

JSCC discussion paper - Mandatory pay gap reporting

A pay gap report measures the difference in hourly pay between different groups and can be seen as a basic indicator of inequalities in the workplace at all stages of employment. This is different to an equal pay audit, which looks at the difference in pay between people with different characteristics at the same job; pay gap reporting looks at a wider picture across the workforce.

Gender

In 2017, the Government introduced mandatory gender pay gap reporting and employers with 250 or more employees are required to publish statutory gender pay gap calculations every year. Accordingly, North Herts Council are required to calculate and publish the following gender pay data:

- Gender pay gap (mean and median averages)
- Gender bonus gap (mean and median averages)
- Proportion of men and women receiving bonuses
- Proportion of men and women in each quartile of the Council's pay structure

The data must be a snapshot of salary data on 31 March each year and the bonus pay gap must be calculated from all bonus payments made in the 12 months up to and including the snapshot date of 31 March each year. This data must be published on the NHC website and the Gov.UK Gender Pay Gap Service website by 30 March each year.

Ethnicity

In October 2018 the Government ran a consultation seeking employers' views on ethnicity pay gap reporting, what should be reported and who should be expected to report. Following this, a petition received over 130,000 signatures in favour of mandatory ethnicity pay gap reporting and the House of Commons Women and Equalities Committee urged the Government to make ethnicity pay gap reporting mandatory as a first step to addressing pay disparities between employees from different ethnic backgrounds.

In its policy paper published in March 2022, the Government stated it would not be making ethnicity pay gap reporting mandatory "at this

stage”, to avoid burdening workplaces during their post-pandemic recovery and because it recognised that it is not a tool that can be consistently and fairly applied across all employers. It was however confirmed that for those organisations who made the choice to publish ethnicity pay figures, they would be required to publish alongside their voluntary figures a “diagnosis” and action plan to reduce and close any gaps that were apparent.

Ethnicity pay gap reporting has several issues which can cause an extra burden for employers. Where gender pay gap reporting only uses two categories (it does not incorporate those that identify as non-binary), for ethnicity there would need to be many specific categories instead of a few broad groups, for example the Office for National Statistics suggests 5 main categories and 18 sub-groups of ethnicity are used when collecting data. Collection of this data and the need to calculate pay gap figures for each measured against each of the other categories/sub-groups to get a full picture can be resource-intensive for employers. The data is not binary which makes collecting more challenging, including the fact that employees may not identify with any of the categories or may not want to share such information, which would distort the data and would impact its usefulness.

In addition, any outcomes need to account for the different demographics in different regions of the country, as some areas have very small ethnic minority populations.

There are also the challenges of confidentiality and ensuring the anonymity of staff as in an organisation where there are few ethnic minority employees it might be possible to infer from pay gap information who individuals are.

The Department for Business, Energy and Industrial Strategy (BEIS) (now Department for Business and Trade) has been tasked to produce guidance which should provide specific advice to deal with the issues mentioned above for organisations wanting to measure their ethnicity pay gap. The guidance will include case studies of companies that already report on their ethnicity pay gaps and will provide employers with the tools to understand and tackle pay gaps and to build trust with their employees. No date has yet been set for this guidance to be available and in February 2023 BEIS confirmed it would be published in due course.