



## Gender Pay Gap Reporting Regulations

The [Gender Pay Gap reporting regulations](#) came into effect 5 April 2017, with organisations in Great Britain over 250 employees being required to publish their results on their website and upload them to a Government website by 4 April 2018.

Many organisations will have concerns about the potential reputational risks associated with having a large pay gap. It's hoped the public availability of Gender Pay Gap information will encourage employers to take actions to reduce or eliminate their Gender Pay Gaps prior to publication.

Here's a summary of what you need to know about the new regulations.

### 1. WHO DO THE REGULATIONS COVER?

All employees (as defined in section 83 of the [Equality Act 2010](#)) with a contract governed by law in Scotland, England & Wales. But there are exclusions, a "relevant employee" does not include a partner in a firm. More details on who is captured can be found in [Gender Pay Gap Regulations](#).

### 2. WHAT DO EMPLOYERS NEED TO REPORT?

There are six different pieces of information that are required on the total workforce population:

**PAY GAP, MEAN AND MEDIAN** - This is the difference in hourly pay of male and female full-time relevant employees per April time period snapshot, expressed as a percentage of the hourly pay of male relevant employees. This means that a positive number indicates men earn more than women; a negative number will mean the reverse. Pay is reported as both ordinary pay and bonus pay.

**BONUS PAY GAP, MEAN AND MEDIAN** - This refers to the bonus pay paid to male and female relevant employees during the 12 months prior to the snapshot date, expressed as a percentage of the bonus pay paid to male relevant employees.

**BONUS PAY PROPORTION** - Bonus pay proportion refers to male relevant employees who received a bonus in the 12 months, expressed as a percentage of the male relevant employees; female relevant employees who received a bonus in the 12 months, expressed as a percentage of the female relevant employees.

**QUARTILES** - Organise workforce into evenly sized quartiles based on ranking of all full-pay individuals from highest to lowest by hourly rate of pay. Report on each quartile the number of full-pay male and females in each quartile as a percentage of the total in the quartile.

## **2. WHAT ARE THE DEFINITIONS EMPLOYERS NEED TO USE?**

Ordinary or bonus pay is calculated before deductions are made at the source (for example deduction in relation to income tax). Only relevant employees should be captured; if an employee has reduced or nil pay as a result of being on leave (e.g. maternity leave, sick leave, special leave) then they should not be included in the calculations. For reporting, 'Pay' and 'Bonus' have very specific definitions which employers will be required to use. Pay is defined as follows:

### **Ordinary pay includes:**

- Basic pay
- Allowances (fire warden, location, car, recruitment and retention allowances)
- Piecework pay
- Paid leave
- Shift premium pay

### **Ordinary pay does not include:**

- Overtime
- Redundancy or termination payments, or in lieu of leave
- Nonmonetary remuneration
- Expenses

**Bonus pay includes:** cash, vouchers, securities and securities options, together with any remuneration relating to profit sharing, productivity, performance, incentive or commission.

- Measured by reference to the actual bonus pay received at the time tax is due
- Includes any bonus paid in the 12-month period ending on the relevant 5 April

## 4. HOW DO YOU CALCULATE THE HOURLY RATE?

The gender pay gap is based on the hourly rates in your company for men and women, regardless of their level or the job they do. This includes both ordinary pay and bonus pay for the relevant pay period.

### Step one:

- Calculate the hourly rate for each individual then undertake the calculations by gender for all relevant employees.
- The gender pay gap will be the percentage difference between the two values (reporting one based on a median of employees' pay and one on a mean).

### Step two:

- Determine the number of hours worked. This will be the number of hours in the contract (or an average, if the number of hours varies).

### HOURLY RATE CALCULATION METHOD:

In the following example, a monthly paid individual earns £34,500 per year, has a £1,500 per year location allowance and received a £2,000 bonus for annual performance in April 2017. They are contracted to work 35 hours per week.

**Total ordinary pay** = £34,500 + £1,500 = £36,000/12 = **£3,000** paid in April. Alternatively use amount ordinary paid in the month, based on regular contract

**Bonus pay** = £2,000. What counts for April is pay earned during that period. In this case, an annual bonus is earned at a rate of £5.475 per day (£2,000/regulation-defined year of 365.25 days). The defined days in a month are 30.44; therefore, £5.48 x 30.44 = **£166.68** for the month.

**Total monthly pay** = £3,000 + £166.68 = **£3,166.68**

£3,166.68 x "appropriate multiplier" of 0.22996 (7/number of days in pay period; that is, 30.44) = **£728.21**

£728.21/number of working hours = £728.21/35 = **£20.81 hourly rate**

## 5. WHEN AND HOW TO REPORT?

You must publish within 12 months of the 5 April snapshot date each year. It must be published on the employer's own website and remain

there for at least three years from the date of publication, in English and accessible to all its employees and the public. It must also be published on a 'website designated by the Secretary of State' with the name and job title of the person who signed the statement.

The publication must be accompanied by a written statement by the employer to confirm the information published is accurate. The statement must be signed by one of the following:

- A director or equivalent
- Designated member in an LLP
- General partner in a limited partnership

## **6. WHAT ARE THE CONSEQUENCES OF NOT REPORTING?**

Failure to report is 'an unlawful act' and the Equality and Human Rights Commission (EHRC) can take enforcement action ([s34 of the Equality Act 2006](#)). They may open an investigation if they suspect a considerable pay gap is being hidden by employers. Reputational risks are also a consideration if employers fail to comply with the regulations.

## **Explaining Your Gender Pay Gap**

Organisations are permitted to provide an accompanying narrative to support the Gender Pay Gap figures; this should comprise a clear explanation of the causes based on detailed analysis and place the data in context.

Communicating the results to their employees and the wider community is critical, given that current and future employees will be interested in the results.

The narrative gives employers the opportunity to explain what their results show and what they are doing about them, this should include:

- Show an understanding of potential challenges in addressing the gap, highlighting successes brought about by recent activity and what plans are in place for the future to reduce the gap in the long-term.
- Relevant analysis to ensure there is equality of treatment with regards to pay and in other areas throughout the organisation.
- An understanding of the causes of the gap through analysis of women's career flows, occupation segmentation and workforce analytics is an imperative

- Ensure diversity and inclusion strategy, policy and practices are benchmarked against best practice and the benefits of inclusive leadership and gender equality are highlighted.
- Encourage those leading on talent, leadership, diversity and inclusion initiatives to work together to develop practice that supports equality and promotes women's careers.

## **The Glass Lift can help you go beyond pay gap reporting.**

We help our clients understand the reasons for and complexity of their gender pay gap and support them in **developing meaningful interventions** to improve the careers of women's (and other underrepresented groups), develop inclusive leaders and increase workforce diversity.

### **Find out more contact The Glass Lift Team:**

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