

# Gender Pay Gap Reporting

What to do now and what to do next

Online webinar | Tuesday, 23<sup>rd</sup> May | 10:00 BST



# Presenters



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# Agenda

- SD Worx: Introduction to Gender Pay Gap Reporting Webinar
- Mercer: Overview of the legislation
- Live Q&A





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### TALENT STRATEGY

- Talent Assessment and Development
- Performance and Career Management
- Competency programme design
- HR function transformation



### TALENT MOBILITY

- Mobility Strategy and Policy Benchmarking
- Provision of Expatriate Data
- Mobility Co-Sourcing and Services



### DIVERSITY & INCLUSION

- Local and global networks and research
- Policy review and best practice benchmarking
- Strategy and policy development
- Gender pay gap reporting responses



### ANALYTICS

- Integrated workforce planning
- Business and people predictive modelling and analysis
- Analytics and metrics benchmarking



### COMMUNICATION

- Employee Communication associated with Health, Wealth and Career programs
- Change Communication associated with HRIS Implementations, Structural Changes and M&A Activity



### REWARDS

- Total Rewards Strategy and Programme Design
- Job Evaluation and Career Frameworks
- Pay equity
- Senior pay advice



### BENEFITS

- Benefit and Wellness programme design
- Benefit brokerage
- Engagement and measurement



### MERCER LEARNING

- Strategic partnering for HR
- Metrics, analytics & workforce planning
- Talent management
- Performance and rewards
- Global Mobility



### PENSIONS

- Pension plan design and change
- Pension plan de-risking
- Investment consulting
- Plan management and administration

# WHO IS CAPTURED?

## Who must report? - Relevant employer

- UK employers with more than 250 relevant employees on 5<sup>th</sup> April (snapshot date)

## What is a relevant employee?

- Same definition as s83 of the Equality Act 2010: “employment under a contract of employment, a contract of apprenticeship or a contract personally to do work”
  - Does not include a partner in a firm (LLP). Expatriates, inpatriates, temporary workers, agency workers, self-employed?
- “Full-pay relevant employee”: If an employee is paid at a reduced rate or nil because they are on leave then they are excluded from the calculations. Leave is defined as: annual leave, maternity/parental leave etc., sick leave, special leave

## Non-compliance

- Failure to comply is deemed “an unlawful act” and the Equality and Human Rights Commission can take enforcement action (s34 Equality Act 2006)

## Calculation period

- The pay period in which the 5<sup>th</sup> April sits if employees are ordinarily paid weekly, monthly etc

# WHAT TO REPORT

## 1. *Gender pay gap, mean*

- Difference in mean **hourly** pay of male and female full-time relevant employees April time period snapshot (see calculation overleaf)

## 2. *Gender pay gap, median*

- As above, median

## 3. *Bonus pay gap , mean*

- Mean bonus pay paid to male and female relevant employees during the 12 months prior to the snapshot date expressed as a difference in male relevant employees

## 4. *Bonus pay gap, median*

- As above, median

## 5. *Bonus pay proportion*

- Male relevant employees who received a bonus in the 12 months expressed as a percentage of the male relevant employees
- Female relevant employees who received a bonus in the 12 months expressed as a percentage of the female relevant employees

## 6. *Quartiles*

- Organise workforce into evenly-sized quartiles based on ranking all full-pay individuals from highest to lowest by hourly rate of pay.
- Report on each quartile the number of full-pay male and females in each quartile as a percentage of the total in the quartile

# DEFINITIONS

- Ordinary or bonus pay is calculated before deductions made at source (after salary sacrifice).
- Ordinary pay includes
  - Basic pay
  - Allowances (fire warden, location, car, recruitment and retention allowances)
  - Piecework pay
  - Paid leave
  - Shift premium pay
- Ordinary pay **does not** include
  - Overtime
  - Redundancy or termination payments, or in lieu of leave
  - Non-monetary remuneration
  - Expenses
- Bonus pay includes – money, vouchers, securities, securities options related to profit sharing, productivity, performance, incentive or commission
  - Non-cash items counted under ITEPA 2003 regulations (i.e. as taxable income) therefore gross values calculated based on grant or vest depending on the instrument
- Note months and years are defined as 30.44 and 365.25 days respectively for the purposes of the calculations in the gender pay gap



# WHAT TO REPORT –BRINGING IT TOGETHER

Measure	Pay defined as	How calculated?
Gender pay gap	Ordinary pay + bonus pay	Mean and Median difference
Quartiles (even quartiles)	Ordinary pay + bonus pay	Male and Female incidence per quartile
Bonus pay gap	Bonus pay	Mean and Median difference
Bonus pay proportion	Bonus pay	Male and Female incidence

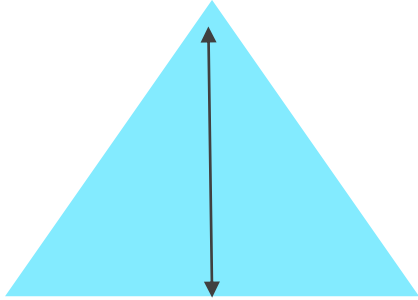
## Treatment of bonus pay

- In the gender pay gap calculation the bonus values are adjusted back to the relevant measurement period e.g. weekly, monthly
- In the bonus pay calculation the bonus values reflect what is paid during the 12 months prior to the snapshot date

# WHEN TO REPORT AND HOW

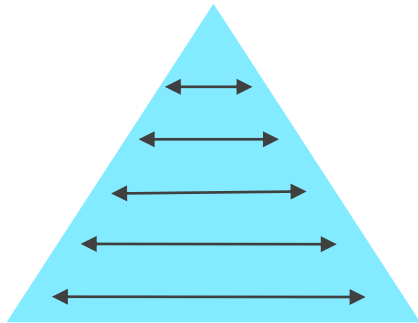
- Published within 12 months of the ‘snapshot’ date of 5<sup>th</sup> April each year
- Published on the employers own website and remain there for at least three years from the date of publication
  - In English
  - Accessible by all its employees and the public
- Publication must be accompanied by a written statement by the employer to confirm the information published is accurate. Statement must be signed by one of:
  - A director or equivalent
  - Designed member in a LLP
  - General partner in a limited partnership
- Must also be published on a “website designated by the Secretary of State” with the name and job title of the person who signed the statement. The beta version of this site can now be seen at:
  - <https://gender-pay-gap.service.gov.uk/Viewing/search-results>

# GENDER PAY REPORTING IS NOT THE SAME AS UK EQUAL PAY DEFINITION



## Gender Pay Gap reporting

- Gender pay gap figure is total hourly pay for M vs F for whole organisation, during one pay period e.g. a month.
- “Ordinary Pay” definition is a combination of fixed and variable elements
- Measures workforce profile, female career progression and occupational segregation more than equality of pay outcomes



## Equal Pay

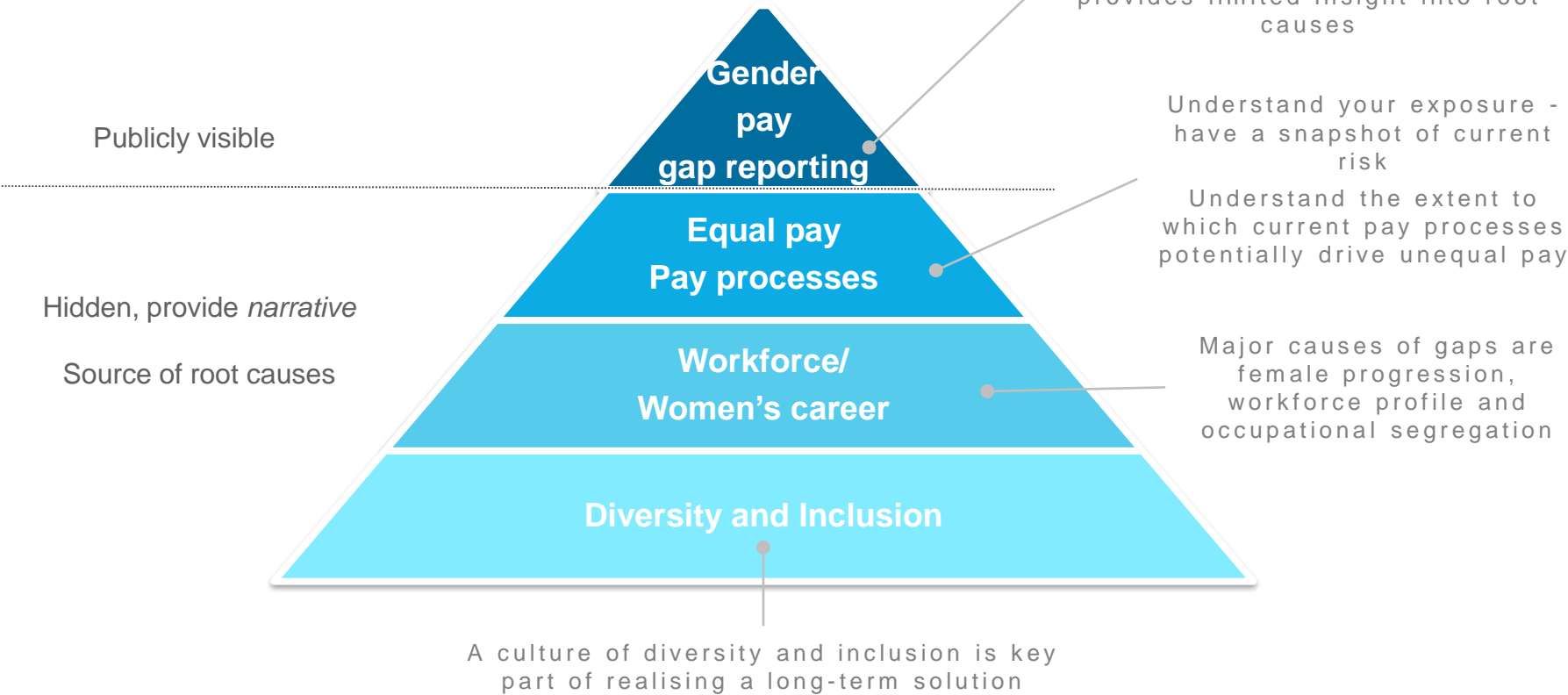
- Compares M vs F doing same work, like work, or work of equal value (based on a factor based job evaluation)
- Each reward element must be equal; pay, bonus, car etc. all treated separately not in aggregate
- Measures whether men and women are being paid the same for doing work deemed the same, after evidential market and performance differences

# WHERE COMPANIES ARE AT NOW

- Reputational risk
- Current employees reaction
- Future hires
- Equal pay confusion and claims
- Director exposure



# MERCER'S POINT OF VIEW



# WHAT TO DO NOW, AND NEXT

Narrative building....

## 1 Gender Pay Gap reporting

*What is my pay gap?*

- Template
- Element definition
- Analysis
- Reporting

## 2 Equal Pay

*Do I have a risk?*

- Analysis via descriptive statistics
- Occupational segregation, part-time

## 3 Pay drivers

- Analysis via regression analysis
- Pay driver analysis
- Identification of outliers

## 4 Pay Programme Analysis

*Do I pay fairly?*

- Analysis of your pay programmes to identify bias
- Focus on key areas of manager discretion:
  - Starting pay
  - Merit
  - Bonus
  - LTI
  - Rating
  - Out of cycle

## 5 Workforce Analysis

*Do women progress?*

- Analysis of workforce profile
- Understanding of internal labour flow by gender
- Projections of female representation

## 6 Diversity and inclusion benchmarking

*Are my policies and practices on diversity and inclusion effective and aligned to best practice?*

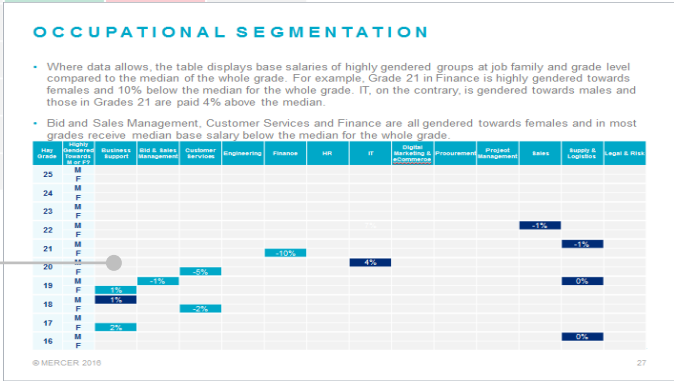
# EQUAL PAY SNAPSHOT

## CLIENT EXAMPLES

Hay Grade	Business Support	Bid & Sales Management	Customer Services	Engineering	Finance	HR	IT	Digital Marketing & eCommerce	Procurement	Project Management	Sales	Supply & Logistics	Legal & Risk
25													
24											7%		
23								6%			3%		
22					-8%		-11%	-3%			-6%		
21								-6%			5%	-19%	
20		-2%	9%				-2%	1%					
19	8%												
18	-4%		0%										
17	4%												
16	4%												

ANALYSIS OF ROLES BY JOB FAMILY AND LEVEL REPORTING IN TRAFFIC LIGHT RISK FORMAT

DATA IS BROKEN DOWN INTO HIGHLY GENDERED JOB FAMILIES AND MEDIAN PAY IS COMPARED ACROSS THE GRADE



Organisation must first have a global grading system for this analysis to be conducted

# CLIENT EXAMPLE: ARE WE PAYING FAIRLY?

- Note in legislation negative means women paid more
- Organisation pays females more than males at the gender pay gap level
  - Mean 18%
  - Median 8%
- Analysis highlighted less of an issue bar K,L
- Part-time view was insightful

Hourly rates by level and gender			
Overall Median Base Hourly Rate			
Level	Male	Female	Median Base Hourly Rate difference
A	£71.07	£68.38	4%
B	£54.01	£52.85	2%
C	£45.78	£45.09	2%
D	£38.04	£38.04	0%
E	£33.87	£32.10	5%
F	£28.41	£27.97	2%
G	£23.56	£23.70	-1%
H	£20.08	£20.92	-4%
I	£17.33	£17.51	-1%
J	£14.67	£15.38	-5%
K	£13.17	£14.71	-12%
L	£11.48	£12.18	-6%
M	£10.27	£10.19	1%
N	£11.54	£11.04	4%

Hourly rates by level and gender and part vs full time		
Difference in median base hourly rate		
Level	Part Time vs Full Time	Female Part Time vs Female Full Time
A	n/a	n/a
B	4%	6%
C	-2%	-1%
D	0%	0%
E	-3%	-2%
F	-3%	-2%
G	-4%	-4%
H	10%	10%
I	0%	-4%
J	17%	16%
K	16%	8%
L	8%	3%
M	11%	11%
N	-2%	-2%

*Disguised Case Study*



# PAY DRIVER ANALYSIS

## 1. Data gathering

(elements to be customised with client)

### Individual

- Pay
- Gender
- Prior experience (age as proxy)
- Tenure
  - Time in job
- Performance
- Education
- Span of control

### Organisational

- Grade/Level
- Business unit
- Job family/function

### External

- Work location
- Market pricing for positions

## 2. Model development

Elements part of the UK Equal Pay legislation

Regression modeling by segment

Drivers of pay

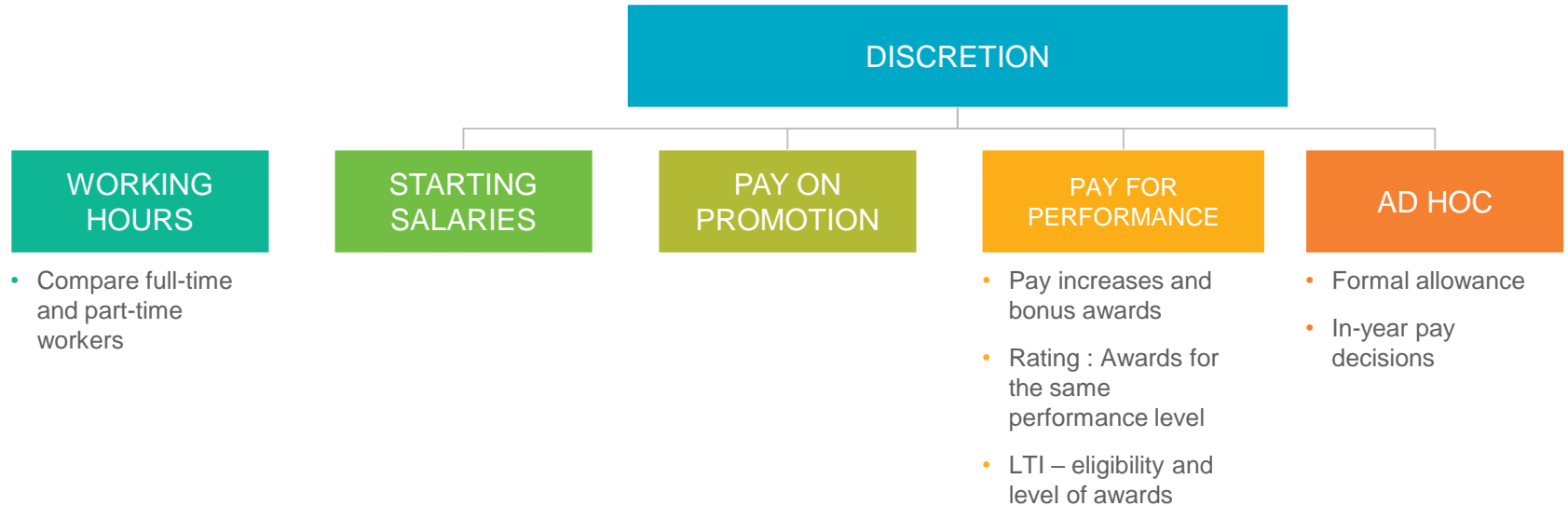
## 3. Pay equity analysis

### Identify employees at risk

EE ID	Expected Pay	Actual Pay	Pay Smaller Than Expected?
1	£	£	
2	£	£	✓
3	£	£	
4	£	£	

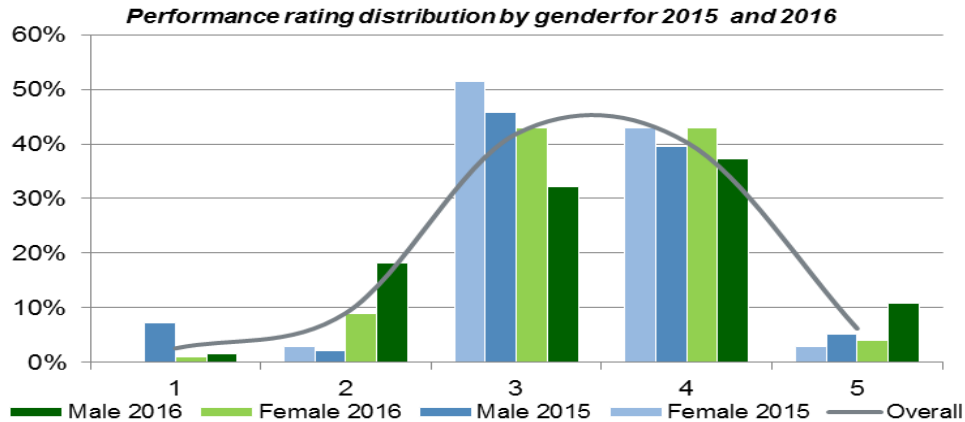
Identify employee groups at risk (“Systemic Disparities”)

# PAY PROGRAMME ANALYSIS



# PAY PROGRAMME ANALYSIS

- Key to look at performance scores as the point where discretion and pay programmes meet
- In this example we saw:
  - No difference by level
  - Difference in the distribution – are men seen more as ‘brilliant’?



2016		
Performance Rating	Headcount	
	Male	Female
5	11%	4%
4	37%	43%
3	32%	43%
2	18%	9%
1	2%	1%

2015		
Performance Rating	Headcount	
	Male	Female
5	5%	3%
4	40%	43%
3	46%	51%
2	2%	3%
1	7%	0%

*Disguised Case Study*

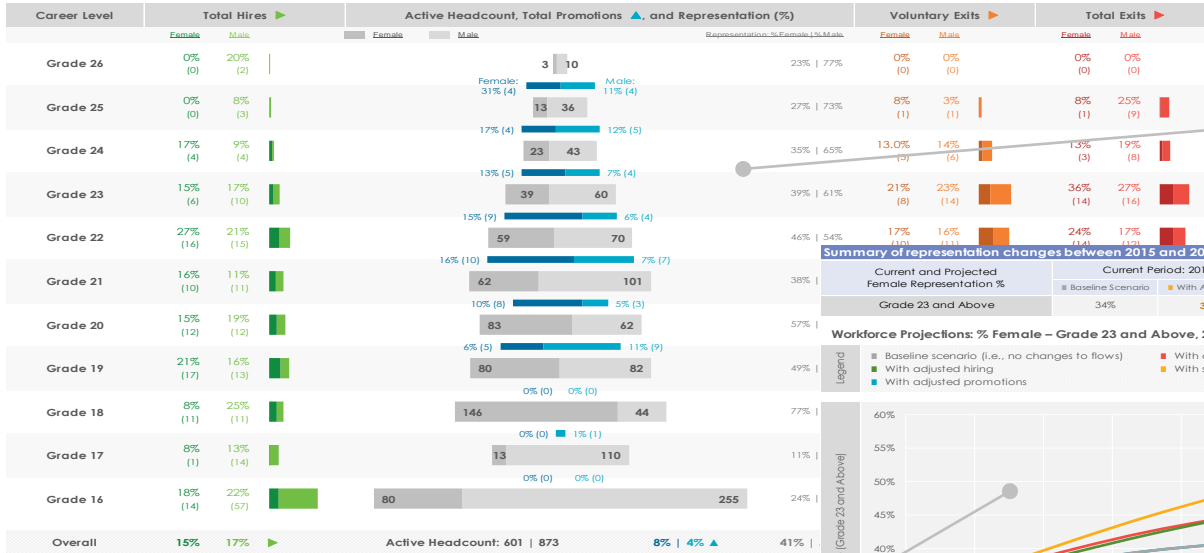
# EXAMPLE: THE LINK BETWEEN PERFORMANCE RATING AND ANNUAL BONUS RECEIVED IN A BU

	All Exceeded	Some Exceeded	All Achieved	Some Achieved	None Achieved
11		13%	0%	0%	
12	29%	-10%	8%	0%	
13		22%	11%	13%	
14		8%	21%		
15			1%	-18%	

*Disguised Case Study*

# WORKFORCE ANALYSIS- LONG-TERM CHANGE

## CLIENT EXAMPLES



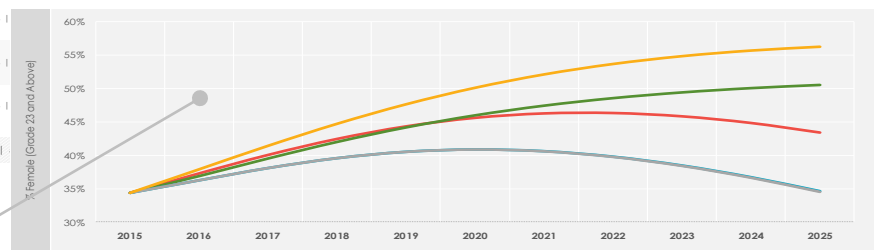
THIS DEPICTS HEADCOUNT, HIRES, PROMOTIONS AND EXITS BY CAREER LEVEL

Summary of representation changes between 2015 and 2025, baseline vs. simultaneous changes						
Current and Projected Female Representation %	Current Period: 2015		5-year Projection: 2020		10-year Projection: 2025	
	Baseline Scenario	With All Changes	Baseline Scenario	With All Changes	Baseline Scenario	With All Changes
Grade 23 and Above	38%	34%	41%	50%	35%	56%

Workforce Projections: % Female – Grade 23 and Above, 2015 to 2025

Legend: ■ Baseline scenario (i.e., no changes to flows) ■ With adjusted hiring ■ With adjusted turnover ■ With simultaneous adjustments to all flows

Note: Not all scenario lines may be visible as a result of overlapping projection estimates.



THIS DEPICTS FUTURE FEMALE REPRESENTATION UNDER DIFFERENT SCENARIOS

# TAKE PART!

Participate Today



**MERCER**  
MAKE TOMORROW, TODAY

## 2017 GENDER PAY GAP REPORTING SURVEY NOW OPEN

TAKE SURVEY



Dear Michelle,


The **Gender Pay Gap** reporting requirements are now upon us, and **all companies in Great Britain with more than 250 employees must disclose their April 2017 results by 4<sup>th</sup> April 2018 on their website and to the Government.**

This time last year, we ran a survey to find out reactions, concerns and plans surrounding the legislation. We would like to invite you to take part in this year's survey to understand your views on this topic now, where your organisation is on the Gender Pay Gap journey and your views, reactions and plans.

TAKE SURVEY

# FIND OUT MORE

What We Do Who We Help Our Thinking Our Company



Workforce and Careers

## GENDER PAY GAP


Managing your potential risk exposure, understanding root causes and developing your long term strategy for a more diverse, thriving workforce

CONTACT US

We help organisations to interpret, analyse and understand the Gender Pay Gap regulations that came into effect April 2017. Our difference is to go beyond pay gap reporting to help organisations understand their risk exposure, explain the causes of their gap and develop meaningful interventions to improve women's participation and growth.

Mercer is the only expert in Gender Pay Gap that deploys a multidisciplinary approach of experts in reward, talent/career management, analytics, diversity and inclusion.

Top 6 things to know about the Gender Pay Gap Regulations:



Gender Pay Gap Reporting

<https://www.uk.mercer.com/what-we-do/workforce-and-careers/gender-pay-gap-reporting-services.html>

MERCER

What We Do



Thriving Workforce

## WHEN WOMEN THRIVE, BUSINESSES THRIVE

THE MOST COMPREHENSIVE RESEARCH ON WOMEN IN THE WORKPLACE

Founded in 2014, When Women Thrive is Mercer's global research and solution platform designed to help organisations drive growth through the active and productive participation of their female workforce.

- Financial Services Perspectives available now - New
- Participate in our Global Research
- Download the Executive Summary

<https://www.uk.mercer.com/our-thinking/when-women-thrive.html>

## Gender Pay Gap Webinar Series

✓ Part 1 – Tuesday, 23rd May

Understanding and meeting the Gender Pay Gap Reporting regulations

➤ Part 2 – Tuesday, 22nd June

SD Worx HR Software solution  
Registration link to be circulated after today's webinar