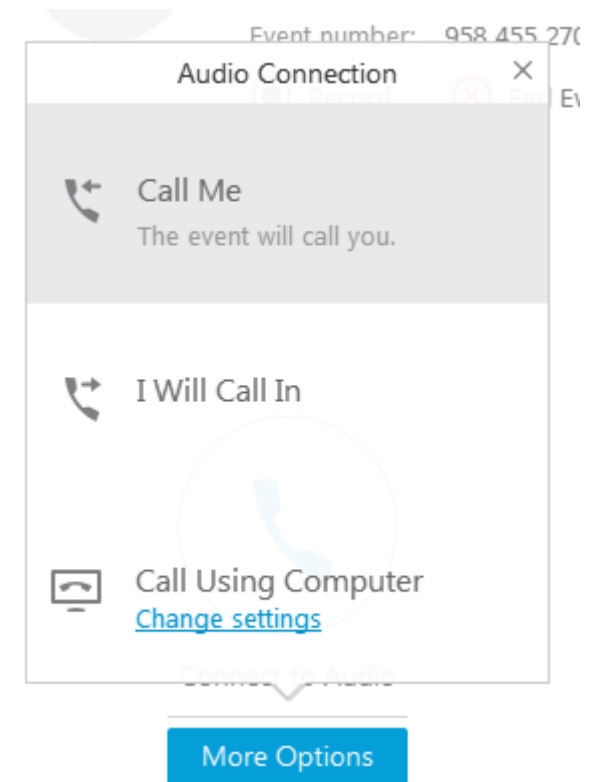


Before we start...

Make sure you've logged into the audio by either:

- Using a headset/speakers on your computer
- Selecting 'I will call in' and using the number on screen to connect via phone



CIPD Reward SIG

Gender pay gap reporting: the what, how and when

6 February 2017

Charles Cotton

CIPD Performance and Reward Adviser

What's a gender pay gap?

- Equal Pay Portal: *“A gender pay gap is a calculation of the difference in the average earnings (excluding overtime) of the women and men in any given population”*
- As of April 2016 the gender pay gap (for median earnings) is
 - 9.4% for full-time employees
 - -6.0% for part-time workers
 - 18.1% for all full- and part-time staff

Examples of other gender gaps



CIPD

Examples of other gender gaps



CIPD

The Gender Pay Gap Regulations 2017

Emma Burns, Partner and Head of Employment & HR Services, Hugh James
Adrian Clarkson, Director – HR (UK), Opus International Consultants (UK) Ltd



HUGH | JAMES
Understanding law, understanding you

Gender Pay Gap

- Based on average earnings of men and women
- ONS Annual Survey of Hours and Earnings in 2016
 - ◆ Headline figure of 18.1% difference
 - ◆ Varies according to occupational group and age
- Institute for Fiscal Studies – figure for mothers drops to 33%
- Cass Business School – in “like for like” cases, women 25% less likely to be given a pay rise in response to an ask



Gender Pay Gap Regulations

- Government want to “**Shine a light**” on the gender pay gap
- s. 78 Equality Act 2010 - ***private and third sector*** employers with 250 + employees to publish gender pay info
- Draft regulations due to come into force on **6 April 2017**
- First reporting date – by **5 April 2018**



Gender Pay Gap Regulations

- V similar obligation for **public sector bodies** with 250 + employees in England via public sector equality duty (PSED)
- Not Scotland or Wales
- Comes into force on **31 March 2017**
- First reporting date – by **30 March 2018**
- Different snapshot date – 31 March
- Additional reporting duty that obliges public authorities to publish information demonstrating compliance with the PSED
- This information is to be published by 30 March 2018 and then every four years thereafter.



Six Types of Information

1. Your *mean* gender pay
 2. Your *median* gender pay gap
 3. Your *mean* bonus gender pay gap
 4. Your *median* bonus gender pay gap
 5. Your proportion of males and females receiving a bonus payment
 6. Your proportion of males and females in each quartile band
- Snapshot date of 5 April each year – relevant pay period
 - Bonuses paid in the preceding 12 months



Relevant Employers and Relevant Employees

- A relevant employer - has 250 or more “relevant employees” on the “snapshot date” - 5 April every year
- Group structures – treat each subsidiary separately
- Relevant Employee – extended definition so includes anyone employed under a contract of service, a contract of apprenticeship or a contract to personally do work
- Consider: contractors, casual workers included, but agency workers and partners excluded



Full Pay Relevant Employees

- Recognition that including employees who are absent on leave and receiving less than full pay could skew the figures
- Definition of full pay relevant employees
- Employees who are on leave (annual, sick, family and special) and who are therefore not in receipt of full pay, in the relevant pay period
- Only excluded for calculating hourly rate - mean and median and quartiles
- Not excluded for the 250 threshold, mean and median bonus pay or the proportions of men and women receiving bonuses



Important Definitions - Pay

- ♦ **Includes:** basic pay, allowances (additional duties, geographical, car allowance, market factor premium or equipment allowance) pay for piecework, pay for leave and shift premium pay (different times of work)
- ♦ **Excludes:** overtime pay, expenses, the value of salary sacrifice schemes, benefits in kind, redundancy pay or pay referable to termination of employment
- ♦ **Calculated before:** Deductions for PAYE, NI, pension schemes, student loan repayments and voluntary deductions



Important Terms – Bonus Pay

- Includes:
 - ♦ payments that relate to profit sharing, productivity, performance, incentive or commission;
 - ♦ paid in the form of money, vouchers, securities, securities options or interests in securities
- **Again, calculated before:** Deductions for PAYE, NI, pension schemes, student loan repayments and voluntary deductions



Important Terms – Gross Hourly Rate of Pay

1. Identify all payments (including bonus pay) paid to the full pay relevant employee in the relevant pay period
2. Exclude anything that is not “pay” (i.e. overtime)
3. Pro-rate any bonus pay
4. Add together - total pay
5. Divide by the appropriate multiplier to reach a weekly amount
 - ♦ Month is 30.44 days
 - ♦ Year is 365.25 days
6. Divide by the number of working hours in a week



Weekly Working Hours

- Excludes paid or unpaid overtime
- **Normal weekly working hours** – the number of normal weekly working hours specified in their contract of employment on the snapshot date
- **No normal weekly working hours** - will be the average number of hours worked in a twelve week reference period that ends with the last complete week of the pay period
- The approach mirrors the weekly pay calculation methods in section 224 of the Employment Rights Act 1996



Difference in Mean Hourly Pay

- Must be expressed as a percentage

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

- A is the mean gross hourly rate of pay of all full pay relevant male employees on the relevant date
- B is the mean gross hourly rate of pay of all full pay relevant female employees on the relevant date

For example... An employer with a mean hourly rate of pay of £15.25 for all male full pay relevant employees and £13.42 for all female full-pay relevant employees would have a 12% mean gender pay gap



Difference in Median Hourly Pay

- Must be expressed as a percentage

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

- A is the median gross hourly rate of pay of all full pay relevant male employees on the relevant date
- B is the median gross hourly rate of pay of all full pay relevant female employees on the relevant date

For example... An employer with a median hourly rate of pay of £16.00 for all male full pay relevant employees and £13.50 for all female full-pay relevant employees would have a 15.6% median gender pay gap



Difference in Mean Bonus Pay

- Must be expressed as a percentage

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

- A is the mean bonus pay paid to all relevant male employees in the 12 months preceding the snapshot date
- B is the mean bonus pay paid to all relevant female employees in the 12 months preceding the snapshot date

An employer with a mean bonus pay of £1,650 for all male relevant employees and £1,490 for all female relevant employees would have a 9.7% mean bonus gender pay gap

NB Leavers can be excluded



Difference in Median Bonus Pay

- Must be expressed as a percentage

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

- A is the median bonus pay paid to all relevant male employees in the 12 months preceding the snapshot date
- B is the median bonus pay paid to all relevant female employees in the 12 months preceding the snapshot date

An employer with a median bonus pay of £2,300 for all male relevant employees and £2,225 for all female relevant employees would have a 3.3% median bonus gender pay gap

NB Leavers can be excluded



Proportions Receiving Bonus Pay

- 12 months preceding the snapshot date
- Two percentages:
 - ◆ Number of male employees receiving bonus pay expressed as a percentage of the total number of male employees
 - ◆ Number of female employees receiving bonus pay expressed as a percentage of the total number of female employees

An employer has 302 male relevant employees of which 255 received a bonus, and 258 female relevant employees of which 215 received a bonus. This means 84.4% of male relevant employees received a bonus and 83.3% of female relevant employees received a bonus



Quartile Pay

- Split your numbers of employees into 4 equal quartiles
- Ranked on gross hourly rate of pay
- Identify the number of full pay relevant male and female employees that fall into each pay band on the snapshot date

An employer has 322 full-pay relevant employees, has arranged them by lowest hourly rate of pay to the highest hourly rate of pay, has divided the list into four quartiles and ensured employees on the same hourly pay rate are distributed evenly by gender where they cross the quartile boundaries



Quartile Pay

- Of the 81 employees in the lower quartile, 48 are male and 33 are female. This means 59.3% are male and 40.7% are female.
- Of the 80 employees in the lower middle quartile, 28 are male and 52 are female. This means 65% are male and 35% are female
- Of the 81 employees in the upper middle quartile, 40 are male and 41 are female. This means 49.4% are male and 50.6% are female
- Of the 80 employees in the upper quartile, 58 are male and 22 are female. This means 72.5% are male and 27.5% are female



When and How?

- Publication must be within 12 months:
 - ◆ On employer's website in the UK
 - In a manner accessible to all employees and the public – searchable?
 - For a period of at least 3 years
 - ◆ ALSO – on Government website – league table type approach
 - ◆ Accompanied by a signed statement of truth



So What?

- There is NO enforcement mechanism
- Name and shame game only
- Information could be used in ET claims – but probably only to a limited extent?
Query if even enough to shift BOP
- Suggestion that the figures could be sued by the EHRC to take enforcement action, but not echoed by the body itself
- Leaves a big question mark as to whether employers will actually publish



ACAS Guidance

- Published jointly with the Government Equalities Offices on 28 January 2017
- Step-by-step guide to comply with the regulations
- Clarity around some of the complex areas – e.g. gender identity
- Explains the difference between gender pay gap and equal pay
- Also considers some of the other causes of the gender pay gap and suggests employers should adopt a plan to take steps to reduce the gender pay gap



Final Thoughts

- Can your HR system cope?
- Do your figures as soon as possible:
 - ♦ Compare with sector averages
 - ♦ Historical position to put it into context
- Put a narrative around the figures – careful consideration to what you say
- Fix any obvious “equal pay” issues now – although you may not identify these
- Consider longer term solutions and an action plan
- An HR Director’s perspective – what does Adrian think?



Questions?

