the Gender Pay Gap 1 which asked for views from the public and private sector on Government proposals to require employers to publish the information.

<table>
<thead>
<tr>
<th>Date</th>
<th>Key event</th>
<th>Activity</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>The UK Government encourages business to report on a voluntary basis as part of the Think, Act, Report campaign.</td>
<td>Introduced to encourage businesses to maximise female talent in the workplace.</td>
<td>Only a small number of companies published their statistics.</td>
</tr>
<tr>
<td>2015</td>
<td>Government published a consultation document titled Closing the Gender pay gap.</td>
<td>Gather views from the public and private sectors on proposals to require employers to publish the information.</td>
<td>700 responses received.</td>
</tr>
<tr>
<td>2016</td>
<td>Government published a second consultation paper on gender gap reporting.</td>
<td>Collate feedback on the proposed details of the draft regulations that would apply to companies with at least 250 employees.</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>The Government published the Equality Act 2010 commencement order.</td>
<td>To enable the new regulations to come into force in August 2016.</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>Government response to the consultation on draft regulations published.</td>
<td>The document summarised the results of the consultation and stakeholder engagement.</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>In January, the Government published the final draft regulations: Managing gender pay reporting in the private and voluntary sectors.</td>
<td>To set out what organisations are expected to deliver in terms of the report.</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>On 6 February 2017, the new regulation was passed into law in February 2017.</td>
<td>Parliament approved the new legislation with no changes being made.</td>
<td>The first snapshot date for private and voluntary sector employers is 5 April 2017, for public sector it will be 31 March 2017.</td>
</tr>
</tbody>
</table>

Exhibit 1. A history of gender pay gap reporting in the UK

Baseline research

In 2015, the Government commissioned IFF Research\(^2\) to investigate the extent to which employers across the UK with 150 or more employees collect, report and publish data on gender pay.

The research also assessed, three years from its launch, the impact of Think, Act, Report\(^3\) - a Government campaign designed to encourage businesses to maximise female talent in the workplace.

While most employers stated that eliminating the gender pay gap was a priority for their organisation, only a small proportion had devised a plan to address it. The report found that:

- there has been an increase in the proportion of organisations analysing gender pay data: from 36% in 2009 to 41% among those with 250+ staff and from 32% in 2011 to 38% for those with 150-249 employees

- less than a third of organisations were currently or had previously conducted a formal pay gap review, however the majority believed that they already provided equal pay

The gender pay gap in numbers

Exhibit 2 shows the range of different figures which are quoted when articulating the gender pay gap. Each is correct, but they have different meanings and are calculated using different methodologies.

The Office for National Statistics (ONS) report the Annual Survey of Hours and Earnings (ASHE) using both mean and median measurements. Their statistical bulletin gives prominence to the median as it reduces the impact of outliers in the datasets.

For example, if one senior executive is being paid substantially more than everyone else, it will highlight a larger gap when using the mean. Where this is the case, organisations may decide to include commentary to highlight and explain this.

<table>
<thead>
<tr>
<th>Figure</th>
<th>Method</th>
<th>Full-time</th>
<th>Part-time</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>19.2%</td>
<td>Median</td>
<td>✔</td>
<td>✔</td>
<td>Gap for all employees, but considered to be a more accurate reflection of comparing companies on a like-for-like basis.</td>
</tr>
<tr>
<td>18.1%</td>
<td>Mean</td>
<td>✔</td>
<td>✔</td>
<td>Gap for all full-time and part-time employees.</td>
</tr>
<tr>
<td>13.9%</td>
<td></td>
<td>✔</td>
<td>✗</td>
<td>Gap for all full-time employees, but considered to be a better figure for assessing the gap from an internal perspective.</td>
</tr>
<tr>
<td>9.4%</td>
<td>Median</td>
<td>✔</td>
<td>✗</td>
<td>Full time employees.</td>
</tr>
<tr>
<td>-6.5%</td>
<td></td>
<td>✗</td>
<td>✔</td>
<td>Part time employees.</td>
</tr>
</tbody>
</table>

Exhibit 2. Gender Pay Gap: the numbers explained (ONS, April 2016)

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\(^2\) [http://bit.ly/2q1uy63](http://bit.ly/2q1uy63)

What are the causes of the gender pay gap?

For historic reasons, the data suggests men and women can have different workplace profiles.

According to Claudia Goldin, Professor of Economics at Harvard University, flexible working is the main cause of the gender pay gap. She says pay gaps are higher in professions where work impinges more on family life such as corporate law or consultancy.

A study published by The Association of Accounting Technicians in February 2016 suggested that the reasons are complex, but linked. Exhibit 3 shows the research undertaken by Walby and Olsen (2002) suggesting three possible causes for the gender pay gap. Exhibit 4 shows research undertaken by the Fawcett Society citing four possible causes of the gap.

<table>
<thead>
<tr>
<th>Exhibit 3</th>
<th>Possible causes of the gender pay gap identified by Walby and Olson (2002)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discrimination</td>
<td>While illegal, some women are paid less than men for the same work. This can happen when a man and a woman are doing the same role and receiving different pay, or where work of equivalent value carried out by women is underpaid.</td>
</tr>
<tr>
<td>Caring responsibilities</td>
<td>Women typically play a greater role in caring for children and sick or elderly relatives. Consequently, more women work part time in roles that are typically lower paid with fewer progression opportunities. The pay gap opens significantly for women in their forties. Often as they return from a break to raise children, women find that their male contemporaries have been promoted ahead of them.</td>
</tr>
<tr>
<td>A divided labour market</td>
<td>Women are still more likely to be in low paid and low skilled jobs, affecting labour market segregation. 80% of those working in the low paid care and leisure sector are women, while only 10% of those in the better paid skilled trades are women.</td>
</tr>
<tr>
<td>Men in the most senior roles</td>
<td>Men continue to make up many of the highest paid and most senior roles. For example, there are just seven female Chief Executives in the FTSE 100 (as at 1 September 2016).</td>
</tr>
</tbody>
</table>

Exhibit 4. Four possible causes of the gender pay gap as identified by The Fawcett Society

Current situation

The gender pay gap varies by sector. While there is recognition that change is required, there is much work to be done to reduce it. Closing the gap can be complex, and a clear and concerted effort is required by management to achieve specific goals. Below we show the current situation in the FTSE 100 and FTSE 250 – and more broadly across UK industry by role and sector.

Gender diversity: FTSE 100 and FTSE 250

In 2010, the 30% Club launched as a campaign in the UK with a goal of achieving a minimum of 30% female representation on FTSE 100 boards. The campaign has been well received. In 2016, the percentage of women on these boards increased to 27% from 12.5% when the initiative was launched. The overall figures for FTSE 100 and FTSE 250 boards are shown in Exhibit 5 below.

<table>
<thead>
<tr>
<th>June 2016</th>
<th>FTSE 100</th>
<th>FTSE 250</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quantity</td>
<td>Percentage</td>
</tr>
<tr>
<td>Female held directorships</td>
<td>279</td>
<td>26.0%</td>
</tr>
<tr>
<td>Female executive directorships</td>
<td>26</td>
<td>9.7%</td>
</tr>
<tr>
<td>Female non-executive directorships</td>
<td>253</td>
<td>31.4%</td>
</tr>
<tr>
<td>Companies with female executive directors</td>
<td>20</td>
<td>20%</td>
</tr>
<tr>
<td>Companies with at least one female director</td>
<td>100</td>
<td>100%</td>
</tr>
<tr>
<td>Companies with at least 25% female directors</td>
<td>61</td>
<td>61%</td>
</tr>
<tr>
<td>Companies with at least 27% female directors (expected 2016 progress towards the new 33% target by 2020)</td>
<td>44</td>
<td>44%</td>
</tr>
<tr>
<td>Companies with at least 33% female directors</td>
<td>19</td>
<td>19%</td>
</tr>
</tbody>
</table>

Exhibit 5. Percentage of women on FTSE 100 and FTSE 250 boards (30% Club, 2016)

FTSE 100 firms have made better progress, with all companies listed having at least one female director. This compares to the FTSE 250, where 94% of firms have at least one female director. Organisations that have embraced gender diversity have recognised that significant business benefits can be derived through greater diversity representation at all levels.

According to McKinsey, bridging the UK gender gap in work has the potential to create an extra £150 billion on top of business-as-usual GDP forecasts in 2025, and could translate into 840,000 additional female employees.
Gender pay gap by occupation

The gender pay gap across all types of profession for full-time employees is 9.4 per cent. As illustrated in Exhibit 6, when the data is split into individual occupations, the gap is highest among skilled trades, process, plant and machine workers.

Exhibit 6. Gender pay gap by occupation (ONS, 2016)
Full-time gender pay gap by industry (change between 2011-2016)

Exhibit 7 shows the change in gender pay gaps for each industry in 2011 and 2016. Where a concerted effort has been made (for example in professional, scientific and technical through the STEM initiative) the gap has reduced, demonstrating what can be achieved with the right approach.

<table>
<thead>
<tr>
<th>Industry</th>
<th>2011</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>FINANCIAL &amp; INSURANCE</td>
<td>36.0</td>
<td>30.0</td>
</tr>
<tr>
<td>PROFESSIONAL, SCIENTIFIC &amp; TECHNICAL</td>
<td>30.0</td>
<td>29.0</td>
</tr>
<tr>
<td>OTHER SERVICE ACTIVITIES</td>
<td>23.0</td>
<td>21.0</td>
</tr>
<tr>
<td>MANUFACTURING</td>
<td>18.0</td>
<td>22.0</td>
</tr>
<tr>
<td>ELECTRICITY, GAS, STREAM &amp; AIR CON SUPPLY</td>
<td>18.0</td>
<td>21.0</td>
</tr>
<tr>
<td>ARTS, ENTERTAINMENT &amp; RECREATION</td>
<td>15.0</td>
<td>14.0</td>
</tr>
<tr>
<td>WHOLESALE &amp; RETAIL TRADE; REPAIR OF BIKE AND CARS</td>
<td>14.0</td>
<td>13.0</td>
</tr>
<tr>
<td>HUMAN HEALTH &amp; SOCIAL WORK ACTIVITIES</td>
<td>13.0</td>
<td>17.0</td>
</tr>
<tr>
<td>INFORMATION &amp; COMMUNICATION</td>
<td>12.0</td>
<td>14.0</td>
</tr>
<tr>
<td>CONSTRUCTION</td>
<td>10.0</td>
<td>10.0</td>
</tr>
<tr>
<td>REAL ESTATE ACTIVITIES</td>
<td>8.0</td>
<td>17.0</td>
</tr>
<tr>
<td>ADMINISTRATIVE &amp; SUPPORT SERVICE ACTIVITIES</td>
<td>6.0</td>
<td>4.0</td>
</tr>
<tr>
<td>ACCOMMODATION &amp; FOOD SERVICE ACTIVITIES</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td>PUBLIC ADMINISTRATION &amp; DEFENCE; COMPULSORY SS</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td>TRANSPORT &amp; STORAGE</td>
<td>2.0</td>
<td>15.0</td>
</tr>
<tr>
<td>EDUCATION</td>
<td>1.0</td>
<td>4.0</td>
</tr>
<tr>
<td>MINING &amp; QUARRYING</td>
<td>1.0</td>
<td>8.0</td>
</tr>
<tr>
<td>AGRICULTURE, FORESTRY &amp; FISHING</td>
<td>-7.0</td>
<td>-8.0</td>
</tr>
<tr>
<td>WATER SUPPLY; SEWERAGE; WASTE, ETC</td>
<td>-8.0</td>
<td>-8.0</td>
</tr>
</tbody>
</table>

Exhibit 7. Change in Gender pay gap between 2011 and 2016 (ONS, 2016)
Closing the gap: the investment case

According to the McKinsey Global Institute, narrowing the gender gap globally would add $12 trillion in annual gross domestic product. For example, 1.7 billion women don’t own a mobile phone and 1.1 billion women are unbanked. Both are barriers to economic expansion in developing markets and have a direct correlation with levels of personal income.

In January 2017, BNY Mellon published a report Return on equality: investment opportunities that help close the global gender gap to highlight the benefits of investing in companies that are gender-diverse, led by women or provide services that help advance gender equality.

The BNY Mellon report suggests that investors, asset managers and companies can advance gender equality and drive financial returns by taking the following steps, as shown in Exhibit 8.

- **Incorporate a product and services approach into existing gender-lens investing and environmental, social and governance (ESG) investing strategies.**

- **Shift investments towards companies that offer products and services that support gender equality, focusing on companies that have committed to quantifiable goals or measures.**

- **Create new funds and financial instruments for institutional investors that focused on companies who offer products and services that support gender equality.**

- **Assess the gender equality impact of the company’s business strategy and current operations (such as the gender mix of the customer base). Assess whether and how the company’s products and services can evolve in new ways that promote gender equality, and measure and report progress against targets to help communicate the company’s potential social impact to investors and consumers alike.**

Exhibit 8. Investment opportunities that help close the gender pay gap

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Buyers and suppliers: pressure increasingly being applied

In February 2017 Aviva sent a letter to more than a dozen subcontractors that failed to sign up to gender equality initiatives such as the 30% Club and the Women in Finance charter. The letter threatened to terminate their contracts. Aviva is the first British company to pledge women will comprise 30% of its executive committee by 2020.

The BNY Mellon report promotes gender-lens investing which is defined as private investment for financial return that simultaneously supports gender equality goals.

To increase investment in companies that support gender equality, stakeholders should consider:

- establishing standardised metrics to evaluate whether and how much a company’s products and services advance gender equality
- creating new investment vehicles across asset classes focused on the products-and-services approach to gender-lens investing
- demonstrating market-rate returns from a products and services approach to gender-lens investing

In January 2017, Willis Towers Watson announced that they will require fund managers to provide data about the gender composition across their workforce. The requirement is driven by local authority pension funds, some of whom are seeking better data on gender representation in roles below board level. Willis Towers Watson will use the data to determine in part where they recommend their clients allocate their assets.

Due to growing demand, Morgan Stanley Capital International (MSCI) has created the World Women’s Leadership Index which aims to benchmark the performance of companies that exhibit a commitment towards gender diversity among their board of directors, and leadership positions.

These developments highlight the increasing attention being placed on gender diversity from an investment perspective and overtime it’s likely that it will lead to change. It’s also likely that organisations who are slow in responding to the emerging changes will find themselves at a growing disadvantage on many fronts.

What are the UK gender pay gap reporting requirements?

The UK Government is asking organisations to publish six items of information which including four percentages, one ratio and a quartile table. Exhibit 9 seeks to explain the differences between the six items, what they mean and how they are calculated.

<table>
<thead>
<tr>
<th>Used for</th>
<th>Measure</th>
<th>Info Type</th>
<th>Gender</th>
<th>Used for</th>
<th>Measure</th>
<th>Info Type</th>
<th>Gender</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender gap</td>
<td>Adjusted hourly rate of pay</td>
<td>Mean</td>
<td>Male</td>
<td>The difference between the <strong>Mean</strong> adjusted hourly rate of pay for male full-pay relevant employees and that of female full-pay relevant employees.</td>
<td>Median</td>
<td>Male</td>
<td>The difference between the <strong>Median</strong> adjusted hourly rate of pay for male full-pay relevant employees and that of female full-pay relevant employees.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Female</td>
<td></td>
<td></td>
<td></td>
<td>Female</td>
<td></td>
<td>(male - female) / male x 100</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bonus pay</td>
<td>Mean</td>
<td>Male</td>
<td>The difference between the <strong>Mean</strong> bonus pay paid to male relevant employees and that paid to female relevant employees.</td>
<td>Median</td>
<td>Male</td>
<td>The difference between the <strong>Mean</strong> bonus pay paid to male relevant employees and that paid to female relevant employees.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Female</td>
<td></td>
<td></td>
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<td>Female</td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>12-month's Bonus pay</td>
<td>Ratios</td>
<td>Male</td>
<td>The proportion of relevant employees who received a bonus in the preceding 12-month's up to the snapshot date.</td>
<td>Male</td>
<td>Female</td>
<td>male Bonus paid / male x 100</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Female</td>
<td></td>
<td></td>
<td>Female</td>
<td></td>
<td>female Bonus paid / female x 100</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td></td>
<td>Quartiles</td>
<td>Lower</td>
<td>Male</td>
<td>The proportion of male and female full-pay relevant employees in each quartile band.</td>
<td>Male</td>
<td>Female</td>
<td>male / female x 100</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Lower middle</td>
<td></td>
<td></td>
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<td></td>
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<td>Upper middle</td>
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<td></td>
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<td>Upper</td>
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</tr>
</tbody>
</table>

Exhibit 9. Summary of the UK gender pay gap reporting requirements

Mean and median percentages are required for the calculations. Both are complimentary and will give employers and the Government a better understanding of the deltas:

- **Mean**: more useful within a single organisation as men are often over-represented at the high end of the spectrum, and women at the lower
- **Median**: the best representation of the difference as it is unaffected by a small number of high earners. It also ensures consistency with other earnings related data published by the ONS

Employers will be asked to publish data on bonus payments made in the preceding 12-month period up to the snapshot date to encourage them to think more about their remuneration policies, and ensure that their practices for bonuses are fair and transparent. Under certain circumstances, the employer may not be required to include data relating to the relevant employee if:

- the employee is employed under a contract personally to do work
- the employer does not have and it is not reasonably practicable for the employer to obtain the data

Further to consultation with employers, trade associations, business organisations and individuals, the Government decided not to ask employers to publish gender pay gaps by grade or job type. The reason given was that “many organisations don’t have standardised grading structures”.

The Australian Government’s approach was to issue a grade table and every organisation was informed that it had to map their existing roles to this table. The inclusion of this data enabled additional and more valuable insights to be established.
What are the reporting deadlines?

Exhibit 10 shows key dates for private and voluntary sector employers:

![Exhibit 10. Key reporting dates](image)

Employers can report anytime between 5 April 2017 and 4 April 2018. We expect organisations looking to demonstrate leadership to publish their reports well in advance of the deadline to capitalise on the public relations opportunity. Some sectors may choose to align the gender pay gap reporting process with existing reporting timelines.

What are the key questions for organisations to consider?

Several key questions should be addressed at the outset:

- what process and methodology should be adopted to produce the calculations?
- what additional information should be included to contextualise the data?
- when should the report be published and who should sign it off?
- how should the report be used internally and externally?
- what benefits can be gained by promoting the report, and what purposes can it be used for?
- how involved should the workforce be during the process and what should the internal communication strategy be?
- what issues might arise once the data has been published and how should these be managed?
- what changes need to be made to the process, systems and data quality / management to make the process more efficient next year?

These questions are explored further in our accompanying white paper ‘Considerations in preparing for gender pay gap reporting’.

What are the penalties for non-compliance?

The Regulations do not create any civil penalties. However, failure to comply constitutes an unlawful act under section 34 of the Equality Act 2006 which means that the Equality and Human Rights Commission (EHRC) can take enforcement action.

Section 78 (Equality Act 2010) does not impose a requirement to publish gender pay information, so it’s not possible for an unlawful act to arise from it. However, section 78 gives power for the regulations to make provision for the enforceability of requirements imposed under it. The Government is expected to closely monitor levels of compliance during the initial period of implementation and adjust the regulations where required.

What complexities and risks are likely to arise?

There are several risks that organisations should be aware of, and seek to address:

- data quality - not using current or accurate data
- data processing – not applying the rules accurately and potentially excluding / including the wrong employees
- miscalculation of the data – incorrect or skewed hourly rates leading to inaccurate metrics
- poor contextualisation of the results – negative perception by the press, employees (current and prospective), customers and investors

As part of the planning process, organisations should discuss the risks, define their implications and determine what can be done to mitigate them.
What benefits can it bring to an organisation?

Although gender pay gap reporting may expose certain shortcomings in people and talent management, organisations should embrace the findings and use it to their advantage by:

- demonstrating increased transparency in their talent management strategies
- using previously unreported data to make better informed decisions on the composition of their workforce and how they remove barriers to career progression for those disadvantaged
- explaining the organisation’s policies on recruitment, employee development, equality and diversity
- setting out their gender equality and diversity policies, and plans to increase their attractiveness to potential recruits and existing employees
- applying the learning to other important characteristics such as ethnicity, age and disability

As part of the planning process, organisations should think about how they publicise their report both internally and externally.
Preparing the calculations

Once the requirements are understood, organisations should consider the data required, and how they will prepare their calculations. In this section, we highlight some of the key questions and points that should be addressed as part of this.

What defines an employee and who should be included?

The Gender Equality Office (GEO) in conjunction with the Advisory, Conciliation and Arbitration Service (ACAS) have produced guidance covering all aspects of the legislation. It includes rules and examples to help employers identify which employees should be included at each stage of the calculations. The meanings are in-line with section 83 of the Equality Act 2010.

An employee can be:

- a person with a contract of employment. This can include overseas personnel if they could bring a claim to an Employment Tribunal under the Equality Act 2010; have a contract subject to UK legislation; continue to have their home in UK; and have UK tax legislation apply to their employment
- a worker and agency worker with a contract to do work or provide services
- some self-employed personnel where they must personally perform the work
- every person within a job share if they fall in-line with the three points above

Although collectively these personnel are considered employees, it does not follow that they are a part of an employer’s calculations. Organisations must first apply the following rules to define your own employees, relevant employees and full-pay relevant employees.

Company employees are:

- all personnel with a contract of employment
- self-employed personnel who must personally perform the work and from whom the data is available

These personnel are the basis for the ‘headcount’. If you have 250 or more, you must carry out the report.

Relevant employees:

- personnel employed by the company on 5 April of that reporting year who are not a partner (traditional partnership or limited liability partnerships – i.e. they take profits and are not ‘paid’)

These personnel are used to calculate both the bonus pay gap and the proportions of male-to-female bonus payments.

Full-pay relevant employees:

- relevant employees who are not, during the relevant pay period, being paid a reduced rate or nil as a result of being on leave (absence where pay is reduced such as parental leave)
- relevant employees on reduced or nil pay as a result of strike action are to be included in the definition

These personnel are used to calculate the gender pay gaps and the proportions of men and women in each salary quartile.

Data input requirements

As described in the previous paragraphs, each gender pay calculation involves a specific class of employee. Notwithstanding the different calculations, pay is to be calculated before any deductions are made at source, including:

a) cash deductions that are compulsory for the employer (e.g. PAYE, national insurance or pension contributions / schemes)
b) any cash deductions that are compulsory for the employee (e.g. court-imposed child support earnings or attachment of earnings)

Exhibit 11 shows the elements of pay to be included and excluded for ordinary pay and bonus remunerations.

Exhibit 11. Elements of ordinary pay and bonus remuneration

Data sources

Data will probably be held in more than one system. The different sources should be identified as early as possible. In a group structure, with multiple divisions or business units, different entities within the group structure might be using different systems which may require different data gathering processes. Sources could include:

- standalone payroll systems
- human resources information systems (HRIS)
- hybrid systems (payroll and HRIS combined)
- contracts and engagement letters

Data may be stored in formats that are inconsistent and may not be easily manipulated without manual intervention. For example, contract letters may not be held in a central location. This should be considered in the planning process as it may require additional time and resource to gather the data.

The Government has recognised some of the challenges in gathering data. There is an exclusion for contractors where the employer doesn’t have or is not easily able to obtain the necessary payroll data. During the planning process, organisations should take this into consideration when deciding who to include and exclude.

Every employee must have a unique identifier, common to all data sources, to ensure the different records are collated correctly.
Key variables for the calculation of hours worked

In calculating the hourly rate of pay, it should be recognised that employees can be paid in many ways depending on the type of work they undertake. In Exhibit 12, we outline how the hourly rate of pay should be calculated using three different pay metrics.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Piecework</td>
<td>This will vary by sector. For example, metal worker versus music teacher = number of panels pressed versus number of pupils taught. In each case, the working hours per week will be the number of hours of output work performed each week.</td>
</tr>
<tr>
<td>Working hours in the week</td>
<td>The next point to determine is the weekly working hours. If the hours worked are the same each week, this will be the period specified in their contract. If, however the weekly working hours differ, their weekly working hours will be the average number of hours worked. According to ACAS / GEO guidance, this is calculated by:</td>
</tr>
</tbody>
</table>
|                                 | - dividing the total number of hours worked over the twelve weeks that end with the last complete week of the pay period  
  - weeks where no work has been done (such as a week of sick leave) must be substituted for an earlier week  
  - weeks where some / all work has been done, such as a week with three days worked and two days taken as unpaid special leave must be included  

However, if the employees number of working hours differ from week to week and they have not been employed for twelve weeks by the snapshot date, or if for some other reason the calculation cannot be reasonably be made, the employer must provide a number that fairly represents the hours worked in a week.                                                                                                                                                                                                                                                                 |
| On call / sleeping arrangements | Hours where an employer is required to be on-call, awake and available must be included in their weekly working hours. Hours where an employee is sleeping are not included, even if the employee is required to sleep at or near their place of work. However, if they are woken up to carry out work during such a period, the waking time must be included in their weekly working hours. If they do not do so already, employers will have to find a way of capturing this information.                                                                                                                                                                                                 |
How can Staffmetrix help?

Our analytics platform can help organisations assess their human capital data in an easy to understand and visually engaging way.

Our vision is that of transparency and accountability. Our aim is to provide all organisations (private, public and not-for-profit) with access to accurate data that can measure progress in their organisational performance.

We offer a platform from which real-time and insights can be drawn. Targets can be set and progress tracked. Our platform allows organisations to analyse data easily and extract meaningful, fact-based insights. These can then be used as a catalyst for driving organisational wide improvement.

Combining our analytics capabilities and visualisation technology with consultancy support, we help organisations:

- design and implement processes for gathering and implementing data
- collate data workforce data to support meaningful workforce analysis
- produce actionable intelligence on issues such as diversity and gender pay gap reporting
- meet gender pay gap reporting requirements by providing the calculation engine and data analytics capabilities to simplify the process
- identify talent related risks that impact productivity, career progression and employee attrition rates
- become more skilled in human capital data analytics through our training and development programs
- devise and implement people and talent strategies designed to enhance business performance by connecting strategic goals to talent, cultural change and workforce related objectives

How does Staffmetrix data analytics support gender pay gap reporting?

We provide:

- independent review and analysis of intended approach and processes against Government reporting requirements
- risk analysis and a plan to help mitigate key issues identified
- a data visualisation engine providing on demand measurement, reporting and modelling of an organisation’s human capital data
- the ability to breakdown your organisation by limitless groupings and track movement of your talent alongside business performance
- analysis tools specifically designed to support gender pay gap analysis and reporting. Highly flexible, it creates the mandatory data required by the Government in addition to further data designed to help organisations contextualise their gender pay gap position
- the ability to consolidate data from multiple human capital management systems into a single view, with ease
- compatibility with any existing payroll or HRIS system with the ability to refresh data at any time
- sophisticated workforce modelling tools designed to help organisations forecast future gender representation levels
- the ability to extract data and visualisations for use in reports that can be used for internal or external purposes, removing the need to tirelessly create charts and visuals yourself
- peer group analysis and benchmarking

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Conclusion

Transparency and accountability are required if the gender pay gap is to be measured and tackled.

Gender pay gap reporting provides organisations with the opportunity to demonstrate they care about creating a gender balanced workforce.

Through contextualisation and the inclusion of a plan, organisations can show how they intend to evolve. Purposeful messages will have valuable meaning for current employees, prospective employees, customers, suppliers and shareholders.

For some organisations, getting to the point of having accurate data may take time - especially if the data is stored on multiple systems. Although the reporting deadline is 4 April 2018, we advise that organisations should initiate the reporting process well in advance.

We help organisations originate their gender pay gap data, understand and interpret what it means – and assess the options for creating a gender balanced workforce with emphasis on delivering better business performance and cultural enhancement.
About Staffmetrix

Staffmetrix is an innovative start-up that aims to bring a fresh perspective to HR Data Analytics. Our immediate objectives are to bring transparency and accountability to the Gender Pay Gap issue and to be a strong advocate for the introduction of benchmarking so that sectors can understand their collective position across the full spectrum of issues such as ethnic representation, salary deltas and disabled representation.

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