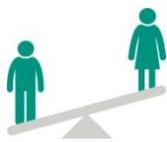


## In focus: Gender pay gap reporting – Update May 2017



The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 came into force on 6 April this year. The Regulations oblige all organisations employing 250 or more employees to publish certain information relating to their gender pay gap on an annual basis.

The first reports are due to be published by **4 April 2018**, with many organisations wishing to publish earlier than this. This note explains the key aspects of gender pay gap reporting that all employers should know and has been updated to incorporate recent changes.

### The obligation



On or before 4 April each year all large employers (those with 250 or more employees) must publish their gender pay gap reports. The reports must be clearly accessible on a public-facing website and also submitted to the government's [gender pay gap reporting service](#).

As a minimum, every report must include the information in Box 1 below.

#### Working out how many employees you have

The definition of 'employee' is taken from the definition in the Equality Act 2010. This gives a wider definition than that in the Employment Rights Act 1996, meaning that more people are captured. In this context, 'employee' means:

- Anyone working for you under a contract of employment
- Anyone with a contract personally to do work or to provide services ('workers')
- Some self-employed people (those who have to perform the work personally)

If you have fewer than 250 employees you don't need to produce a report – but you might choose to.

Agency workers will be captured by their employing agency so should be excluded.

It is important to use headcount and not full time equivalent, so if you employ two people to perform one full time role under a job share arrangement, you must count them separately as two employees.

### **Which employees to include**

For the pay gap calculations you need to include all employees who receive full pay during the pay reference period. Any employee who receives a reduced rate of pay during the pay reference period because they are on leave should be excluded.

Remember to include employees on **zero hours contracts** unless they received no pay at all during the reference period.

Employees who receive reduced pay during the reference period for other reasons (for example because they take part in strike action) should still be included in the calculations.

Any employees who receive nil pay during the pay reference period should be excluded from the gender pay gap calculations.

For the bonus pay calculations, you should include all employees employed by you on the snapshot date, even if they receive less pay than normal because they are on leave.

Only include individuals who are still employed with you on the 5<sup>th</sup> April (the 'Snapshot Date'). Anyone who has left employment but is still on the payroll system (for example because they are waiting for their final salary payment) should be excluded from your calculations.

### **The pay reference period**

The pay reference period is your organisation's normal pay period that includes the 5<sup>th</sup> April each year. So, if you usually pay monthly, you should use the payroll information for April. If you usually pay weekly, you would use the payroll data for the week in which 5<sup>th</sup> April falls.

### **Calculating pay**

For the purposes of gender pay gap reporting, 'pay' is split into ordinary pay and bonus pay. Ordinary pay means:

- Basic pay
- Allowances
- Pay for piecework
- Pay for leave
- Shift premium pay

All allowances should be included, for example area allowances, car allowances or payments made to employees for the performance of additional duties, such as fire warden, first aider or key holder allowances.

Ordinary pay doesn't include:

- Pay for overtime
- Reimbursements of expenses
- Benefits in kind
- Redundancy pay or other termination payments
- Pay in lieu of holidays

Pay should be calculated after any salary sacrifice but before any deductions for tax, NI or employee pension contributions.

Bonus pay includes payments relating to profit sharing, productivity, performance, incentive schemes or commission payments. It does not include ordinary pay, overtime pay or redundancy or termination payments. If you make bonus payments through vouchers the cash value of those vouchers should be used.

#### Box 1. Minimum required report

- The difference between **mean** average male and female pay
- The difference between **median** average male and female pay
- The **proportions** of men and women in each quartile pay range
- The difference between **mean** average male and female bonus pay in the 12 months to 5<sup>th</sup> April
- The difference between **median** average male and female bonus pay in the 12 months to 5<sup>th</sup> April
- The **percentage** of men and women who received a bonus in the 12 months to 5<sup>th</sup> April
- A **signed declaration** by a director that the information is accurate

## Doing the calculations

### Calculating hourly pay



You must calculate the hourly pay of each employee. To do this, add up all the ordinary pay (excluding any pay that would normally have been paid in a different pay period – for example pay making up for an accidental underpayment in a previous pay period) and bonus pay paid to the employee in the relevant pay period.

For co-operatives that make longer term incentive payments, if the payment date falls within the pay reference period you should include only the proportion of that payment that is applicable to the reference period. I.e. if you pay an annual bonus and your pay reference period is one month, you should only include 1/12 of the bonus in the calculation.

Then, perform the below calculation for each employee:

$$\frac{\text{Total pay received in pay reference period} \times (7 \div \text{number of days in pay reference period})}{\text{Employee's weekly working hours}}$$

Remember that if you pay monthly or annually, a month should be treated as having 30.44 days and a year as having 365.25 days.

### Calculating the mean gender pay gap

Perform the following calculation to determine the percentage difference between male and female pay:

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

Where:

- A is the mean hourly rate of pay of all male employees.
- B is the mean hourly rate of pay for all female employees.

The **mean** average is found by adding up all the individual numbers and dividing the result by how many numbers were in the list.

### Calculating the median gender pay gap

The **median** average is found by putting all the numbers in a list from smallest to largest and finding the one in the middle.

Then, perform the same calculation as above, but using the median average hourly pay for male and female employees.

### Calculating the mean and median gender bonus gap

You will next need to perform the same calculation but using the mean and then median bonus pay for all relevant employees:

Add up all the bonus payments received by each employee during the 12 months ending on 5<sup>th</sup> April and calculate the mean and median averages for both males and females. Then, perform the calculation above to find the percentage difference in each case.

In this case, a relevant employee means any employee who received a bonus payment during the 12 months ending on 5<sup>th</sup> April. Don't include any employees who a) are no longer employed by you on 5<sup>th</sup> April or, b) didn't receive any form of bonus pay in the 12 months ending with 5<sup>th</sup> April.

### Calculating the proportion of males and females who received a bonus

Next, calculate the proportions of men and women in your organisation who received a bonus payment in the 12 months ending on 5<sup>th</sup> April. To do this, you will need to perform the following calculation:

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

Remember only to include individuals who are still employed by you on 5<sup>th</sup> April.

Where:

- A is the number of male employees who received a bonus
- B is the total number of male employees

Then, repeat this same calculation but using the number of female employees receiving a bonus divided by the total number of female employees.

### Calculating the proportions of male and female employees in each quartile salary band

The final calculation is to work out the proportion of men and women in each quartile salary band. To do this, first rank all employees who received full pay during the reference period in order of their hourly pay, from lowest to highest. Then, divide the list into four equal sections. If you have a number of employees on the same hourly rate split across two or more salary bands, you will need to make sure that the split of male and female employees is as even as possible across the bands. Finally, calculate the percentage of male and female employees in each salary band.

## Writing a supporting statement



The supporting statement is your opportunity to explain the results of your calculations and to set out any steps that you are taking to improve the situation. You are under no obligation to include a supporting statement with your results, but remember that once you have published your figures everyone, including current and prospective employees, members and customers, will be able to see how you are performing against competitors and other organisations in terms of gender pay. If you choose not to publish a supporting statement, you may find that you have more difficulty demonstrating to these groups that fairness in employment is important to you as a co-operative.

You might want to consider the following areas:

### Gender imbalance in operational areas

Across society as a whole it is well acknowledged that certain types of role or industry tend to attract more male or female employees. If you are a retail society, you probably have more female employees working at the shop floor level. This can impact your gender pay gap, particularly if you have a correspondingly higher number of male employees in more highly paid roles. You might want to consider explaining why this is, for example, one of the advantages to working in retail is that it can often offer more flexible working opportunities to employees who wish to work part time or in other more flexible ways. Your supporting statement could consider how this tends to attract more women who tend to carry a higher proportion of responsibility for unpaid domestic tasks (such as caring responsibilities) than men do. The European Commission has calculated that the average working woman spends 26 hours per week performing unpaid duties compared to 9 hours for the average working man.



### Non-symmetrical distribution



The government has mandated that organisations report on both the mean and median differences in pay between male and female employees. Although both are acceptable methods of calculating an average, when used to look at data such as pay they will often return significantly different results. This is because the mean is very sensitive to 'outliers' or small numbers of particularly large or small data within the dataset, whereas the median is the true centre of the data. If you pay a large proportion of employees the same rate, but have a small number of highly paid male executives, you may therefore find that your mean percentage difference

seems high whilst your median is nil or close to it. The Office of National Statistics prefers to use the median figure when reporting on gender pay.

## **Bonus**

You may wish to include further detail around the distribution of bonus, if you feel that your gender bonus gap is higher than you would wish. For example, if bonus is calculated as a percentage of basic pay, and you have more female than male employees working part time hours, this will also impact on your percentage bonus gap. You might also consider whether there are business-need performance related bonuses in some areas of the business and not others – do these tend to be in areas that are typically male dominated?

## **Taking steps to improve your gender pay gap**

Your supporting statement is also your opportunity to explain any steps that you are taking to improve your gender pay gap, and other things that you offer as an employer to make your organisation an attractive and fair place to work for both male and female employees. The sections below give some suggestions about the kinds of areas you could consider.

## **Working Forward – The Equality and Human Rights Commission’s campaign to support pregnant women and new mothers**

Co-operatives looking at tackling their gender pay gap and providing robust supporting information alongside their gender pay reports, may wish to consider joining the [Equality and Human Rights Commission’s campaign](#) to support pregnant women and new mothers in the workplace.

## **Publishing your report**

Once you have completed your gender pay gap report you will need to publish it both on your website and on a [designated government portal](#). Remember that, as long as you provide all the required information, you can make your report as interesting and interactive as you like.

Don’t forget that your report must be accompanied by a signed declaration by a Director or equivalent

## What causes the gender pay gap?



There are differences of opinion around the main cause of the gender pay gap, particularly in the UK where we have had equal pay legislation now for over 40 years.

Many people tend to conflate gender pay with equal pay and there is an assumption that if all organisations make sure that they pay men and women the same for doing the same role, the gender pay gap will disappear. However the extent to which the gender pay gap is driven by equal pay issues is questionable. [Kornferry HayGroup conducted research](#) across more than 550,000 employees in over 400 organisations across the UK. Their findings showed an average gender pay gap of 27.5%; however when they drilled down to compare male and female employees at the same job level, in the same function and in the same organisation, they found that the pay gap dropped to an almost non-existent 0.8%. The problem therefore is not that men and women are still being paid unequally for doing the same job, but that they are not doing the same job in the first place. According to Benjamin Frost, Kornferry HayGroup's Global Product Manager - Pay:

*“Men dominate in highly paid functions and sectors, while women cluster in lower paid functions and sectors. And even in the industries where women dominate, men hold the vast majority of management and board roles... according to our research, women as a group get stuck in their career development... that's the cause of the gender pay gap.”*

There are many reasons for this lack of progression; in their [March 2016 report](#) into the gender pay gap, the Women and Equalities Committee found that a number of factors contribute to the ongoing pay gap, however, in their view the key to reducing the gap is the [sharing of childcare responsibilities between mothers and fathers](#). Their hope is that this would go some way towards reducing what the Institute for Fiscal Studies has termed the [‘Motherhood Penalty’](#) – the fact that over the 12 years following the birth of a women's first child, the pay gap widens to 33% due to a subsequent lack of salary progression.

## Closing the gender pay gap

### Making the case for change



As with any organisational change, success for this initiative will depend not only on support from the very top, but also throughout the organisation, especially where hiring

managers are being asked to consider recruiting more women or men into roles historically favoured by the other gender. Clearly explaining the benefits of increasing diversity throughout the organisation will help to communicate this message.

In 2015 the Women's Business Council estimated that eradicating the gender pay gap amongst full time employees would contribute additional spending of £41 billion per year into the UK economy. They argue that more diverse organisations perform better (and that the converse is also true: less diverse organisations perform less well).

As values-led organisations, co-operatives may wish to frame a move to reduce the gender pay gap in moral and ethical terms. The Harvard Business Review suggests that this should not be the only reason given; 'a business-driven reason for balance is essential to garner more broadly-based support'. Societies may, therefore wish to consider developing a clear, 'fact-based explanation of how this relates to the bottom line'.

### **Addressing the gender balance in operational areas**



Many organisations have roles or operational areas that typically attract employees of one gender or the other. In retail, for example, it can often be seen that shop floor staff are in the main women, whereas the warehouses are staffed primarily by men. Attracting a greater gender balance in all areas can help to ensure that any prevailing pay differences between operational areas do not also impact the wider gender pay gap.

All recruitment specialists are aware of the perils of conscious and unconscious bias during the recruitment process; Personnel Today warns of the 'homogeneity principle' where recruiters unintentionally recruit in their own image. It can also be true that certain traits or characteristics are, perhaps unnecessarily, associated with successful performance in a specific role. Taking steps to address this bias, through training and robust recruitment processes can help to ensure that the best candidates are recruited into roles regardless of gender. This may include:

#### **1. Drafting adverts**

Studies have shown that the wording used in recruitment processes, for example on job adverts, job descriptions and person specifications, can influence who applies. More women are likely to apply for a role if a woman has written the recruitment literature, more men if a man has. Ensuring therefore that women develop adverts, job descriptions and so on for largely male dominated areas, and that men do this for largely female dominated areas, may help to ensure that applications are received from a more balanced pool of candidates.

## 2. Representations of men/women in advertising

Representing men and women equally in artwork for recruitment campaigns and general advertising can also help to break down gender stereotypes and thus encourage applications from a wider range of individuals.

## 3. Stereotypical male/female traits

Some traits and characteristics, such as being assertive or a risk taker, can be considered stereotypically male and others, for example, team working or attention to detail, are often considered stereotypically female. Recruiting managers may wish to think carefully about their use of these characteristics in job adverts/person specifications; are they being used unconsciously to attract a certain gender because the role in question is considered a primarily 'male' or 'female' role?

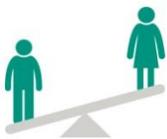
## 4. Interview panels

As far as possible, Societies should aim to ensure that shortlisting or interview panels comprise a mixture of male and female employees to ensure a balanced response to the candidate.

## 5. Removing personal details from the shortlisting process

Removing personal details so that shortlisting managers cannot tell whether a candidate is male or female can help to remove unconscious bias.

## Underrepresentation of women at senior levels



In November 2015 the UK Commission for Employment and Skills reported that the prevailing underrepresentation of women at senior levels (according to the European Commission, in 2015 less than 4% of UK CEOs were women) can be explained in part by the lack of flexibility of senior roles and the perception or reality of the need to work long and unsocial hours to complete them. Societies may wish to consider addressing this, for example by:

1. Advertising all roles as flexible unless there is a specific business rationale for not allowing this, rather than the more common position to consider flexibility only when specifically asked to do so by the candidate/job holder.
2. Considering alternative options to allow for more flexibility in senior positions, for example, job share, working from home, using technology to reduce travel commitments, reducing presenteeism by rewarding results not hours worked.

3. Considering advertisement avenues that specifically target candidates looking for flexible working opportunities, for example [www.timewisejobs.co.uk](http://www.timewisejobs.co.uk).

Women may also be failing to reach the higher levels of management either through a perception that they lack the skills and ability to perform the roles or through failing to apply for positions they are not entirely confident they could excel in. To counter this, Kornferry HayGroup suggests giving female employees leadership of business critical and complex projects and assignments throughout their careers to help them to develop the skills and qualities that are sought after in more senior roles. Alongside this added responsibility, it is crucial that line managers give credible, constructive and honest feedback about women's performance to enable them to grow and develop into confident leaders.

### **Encouraging alternative routes into work**

The ONS reports that women and girls consistently outperform men and boys through all levels of education, however the UK Commission for Employment and Skills suggests that women often fail to apply for the same roles as men because of a lack of confidence in their own skills. Encouraging alternative routes into work, for example apprenticeships, can help to ensure a more even gender balance, whilst the design of apprenticeship and development programmes can incorporate recognition for more typically 'female' talents.

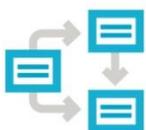
### **Supporting returners from extended leave**

Women more frequently spend time out of the labour market than men do, often due to caring responsibilities, and spending an extended period of time away from work for example on maternity leave, can make returning a daunting prospect. Many organisations have begun to recognise this and to implement programmes or other measures to support women returning to work from an extended period of leave.



Societies may wish to consider designing and implementing a programme of support for women (and men) returning from extended periods of leave, to help them to rebuild their confidence and get back up to speed more quickly. This in turn may help to encourage returners to continue to progress their careers rather than becoming 'stuck' in a less senior position.

### **Equal pay auditing**



The gender pay gap is not the same as equal pay. Equal pay requires that men and women are paid the same for doing jobs that are the same, are rated as being equivalent, or are of equal value. Gender pay considers broad averages and is based on the premise that in society in general women tend to earn less than men do. However, if

in similarly sized roles there is a pay gap that is adverse to females, this will contribute to an organisation's overall gender pay figures and therefore any measures that an organisation takes in respect of equal pay will also help to improve the gender pay gap.

Having even a rudimentary grading system in place will enable societies to make comparisons between male and female pay. At the other end of the spectrum, a robust grading system underpinned by job evaluation methodology should enable societies to produce detailed comparison data. Not every society will be able to make the necessary investments to have a grading system that is underpinned by job evaluation. One alternative to this is to complete a job mapping exercise, which allows organisations to map roles against each other. Co-operatives UK HR Package members can make use of the partnership arrangements with HayGroup in order to complete a job mapping exercise across their society, for more information please see [www.uk.coop/hrpackage](http://www.uk.coop/hrpackage)

With some system of role sizing in place, societies will be able to undertake some form of equal pay audit. The Equality and Human Rights Commission publish guidance on their website ([www.equalityhumanrights.com](http://www.equalityhumanrights.com)) on how employers can complete equal pay reviews and audits, which societies may find useful.

### **Promoting flexible working and family friendly options to all employees**

Does your co-operative offer enhanced maternity pay? If budget constraints allow, extending any enhancements to cover paternity or shared parental leave could help to encourage male employees to take time out of the workplace to care for children. If this is too much of a financial stretch, societies may wish to consider other, less costly, methods of enabling more fathers to spend time with their children; perhaps all new fathers applying for paternity leave could be sent a copy of the flexible working policy for example and encouraged to discuss any suitable options with their line managers.



### **Further information**



You can access further information about gender pay gap reporting and your obligations as an employer from the [government website](#).

You can also access a [guide developed by ACAS and the government Equalities Office](#) which explains in detail the various terms used in the legislation and the calculations that you have to perform.