

**3**strategy

Everything you need to know about

# gender pay gap reporting



# 9.1%

The GPG for full-time  
UK employees in  
2017

## What is the gender pay gap?

The gender pay gap (GPG) shows the difference between the average earnings of men and women across an organisation or the labour market. In 2017, the GPG for full-time employees in the UK was 9.1%; for both full-time and part-time employees, the gap was 18.4%.

## Why does the gender pay gap exist?

The GPG exists for many reasons, including:

- Women being over-represented in low-paying roles, such as customer service assistants and carers, and under-represented in high-paying sectors such as investment banking and finance.
- A difference in experience due to women taking time off or reducing their hours to care for children; working part-time can have a negative impact on pay progression.
- Lack of part-time and flexible working opportunities, especially at senior levels.
- A lack of senior female role models and mentors, which serves to discourage women from pursuing higher-paying careers.



## Which employers are covered by the gender pay gap reporting regulations?

An organisation must publish its GPG for any year it has 250 or more employees. When the number of employees fluctuates and falls just below 250, it isn't mandatory to publish the GPG, but the organisation is encouraged to on a voluntary basis.

## Who counts as an employee?

For the purposes of gender pay reporting, the Equality Act 2010 defines those in employment as falling into one of three categories:

- **Employees** – those with a contract of employment.
- **Workers and agency workers** – those with a contract to do work or provide services.
- **Some self-employed people** – working under a contract personally to do work.

## What are the deadlines?

Figures should be calculated using a specific reference date, known as the 'snapshot date.' In the private and voluntary sectors, the snapshot date for companies to publish their GPGs is 5 April each year. Group companies only report for their own employees.

### Public sector deadline

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# 30 March

### Private and voluntary sector deadline

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# 4 April

The first GPG report will be based on hourly rates of pay as at 5 April 2017 and any bonuses paid between 6 April 2016 and 5 April 2017. It should be published no later than 4 April 2018 (and each year after).

The snapshot date for public sector organisations is 31 March each year. The 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. Public sector organisations must publish their GPG no later than 30 March 2018 (and each year after).

## What's included in the calculations?

There are two elements of pay included in the calculations for gender pay reporting:

### Ordinary pay

Ordinary pay, expressed as hourly pay, includes basic pay, shift pay, ad-hoc pay or pay for piecework, allowance and pay for leave. Only cash payments are included, and gross amounts are included after salary sacrifice.

Ordinary pay does not include overtime payments, redundancy payments, interest-free loans, expenses or pay in lieu of annual leave. Benefits in kind, i.e. non-cash payments, are also not included.

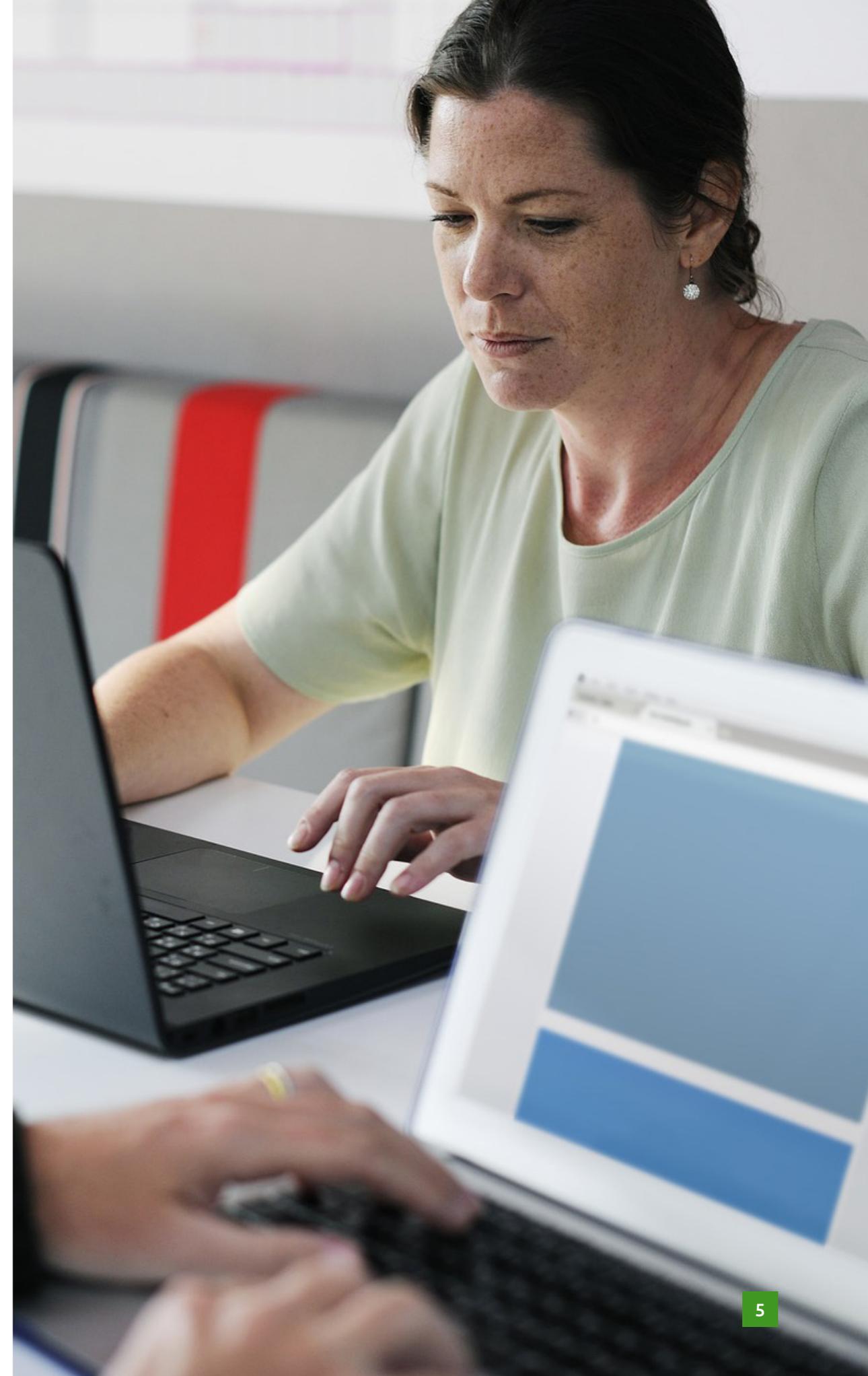
### Bonus pay

Bonuses include all payments made relating to:

- Profit-sharing
- Productivity
- Performance
- Incentives
- Commission

Bonuses are measured by the actual pay received at the time tax is due. For example, if an employee earns a bonus under a long-term incentive and defers the payments, this should not be included in your figures. Bonus pay includes any bonus paid in the 12-month period ending 5 April.

If a bonus payment relates to a longer period than your pay period, you should pro-rate the bonus figure for the pay period.





## Weekly working hours

You'll also need to capture the weekly working hours of all full-time employees. This should not include paid or unpaid overtime.

If employees work the same number of hours every week, use the hours specified in their contract of employment. Where employees don't work the same number of hours every week, use an average over 12 weeks that ends with the last complete week before the pay period. If you don't have 12 complete weeks, choose an earlier week to complete your 12-week average.



# What are the gender pay gap requirements?

## Compulsory reporting

**1. Mean gender pay gap:** the difference between the mean hourly rate of pay of male and female full-time employees, expressed as a percentage of the hourly pay of male full-time employees. Pay includes ordinary pay and bonus pay.

**2. Median gender pay gap:** the difference between the median hourly rate of pay of male and female full-time employees, expressed as a percentage of the hourly pay of male full-time employees. Pay includes ordinary pay and bonus pay.

**3. Mean bonus gap:** the difference between the mean bonus amount paid to male and female employees during the 12 months prior to the snapshot date, expressed as a percentage of the bonus paid to male employees.

**4. Median bonus gap:** the difference between the median bonus pay paid to male and female employees during the 12 months prior to the snapshot date, expressed as a percentage of the bonus paid to male employees.

**5. Bonus proportions:** the proportion of male employees who received a bonus in the 12 months, expressed as a percentage of male employees, compared to the female employees who received a bonus in the 12 months, expressed as a percentage of the female employees.

**6. Quartile pay bands:** employees are organised into evenly sized quartiles based on the ranking of all full-time employees, from highest to lowest by hourly rate of pay. You must report the number of full-time men and women in each quartile as a percentage of the quartile total.



## Recommended narrative

- Provide context to employees as well as external parties
- Explain the calculations to employees
- Explain what's causing the GPG
- Communicate what actions you're taking to close any significant gaps

## Calculating the hourly rate

### 1. Ordinary pay:

look at basic pay and add all allowances paid over the snapshot year. Divide your number by 12. For example,  $£30,000 + £2,000 + £1,000 = £33,000 / 12 = £2,750$

### 2. Bonus pay:

calculate the bonus earned during the same period as your calculated ordinary pay. For example, an annual bonus of £3,000 is earned at a rate of £8.213 per day ( $£3,000 / 365.25$  days in a year). The average days in a month are 30.438 ( $365.25 / 12$ ). So the bonus for the month is  $£8.213 * 30.438 = £250$

### 3. Total monthly pay:

$£2,750 + £250 = £3,000$

### 4. Your multiplier:

$30.44$  (days in a month) /  $7 = 4.35$

### 5. Calculate your hourly rate:

$£3,000$  (total monthly pay) /  $4.35 = £689.88$  (weekly pay)  
 $£689.99 / 35$  (hours worked per week) =  $£19.71$



## What happens if you don't report your gender pay gap?

Failure to report by the deadline is 'an unlawful act' and the Equality and Human Rights Commission has the power to enforce any failure to comply.

Employers will also run a reputational risk if they don't publish their GPG. In many cases, the resulting speculation as to why a business failed to publish on time could have a far worse impact than the results of the report would have done.

## What are the next steps?

1. Calculate the required metrics for gender pay reporting.
2. Provide a narrative to support your GPG figures, with a clear explanation as to the causes. If there is a pay gap, employers have an opportunity to add context to their results.
3. Provide evidence that your pay processes are gender neutral.
4. Consider carrying out an equal pay audit to demonstrate your commitment to equal pay and to understand any potential risks.
5. Pay particular attention to bonuses and long-term incentives, which increase with seniority and are likely to be more challenging to explain.
6. Put together an action plan that includes education for managers and leaders on the difference between equal pay and the gender pay gap (see infographic, above right).

## UNDERSTANDING THE DIFFERENCE BETWEEN EQUAL PAY AND GENDER PAY GAP

EQUAL PAY	GENDER PAY GAP
<p>Equal pay means that men and women in the same employment performing equal work must receive equal pay, as set out in the Equality Act 2010.</p> <p><b>EQUAL PAY IS A LEGAL OBLIGATION</b></p> <p>Equality Act 2010: Equal work is work which is:</p> <ul style="list-style-type: none"> <li>£ The same or broadly similar ('like work')</li> <li>£ Rated under the same job evaluation scheme as being work of equal value ('work rated as equivalent')</li> <li>£ Of equal value in terms of factors such as effort, skill and decision-making ('work of equal value')</li> </ul> <p>Equal pay legislation has been in place since the early 1970s and is a fundamental right of all workers.</p> <p>If a company loses an equal pay claim from an employee, the employment tribunal can force the company to carry out an equal pay audit and publish the result on their website.</p> <p>It is better for companies to be proactive and carry out an equal pay audit to ensure they are meeting the requirement of the Equality Act 2010.</p>	<p>The gender pay gap is a measure of the difference between men's and women's average earnings across an organisation or the labour market.</p> <p><b>GENDER PAY GAP MAY EXIST DUE TO MANY FACTORS SUCH AS:</b></p> <ul style="list-style-type: none"> <li>£ Women may be over represented in careers or functions (e.g. call centres) where financial reward is low and underrepresented in high paying careers (e.g. investment banking, finance)</li> <li>£ The difference in years of experience due to women taking time off for maternity leave or a negative impact of part-time work on pay progression</li> <li>£ Lack of representation of women in senior roles where pay, bonus and incentives are higher and often over-representation in junior or administrative roles</li> <li>£ Limited reward framework which leads to lack of structure and consistency in pay decisions</li> </ul> <p>According to the Institute of Fiscal Studies the UK gender pay gap is 18%.</p>
<p>The gender pay regulation requires companies with over 250 employees to publish their gender pay gap by April 2018 on their website. Disclosing the gap is the start of the journey. Organisations must analyse the results to understand why a gender pay gap exists and ensure they are taking steps to tackle any risks around equal pay.</p>	
<p>3R Strategy is an independent reward specialist agency working with organisations as an extension of their in-house team            For more information on equal pay audits get in touch with us at <a href="mailto:hello@3r-strategy.com">hello@3r-strategy.com</a> or call: 0203 8806649  <a href="https://www.3r-strategy.com">https://www.3r-strategy.com</a></p>	



Unlock the potential of your people

For more information on the GPG or to enquire about doing an equal pay audit, please contact:

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