



# Mind the Gap

The UK's Gender Pay Gap reporting system is falling short, but what can employers do about it?

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It is hard to believe that it was as long ago as 1970 that the UK introduced the Equal Pay Act, which stated 'women should receive equal pay for equal work'. Yet 51 years later, the facts relating to gender inequality are all too depressingly familiar.

The issues of gender pay disparity and equal pay for equal work have always been one of fairness and social justice, but they are also a source of economic disadvantage for many women. The situation has been exacerbated by the

COVID-19 pandemic which, research shows, has had a disproportionate impact upon women generally and female employment in particular.

## UK Reporting

Due to the impact of the COVID-19 pandemic, employers were given a six-month extension to publishing their Gender Pay Gap information for 2020/2021. Although the private sector reporting deadline was 4 April 2021, the government confirmed enforcement action for failing to report would be suspended until 5 October 2021, meaning that employers had until 4

October 2021 to publish their gender pay gap information. Of the more than 6,000 employers who have reported their gender pay gap this year, 5,531 pay men more than women on average (Business in the Community) and the median gender pay gap among all employees currently stands at 17.3%. Furthermore, a recent international comparator analysis report, carried out by the Global Institute for Women's Leadership at King's College London and the Fawcett Society, placed the UK joint last in terms of the effectiveness of its gender pay gap reporting approach. The report branded the UK's gender pay gap reporting practices as

having 'no teeth'.

Let us now consider this issue at the national level and at the employer level. Since 2017, the requirement with respect to Gender Pay Gap reporting in the UK has been for employers with 250 employees or more to publish annually the following gender pay gap data:

- mean and median calculations of the gender pay gap based on gross hourly pay
- the percentage of men and women in each hourly pay quartile
- the percentage of men and women receiving a bonus
- mean and median calculations of the bonus pay gap, based on gross bonus pay.

The Global Institute for Women's Leadership and the Fawcett Society's report recognises that in requiring Gender Pay Gap Reporting, the UK is creating transparency around this issue. However, there are a number of criticisms of the UK approach. Firstly, as mentioned, the reporting requirements in the UK only fall on companies with at least 250 employees. According to BEIS, out of approximately six million businesses in the UK, only around 7,700 of these fall in to the '250 employees plus' category, and these account for only 40% of UK employment. All other comparator countries analysed in the report had lower reporting thresholds with the exception of Germany. Sweden has a gender pay gap reporting threshold of ten employees, Iceland 25 employees and Finland 30, which are the lowest reporting thresholds. Additionally, the report noted that the UK had very light touch requirements in terms of what data must be reported compared with other countries. In Australia, employers must provide a greater level of granularity in terms of the data and in Sweden, the requirement is not just to report outcome data, but also to report process or input information. For example, Swedish employers should provide a description of the rules used to set wages and an assessment of whether these rules are gender neutral. These approaches lead employers beyond an 'it is what it is' mindset and encourages them to think about 'why it is what it is' and 'how' things can be done to make it different.

Under UK legislation there is no requirement for employers to declare what they are going to do about any gaps or submit any action plans to resolve the gaps. In Germany, Finland, Sweden and Spain there is a requirement on employers to

submit a report identifying the measures taken to improve gender inequality and an assessment of their impact. In short, UK legislation needs to be enhanced to expand the scope of the reporting across the majority of employment, it needs to better sanction those organisations which do not comply, it should increase the granularity on data reported, and require the submission of an action plan to reduce pay gaps and improve gender equality. At

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the moment, it does none of this but hopes that the shame of having to publicly disclose a 'poor' gender pay gap percentage will be enough to prompt employers into action. Unfortunately, this does not seem to be having any effect.

### The Employer Level

Employers need to consider the Gender Pay Gap Reporting requirements as a bare minimum and seek to go well beyond them, in the way that many companies go beyond minimum legal requirements in much of what they do. They should not just focus upon outcomes, but also consider inputs. With any other aspect of their business, employers would not be content to publish and accept failure. If a business was making a financial loss year on year for example, it would seek to get to the root cause of the issue, produce robust action plans with clear responsibilities, timings, resource commitments and key performance indicators. This is what must be done with the Gender Pay Gap requirements. There is an option to voluntarily provide an 'action plan' during the reporting process, and businesses should at the very least be availing themselves of this opportunity. If nothing else, preparing an action plan can help businesses identify their shortcomings.

Plans could consider more meaningful action such as how to improve recruitment practices, wage setting, promotion, and policies around flexible working. The Government Equalities Office recommends the following six meaningful action steps to help employers reduce their gender pay gap:

- 1 Include multiple women in shortlists for

recruitment and promotions - to increase the chance of a woman being selected.

- 2 Use skill-based assessment tasks in recruitment – standardised tasks should be used to guarantee fairness across applicants.
- 3 Use structured interviews for recruitment and promotions – structured interviews that ask exactly the same questions of all candidates for example, are less likely to provide an opportunity for unfair bias to

influence decisions.

- 4 Encourage salary negotiation by indicating salary ranges – studies show women are much less likely to negotiate salary than men, so employers are encouraged to advertise jobs with a salary range and encourage negotiation. Employees should not be asked what they were paid in their previous role, as basing salary on this could exacerbate established gender bias.
- 5 Introduce transparency to promotion, pay and reward processes – openness about salary should be encouraged and employers should have clear criteria and a paper trail in place when promotion, pay or reward decisions are made.
- 6 Appoint diversity managers and/or diversity task forces – to help monitor internal data and promote diversity within the organisation.

Ultimately, leaders should ask themselves, what is it about this organisation, our culture, our processes, which produces such unfair results. Leaders also need to understand that this is a critical business issue. It goes to the heart of their employer brand and their company brand. The top-down legal requirements may not be changing rapidly, but realities on the ground are. Females are making up an increasing percentage of the workforce, and in particular the global talent pool. Female spending power is significant and female influence over household spending decisions even more so.

Eliminating the gender pay gap is not just an imperative for fairness and social justice, it makes good business sense for organisations to demonstrate leadership on this key issue. n