

UK Gender Pay Reporting Law Provides an Opportunity to Strengthen Rewards Programs

Compliance with new disclosure regulations, which go into effect in April, will cost money and resources. However, they are also an opportunity to strengthen their rewards programs.

More than four decades after the Equal Pay Act came into force in the United Kingdom (UK), research finds that on average women still earn less than their male colleagues. Whilst the gap for both full-time and part-time employees has been reduced from 27.5% in 1997 to 18.1% in 2016, according to the Office for National Statistics, the pace of change is not fast enough.

In an effort to facilitate greater pay equity, the UK government has recently introduced a new mandatory disclosure requirement. The Gender Pay Gap Reporting Regulations, which go into effect in April 2017, place more emphasis on employers to scrutinize their reward practices and disclose their gender pay gap.

What the Regulations Require

The regulations require all private and voluntary sector employers with at least 250 “relevant” employees, regardless of parent company country of origin or private or public structure, to annually disclose the comparative difference between average male and female pay.

The first relevant pay period will be April 2016 to April 2017, to be reported by April 2018. Companies will need to be prepared to take a snapshot of their employees’ pay on 5 April 2017. Employers are required to disclose the following:

- Average and median hourly pay gap (including bonus pay, shift pay, maternity pay, car allowance, etc.) in the pay period
- Average bonus pay gap (including short-term and long-term incentives and sales commission) in the 12 months before 5 April each year
- The percentage of male and female employees who receive bonuses
- Quartile bands showing the distribution of men and women in salary quartiles

The Government Equalities Office published [additional guidance](#) in January 2017 on how to calculate pay, pay periods, define relevant employees and more.

The regulations require employers to publish the information at any time within 12 months of the snapshot date and by April 2018. The information will be published annually on each company's website, and on a central government website, allowing for comparisons between organisations.

Beyond Compliance

With this new disclosure requirement, it is clear the UK government is not only trying to raise awareness of the issue by facilitating greater transparency of gender pay gaps— they are also encouraging companies to take action to close the gender pay gap. In its guidance from last month, the Government Equalities Office encouraged companies to:

- Reconsider their family-friendly leave policies (e.g., encourage males to also take time off)
- Review flexible working arrangements (e.g., consider whether to expand for certain jobs and job levels; consider whether they currently inhibit promotions and career advancement)
- Review career and talent development (e.g., identify and address gaps where female employees are less likely to take advantage of training and development opportunities)
- Ensure fairness in pay through transparency mechanisms (e.g., better manager communication, clear performance evaluations)

Whilst the new disclosure regulations can open companies up to potential litigation and operational costs, including the financial impact of reworking pay systems to mitigate risks, we see the new disclosure requirement as having a positive impact if organisations take a proactive approach that goes beyond compliance.

Effective rewards practices that address pay discrepancies and are communicated to customers, shareholders and prospective employees will enhance the employee value proposition, helping attract key talent to your business and engaging your current workforce. On balance, companies that view the law as an opportunity to address systemic risks in their rewards program will be well-positioned to enhance their rewards and talent programs for the future.

Next Steps

Your organization should take the following actions right away:

- Ensure you are prepared to comply with the basic requirements of the new disclosure
- Consider how to position the information in a narrative, and prepare public relations and communication teams
- Analyze your internal pay data to determine whether you should conduct an equal pay audit
- Take remedial action and address issues before the first reporting period

Radford and Aon Hewitt offer services to help you navigate these requirements, and advance your overall diversity agenda. We provide gender pay gap reporting support, equal pay auditing, equal pay review, technical expertise and advice, and long-term planning support for diversity, inclusion, talent management and risk management. [Click here](#) to learn more about each of these services.

A well-structured compensation system sets a sound foundation for pay fairness, but taking the extra steps to ensure pay equity and check for any discrepancies arising out of factors like gender, race and ethnicity is always a good idea.

If you have questions about compliance with the new regulations or additional questions about your rewards program, please write to consulting@radford.com.

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