



WHITE PAPER JANUARY 2019

# Gender pay gap reporting

Going beyond compliance to tell your company's story

# With the second round of gender pay gap reporting approaching, companies should be thinking about how they can build on their first reports, taking control of the narrative and using it as a springboard for positive stakeholder engagement.

Spring 2018 saw the first round of gender pay gap reporting. Organisations in Great Britain with over 250 employees were required to collect data on six pay metrics and publish a public report, in order to identify any gender pay gap that may exist.

For those of you involved in producing your organisation's gender pay gap report, the first round may have been a challenging exercise. It might have involved introducing new procedures, or collating and analysing potentially complex data that might not be readily available.

We saw a significant range in the standard of reporting, from pure compliance to those going above and beyond. In this white paper we take a look at what we learned from our analysis of those first reports, identifying examples of best practice and areas for further improvement and potential development.

## Our analysis methodology

We analysed a random sample of 100 gender pay gap reports from a mix of the FTSE 350 and large private or public sector organisations on 40 different metrics.

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  1. Define
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  3. Get specific and measurable
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## The basics

### The requirements

The gender pay gap is the difference in average pay between male and female employees in your workforce. It is different to equal pay, which is about paying men and women the same for equal or similar work. Organisations with 250 or more employees on the 'snapshot date' (the date prescribed by legislation on which the data and report is based) are covered by the regulations.

The information must be accompanied by a statement confirming its accuracy, signed by a director or equivalent.

There is no legal obligation to publish a narrative, and the regulations do not set out a narrative formula, but the government strongly encourages employers to provide a voluntary narrative.

### When and where you have to publish

The snapshot date, in any relevant year:

**Businesses and charities:** 5 April

**Most public sector organisations:** 31 March

The reporting deadline, the following year to the snapshot date:

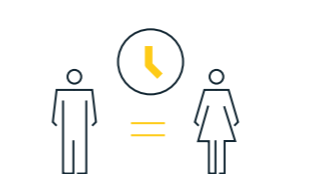
**Businesses and charities:** 4 April

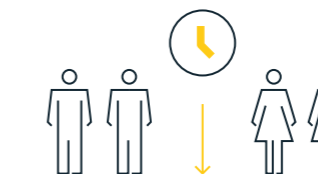
**Most public sector organisations:** 30 March


You need to publish your pay data on your website so that it is accessible to employees and the public, and keep it there for at least three years. You must also submit the information via the government's dedicated portal.


## What you must report


This must be published every year


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**1 Mean gender pay gap in hourly pay**
- 

**2 Median gender pay gap in hourly pay**
- 

**3 Mean bonus gender pay gap**
- 

**4 Median bonus gender pay gap**
- 

**5 Proportion of males and females receiving a bonus payment**
- 

**6 Proportion of males and females in each pay quartile**

## Why gender pay gap reporting matters

It is a fact that, for a number of reasons, there is a pay gap between genders in our society. The aim of gender pay gap reporting is to identify, understand and ultimately overcome the barriers that may prevent women from achieving their full potential in the workplace.

This is a social and moral concern, but for companies it also a business issue.

There has long been a correlation identified between diversity in business and success, and with one of the leading causes of the gender pay gap being lack of female representation at senior level, closing the gap could have positive impact on success. This work also links into areas such as employee engagement and development, and workplace culture. The government summarises this in its gender pay gap campaign as the five 'Rs': Reputation, Recruitment, Retention, Resources and Representative.<sup>1</sup>

Then there is the reputational risk. There was a lot of media scrutiny which followed the first round of reporting, with high-profile companies that had a large male-favouring pay gap on the receiving end of negative publicity and discussion in the press, as well as those that published improbable or impossible data and had to redo the reporting.

Is there value in producing a comprehensive report, with detailed analysis and narrative, versus just providing the numbers?

It is also important because it is a legal requirement to produce this report and failure to do so can result in enforcement action. Action against non-compliance is being led by the Equality and Human Rights Commission (EHRC) – its initial focus is organisations which fail to report, followed by those it suspects of submitting improbable or inaccurate data.

The question is often asked, “Is there value in producing a comprehensive report, with detailed analysis and narrative, versus just providing the numbers?”

Although a large number of companies took a pure compliance approach, a more detailed report aids understanding as to why the gap exists and the action a company is taking to address it. It also allows the company to tell its story around diversity, as well as being an important piece of stakeholder engagement and opportunity to pre-empt many of the questions that could be raised by the figures.



### Helpful guidance

**Useful resources include information from Acas (the Advisory, Conciliation and Arbitration Service), which has produced guidance to help with gender pay gap reporting; the EHRC, which has set out its policy for enforcing the gender pay gap regulations; and the government – which has produced guidance on several areas, including what it sees as actions likely to help close the gender pay gap.**

### References

<sup>1</sup><https://genderpaygap.campaign.gov.uk>



Reducing gender pay gaps is vital to achieving equality in the workplace. We've seen how mandatory reporting on organisation's gender pay gaps has shone a much-needed light on the problem and we're pleased that 100% of employers identified as being in scope of the regulations have now published their data.

**Joanna Gregson, Head of Gender Pay Gap Enforcement at the EHRC Commission**



With a growing number of stakeholders taking a greater interest in gender pay gap performance, management must demonstrate how it plans to tackle gender inequality. Few published reports articulate the steps to be taken, or the timescales in which objectives are to be achieved.

To ensure the organisation is on track, progress must be measured with the necessary systems put in place to enable data to be updated and reported to senior management on a regular basis. By not doing so, outcomes will be left to chance and it's unlikely the organisation will progress as planned.

**Innes Miller, Chief Commercial Officer, [paygaps.com](https://www.paygaps.com)**



What lies beneath the data and the narrative you present is how you are trying to attract and retain a diverse workforce and to develop an inclusive environment where all can succeed.

**Alison Baker, Non-Executive Director, Board Advisor and member of Emperor's Strategic Advisory Board**

## Six principles

Addressing the gender pay gap is about more than just good reporting. It is about confronting a social issue and trying to create change – good reporting is just one part of this. The work to address and close any gap needs to go beyond superficial statements and involve meaningful initiatives designed to have a real impact.

We have identified six principles of best practice from our analysis of the first round of gender pay gap reporting, as well as discussing imminent developments and areas that should be closely monitored.

### The six principles are:

- 1 Define**
- 2 Address the gap**
- 3 Get specific and measurable**
- 4 Provide evidence to show progress**
- 5 Widen the scope**
- 6 Communicate**

# 1

## Define

Many companies assumed a level of understanding about the gender pay gap for the target audience of these reports. But while regulators, investors and the media may understand what the pay gap is, wider stakeholders, such as employees, may not. So it's worth breaking down what exactly a gender pay gap is and explaining how the metrics have been calculated.

From our sample analysis, 54% of reports clearly distinguished between equal pay and the gender pay gap (a common area of confusion) and 45% explained how the mean and median were calculated.

However, not everyone included the useful basic information that you would expect. For example, 30% didn't include the snapshot date. Similarly, because they reported in 2018, a few companies (4%) labelled their report of the 2017 data as the 'Gender Pay Gap Report 2018'. This could lead to confusion, particularly in the future when multiple reports exist.

Alongside this, one of the most crucial elements is to confirm the accuracy of the numbers being reported and that the report as a whole is compliant with the government's requirements. It may sound obvious, but we found 10% of the reports in our sample failed to conform to the guidelines.

One company submitted impossible data, 3% failed to include a statement from an appropriate senior person that confirmed the data is accurate, and a further 6% included a statement from an appropriate senior person but did not confirm the data is accurate.

A small number (6%) of the companies we analysed had their data independently assessed to ensure its accuracy, including an assurance statement within the report.

### Key points:

- Set out exactly what the gender pay gap is and how it differs from equal pay.
- Explain exactly how the mean and median figures are calculated and what the quartiles represent.
- Use infographics to clearly explain to unfamiliar audiences what data is included in the report.
- Ensure the accuracy of data.

**Equal pay for equal work**

Our approach to pay is neutral by design

**How is the gender pay gap calculated?**

**The MEDIAN gender pay gap**  
The median represents the middle point of a group of numbers. It is the value that separates the higher half from the lower half of a group of numbers.

**The MEAN gender pay gap**  
The mean represents the average of a group of numbers. It is the sum of all the numbers in a group divided by the number of numbers in the group.

**Why the gender pay gap is not the same as equal pay**

**EQUAL PAY**  
Men and women are paid the same for the work.

**THE GENDER PAY GAP**  
The difference between the gross hourly earnings for both men and women.

**Nationally, one of the main reasons for the gender pay gap is more men are likely to hold senior positions.**

**NATIONAL AVERAGE**  
The national gender pay gap is 18.4%\*

▲ Reckitt Benckiser Group plc (RB) Gender Pay Report 2017  
 ▶ BBC Statutory Gender Pay Report 2018



# 2

## Address the gap

For many stakeholders, this will be the most important part. Helping readers understand how your organisation's pay gap has occurred is essential. If you don't take ownership of your narrative (as with any form of corporate communication) then someone else will. And this might not be the story you want to tell.

It's also important not to make assumptions about how your data will be received. A company may have a comparatively small mean pay gap of, say, 5% (in contrast to the UK average of 18.1%) and assume that they do not have an issue. But employees may not see it that way, taking issue with the fact that a gap exists at all and questioning the action being taken.

In our sample, around a third (34%) referenced national averages for context. Alongside this, benchmarking against competitors could offer some of the most useful context. For example, if a company has a pay gap of 10%, when its industry average is 15%, this is more positive than a company with a higher pay gap than the industry average – certainly in the eyes of investors and employees.

While only 8% of companies referenced their sector's average to benchmark against (using figures produced by the Office for National Statistics) we expect this to rise for future rounds of reporting with much more data readily available for comparison.

Unsurprisingly, the most common reason given for a pay gap is a lack of women in senior management. 76% of our sample mentioned this. This has been a high-profile issue in recent years, with the Davies review and latterly Hampton-Alexander review setting targets to increase female representation on boards. If a company has made little progress on this in recent years, stakeholders are likely to take a dim view.

The next most commonly cited reason was having more women than men in junior positions (25%). After this, 15% mentioned horizontal segregation (more men than women in higher paying functions, for example finance versus HR) and 13% pointed to general sector issues (such as careers in STEM industries not attracting women). 7% mentioned undesirable work as a contributing factor (meaning more men take on out-of-hours shifts or offshore work, which tend to be better paid).

It's also important to remember that the metrics used in gender pay gap reporting are not perfect. Some factors, which are not necessarily negative in and of themselves, can have an impact on the figures and create the perception of a larger issue.

With the bonus pay gap in particular, flexible working can have a serious impact as the figures are based on total bonus pay, not adjusted for hours worked. With more women typically taking advantage of flexible working, this is an important aspect to explain in the narrative. Despite 18% highlighting this as a contributing factor to their bonus pay gap, only one company in our sample produced any adjusted figures alongside the required disclosure.

As well as explaining why gaps exist, it's important to highlight the benefits of working to close them – such as the value of increased diversity in senior management, talent development and retention. You should give tangible examples and state why they matter to your company. 40% of our sample group did this. 54% clearly explained how diversity fits into their broader corporate culture. Only 20% did not reference it at all.

You should also consider including an introduction from a senior figure, such as the CEO or chair, beyond the required confirmation statement, to demonstrate this has backing from the very top of the company. 41% of our research sample did this.

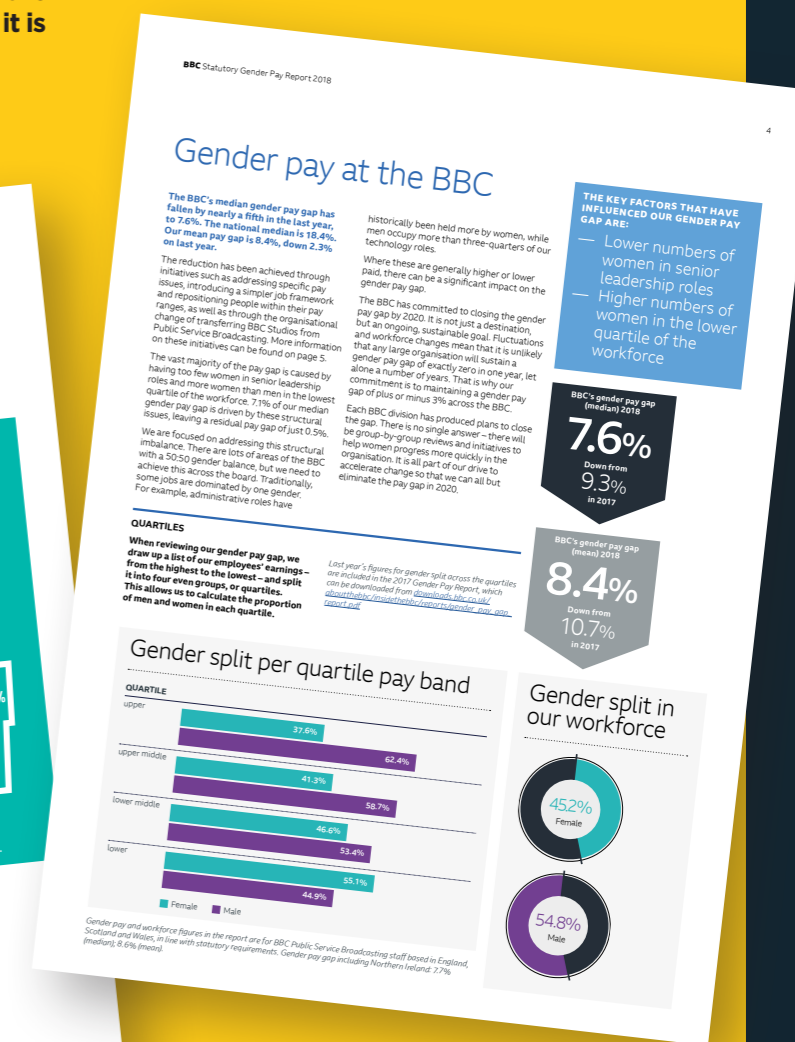
These explanations will be more important than ever in the second round of reporting, as readers will likely have expectations of progress (see principle four 'Provide evidence to show progress'). Some initiatives may have an initial negative impact – for example, improving the gender balance of entry-level recruits with a long-term vision of generating a pipeline for senior management could increase the size of the gap at first. This will be a critical area to explain if relevant, as numbers by themselves may be poorly received by stakeholders.

### Key points:

- Help readers understand why the gap has occurred.
- Explain the context of the gap by including national and sector averages.
- Set out the advantages to the company of achieving a more balanced gender pay gap.
- Demonstrate backing from the very top of the company by including an introductory note from the CEO or chair.
- Explain how the gap has changed from the previous year, acknowledging whether it is positive or negative and why.

# 34%

reference national averages as context for their pay gap



▲ BBC Statutory Gender Pay Report 2018  
▲ Channel 4 Gender Pay Report 2017

# 3

## Get specific and measurable

Having a strategy for how your organisation is addressing any pay gap is important. Although it is not a legal requirement, it's fast becoming an expectation of stakeholders.

### Key points:

- **Set out a clear strategy for closing the gap and explain how it fits into your wider culture.**
- **Link any initiatives to close the gap back to the strategy.**
- **Highlight specific targets, with clear timelines, against which you will measure progress.**

The strategy will of course depend on the reasons behind any pay gap, but could include initiatives such as female employee support networks, leadership programmes, recruitment policies, return-to-work support and flexible working.

When outlining their strategy to address a gender pay gap, many reports mentioned some of these initiatives or ambitions at the company, and explained what progress had already been made. However, the better reports got specific with how the company is intending to address the pay gap.

Rather than just listing general diversity policies, we suggest linking them back to the strategy. How do the policies have an impact? How will they affect the gender pay gap and promote greater diversity? When you answer these questions well it creates a much more coherent and compelling narrative.

Alongside this, comparatively few (28% of our sample analysis) gave any explicit and measurable future targets against which to benchmark progress. Only 12% gave more than one.

It is understandable that companies may be reticent to commit themselves to challenging targets. But without goals and deadlines, progress may end up being piecemeal and slow. Specific targets enable you to clearly show your progress. They also send a clear and demonstrable message to employees, investors and other stakeholders that you take this issue seriously, since you are being more transparent and opening yourself up to analysis of your progress.

◀ Channel 4 Gender Pay Report 2017



# 4

## Provide evidence to show progress

To build on the inclusion of an action plan and specific and measurable targets, it's important to evidence any progress made - or explain why progress may have been slower than expected. Gender pay gap reporting is about companies being transparent, and honest appraisal of any challenges you have faced is essential.

### Key points:

- **Use case studies and testimonials to emphasise real success stories.**
- **Assess how you have progressed against any goals set in the first round.**
- **Include evidence from any new initiatives introduced.**
- **Include recognition from external organisations or participation in external initiatives.**

This will be a key area in the second round, as readers will expect to see development from the first report. Data on what progress has been made should be included, alongside analysis of how effective any initiatives have been - acknowledging if further changes need to be made. 46% of our sample analysis already used data to show progress on gender diversity in their report.

A useful part of this may be including case studies and testimonials from beneficiaries to show how initiatives have had an impact and to bring the report to life for stakeholders, especially employees (both existing and potential). 23% of our sample included these in some form and they not only make the narrative more personal and relatable to the company, but can evidence tangible action.

It is also worth including recognition from external organisations. This could include awards or participation in external initiatives, such as the 30% Club, Women in Finance Charter, or 'top employers for women' indexes.

If you are planning a wider campaign around inclusivity and employee engagement, you should consider communicating about achievements or initiatives through other forms of media, such as video or social media. (See principle six 'Communicate')

▶ Merlin Entertainments plc Gender Pay Report 2017





# 5

## Widen the scope

Most companies have limited their scope to the set requirements of gender pay gap reporting. However, some have begun to consider broader factors of equality and diversity. The regulations are very specific in their requirements, but they set a minimum level, not a maximum. There are benefits to going above and beyond the data asked for – whether to offer greater context, get ahead of your competitors, or future-proof against potential new requirements.

One useful and more common example is including group-wide figures. Figures for relevant individual companies with a group structure are all that is required by law, but companies have often consolidated these and presented these additional group figures as part of a unified report. Only 16% of our sample group did not do this when an option, presenting just the separate subsidiary figures.

The government is currently consulting on introducing mandatory ethnicity pay gap reporting. In its consultation, the government stated “tackling inequality of opportunity in the workplace is also about social justice...if disparities between the treatment of ethnic groups...cannot be explained, then they must be changed.”

Any introduction of ethnicity pay gap reporting is likely still a way off, but it may be worth companies at least considering the issue now. Voluntary disclosure was only made by one company in our sample group, and another reported the BAME demographic split in the group company – this is all to be welcomed.

Similarly, owner/partner data isn't required (as these people are not technically employees) for the purpose of reporting. However, there was a backlash in the media against companies that did not disclose this. Several law and professional services firms have since voluntarily published their figures and developed action plans to address a partner gender pay gap.

Companies may also want to start thinking about other aspects of wider diversity as part of the exercise – for example, disability, LGBT or full-time versus part-time employees.

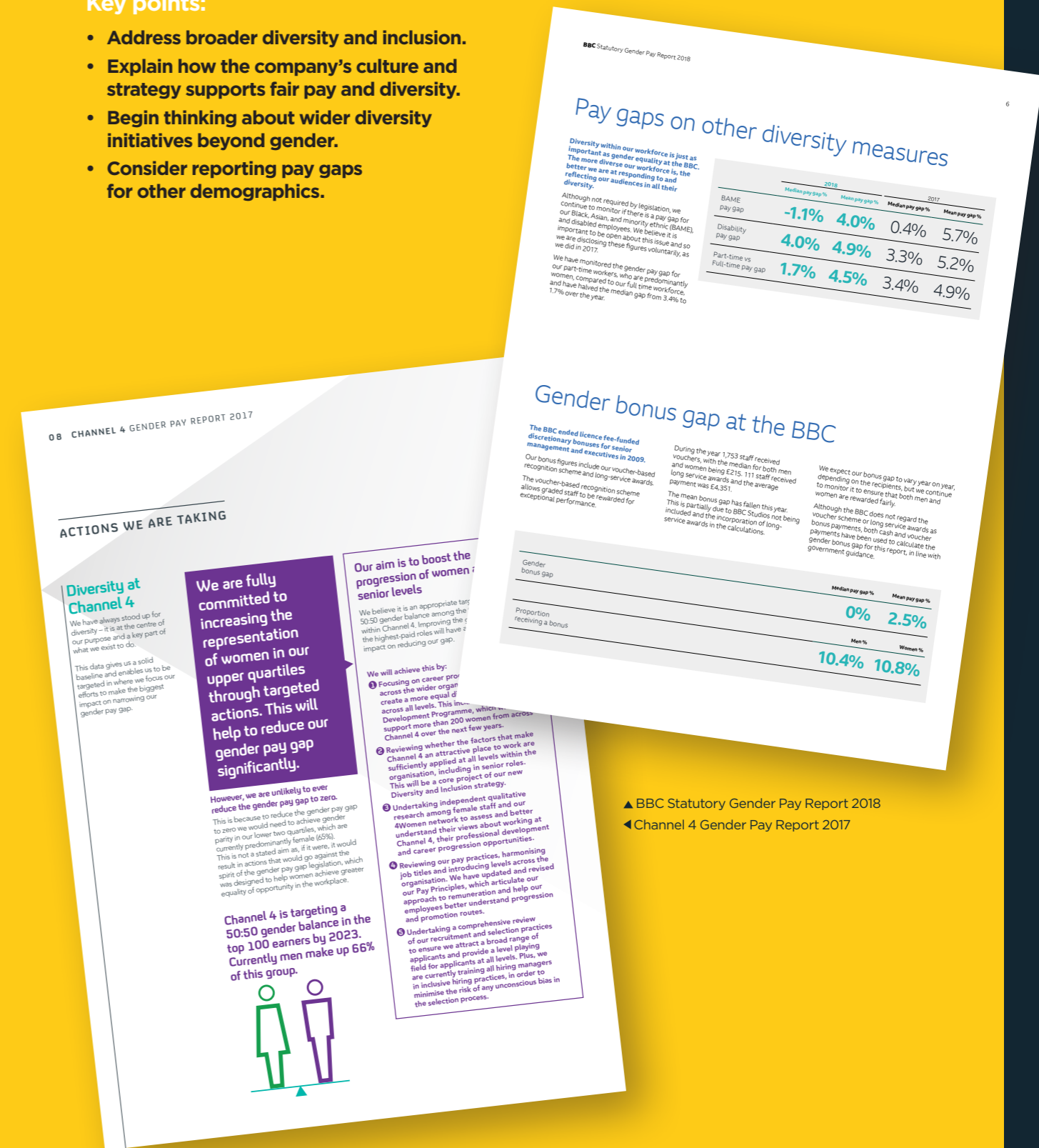
Recently, the Institute for Public Policy Research (IPPR) called on employers to include wider diversity pay gap figures and turn the gender pay gap report into an annual fair pay report. They also proposed including the pay ratio between the CEO and average employee (a requirement for the 2020 annual reporting cycle) and the proportion of workers paid below the real living wage.

Even if this feels like a step too far for companies at this point, simply starting to talk about wider diversity and equality as part of the process allows companies to highlight the work they are doing. It creates a more holistic discussion and prepares the ground should any of these proposals become mandatory.

All these considerations feed into how equality, diversity and inclusion will create and support a positive culture in your company.

### Key points:

- Address broader diversity and inclusion.
- Explain how the company's culture and strategy supports fair pay and diversity.
- Begin thinking about wider diversity initiatives beyond gender.
- Consider reporting pay gaps for other demographics.



▲ BBC Statutory Gender Pay Report 2018  
 ◀ Channel 4 Gender Pay Report 2017

# 6

## Communicate

Owning the narrative of your gender pay gap report goes beyond producing the figures and supporting text. Reporting your figures can be a time-consuming exercise and involve a lot of resource, but if you end the process there the effort will not be as effective as it could be.

Design is a fundamental component in any report, helping to make it clear and engaging. We found a huge range in the standard of design, from simple and plain Word documents, to fully designed and illustrated reports.

Infographics can help readers understand complex figures and calculations, while investing time and work into the overall appearance shows stakeholders that this is an area the company takes seriously and treats with respect.

The format is worth considering. 83% of the reports we analysed were the expected PDFs, with 12% producing web pages, and 5% producing both.

Both formats have advantages and disadvantages, and it's worth thinking about what you want your report to achieve and choosing the format(s) that work best for your purposes.

Making the report easy to locate is an important point. From our research we classed 23% as 'difficult' to find on the website. Some reports did not come up in the search function, were not hosted under an obvious tab such as 'careers', 'people' or 'diversity', or were buried many levels deep. While most reports (a few links we tried had broken) are easily locatable from the government's bespoke gender pay gap website, this route isn't obvious to everyone.

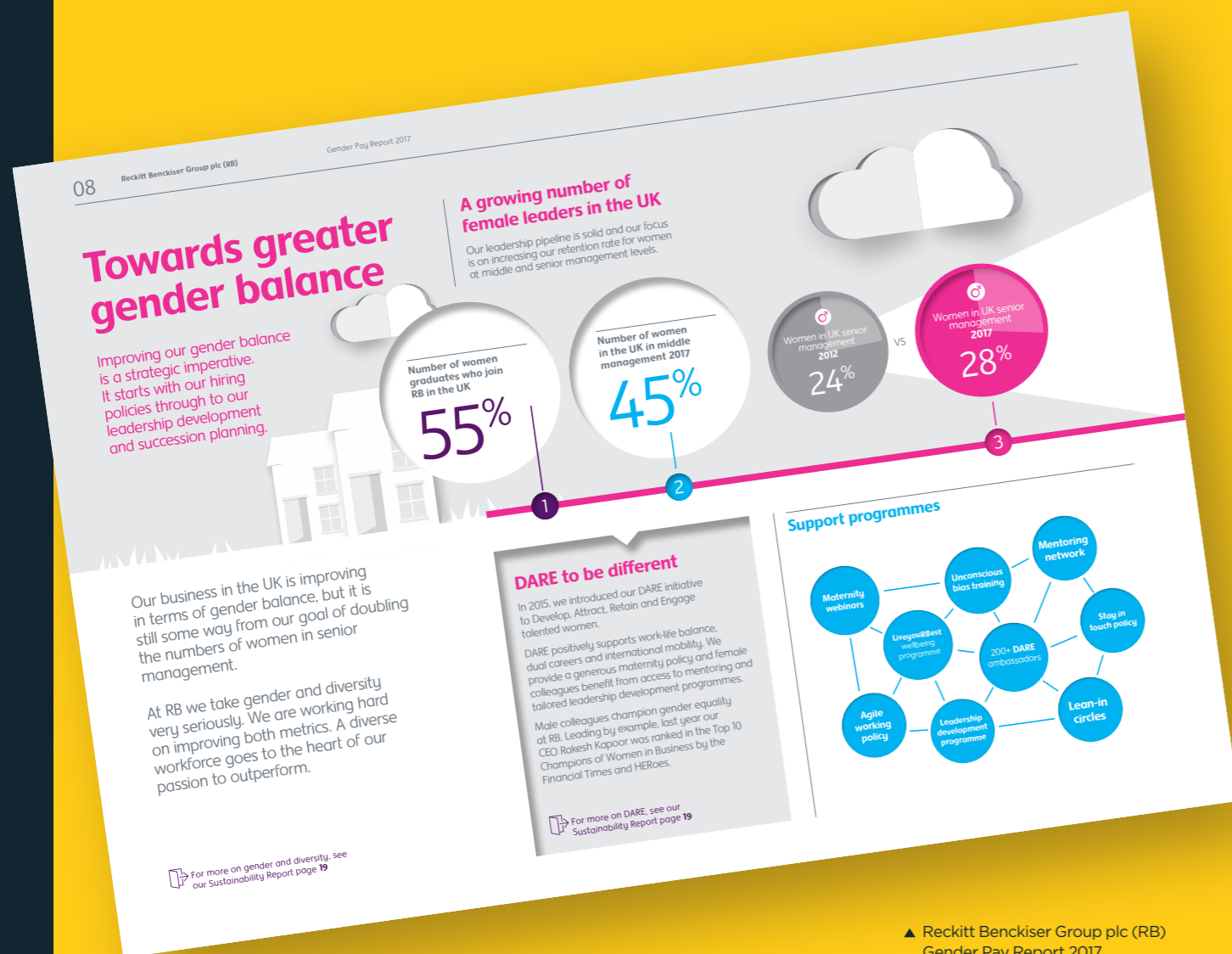
Beyond the report, it's worth considering if supporting materials, such as a short video or animation, would be helpful. 18% of our sample group included additional content alongside the report on their website.

This extra content can be particularly useful for an employee engagement programme. The gender pay gap is something which many people feel strongly about. Simply publishing the figures, particularly in cases of a large pay gap, could disenfranchise workers and damage the employee/employer relationship.

Only 8% of our sample group even mentioned engaging with their employees in the report. It is worth considering a programme of presentations and internal communications to make sure the company's gender pay gap narrative is clearly presented, and the story is not misconstrued from second-hand half-truths in the office kitchen.

### Tell your story

Attention on inequality and barriers to progression in the workplace, alongside promoting the value of diversity, is only going to increase. Gender pay gap reporting is more than a flash-in-the-pan social concern. Taking a pure compliance approach risks leaving the narrative around the figures for others to tell, with potentially negative reputational consequences. Good reporting – in all areas – goes beyond compliance. It's an opportunity to actively engage with stakeholders on an important issue and tell your corporate story.



### Key points:

- Invest time and thought into the design.
- Consider which format would be most effective for the report.
- Clearly place it on the website.
- Think about producing supporting media.
- Create a workforce engagement plan.



## Emperor can help

If you want to talk about how to develop your gender pay gap report and enhance stakeholder engagement, get in touch.

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