Gender pay reporting, take two: what should employers do differently this time?

By Raoul Parekh & Deborah Margolis - 28 February 2019

Gender pay gap reporting obligations will reach their second anniversary in April 2019. In this article, we look back at what we have learnt over the last two years, what practical steps employers can take and what the future landscape looks like for employers.

What are the obligations?

Employers with 250 or more employees now need to publish details of their gender pay gap (i.e. the difference in pay between men and women) every year. The first reports were due by 4 April 2018 and this year's reports are due by 4 April 2019. See our previous article for a summary of the reporting requirements.

This data has to be uploaded onto the government's website and can be publicly accessed.

Littler's recent European Employer survey found that gender pay equity was the most concerning HR issue amongst employers, with 37% saying that it has caused a 'high or very high' level of concern in the workplace.

What have we learnt from last time?

As was widely expected, the Financial Times reported that 78% of employers had a pay gap that favoured men and the median gap in median hourly pay was 9.7%. The size of the pay gaps varied significantly by sector, with the largest gaps in the construction, finance and insurance sectors and the smallest in the health, accommodation and food sectors.

Before the new rules came in, there was a concern that the lack of penalties or requirement to address any pay gap might render the rules ineffective. In practice, the easy availability of this data has led to gender pay gaps being widely reported in the press. Many employers' gender pay gaps have been brought into the spotlight and scrutinised, with HR magazines regularly running sector comparisons.

What practical steps can employers take?

The deadline for the second round of reporting is 4 April 2019 and is based on the snapshot date of 5 April 2018. As it's too late to influence the actual figures for this year's report, the focus for employers is on how to present them with clear explanation for any gap and looking forwards to narrowing it.

However, given the risk of negative publicity and to promote equality in the workplace, there are a number of proactive steps employers can take to reduce their gender pay gap and to minimise associated risks in the longer term:

- **Voluntary narratives** – whilst not compulsory, we recommend that employers prepare a narrative including an explanation for any gap and setting out what action they plan to address these disparities. It will often be worth providing more detailed information and calculations than legally required to ensure a true picture is given.
- **Producing an action plan** – some employers might want to consider publishing an action plan setting out the steps they plan to take (both long-term and short-term) to narrow their gap. This is also a good opportunity to include details of what steps have been taken since the last report and their impact.
- **Female-focussed initiatives** – a number of employers, particularly in those industries where the gender pay gap is biggest, have launched initiatives aimed at recruiting, promoting and retaining women throughout the business.
- **Working parents and career breaks** - given the link between parenthood and the gender pay gap, employers might consider reviewing the arrangements they have in place that may benefit working parents, for example maternity/Shared Parental Leave entitlements and flexible working.
- **Dummy calculations** – growing employers that are not yet within scope of the obligations might find it helpful to conduct dummy calculations before it is mandatory to publish a report.

What does the future look like?

The government has recently rejected calls to extend the reporting obligations to smaller employers, having only completed one full cycle of reporting. However, there are ongoing consultations on introducing ethnicity and disability pay reporting, although neither is expected to come into force imminently.