



The Prince's  
Responsible  
Business Network

## About This Document

**This document was published before 2020 but still contains useful and relevant information about responsible business. Please note that some links, case studies and statistics may be out of date.**



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# UNDERSTANDING YOUR GENDER PAY GAP

GENDER PAY GAP TOOLKIT  
FEBRUARY 2020



This toolkit explains the government's regulations for gender pay gap reporting. Employers from the private and voluntary sectors and some public bodies with more than 250 employees are required to publish gender pay gap information under Section 78 of the Equality Act 2010.

This toolkit outlines **what** data to report, **who** the regulations apply to, **how** to calculate the data, **when** and **where** it should be published and what **best reporting** looks like. It also sets out the ways in which Business in the Community can support you through the reporting process, whichever stage you're at, and provides links to other useful resources.

## Business in the Community's gender pay gap toolkit suite:

- Understanding your gender pay gap
- Analysing your gender pay gap
- Communicating your gender pay gap
- Tackling your gender pay gap – Attraction and Recruitment
- Tackling your gender pay gap – Retention and Progression

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## What is the gender pay gap?

You can have a gender pay gap without having unequal pay issues.

### Gender Pay Gap

The gender pay gap is a measure of **the difference between men's and women's average earnings across an organisation**. A gender pay gap of 18% means that women earn 18% less than men. It is a clear indicator of economic inequality for women in the labour market today, and is a useful tool for assessing levels of inequality in the workplace.



### Unequal Pay

The gender pay gap is different from unequal pay. A gender pay gap shows the difference between the average earnings of men and women over a period of time, irrespective of their role or seniority, whereas **unequal pay explains the pay differences between two individuals or a group of workers carrying out the same or comparable work**. Unequal pay – paying women less because of their sex – is unlawful. It is linked to sex discrimination in pay and may be a contributing factor to the gender pay gap.



## What do employers have to report?

**Employers with more than 250 employees are required to publish:**

1. The mean gender pay gap

**Mean gender pay gap:** the difference between the average pay of all women and all men.

2. The median gender pay gap

**Median gender pay gap:** the difference in pay between the middle man and middle woman if you were to line up all employees in the organisation according to pay.

3. The mean bonus gender pay gap

**Mean bonus gender pay gap:** the difference between the average bonus pay of all women and all men.

4. The median bonus gender pay gap

**Median bonus gender pay gap:** the difference in bonus pay between the middle man and middle woman if you were to line up all employees receiving bonuses in the organisation according to pay.

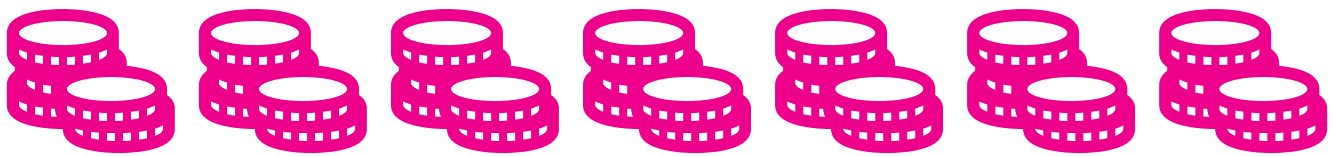
5. The proportion of male and female employees who received a bonus
6. The proportion of male and female employees within each pay quartile

**Pay quartiles:** The total workforce divided into four bands.

## Calculating your gender pay gap

**Mean:** The average figure calculated by adding up all the numbers and dividing it by the quantity.

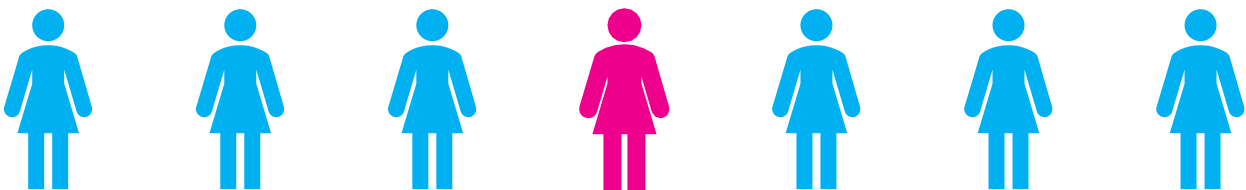
$$\text{Mean earnings} = \frac{\text{Total earnings}}{\text{Number of people}}$$



**Median:** The average figure calculated by finding the midpoint range.

### Median earnings:

- Rank all employees from highest paid to lowest paid
- Find the midpoint figure



These calculations should be based on figures from the snapshot day each year:

- 5 April for businesses and charities
- 31 March for public sector organisations

**Snapshot Day:** The date on which many of the details required to carry out pay calculations should be extracted. It also marks the date from which an employer has one year to publish its gender pay report.

Employers must prepare a written statement confirming that the data is accurate, which will be published alongside the results. This statement must be signed by the most senior employee in the organisation.

$$\text{Mean Gender Pay Gap} = \frac{\text{Male mean earnings} - \text{Female mean earnings}}{\text{Male mean earnings}} \times 100$$

$$\text{Median Gender Pay Gap} = \frac{\text{Male median earnings} - \text{Female median earnings}}{\text{Male median earnings}} \times 100$$

$$\text{Mean Bonus Gender Pay Gap} = \frac{\text{Male mean bonus pay} - \text{Female mean bonus pay}}{\text{Male mean bonus pay}} \times 100$$

$$\text{Median Bonus Gender Pay Gap} = \frac{\text{Male median bonus pay} - \text{Female median bonus pay}}{\text{Male median bonus pay}} \times 100$$

**The proportion of male and female employees within each pay quartile =**

- Rank all employees from highest paid to lowest paid
- Divide into four equal parts:
  - upper quartile
  - upper middle quartile
  - lower middle quartile
  - lower quartile
- Calculate the percentage of male employees and percentage of female employees in each quartile

## Who is affected by the legislation?

### Which employers?

- Employers in the **private or voluntary sector** with a head count of 250 or more relevant employees on 5 April of the year before publication.
- **Public bodies** in England listed in the [Equality Act 2010 \(Specific Duties\) Regulations 2011](#) (schedules 1 and 2) with 250 or more employees on 31 March of the year before publication.
- Reporting requirements will apply to each **separate legal entity** within a group structure.



### Which employees?

- Employees
  - Those with a contract of employment
- Workers and agency workers
  - Those with a contract to do work or provide services
- Some self-employed people who personally perform the work
- Partners in traditional partnerships and limited liability partnerships are **excluded from the legislation**, because they are not 'paid' but instead take a share of the profits
- Those not based in Great Britain but still on the payroll of employers within scope will be covered if there remains a significant connection with Great Britain, such as an employment contract being subject to GB legislation, continuing to be domiciled in GB and employment being subject to UK tax legislation
- Calculations only cover employees receiving their full pay during the specific pay period. In other words, employees who are paid a reduced rate due being on leave during the relevant pay period will be excluded



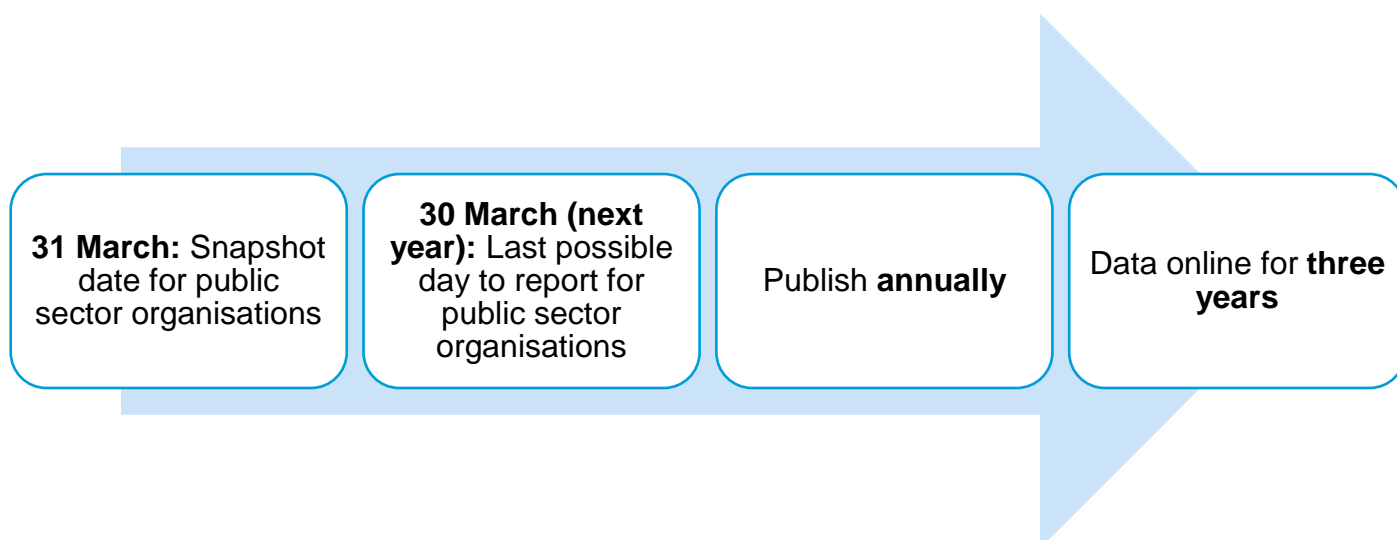


## When should data be calculated and published?

### For private and voluntary sector organisations



### For public sector organisations



## What happens if organisations fail to comply with the regulations?

Failure to comply with the gender pay gap regulations will constitute an 'unlawful act' under section 34 of the Equality Act 2006, empowering the Equality and Human Rights Commission (EHRC) to take enforcement action. It is a criminal offence to fail to comply with an order of the court enforcing an unlawful act notice.



This year, the Equality and Human Rights Commission took a staged approach to enforcement. In 2018, the compliance rate for gender pay gap reporting was 100%.

For more information on the enforcing the gender pay gap regulations, please click [here](#).

## Where should this data be published?

Employers must publish the data, and a written statement confirming that the information is accurate, on their **searchable** website. The website must be reasonably accessible to employees and the public. Data must be published **annually** and remain online for **three years**.

In addition to their own website, employers must upload the information to a [government-sponsored website](#). The government intends to create sectoral **league tables** to ensure information is understood, comparable and drives impact.

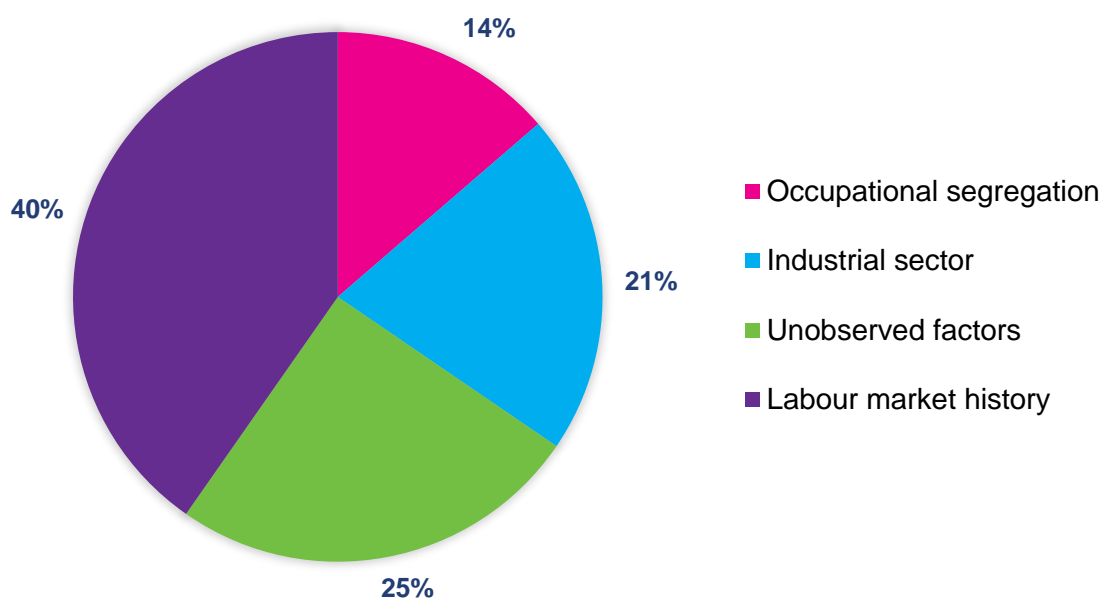
## What causes the gender pay gap?

Factors which are reinforced by structures and institutions are the largest driving factors of the gender pay gap, in particular these include:

- **Vertical segregation**, which is the underrepresentation of women in senior, high-paying roles. This incorporates **occupational segregation**, which the Government Equalities Office defines as how women are more likely to work in occupations with high proportions of female co-workers, which tend to be less well paid.<sup>i</sup>
- **Horizontal segregation**, which is represented by **industrial sector**. Women are more likely to work in lower paid and lower skilled industries, whereas men tend to work in higher paid sectors.<sup>ii</sup>
- **Gender discrimination, bias and corporate cultures**, which are incorporated in the **unobserved factors** that are not covered by the Government Equalities Office data.<sup>iii</sup>

- **Caring responsibilities.** This cuts across the other causes of the gender pay gap but in the table below, it relates to the **labour market history**. Men and women participate differently in the labour market. They therefore accumulate different work histories which in turn affects their wages, human capital and productivity.<sup>iv</sup>

**Figure 1: Drivers and protective factors of the gender pay gap in the UK (2018)**



Source: *The gender pay gap in the UK: Evidence from the UKHLS*, Government Equalities Office, (2018)

### Vertical Segregation

- The underrepresentation of women in senior higher-paying positions contributes to both the mean and median gender pay gap. This is represented by **occupational segregation** in Figure 1.
- From age 30 years and on, women are less likely to occupy senior positions and employment rates for women start to level off from this age onwards. The average age of mothers is 28.8. *Source: Women in the Labour Market, ONS (2013)*
- Women are much more likely to take career breaks and to work part-time than men (41% and 13% respectively). *Source: Women and the Economy Briefing Paper, House of Commons Library (2018)*
- The causes of vertical segregation relate to organisational practices, gender discrimination and gendered family roles – women shouldering the majority of unpaid domestic and care work.

### Horizontal Segregation

- The concentration of women in lower-paid sectors, industries and occupations. This is represented by **industrial sector** in Figure 1.
- From a very young age, boys and girls are exposed to stereotypes and assumptions about the work women and men “should” do.
- These societal conventions are reinforced by media, education and opinions heard within their social networks as they grow up and can influence young people’s career choices as well as biases about women in work that they take with them into employment.

### Gender Discrimination, Bias and Corporate Cultures

- Unconscious bias, stereotypical views of gender and workplace discrimination with recruitment, progression and training. This is represented by **unobserved factors** in Figure 1.
- Moreover, direct and indirect discrimination can creep into pay and benefits systems, e.g. unequal pay.
- Other factors such as personal choices or corporate cultures can also influence the gender pay gap.

### Caring Responsibilities

- Women continue to take on the majority of responsibilities caring for adults and children. This is represented by **labour market history** in Figure 1.
- Our Equal Lives research found that in working families in the UK, women are eight times more likely to take the primary role in caring for children and are one and a half times more likely to take the lead in caring for adults. *Source: Equal Lives, Business in the Community (2018)*

The causes of the gender pay gap are explained in our toolkit on **understanding your pay gap**.

## What does best practice reporting look like?

Employees do not want to be kept in the dark over the gender pay gap. Our report [Gender Pay Gap: What Employees Really Think](#) based on a sample of over 1,000 employees found that:

- Two thirds of participants told us that if there was a gender pay gap in their organisation, they would ask their employer what they are doing to close the pay gap. More than half (52%) would ask their employer for more information.<sup>v</sup>
- 9 in 10 respondents think that the data should be broken down for each pay grade or job type.<sup>vi</sup>

This suggests that employees want their employers to go beyond the current requirements of the legislation. We recommend that employers publish additional data and narrative explaining the stories behind their numbers:

Your gender pay gap figures	<ul style="list-style-type: none"><li>• Publish infographics to illustrate the gaps</li><li>• These figures are compulsory</li></ul>
Your workforce data	<ul style="list-style-type: none"><li>• Publish additional gender data, e.g. the number of women in senior roles</li><li>• This is best practice</li></ul>
The drivers of your gender pay gap	<ul style="list-style-type: none"><li>• Publish a description of the drivers behind your pay gap</li><li>• This is best practice</li></ul>
Your action plan	<ul style="list-style-type: none"><li>• Publish the actions which your organisation are taking to tackle your gender pay gap and your current initiatives</li><li>• This is best practice</li></ul>
Additional pay gaps	<ul style="list-style-type: none"><li>• <b>Pay gaps by ethnicity, age and disability, including how this overlaps with gender (e.g. black women's pay vs. white men's pay in an organisation)</b></li><li>• <b>Pay gap by employment patterns (full-time versus part-time employees)</b></li></ul>

At Business in the Community, we encourage organisations to publish additional data.

## **Business in the Community**

Business in the Community exists to build healthy communities with successful businesses at their heart. We are The Prince's Responsible Business Network - a business-led membership organisation made up of progressive businesses of all sizes who understand that the prosperity of business and society are mutually dependent.

In the spirit of being a responsible business, our members are committed to:

- Being the best they can be in delivering social, environmental and economic sustainability across all areas of their business.
- Working with other businesses to bring together their collective strength and be a force for good.

Business in the Community currently supports a network of over 750 employers across the UK.

## **The Gender Equality Campaign**

The Gender Equality Campaign Team at Business in the Community can support you in your gender pay gap reporting process, whichever stage you're at. We can do this through membership advisory services, bespoke consultation and benchmarking.

## **Partnership**

We are the only membership organisation representing employers who want to transform the workplace by ensuring inclusiveness for women. We work to build and communicate the business case for this, to share and inspire best practice and to give employers and their people the tools to make a difference.

Our service is bespoke and specialist, underpinned by our benchmarking data, research, resources and events, and channelled through our expert Advisory team who bring in-depth knowledge, support and encouragement.



### Tailored gender pay gap advisory service

The gender equality campaign offers a specialist consultation service for gender pay gap reporting, available to both members and non-members. We work with employers at all stages of the reporting process to support and advise on:

- Understanding the causes of inequality in your organisation
- Understanding employee perspectives on gender equality at work through primary research including surveys, focus groups and written reports.
- Communicating the data internally and externally
- Tackling the gender pay gap

For more information on our Gender Equality Partnership, please click [here](#).

## Resources

- [Business in the Community](#) information and guidance on gender pay gap reporting.
- [Acas guidance](#) including a joint Acas & GEO guide on [managing gender pay reporting](#).
- [Equal pay portal](#) by Sheila Wild includes detailed information about reporting.
- [Information for employers](#) from the Government Equalities Office (GEO).
- Information on [enforcing the gender pay gap](#) from the Equality and Human Rights Commission (EHRC).



**For more information, please take a look at Business in the Community's other gender pay gap toolkits:**

- [Analysing your gender pay gap](#)
- [Communicating your gender pay gap](#)
- [Tackling your gender pay gap – Attraction and Recruitment](#)
- [Tackling your gender pay gap – Retention and Progression](#)



## References

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<sup>i</sup> The gender pay gap in the UK: Evidence from the UKHLS, Government Equalities Office, (2018)

<sup>ii</sup> Ibid.

<sup>iii</sup> Ibid.

<sup>iv</sup> Ibid.

<sup>v</sup> Gender Pay Gap: What Employees Really Think, Business in the Community (2015)

<sup>vi</sup> Ibid.