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# GENDER PAY REPORTING

A PRACTICAL GUIDE TO COMPLIANCE

START ►

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# 1. WHAT IS GENDER PAY REPORTING?

Gender Pay Reporting (GPR) came into force on 6 April 2017 and requires around 11,000 employers based in Great Britain with 250 or more employees (at a company or entity level) to publicly report a range of gender pay information and six GPR ratios by 4 April annually.

It is part of a growing trend to require employers to provide more transparency around pay, reward and equality.

The definitions used in this guide (capitalised phrases) are explained in [the Glossary](#).

## EQUAL PAY

GPR is not about equal pay for equal work. GPR is a global issue about the progression of women, ie that there are more men in senior roles and more women in junior roles.

The Equal Pay Act 1970 prohibits less favourable pay and treatment for women. Employers may, however, worry that GPR may lead to more equal pay claims and issues with employees and stakeholders. It is unlikely that employees of either gender will be able to say that GPR shows that they are individually over or under paid as there is no visibility of individual pay. However, GPR indicates collective trends.

## WHY?

There are many reasons for gender pay gaps. The principal reasons can be described as the 'motherhood penalty' and are linked to taking maternity leave, career breaks, childcare and part-time work. It has been shown that full-time working correlates to greater progression which, while the full-time population is made up predominantly of men, leads to gender pay gaps.

Research has shown that the gender pay gap has narrowed but is still significant. There is a small gap for women in their twenties but it increases in the thirties and early forties. The gap then begins to narrow when employees pass forty five and childcare responsibilities decline.

There are other reasons for the gender pay gap: Women tend to cluster in lower grades and lower paid sectors. Differences in progression have a significant impact. Bonus Pay received in the period where hourly rates are calculated can also have an impact. Without measuring the gender pay gap it is difficult for a business to recognise whether, and to what extent, gender bias exists. The purpose of the legislation is two-fold:

- ▶ To require employers to quantify and publish their gender pay and bonus gap (ie the difference in pay between genders)
- ▶ To consider the reasons for gaps and encourage employers to take action to narrow the gap.

## REPORTING

A Relevant Employer must report its gender pay gap figures:

- ▶ On its external website (to remain there for at least three years) – an optional narrative can be included
- ▶ On the Government sponsored website [www.gov.uk/report-gender-pay-gap-data](http://www.gov.uk/report-gender-pay-gap-data) (note that no narrative can be included).

A director or equivalent will need to certify GPR. On the Government portal this will include name and job title.

The Regulations covered in this guide apply to all private and voluntary sector employers with at least 250 employees in Great Britain ('GB') on the Snapshot Date each year. Separate regulations apply to Government departments, the armed forces or other public authorities, with Scottish and Welsh public authorities to be subject to devolved arrangements.

GPR covers England, Wales and Scotland. Equivalent provisions will be introduced for Northern Ireland.

## 2. HOW COULD GENDER PAY REPORTING AFFECT YOUR BUSINESS?

Publishing gender pay gap figures could have significant impact on your business sector and company, both in terms of your employee relations and your interaction with other stakeholders.

Taking time to analyse why a gap exists, how best to communicate this to both employees and the wider public and how to address the situation should be the focus of your process. A short term response to GPR may be to alter the mix of pay between men and women. A more significant result will be to address the root causes leading to a better balance of progression for men and women.

### RESOURCES, TIME AND COSTS

The GPR process has proved to be complex and absorbs internal resources. It is, therefore, important for many to plan ahead, particularly on timing and obtain support of senior leadership. It is likely that your focus will initially be data analysis. However, the medium and long term focus should be on how to address any gender pay gap.

You should not underestimate the resources needed for the annual GPR cycle. Given the sensitivity of the data and reputational risk, you should involve senior staff plus representatives from payroll, HR and reward. Many organisations will want to outsource at least part of the work and obtain professional advice.



### DATA HANDLING

Data handling will be complex, the number crunching may well involve tens of thousands of lines of data. We have set out a suggested data shopping list in [section 7](#). The detailed calculations are complex and many employers may be surprised by the time taken to prepare the first set of numbers.

### NARRATIVE

As we move into regular reporting, providing a narrative to accompany your reported figures, to explain them, highlight trends and describe proposed changes in policy will be crucial. Addressing the root causes of a gender pay gap is unlikely to be a 'quick win' and will take a long-term approach. Whilst not currently mandatory, the narrative should be carefully drafted with support of senior leadership and not left to the last minute.

### REPUTATIONAL RISK

Many employers will have a gender pay gap (and that can work both ways). As discussed on [page 2](#), there may be many reasons for the figures and many relate to fundamental issues around motherhood and child rearing. GPR will allow you to identify areas of concern and then communicate to employees, customers and other stakeholders how you intend to address them over the coming years.

Media interest and scrutiny is expected to remain high whilst the gender pay gap remains a hot topic. Subsequent reporting cycles create a further challenge in being able to demonstrate that an organisation is taking measurable steps to address their gender pay gap. This will undoubtedly require further analysis and it will be crucial for businesses to drill down into the detail and identify the root cause of any gap.

### RECRUITMENT AND RETENTION

An employer's position on equality, diversity and inclusion is increasingly important when talent is deciding whether to consider employment and developing a career. There is a growing focus on gender pay gaps, transparency and social media campaigns.

Peer review websites such as Glassdoor and campaigns such as the 30% club (aiming for 30% of FTSE 100 executives to be women) mean that employers are potentially exposed to reputational damage and possibly equal pay litigation relating to gender pay gap issues. Many organisations (including those without a mandatory reporting requirement) are already finding that employees are putting pressure on management to disclose and explain their gender pay gap.

As well as the possible reputational risk, **Relevant Employers that fail to publish their gender pay gap figures may see a negative impact** in areas such as client relations and recruitment.

### CLIENTS AND SUPPLIERS

Consumers and businesses are increasingly focused on ethical behaviours. The publication of gender pay gap information will lead to a greater focus on this area, possibly leading to adverse publicity and loss of revenue.

### OTHER STAKEHOLDERS

Investors have become increasingly focused on executive pay within organisations. The publication of gender pay gap information may affect investment decisions so employers will need to focus on clear communications with investors to explain how any gender pay gaps will be addressed.

### THIS IS JUST THE START

GPR is fast becoming embedded in our culture. With the new reporting of the ratio of CEO pay to average pay, ethnicity reporting and the recent parliamentary report recommending that GPR be expanded, it is possible that we may see changes in the future to the scope of GPR obligations.

### 3. DO YOU NEED TO SUBMIT A GENDER PAY REPORT?

#### YES, IF YOU HAVE 250 OR MORE EMPLOYEES

Organisations have to report if they have 250 or more Relevant Employees at the Snapshot Date. The Snapshot Date is 5 April each year.

There are two important points to note:

1. The test is per employer, for example, each company in a group structure would be a separate employer for the purposes of GPR.
2. The test only relates to Relevant Employees. In broad terms Relevant Employees ordinarily work in GB and are covered by GB employment legislation.

The Government Equalities Office may have initially identified that your organisation could be within the gender pay regulations and sent you a letter when the new regulations were introduced. If your employee headcount has increased since the introduction of GPR, this may mean you now have a mandatory reporting obligation.

#### IDENTIFYING WHICH EMPLOYEES TO INCLUDE FOR THIS TEST

The following table covers who would be classed as an employee of the Relevant Employer and therefore included:

| EMPLOYMENT STATUS  | GPR?   |
|--|--|
| Employees, directors & NEDS  | Yes  |
| Apprentices  | Yes  |
| Zero hours   | Yes  |
| Independent contractors: contract direct between contractor's service co and end user *  | No   |
| Independent contractors: contractor obliged to perform the work personally and cannot subcontract or employ staff to do work * | Potentially  |
| Non-GB employees   | Yes, but only where the employment relationship is stronger towards British employment law |

\* Agency workers must be included in the headcount of the agency (so many employment agencies will need to make returns).



**Separate entities are not aggregated for the 250 employee test.** For instance, a group of two companies, each employing 200 Relevant Employees do not have to report even at group level.

- Relevant Employees are all those employed on the 5 April Snapshot Date with the exception of:
- ▶ Partners and LLP members (except where salaried)
  - ▶ Independent contractors where it is not 'reasonably' practicable to obtain the relevant data
  - ▶ Individuals who do not self-identify as male or female.

## 4. REPORTING: WHAT, WHY AND WHEN?



### WHAT DO WE REPORT?

All GB employers with 250 or more Relevant Employees on the Snapshot Date are required to publish the following six comparative figures:

- ▶ Mean gender pay gap
- ▶ Median gender pay gap
- ▶ Mean bonus gender pay gap
- ▶ Median bonus gender pay gap
- ▶ Proportion of males and females receiving bonus pay
- ▶ Proportion of males and females in each pay quartile

### MEAN AND MEDIAN?

Each measure has inherent advantages and disadvantages and, therefore, the potential to illustrate a different point about the gender gap in an organisation. Having two measures gives the opportunity for inequalities to be highlighted whilst also providing some balance.

|                                | Median  | Mean   |
|--------------------------------|---|--|
| <b>What is it?</b>             | Pay of middle employee where all employees are ranked in pay order  | Aggregate of all pay divided by the number of employees  |
| <b>Potential advantages</b>    | Better indication of typical pay inequalities experienced by the majority of women<br><br>Less affected by extreme values such as a small number of low earners | Better indication of gender disparities where men are better paid than women<br><br>Captures differences across the distribution |
| <b>Potential disadvantages</b> | May distort true reflection of income distribution<br><br>May obscure some gender pay differences   | Can be distorted by a few high earners   |

### WHY DO WE HAVE TO REPORT?

It is a legal requirement for all Relevant Employers to publish their gender pay report. Failure to do so is unlawful.

Notwithstanding the possible reputational risk, Relevant Employers that fail to publish their report may see a negative impact in areas such as client relations and recruitment. The Equality and Human Rights Commission has the power to enforce compliance with the regulations.

As yet, however, there are no direct financial penalties for employers.

### WHERE AND WHEN DO WE REPORT?

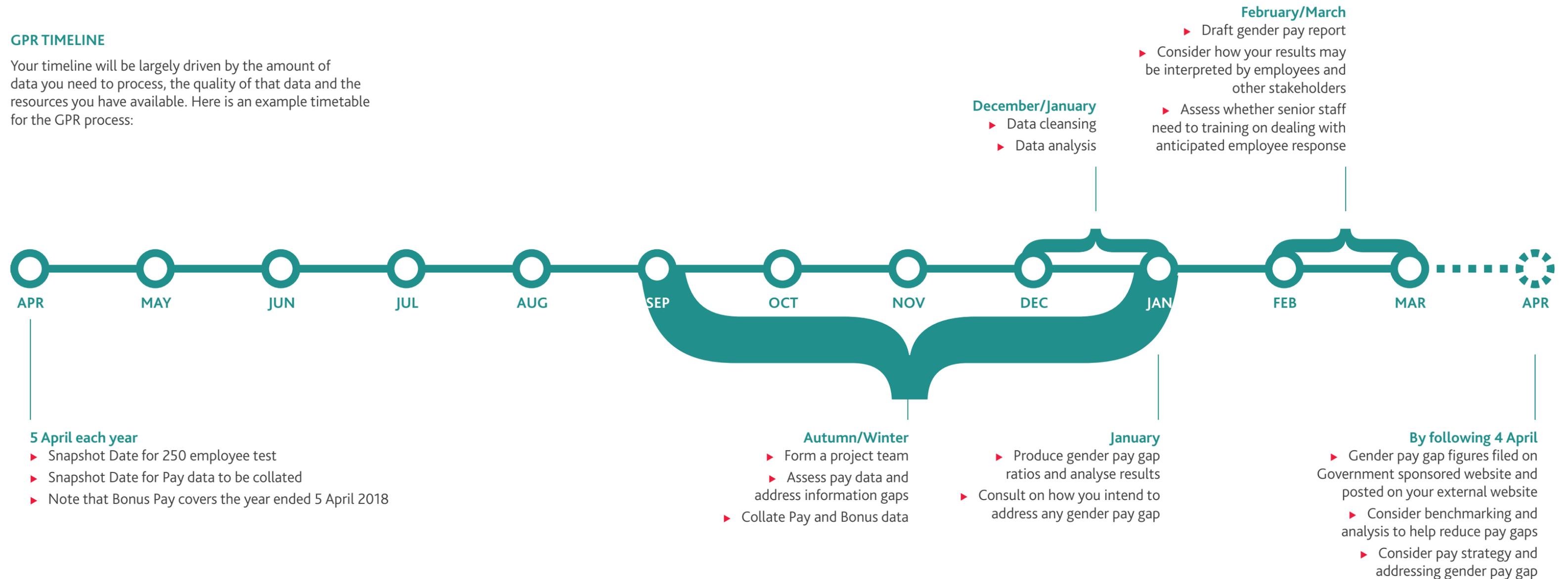
Employers must submit GPR by 4 April each year with respect to its figures at the Snapshot Date of 5 April of the preceding year. This must be published as follows:

- ▶ On the Government's sponsored website: [www.gov.uk/report-gender-pay-gap-data](http://www.gov.uk/report-gender-pay-gap-data)
- ▶ On your organisation's external website, where it must remain for three years. You can publish more than just the figures – e.g. your narrative covering additional analysis, your assessment of why there is a gap and plans for how the organisation intends to address the gap.

## 4. REPORTING: WHAT, WHY AND WHEN?

### GPR TIMELINE

Your timeline will be largely driven by the amount of data you need to process, the quality of that data and the resources you have available. Here is an example timetable for the GPR process:



# 5. CALCULATING THE GENDER PAY GAP

## CORE CALCULATIONS

The two core calculations needed to compare gender pay are hourly pay rates for the Relevant Pay Period (probably based on April pay) and Bonus Pay for the Bonus Period (the prior tax year). The hourly pay rate calculation may also include certain bonuses received in the Relevant Pay Period. The complexity in producing GPR numbers revolves around data extraction, cleansing and analysis. The employee population for each of the core calculations may differ. The bonus calculation relates to all Relevant Employees employed on the Snapshot Date. The hourly pay rate calculations may exclude certain Relevant Employees, to leave only Full-Pay Relevant Employees.

From the two core calculations it is then possible to produce the fourteen ratios required for GPR.

## HOURS WORKED AND PRO-RATING

To calculate the hours worked for the Relevant Pay Period in which 5 April falls:

- ▶ Use contracted hours if applicable.
- ▶ If a worker has variable hours then use the average of 12 weeks ending with the Relevant Pay Period, but:
  - Substitute earlier complete weeks for weeks where no work was done, eg sickness, and
  - Use a reasonable method for workers with variable hours who were not employed for 12 weeks or to simplify where the results are 'unreasonable'.
- ▶ For piecework use the number of hours of output work for the Relevant Pay Period.
- ▶ To pro-rata:
  - Month = 30.44 days
  - Year = 365.25 days

## IDENTIFYING FULL-RATE EMPLOYEES

- ▶ This applies to Full-Pay Relevant Employees, being those paid their usual full basic in the Relevant Pay Period or in receipt of reduced pay, except where reduced pay means nil paid or the reduced pay due to leave (irrespective of when holiday taken).
- ▶ Leave includes absence due to annual leave, maternity, paternity, adoption, parental, sick leave, special leave, study and sabbatical.
- ▶ The Relevant Pay Period is the earnings period spanning the Snapshot Date of 5 April (irrespective of when the pay is paid).

### The hourly pay rate...

#### ...includes

##### Pay

- ▶ Generally core payments
- ▶ Basic pay
- ▶ Cash allowances (including fire, first aid, car and on-call)
- ▶ Piecework payments
- ▶ Holiday and leave pay
- ▶ Shift premium pay
- ▶ All of the above after taking account of salary sacrifice

##### Bonus Pay

- ▶ Generally irregular or one off payments
- ▶ Most cash payments – commission, exam awards, profit sharing, bonus, recognition, recommendation & LTIP
- ▶ Most forms of equity income such as share option gains and awards of free shares (but most gains made on HMRC approved plans, such as Sharesave, are excluded)
- ▶ Vouchers
- ▶ Pro-rate if the bonus was received in respect of a period longer than the Relevant Pay Period (the Bonus Period).
- ▶ Only include if received in the Relevant Pay Period

#### ...excludes

- ▶ Overtime, related payments and on-call payments
- ▶ Pension contributions
- ▶ Redundancy/termination/Notice pay/PILONs
- ▶ Non-cash benefits such as car benefits and gift of assets
- ▶ Interest free loans
- ▶ Payments relating to other pay periods such as back pay
- ▶ Business Expenses



**The period over which Bonus Pay is earned (the Bonus Period) may differ to the Relevant Pay Period.**

If the bonus was earned over a year and paid in the Relevant Pay Period then you would divide it by 365.25 days and multiply by the number of days in the Relevant Pay Period (which would be 30.444 for monthly paid).

Where a bonus was earned over a period exceeding 12 months see the note on Equity on [page 09](#).

## 5. CALCULATING THE GENDER PAY GAP

### A STEP BY STEP CALCULATION OF HOURLY RATES

- A. Set up a full list identifying which employees count as Relevant Employees, and which employees also count as Full-Pay Relevant Employees.
- B. Record whether Relevant Employees and Full-Pay Relevant Employees are male or female. The calculation methods mean it is essential to know for each individual employee whether they are male or female, rather than the overall numbers of male and female.
- C. Record all bonuses received in the Bonus Period for all Relevant Employees and Full-Pay Relevant Employees.
- D. Record all bonuses received during the Relevant Pay Period for Full-Pay Relevant Employees only.
- E. Record all pay received in the Relevant Pay Period for Full-Pay Relevant Employees only.
- F. Record the weekly working hours for Full-Pay Relevant Employees only.
- G. Record the 'hourly pay' for Full-Pay Relevant Employees only.

To find the hourly pay, first add the employee's bonuses identified in **D**, to their pay identified in **E**.

Next, multiply this amount by 'the appropriate multiplier'. This is 7 divided by the number of days in the Earnings Period. This provides a weekly pay figure for the Relevant Pay Period.

Finally, divide this amount by the employee's number of weekly working hours identified in **F**.

Note that a month is treated as having 30.44 days, and where periods are calculated as a year, a year is treated as having 365.25 days.

**Mean:** add up all the numbers and divide by how many numbers were on that list.

**Median:** list all numbers numerically and the median is the middle number (or median of two central numbers).

### BONUS PAY

Relates to profit sharing, productivity, performance, incentive and commission and paid in cash, vouchers and shares as described [on page 07](#).

Bonus Pay includes many forms of income from securities, shares and other forms of equity. Income from many types of share option plans will be included.

### IDENTIFYING RELEVANT EMPLOYEES

This applies to those employed on the Snapshot Date. Include Bonus Pay actually paid to Relevant Employees in the 12 months up to and including the Snapshot Date.

### PENSIONS

Hourly pay is before any deductions at source, such as pensions. Directing part of a bonus into a pension is also a deduction and therefore you include the gross amount. If the pension contribution is made through salary sacrifice, however, the gross salary after the reduction is used.



### EQUITY

Many forms of equity income are treated as Bonus Pay. Analysing equity for the purposes of determining Bonus Pay is complex and depends on the type of award and circumstances. Organisations will need to have a clear understanding of what equity is included and what is excluded for GPR purposes. As a guide include everything subject to income tax (whether PAYE or self-assessment).

Employers will need to ascertain which employees participate in equity plans, when equity has been acquired, details of the vesting or earnings period, the plan type, whether equity is acquired in tax-approved circumstances and finally the equity income figure. With this information it will be possible to calculate whether equity is counted for the hourly pay rate and the Bonus Pay calculations and the amount. Companies should be able to use information contained in annual 'Employment Related Securities' returns sent to HMRC by 6 July each year to assist.

The Regulations and related guidance are not always prescriptive, particularly around whether and how an equity award should be pro-rated where it was received in the Relevant Pay Period but earned over a much longer period. For example, if a share option vests some time before it is exercised do you pro-rate the gain over the vesting period or over the period from grant to exercise? Employers will need to consider and formulate a suitable approach and apply that consistently.

# 5. CALCULATING THE GENDER PAY GAP

## THE STATUTORY GENDER PAY GAP CALCULATIONS

### MEAN GENDER PAY GAP

|  | A  | B  |
|--|--|--|
| <b><math>(A-B)/A \times 100</math></b> | The mean hourly rate of pay of all male Full-Pay Relevant Employees. | The mean hourly rate of pay of all female Full-Pay Relevant Employees. |

### MEAN BONUS GENDER PAY GAP

|  | A   | B   |
|--|---|---|
| <b><math>(A-B)/A \times 100</math></b> | The mean Bonus Pay of all male Relevant Employees paid Bonus Pay during the 12 months to the Snapshot Date. | The mean Bonus Pay of all female Relevant Employees paid Bonus Pay during the 12 months to the Snapshot Date. |

### MEDIAN GENDER PAY GAP

|  | A  | B  |
|--|--|--|
| <b><math>(A-B)/A \times 100</math></b> | The median hourly rate of pay of all male Full-Pay Relevant Employees. | The median hourly rate of pay of all female Full-Pay Relevant Employees. |

### MEDIAN BONUS GENDER PAY GAP

|  | A   | B   |
|--|---|---|
| <b><math>(A-B)/A \times 100</math></b> | The median Bonus Pay of all male Relevant Employees paid Bonus Pay during the 12 months to the Snapshot Date. | The median Bonus Pay of all female Relevant Employees paid Bonus Pay during the 12 months to the Snapshot Date. |

### PROPORTION RECEIVING BONUS PAY

| MALE                               | A  | B                                      |
|------------------------------------|--|--|
| <b><math>A/B \times 100</math></b> | The number of male Relevant Employees who were paid Bonus Pay during the 12 month period to the Snapshot Date. | The number of male Relevant Employees. |

### FEMALE

|                                    | A  | B  |
|------------------------------------|--|--|
| <b><math>A/B \times 100</math></b> | The number of female Relevant Employees who were paid Bonus Pay during the 12 month period to the Snapshot Date. | The number of female Relevant Employees. |

### PROPORTION OF MALES AND FEMALES IN EACH QUARTILE BAND

1. Rank all male and female hourly rate of pay for all Full-Pay Relevant Employees.
  2. Divide into pay quartiles (based on employee numbers).
  3. If exact same hourly rates straddle a quartile, ensure the balance of male and female is proportionately the same either side of the quartile.
- Finally, for each quartile:

|                                    | A   | B   | C   |
|------------------------------------|---|---|---|
| <b><math>A/C \times 100</math></b> | The number of male Full-Pay Relevant Employees in the quartile. | The number of female Full-Pay Relevant Employees in the quartile. | The total number of employees in each quartile. |
| or                                 |   |   |   |
| <b><math>B/C \times 100</math></b> |   |   |   |

## 6. GENDER PAY REPORTING ACTION PLAN

1. Identify the legal entities in scope. These are Relevant Employers with at least 250 Relevant Employees on the 5 April 2018 Snapshot Date.
2. Form a GPR team and agree who is responsible for each aspect of the project: Review 2017 figures against peer organisations. Consider analysis of figures to better understand reasons for gaps and how to take action to mitigate.
3. Identify which employees are covered by GPR: agree protocols for deciding which workers, contractors and internationally mobile employees are included.
4. Find out what data you hold both internally and externally and identify any gaps. Consider your approach to any difficult areas, such as overtime, salary sacrifice, internationally mobile employees and equity and ensure a consistent approach.
5. Find out what Bonus Pay plans involving cash or shares the organisation operates and whether you have access to all relevant data. Executive reward may be managed by a different team and it should be included.
6. Where Bonus Pay was paid (or equity awards vest or are exercised) in the Relevant Pay Period (and therefore included in the hourly rate calculations), consider how you capture this data and how it may distort the figures.
7. Carry out a dry-run of mandatory calculations and consider further analysis.
8. Consider obtaining a third party review of your GPR figures or methodology.
9. Start work on building a communications plan and a future action plan and consider the following:
  - ▶ Does the business want to publish a narrative alongside the data and what will you include?
  - ▶ What measures is the business already taking which may help narrow the gap?
  - ▶ Are there measures the business will bring in to help narrow the gap?
  - ▶ When will the business publish the data on its website?
  - ▶ How will the business present the data and what internal communications will it publish alongside, or before it publishes, the data?
  - ▶ Is the data consistent with any other existing published data?
  - ▶ What effect will the GPR results have on your brand and reputation?
  - ▶ Gender pay gaps can have complex origins so do you need to educate your workforce?
  - ▶ Do you need to train your managers on how to deal with questions about GPR? You will want to give a consistent message to staff and avoid both misinformation and confrontation.
10. Complete the final calculations and ensure that the numbers are signed off as accurate by a director (or equivalent). Upload your numbers and optional narrative to your business's website and the numbers to the Government sponsored website.



## 7. DATA SHOPPING LIST

### EMPLOYEE NUMBERS

Establish which employers and employees are covered. All Relevant Employers with 250 or more Relevant Employees on the Snapshot Date are covered. For each employer, you have to identify all Relevant Employees with GB employment contracts on the Snapshot Date but you will need to consider carefully contractors, transgender and internationally mobile employees.

### EMPLOYEE POPULATION FOR THE HOURLY RATE GAP CALCULATION

Once you know which employees are covered by GPR, you need to collate contracted hours for each and exclude employees who are nil paid or are receiving reduced pay due to leave (as defined) in the pay period spanning the Snapshot Date. The remaining population are Full-Pay Relevant Employees.

### EMPLOYEE POPULATION FOR THE BONUS GAP CALCULATIONS

Take all Relevant Employees and assess who received Bonus Pay (including equity and share income), in the 12 month period up to the Snapshot Date.



### PAYROLL DATA

Familiarise yourself with the elements of pay you include and those you exclude in the gender pay calculations. For example: shift pay is included but overtime is not. Include salary sacrifice deductions but not benefits in kind. Include cash allowances but exclude expense reimbursements.

Does your payroll system allow you to export individual pay items into a format that will allow you to process the data, eg Microsoft Excel?

Does your payroll indicate who is male and who is female? Are there those who do not self-identify as either?

Does your payroll have a unique reference for all Relevant Employees, such as staff number or NI number so that the data can be analysed accurately?

### BONUS PAY: CASH

This relates to any bonuses received and taxed during the year, irrespective of when they are earned. For the bonus calculations, this will be payments received in the 12 months up to the Snapshot Date – all amounts received in the 2019/20 tax year. For the hourly rate calculation, this will be bonuses received in the Earnings Period spanning the Snapshot Date (ie the Relevant Pay Period), pro-rated if they relate to a longer period than the Relevant Pay Period. Exclude non-monetary awards such as additional annual leave.

### BONUS PAY: EQUITY

This relates to directors or employees who receive equity and security based payments, eg share awards, share option gains, free shares, SARs, restricted shares and vesting of RSUs.

The rules are similar to those for cash bonuses. However, for awards falling into the Relevant Pay Period you will need to know the period for which the equity gain was received (eg the date of grant of the award and vesting period) to allow you to pro-rate the income.

Equity gains and income from HMRC approved plans (including Enterprise Management Incentive share options) are excluded if they qualify for income tax relief.

Equity gains which fall under payroll or income tax self-assessment are likely to fall within GPR.

If equity gains do not arise in a tax approved manner (even if granted under an HMRC approved plan) they would be included. Careful analysis of awards and tax treatment is therefore needed.

## 8. HOW BDO CAN HELP YOU WITH COMPLIANCE

Our gender pay consultants can provide the level of support and advice that suits your business.

We are experienced in collating and analysing large data sets, have detailed reward experience and provide portal technology to project manage the GPR process.

We have developed bespoke software to analyse GPR figures to help clients formulate policies to mitigate GPR gaps.

We can also provide advice around the determination of employees and pay to include and/or exclude from the calculations.

We can also assist with your narrative, helping to explain the gender pay gap and with deeper dives into the figures.

### DATA SECURITY

BDO's portal technology and process has been tried and tested in supporting our payroll and outsourcing clients. Using it to support Gender Pay Reporting provides both a project management tool as well as a means of securely sharing pay data and results – read more in [Section 9](#).

We can use our tools to collate your data, prepare the GPR figures and provide in depth and bespoke analysis.

### EQUITY REWARD

An area which may require further thought is equity based Bonus Pay, especially if you have hundreds of employees receiving equity awards.

BDO brings our experience in processing large data sets as part of our bespoke and market leading share plan reporting service, the BDO Equity Reporter, which can process over 50,000 data lines. This can support the preparation of gender pay figures.

Employers who must report on their gender pay gap and who also have significant equity awards should consider combining the two in one cycle. GPR calculations can also be completed in conjunction with annual share plan/employment related securities returns, avoiding duplication of compliance work for any given year.

### OUR SERVICES

Most employers are likely to be preparing and submitting their gender pay reports in the early Spring of each year in advance of the 4 April reporting deadline. Our experience suggests that many organisations find GPR both time consuming and resource heavy.

BDO can help you in all aspects of the GPR process to suit you and your resource gaps, for example:

- ▶ Consult on the narrative accompanying the GPR figures – both externally and also for the workforce
- ▶ Provide benchmarking and industry comparable GPR analysis
- ▶ Project manage the GPR process
- ▶ Provide a bespoke version of our Gender Pay Reporter to be used to securely collate and process your data
- ▶ Advise on complex issues such as equity and internationally mobile employees
- ▶ Analyse your payroll data to assess which elements are included in the gender pay figures
- ▶ Take raw data, cleanse and prepare hourly pay and Bonus Pay calculations
- ▶ Produce mandatory GPR figures or review figures you have calculated in-house
- ▶ Produce further financial analysis (gender pay by age, location, department, etc)
- ▶ Consult on how to close the gap and policy implications (in conjunction with your HR and employment lawyers)
- ▶ Drafting policies and communications in conjunction with your HR and employment lawyers.



## 9. YOUR DATA IS SECURE WITH US

BDO is a leading outsource provider for both UK and global companies. We frequently handle large amounts of confidential data through our secure and efficient portals.

Secure portal technology is used to share information between designated people in your business and BDO.

All client portal sites are hosted on Microsoft SharePoint a leading collaboration and content management technology.

### HOW SECURE?

BDO applications are developed to ensure that they are efficient, secure and robust. All system changes are rigorously tested and undergo acceptance testing by the primary business client prior to sign-off and deployment.

To ensure on-going system integrity and data security, all uploaded content is scanned for viruses and quarantined for further investigation where threats are detected. Penetration testing is conducted bi-annually by a CREST accredited firm and reports are available upon request. Such controls ensure that our clients' data is suitably protected against potential attack.

All BDO technology is physically secured. Only authorised BDO staff and/or suppliers can access our physical assets and BDO is ISO 27001 certified. Collectively, these measures ensure that our people, processes and IT systems are properly equipped to manage our data and other assets appropriately.

### ENCRYPTION

BDO's external web applications use industry standard encryption (2048 bit key length with SHA256 hashing) to ensure that all data in transit cannot be intercepted or inspected by unknown third parties. Our workstations and mobile devices are encrypted (AES 256 bit) to ensure client data is protected in the event of loss and/or theft of a device.



### SERVICE AVAILABILITY

BDO technology is deployed using highly available infrastructure, including, but not limited to, network switches/load balancers, servers and storage platforms.

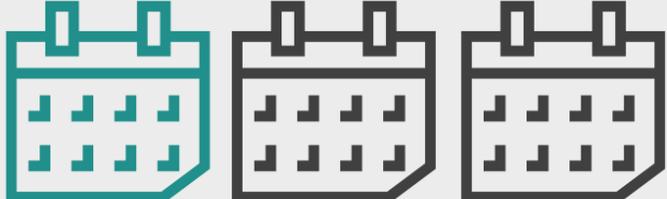
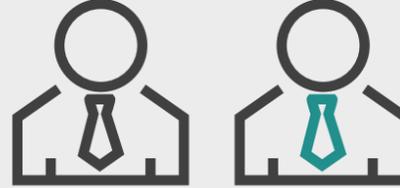
Some essential background processes run outside UK office hours, however, availability is maintained throughout. Maintenance related outages may be required to ensure security updates and application developments are deployed in a timely manner. These are commonly scheduled outside of UK office hours and at weekends where possible.

Site owners receive advance notice of all planned outages by email and are encouraged and supported to share this information with their user communities.

### PORTAL ACCESS AND USE

Only the permitted individuals you choose can have access to your portal, whether BDO or your own staff. BDO has robust internal policies on data protection and confidentiality which are rigorously adhered to by all staff.

# 10. GENDER PAY REPORTING: 10 COMMON ERRORS

|   |   |
|---|---|
| 1 |  <p><b>250 EMPLOYEES</b> CORRECTLY IDENTIFYING THE NUMBER OF EMPLOYEES AND THE RELEVANT REPORTING ENTITY/ ENTITIES – IE REPORTING IS NOT AGGREGATED ACROSS THE GROUP</p> |
| 2 | <p>USING THE WRONG <b>PAYROLL PERIOD DATA</b></p>    |
| 3 |  <p><b>CALCULATING QUARTILES</b><br/>NOT USING THE PRESCRIBED METHOD</p>   |
| 4 | <p><b>WHO</b> INCORRECTLY INCLUDING INDIVIDUALS NOT ON FULL PAY IN PAY CALCULATIONS, IE IDENTIFICATION OF '<b>FULL PAY RELEVANT EMPLOYEES</b>'</p>                   |
| 5 |  <p><b>CONTRACTS</b><br/>NOT INCLUDING ALL '<b>RELEVANT EMPLOYEES</b>'</p>   |

|    |   |
|----|---|
| 6  |  <p><b>BONUS</b><br/>FAILURE TO IDENTIFY/INCLUDE CORRECT PAY/NON-CASH ITEMS</p>                  |
| 7  | <p><b>HOURLY RATES</b><br/>FAILURE TO USE THE PRESCRIBED MULTIPLIER</p>                         |
| 8  |  <p><b>PAY</b><br/>SELECTING THE WRONG PAY ELEMENTS FOR PAY CALCULATIONS</p>                   |
| 9  | <p><b>VALUING BENEFITS?</b><br/>FAILURE TO PRO-RATE ITEMS FOR BONUS CALCULATIONS</p>           |
| 10 |  <p><b>NON-CASH BONUS</b><br/>FAILURE TO IDENTIFY THE TAXABLE VALUE FOR BONUS CALCULATIONS</p> |

# 11. FREQUENTLY ASKED QUESTIONS

## WHO REPORTS AND HOW?

### 1. WHO HAS TO SUBMIT A GENDER PAY REPORT?

Any organisation who employed 250 or more employees on the Snapshot Date of 5 April is a Relevant Employer and must submit a GPR by the following 4 April. For each year thereafter, any organisation which has 250 or more employees on 5 April each year will have to report.

### 2. WHERE DO I SUBMIT MY GENDER PAY REPORT?

The gender pay report must to be uploaded to the Government sponsored gender pay reporting website at <https://gov.uk/report-gender-pay-gap-data>.

The above website page gives the ability to link to the organisation's own website, where a copy of the report must be kept for a minimum of three years and where an optional narrative can be provided.

### 3. CAN WE VIEW THE GENDER PAY INFORMATION FOR OTHER ORGANISATIONS IN OUR SECTOR?

The reports of all organisations covered by the regulations are available to view at: <https://gender-pay-gap.service.gov.uk/Viewing/search-results>.

Organisations may wish to include analysis and commentary around their competitors within a sector in their own narrative.

### 4. DO WE HAVE TO SHARE OUR GENDER PAY REPORTING WITH OUR EMPLOYEES?

Given increased transparency and media scrutiny around gender pay, organisations may wish to consider carefully how it will communicate its own gender pay figures with employees. It will be vital to ensure that the organisation has effective internal communication and a sound narrative.

### 5. WHO IS RESPONSIBLE IN OUR ORGANISATION FOR GENDER PAY REPORTING?

The answer is two-fold. A senior employee will need to 'sign off' the report and confirm it is accurate. This will usually be a named director or equivalent within an organisation. However, in preparing the report, this is likely to include staff from multiple areas of the organisation and will likely include HR, payroll and reward staff.

## WHICH EMPLOYEES ARE COVERED?

### 6. OUR PAYROLL IS RUN AT THE END OF APRIL. HOW SHOULD WE DEAL WITH LEAVERS AND JOINERS BETWEEN 5 APRIL AND THE END OF THE MONTH?

The date on which you will assess the number of employees for the purposes of the 250 employee threshold and which employees to include in your calculations will be 5 April each year (the Snapshot Date). If someone joins on 6 April they should not be included in this year's report. If an employee leaves on 2 April, they should not be included since they will no longer be an employee on the Snapshot Date.

### 7. SHOULD WE EXCLUDE CONSULTANTS WHERE WE DON'T KNOW HOW MANY HOURS A WEEK OUR CONSULTANTS WORK?

There is scope to exclude self-employed consultants where an employer does not have and it is not 'reasonably practicable' to obtain the data needed for its Gender Pay Reporting. The ACAS guidance does suggest that before excluding such a consultant, the employer should try to obtain the information needed by asking the consultant.

### 8. I HAVE TWO EMPLOYEES ON MATERNITY LEAVE. ONE WILL STILL BE ON FULL PAY ON 5 APRIL AND THE OTHER EMPLOYEE IS ONLY RECEIVING STATUTORY MATERNITY PAY. DO I INCLUDE THEM?

The employee who is on leave and receiving full maternity pay would be included in the headcount of 250 employees and all of the calculations, because she will still be receiving full pay. If the employee on statutory maternity pay is receiving less than her usual full pay, she should be included headcount of 250 employees and in the Bonus Pay calculations but not included in the hourly rate of pay calculations.

### 9. I HAVE AN EMPLOYEE WHO DOES NOT SELF-IDENTIFY AS EITHER MALE OR FEMALE – HOW DO I TREAT THEM FOR GENDER PAY?

The regulations do not address this sensitive issue. However, the guidance suggests that employers should use the gender identification the employee has provided for HR/payroll purposes. For employees who do not self-identify as either male or female, the guidance notes state that employers can omit these employees from their calculations.

# 11. FREQUENTLY ASKED QUESTIONS

## WHICH EMPLOYEES ARE COVERED?

### 10. WE HAVE A NUMBER OF INTERNATIONALLY MOBILE EMPLOYEES. HOW DO WE KNOW WHETHER WE SHOULD INCLUDE THEM IN THE GENDER PAY CALCULATIONS?

The application of GPR to an organisation's mobile employees is not straightforward. Whether to include overseas employees will largely depend on where their employment connection is and determining that can be complex.

The guidance and commentary suggests that if an employee would be able to bring a claim to a GB employment tribunal under the Equality Act 2010, they would be within the scope of the regulations (and therefore included in the 250 employee headcount and subsequent calculations).

The guidance goes on to state that whether this is the case will depend on whether the employment relationship suggests a stronger connection to GB employment law than to the law of any other country. If it is not clear to you, take advice.

## WHAT IS 'PAY' FOR GPR PURPOSES?

### 11. HOW DO I CALCULATE WORKING HOURS WHERE EMPLOYEES WORK VARYING HOURS OVER DIFFERENT WEEKS?

The regulations normally require you to use a 12 week reference period to determine the weekly hours and average over that period.

If you have employees who work rotas or shifts – for example, with say two weeks on and two weeks off – then the regulations operate to exclude the weeks in which no hours are worked. Within a 12 week reference period this could otherwise result in an unrepresentative and low hourly rate, so employers should adopt a fair and reasonable approach to obtain an average in these circumstances and may wish to provide some narrative on such issues.

### 12. OUR LONG TERM BONUS PLAN PAYS OUT A BONUS ON 30 APRIL EACH YEAR RELATING TO A THREE YEAR PERFORMANCE PERIOD. DO WE PRO-RATE IT?

For calculating hourly pay rates Bonus Pay would only be included if it is received during the Relevant Pay Period. If 30 April falls within earnings period which straddles the Snapshot Date of 5 April then it is included. Note that because it is paid after 5 April it would not fall into that year's Bonus Pay figures.

The bonus has been earned over a three year performance period and so for the hourly rate calculations it is pro-rated. Assuming the employee is paid monthly the addition to their other relevant monthly pay would be:

[Bonus X 30.44 days / (365.25 days X 3)].

### 13. WE PAID A BONUS TO A PART-TIME MEMBER OF STAFF? DO WE SCALE IT TO PRODUCE A FULL TIME EQUIVALENT FIGURE?

No. Use the figure actually paid to the part-time employee. If this distorts your bonus gap because you have a high proportion of part-time employees, consider providing an explanation in your narrative.

### 14. ARE PENSION CONTRIBUTIONS COUNTED AS PAY?

This will depend on the administration of the pension and there is a distinction between employer and employee pension contributions. Employer pension contributions are not considered 'pay' since these are contributions paid by the employer rather than monies deducted from the employee's pay. Employer contributions, therefore, will not affect the gender pay gap hourly or bonus figures. Where employee contributions are made to a pension via salary sacrifice, include their pay after the salary sacrifice reduction.

The salary sacrifice is not considered pay because the employee has given up their contractual entitlement to it and it is no longer considered to form part of their salary.

### 15. OUR ORGANISATION PROVIDES A SEASON TICKET LOAN TO EMPLOYEES. IS THIS INCLUDED IN PAY?

No. Loans to employees, such as an annual season ticket loan, are not counted as 'pay' for the purposes of gender pay reporting.

### 16. WE PROVIDE COMPANY CARS TO SELECTED EMPLOYEES. DO WE INCLUDE THESE IN THE PAY FIGURES?

Benefits in kind are excluded. The benefit of providing a company car would not be counted as ordinary pay. However, if an employee elected to receive a cash payment instead, then this would be included.

### 17. CAN WE IGNORE INSIGNIFICANT PAY ELEMENTS?

No. You cannot ignore a pay element just because it small.

# 11. FREQUENTLY ASKED QUESTIONS

## HOW IS EQUITY DEALT WITH FOR GPR PURPOSES?

### 18. DOES EQUITY INCOME COUNT AS BONUS PAY FOR THE GENDER PAY CALCULATIONS?

Potentially, equity and share based remuneration is relevant to the gender pay calculations.

### 19. IS ALL EQUITY INCOME REPORTABLE FOR GENDER PAY PURPOSES?

No. The guidance indicates that the exercise of certain options and equity awards in a tax favoured manner under the various UK tax-favoured equity plans (for example, certain share options and Sharesave/SIP awards) will be excluded from Bonus Pay.

Options and share awards that are chargeable to income tax in the hands of the employee are, however, included. In general, income from unapproved options, LTIPs, free share awards, RSUs, SARs and ESPP awards are reportable.

### 20. DO FREE SHARE AWARDS AND/OR RESTRICTED STOCK AWARDS COUNT AS BONUS PAY?

Yes. If the employee is subject to income tax on the acquisition of the shares or when the restricted stock units vest, then this would count as Bonus Pay.

### 21. WE AWARDED FREE SHARES TO EMPLOYEES ON 1 APRIL. DO WE INCLUDE IT ALL IN THE CALCULATIONS?

As the award of shares is taxable, and as it is awarded in the Bonus Period, the taxable gain is included in full in the Bonus Pay figures.

Assuming the award is received during the Relevant Pay Period (ie the pay period straddling the Snapshot Date of 5 April) then it is included in the hourly pay rate calculations. If the award is purely discretionary (ie there is no period over which it was earned) then the gain would be included in full and could heavily distort the hourly pay rate gender pay gap ratios.

If the award was earned over a period longer than the Relevant Pay Period the regulations provide that when calculating pay for the Relevant Pay Period the employer should pro-rata the bonus amount. To work out the element of Bonus Pay included in the hourly pay rate calculations you divide the bonus amount by the length of the period over which the bonus was earned (in days) and multiply by the length of the pay period. See question 12 for an example of a pro-rata calculation.

The situation can be complicated where you are pro-rating Bonus Pay resulting from equity gains and it is not clear what constitutes the period over which the gain was earned. If we look at share options for example, is it the period between grant and vest (ie the performance period) or the period between grant and actual exercise of the option? If using the latter, this calculation will be different for different employees.

A better, and more consistent approach, might be to use the performance period and to therefore calculate in this way for all employees irrespective of how long they hold onto their awards after vesting - in keeping with the spirit of equal treatment that underpins the legislation. It would be advisable to document the approach taken and the reasons for doing so in the supporting narrative.



## WHAT NEXT?

### 22. OUR ORGANISATION HAS A GENDER PAY GAP. WHAT SHOULD WE DO ABOUT IT?

The legislation was introduced because the Government wants to narrow and ultimately eliminate the gender pay gap in businesses. If you identify a gender pay gap, consider the root causes, question current policies and build an action plan to reduce it. For example:

- ▶ Think about whether a 'motherhood penalty' on career progression exists in your organisation and, if so, how you can address it.
- ▶ Consider tactical reward approaches such as pay progression, your recruitment process and performance management.
- ▶ Look at your policies around mentoring, HR interventions, return to work, flexible working and shared parental leave.
- ▶ Assess whether the culture of your organisation is adding to the problem. Changes in both mind-set and behaviour need to come from the top and filter down through the organisation.

In many cases, it may be necessary take policy, reward and recruitment advice.

**If you are considering outsourcing the work, our gender pay consultants can provide the level of support that suits your needs. Read [Section 8](#) for further information or [contact our experts](#).**

## 12. GLOSSARY

|                                    |   |
|------------------------------------|---|
| <b>BONUS PAY</b>                   | As described in <a href="#">Section 5</a> .   |
| <b>BONUS PERIOD</b>                | The period over which the bonus is earned - this will almost certainly be different to the Relevant Pay Period but cannot exceed 12 months.   |
| <b>EARNINGS PERIOD</b>             | This will be the normal earnings period for employees, which could either be weekly or monthly depending on how employees are paid.   |
| <b>FULL-PAY RELEVANT EMPLOYEES</b> | Employees for which hourly rate calculations are performed. These are employees paid their usual basic pay in the Relevant Pay Period or in receipt of reduced pay. Exclude employees where reduced pay means nil paid or the reduced pay is due to leave, maternity or other specified absence (irrespective of when the leave was taken). |
| <b>GENDER PAY GAP</b>              | The difference between the average hourly pay for men and women.  |
| <b>GENDER PAY REPORTING</b>        | Reporting of the statutory gender pay gap ratios and related data.  |
| <b>LEAVE</b>                       | Includes absence due to annual leave, maternity, paternity, adoption, parental, sick leave, special leave, study and sabbatical.  |
| <b>MEAN</b>                        | Aggregate of all pay divided by the number of employees.  |

|                            |  |
|----------------------------|--|
| <b>MEDIAN</b>              | The middle employee where all employees are ranked in pay order.<br><br>If the number of employees is even then it will be the average for the two middle employees.   |
| <b>PAY</b>                 | As described in <a href="#">Section 5</a> .  |
| <b>RELEVANT EMPLOYEES</b>  | The employee group for which the 250 employee test is applied covers part-time and full-time employees (part-time employees are not pro-rated for employee numbers). In broad terms, Relevant Employees ordinarily work in GB and are governed by GB legislation.<br><br>Non-GB employees may be drawn into this definition if the employment relationship suggests a stronger connection to British employment law than another country, eg the employee could bring a claim to an employment tribunal under the Equity Act 2010. |
| <b>RELEVANT EMPLOYER</b>   | An employer who has 250 or more employees on the Snapshot Date.  |
| <b>RELEVANT PAY PERIOD</b> | The earnings period spanning the Snapshot Date of 5 April, (irrespective of when paid).  |
| <b>SNAPSHOT DATE</b>       | The 5 April each year, commencing 2017, for businesses in the private and voluntary sectors (public sector organisations use 31 March).  |



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