



Government
Equalities Office

Closing the Gender Pay Gap

**Government response to the
consultation**

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Introduction

Tackling the gender pay gap is a key priority for this government. We have made significant progress in recent years and the gender pay gap is the lowest on record. But we must not be complacent. That is why one of the first announcements following the election was our commitment to act on the manifesto pledge to require large employers to publish the difference between the average pay of their male and female employees. The Prime Minister has set out this government's ambition to eliminate the gender pay gap in a generation, and we recently made further pledges to include bonuses in the gender pay reporting and to extend these requirements to the public sector.

We published a consultation, *Closing the Gender Pay Gap*, last July to seek views on the transparency proposals and broader questions about girls' aspirations, women returning to work and older working women. The consultation received nearly 700 responses, including over 200 from employers and business organisations. We are grateful to everyone who took the trouble to contribute such substantial and informative responses. This document summarises the results of that consultation.

We have been engaging throughout with employers and trade associations across a broad range of sectors that employ in excess of a third of the private sector workforce between them. For example, we held a policy roundtable with EEF that has a reach of around 1 million employees working in manufacturing - the single largest sector to be affected by the new regulations. We also considered the findings published by Business in the Community (BITC) who surveyed more than 1,000 women and men about the reasons for the pay gap and how they may react to their own employers' reporting this information.

We also ran policy workshops with the voluntary and charity sector, think tanks, civil society, expert HR practitioners, academics and trade unions. The consultation and our continued stakeholder engagement have ensured that our proposals are proportionate and effective.

We are also publishing a further consultation seeking views on the draft regulations that will apply to employers in England, Wales and Scotland with at least 250 employees. The regulations are only one element of our wider strategy to tackle the complex drivers of the pay gap and ensure that every woman is able to achieve her full potential.

Chapter 1: Gender Pay Transparency

Benefits of Transparency

Employers are losing out by not effectively utilising women's academic achievements, experience and talents. Equalising women's productivity and participation rates would make a significant positive impact on our economy.

Increasing transparency around gender pay differences will enable the impact of those workplace policies and practices promoting gender equality to be monitored and remedial action to be prioritised. An employer may be unaware that they even have a gender pay gap until they analyse their pay information.

We asked

We sought views on whether the publication of gender pay information will encourage employers to take actions that will help close the pay gap.

Respondents said

- 82% of employers and business organisations agreed that the publication of gender pay information would encourage employers to take action to close the gender pay gap. One-third of organisations strongly agreed. No organisations strongly disagreed. The majority of responses from individuals agreed or strongly agreed with the statement too.
- Employers saw an increased requirement for transparency as an opportunity for organisations to put in place strategies to tackle problems where they exist.

- Virgin Money stated: *“We believe that increased transparency in this area has the potential to act as a catalyst for individual firms and sectors to review policies and practices that may hold women back from progressing in their careers and introduce training to address unconscious bias amongst recruiters and lines managers.”*
- Some employers also thought increased transparency helps foster fairness in the workplace. Tesco stated: *“We believe that monitoring the pay gap between men and women is crucial to ensuring everyone is fairly rewarded for their work and enjoys the same opportunities.”*
- The Young Women’s Trust conducted a survey to inform its response and found that 84% of the surveyed women (aged 16-30) would consider an employer’s gender pay gap when applying for a job. They also found that 80% would compare employers’ gender pay data when looking for work.

The Government’s response

Nearly 300 employers are signed up to *Think Act Report*, creating a community of best practice, collectively employing over 2 million people. We said we would keep section 78 of the Equality Act 2010 under review and that is what we have done. As only seven signatories voluntarily published their gender pay gap, the government now wants to build on the progress made through the voluntary approach. By introducing regulations under section 78, we aim to introduce workable requirements to publish gender pay data. This will accelerate progress being made by large employers on workplace gender equality.

Publication of a gender pay gap can ultimately increase employee confidence in the remuneration process and help employers identify new opportunities to increase female participation rates. Over 1.5 million women already in work would like to increase their hours. If they worked just one extra hour each

week, that would contribute almost 80 million more hours a year in productivity. Greater transparency around the gender pay gap can also enhance an employer's corporate reputation.

By identifying those employers that are consistently and successfully ensuring that their female employees are achieving their full potential, we can recognise and disseminate good practice more effectively. Transparency will also provide the government with evidence to implement initiatives to further accelerate the narrowing of the gender pay gap.

Comparability

Greater transparency will make employers more mindful of gender differences in pay and working patterns within their organisations. A consistent measure that can be compared across employers and sectors is an important step forward. We believe that competition and peer pressure (especially within the same sector) will drive employers to tackle any workplace inequalities identified.

We asked

As employees or other interested parties (e.g. shareholders) may want to gauge how an employer's gender pay gap compares with similar organisations, we asked how important comparability is.

Respondents said

- 52% of organisations thought that comparability with similar organisations was important to some degree.
- The Institute of Employment Studies (IES) stated: *“While there are structural causes of the gender pay gap which create significant variations by industry, benchmarking with others will help to highlight good and bad practice and encourage the spread of best practice. It will also encourage research and commentary in the area, helping... to better understand the causes of gaps and to address them effectively, as well as keeping the issue in the media spotlight which will encourage employers to prioritise action in this area.”*
- There was general consensus that the regulations should include a standard methodology for employers to follow.

- Unite stated that *“requiring employers to use a standard method of calculating gender pay gaps and to report progress against the same set of variables is essential, otherwise it will be impossible... to understand how different companies are performing against those in the wider economy and their sector and to prioritise action to encourage those with the most significant pay gaps to make changes.”*
- A number of employers stated that a clear definition of ‘pay’ is required to ensure comparability between calculated gender pay gaps.
- The Chartered Management Institute (CMI) stated: *“Failing to ensure comparability would weaken the impact of the policy as a driver of change.”*
- Deloitte suggested that *“comparability will be important not only directly to the employer (who will be able to attract and retain the best talent), but also - in time - to the commercial health of the business as clients start to consider the gender pay gap as a key metric in supplier selection.”*
- A number of respondents agreed it was important to maintain the comparability with the median gender pay gap figures presented by the Office of National Statistics (ONS) as these are often cited in the media. However, others felt that individual employers would find particular value in using the mean for their own workforce, as it is a better representation of the full range of earnings.

The Government’s response

We think it is important that a consistent methodological approach is taken to ensure comparability. We agree that comparability will encourage employers to examine their gender pay data in comparison to the national average and their competitors.

Comparability will also assist in identifying barriers to pipeline progression within particular sectors, as well as allowing employees and stakeholders to make informed judgements about an employer's pay practices.

Where to Publish

It is crucial that the required gender pay gap information is widely and easily accessible in order to facilitate transparency and scrutiny.

We asked

We sought views on whether the regulations should specify where employers publish their gender pay gap information – for example, a prominent place on their public website.

Respondents said

- 75% of organisations agreed that the regulations should specify where the employer publishes their gender pay gap information. 83% of individual respondents agreed.
- Some respondents suggested that an employer’s data should be published in their annual report.
- An umbrella body from the voluntary and charity sector suggested that *“having this incorporated into the Statement of Recommended Practice will embed gender pay into charities’ wider reporting responsibilities. Furthermore, as a charity’s accounts are available to download from the charity commission’s website this will facilitate public scrutiny.”*
- Respondents were keen to ensure there was consistency in publication across those in scope of the regulation. Of those who offered a preference, publishing on an organisation’s website was favoured.

- One large retailer stated that *“if this information is to be made publicly available a consistent approach should be taken so it is easy to locate; preferably for ease it seems to us that the company website as opposed to within an annual report for example would be more transparent and accessible.”*

The Government’s response

We think that online publication is the most effective way to make gender pay gap information easily and widely accessible. The regulations will require employers to publish their gender pay information in English on a searchable UK website that is accessible to employees and the public. In addition, employers will be required to send evidence of compliance to a government-sponsored website.

Chapter 2: Developing Gender Pay Gap Regulations

Gender Pay Gap Measures

To ensure a workable approach to mandatory gender pay gap reporting, our first consultation sought views on the key points of detail. For example, there are a number of ways to analyse and present information showing the differences between the earnings of men and women.

We asked

We sought views on what measures showing gender pay differences employers are already able to calculate from existing data systems.

Respondents said

- Of those within scope of the regulation, 62% can already calculate an overall gender pay gap figure, 61% can calculate a full-time and part-time breakdown, and 54% can calculate gender pay gaps by grade. Less than 2% of organisations said they were unable to measure the difference in the pay of male and female employees from existing data and systems.
- The Equality and Human Rights Commission (EHRC) noted that an overall gender pay gap figure “*calculated in a standard and consistent way will allow for comparisons between a company and the national average, between companies in a sector, and between sectors.*”
- The CBI, whose members employ around a third of the private sector workforce, suggested that an overall gender pay gap figure should be the default compliance option.

- EEF, representing 6000 employers in the manufacturing sector, would prefer an overall gender pay gap metric, *“but to allow employers to report more detailed metrics should they choose to do so.”*
- Some consultation responses highlighted that publishing separate gender pay gap figures for full-time and part-time workers risks hiding the average differences in pay between men and women given differences in working patterns.
- One respondent thought that publishing gender pay gaps by grade would help women understand their value in the market when applying for jobs.
- Tesco was concerned *“that there could be an unintentional breach of confidentiality if employers reported gender pay information by grade or job type – for example if there were only a very small number of employees at that grade.”*
- A number of employers noted concerns that introducing regulations that imposed a comparable grading structure would be unworkable, disproportionately costly and overly burdensome.
- The legal firm, Baker and McKenzie, conducted a focus group with a number of multinational clients. The firm stated: *“Some clients would have more difficulty in producing figures broken down by grade or job type (although some could produce this at the push of a button). Not all clients operated a grading system which related to their pay structures or which would provide a meaningful analysis of pay differences.”*
- The CBI stated: *“If businesses had to provide a complete list of pay gaps, based on job titles and their specific job requirements, it could have far reaching impacts on things like data protection (if one*

title has only a handful of employees for example) as well as creating a significant administrative burden to business in establishing the complete collection.”

- The Employment Lawyers Association (ELA) suggested that the demographics of the workforce should be reported alongside the gender pay gap figure, as well as information relating to the corporate hierarchy: *“This will illustrate companies and/or industries with mixed demographics yet still publishing a large gender pay gap. Further, it will identify organisations and industries that are male/female dominated and allow further work in terms of encouraging males and females into those areas.”*
- A number of consultation responses argued that bonuses can be a very significant element of overall total remuneration, and without these the full extent of a gender pay gap may be potentially masked.
- There was consensus among the participants attending the GEO workshop for think tanks that bonuses should be considered as part of the gender pay gap reporting.
- On bonuses, the ELA stated: *“It should be noted that in certain sectors, such as the financial services sector, these components other than basic salary form a significant part of each employee's annual remuneration package. As such, any analysis of the gender pay gap which does not take account these components will be incomplete.”*

The Government's response

Calculating separate gender pay gap figures for full-time and part-time employees can provide information that is useful for those employers with a large part-time workforce (i.e. as women are much more likely than men to work part-time). However, we agree that publishing separate figures for full-

time and part-time workers may not be useful or appropriate for many employers or employees.

We also recognise that publishing gender pay gaps by grade or job type would not be workable for all as many employers do not have standardised grading structures, especially those with complex and changing structures resulting from mergers and acquisitions.

The draft regulations require employers to publish overall gender pay gap figures calculated using both the mean and the median. These two measures are complementary and will give employers a better understanding of any gender pay gaps they identify:

- The median is the best representation of the 'typical' difference as it is unaffected by the small number of very high earners. By using the median, the data will be consistent with ONS national data.
- By taking into account the full earnings distribution, the mean may be especially useful within a single organisation. In many cases, women are over-represented at the low end of the earning distribution and men over-represented at the high end.

Attendees at roundtables with women's civil society organisations, trade unions and expert practitioners agreed that publishing both the mean and median gender pay gaps would add greater depth to the analysis. Although the mean is a more commonly understood calculation of the average, attendees agreed it was important to maintain comparability with ONS median data too.

Including overtime in the calculation of the overall gender pay gap would be affected by the fact that men are often able to work relatively more overtime than women on average. Women should have the same opportunities as men to work overtime if they want to do so, but we do not want to create a

perverse incentive for employers to force women to work more overtime. As such, the regulations will exclude overtime payments from the gender pay gap calculations. This is consistent with the ONS approach.

We agree that an overall gender pay gap figure enables comparison with other employers and national data, but recognise that it does not offer the level of granularity required to explain pay differences within an organisation. Therefore, employers will also be required to report on the number of men and women working across salary quartiles.

Employers will calculate the salary quartiles themselves based on their overall pay range. Our research has shown that this information is relatively straightforward to collate and illustrates the ceilings to men and women progressing within an organisation in a format that would be widely understood. The Mitie Group published a summary of the numbers of men and women in each salary band in its sustainability report for 2014, and commentators found this a clear and useful indicator.

The ONS methodology for calculating overall gender pay gap figures looks at a representative 'snapshot' period (specifically, April). We recognise that relatively few bonuses would be captured in that calculation as many bonuses are paid at other times during the year. Bonuses can be a significant contributor to the overall difference in average male and female pay.

An ONS report published in August 2015 highlighted that over £42 billion was paid in bonuses across the UK economy last financial year, including £13.6 billion paid in the finance and insurance sector. The average bonus across all those in employment was approximately £1,500 per employee, compared to an average of £13,500 in the finance and insurance industry where bonuses contribute to just over one-fifth of total pay.

An inquiry by the EHRC in 2009 found that differences in bonuses awarded to men and women working in the financial services sector significantly contributed to the gender pay gap.

Among those men and women across the whole economy that do receive bonuses, males on average receive a considerably higher bonus. The mean bonus paid to men receiving a bonus was £6,719, whereas the mean bonus paid to women receiving a bonus was only £2,918. Based on these figures, there is a 57% 'gender bonus gap' among those employees that received a bonus across the whole economy.

Jobs traditionally done by men are often more eligible for bonus payments than those roles predominantly done by women. The Chartered Management Institute (CMI) has shown that male managers are still more likely to get a bonus. These findings are especially concerning as women still only make up around 34% of senior managers. According to the October 2015 Labour Force Statistics, there are 1,059,000 female managers, which represents over 7% of all female employees. There are 2,123,000 male managers, representing nearly 13% of all male employees.

Examining basic pay rates alone will not provide employers with a full understanding of the causes of the underlying gender pay gap and the potential impact of bonus payments on women's total earnings. As such, we will require employers to separately analyse all bonus payments made in a 12-month period and publish the difference between women and men. This will encourage employers to scrutinise their remuneration and reward policies and ensure that their practices for bonuses are just as fair and transparent.

Contextual Information

Some employers may want the required gender pay gap information to speak for itself. Others may prefer to provide details about equality policies and action plans or summarise findings of gender pay surveys.

We asked

We sought views on whether additional information published by employers should be entirely voluntary; set out in non-statutory guidance; or set out within the regulations.

Respondents said

- 28% of organisations felt that the narrative should be set out within the regulations so that employers must explain the reasons for any gender pay gap and describe the action being taken.
- Organisations were broadly in favour of additional narrative being voluntary, being set out in clear non-statutory guidance and not within regulations because employers may have justifiable reasons for a pay gap which are unrelated to sex discrimination or equal pay issues (e.g. workforce demographics).
- The CBI recommended that *“companies should be free to offer additional narrative and/or a comprehensive set of figures, for further explanation as they see fit.”*
- An umbrella body from the voluntary and charity sector noted: *“It will be important to have clear guidance around what details should be included in any additional narrative.”*

- EEF, the large organisation representing the manufacturing and engineering sector that has traditionally been male dominated, noted: *“For our sector, we expect many employers will voluntarily offer a narrative given the demographic of the industry.”*
- Reflecting such concerns, the EHRC observed: *“An employer may have justifiable reasons for a pay gap unrelated to sex discrimination or equal pay issues. The Commission’s research suggests that many employers would like the opportunity to explain any pay gap...if the narrative requirements were set out in regulations, they would need to provide such precise definitive terms for the narrative as to make it a bureaucratic measure or tick-box exercise. This could hinder companies from identifying and describing the unique causes of pay gaps in their organisations.”*

The Government’s response

We expect that many employers will want to provide additional narrative that provides context, explains any pay gaps and sets out what actions will be taken. The narrative will be voluntary, but will be strongly encouraged within the guidance accompanying the regulations.

Requiring employers to provide this contextual information may be considered overly burdensome. It would also be unnecessarily limiting to prescribe what information should be provided, as employers will want to adapt their approach. For example, those sectors where overtime is a significant element of remuneration will be encouraged to include further details voluntarily.

Frequency of Publication

The regulations will need to establish a regular reporting cycle. Reflecting that most obligatory business reporting is done annually, section 78 of the Equality Act 2010 states that employers cannot be required to publish gender pay gap information “*more frequently than at intervals of 12 months.*”

We asked

We sought views on how often employers should report their gender pay gap information.

Respondents said

- Nearly half of respondents (45%) said that employers should report gender pay gap information every year. 22% of organisations said every two years, and 25% of organisations said every three years.
- Yearly reporting would help consolidate employers’ awareness of the gender pay gap. ADP, the payroll services provider, stated that “*metrics such as absenteeism, joiners/leavers are monthly operational metrics however more strategic metrics such as staff engagement are measured at least annually...measuring any gender pay gap yearly is more likely to bring focus and therefore action and progress than a longer interval.*”
- The EHRC stated that annual reporting would “*provide a reputational incentive for employers to comply. It would also enable them to measure progress clearly from year to year.*”

- A number of large employers across a range of sectors were in favour of annual gender pay gap reporting, including Carillion, Centrica, Deloitte, PWC and Sodexo. The TUC and Unison also support annual reporting.
- The Institute for Employment Studies (IES) suggested that many large employers already review their remuneration annually, and this *“will require them to be analysing pay data anyway in most cases and so reduce the additional effort to calculate gender pay stats.”*
- Contingent on the complexity of the requirements, a multinational telecommunications company favoured annual reporting *“so progress of projects to reduce the gap could be measured.”*
- Some respondents, including Centrica and Intu Properties, suggested that some employers might choose to tie gender pay gap reporting in with their annual reporting process.
- Some respondents felt that reporting every two years would allow employers more time to address any necessary changes arising from previous pay gap figures.
- Reporting every three years would give employers even longer to make changes and review progress. Some respondents expressed concern that a shorter reporting cycle might increase the risk of employers focusing on quick fixes rather than more impactful longer-term changes.

The Government's response

Although there was some support for reporting gender pay information every two or three years, we agree with those respondents (including a number of large employers) that annual reporting will help demonstrate progress and promote transparency.

In addition, annual reporting will embed gender pay analysis and help maintain momentum in driving change. Giving employers complete freedom to determine their own timetable for publication would make data gathering and monitoring compliance almost impossible.

As such, the regulations will require first publication to occur within 18 months of commencement with annual publication thereafter. If we commence the regulations in October 2016, employers will have six months to prepare for the preliminary data snapshot in April 2017. They must then analyse and publish the required information by April 2018 on a date of their choosing.

Allowing employers to decide when to publish during a 12-month period will help enable timely comparisons across sectors and facilitate monitoring.

Implementation Costs

The regulations must contribute towards our objectives of increasing gender pay gap transparency and driving action to reduce the gap, whilst not becoming disproportionately costly to employers. Eradicating the gender pay gap makes business sense: research by McKinsey shows that the most gender diverse companies are 15% more likely to financially outperform less diverse companies¹. As such, there are significant potential benefits to individuals in the form of higher labour market returns and to the employers in the form of increased productivity – increasing the productive potential of the economy without creating inflationary pressure.

We asked

We asked employers to assess the costs of conducting gender pay analysis and publishing the results.

Respondents said

- There was a significant difference between those organisations that provided actual costs based on existing operations and those that gave a general estimate of their expected costs. The actual costs for organisations were on average considerably less than the estimated costs. Most markedly, actual training costs were about one-fifth of the estimated costs.
- There was a significant variation in costs between responses. It is anticipated that some of this variation will be due to the breadth of employers who responded (e.g. smaller, growing organisations to large multinational companies) and to what extent they already conduct gender pay analysis.

¹ McKinsey and Company (2015), 'Why diversity matters'.

- Organisations estimated that it would take an average of 68 hours to analyse and publish a gender pay gap. However, it was substantially less (22 hours) for those organisations that provided information about the actual time taken.
- Some respondents recognised that increasing transparency was a valuable investment for organisations despite the relatively small costs incurred. For example the Institute for Employment Studies (IES) stated that *“there should be motivation and productivity benefits from closing the gender pay and employment gap, forecast by the European Commission to be worth 12.4% of GDP.”*

The Government’s response

Further discussions with some respondents who are within scope of the regulation suggested that many had accounted for costs that went beyond what will be required by the regulations (e.g. costs for producing the more complex gender pay gap metrics for every grade or job type, the time taken for an HR professional to prepare a contextual narrative, or indirect costs such as consulting a lawyer).

We are committed to developing workable regulations that increase gender pay transparency and benefit employers rather than causing an unnecessary burden or unwieldy cost. The primary monetised costs for employers within scope will include the time taken to learn what the legislation requires, related staff training costs and the time spent annually by HR managers and senior executives to calculate and sign-off the required information.

Employers will be given sufficient time to prepare before they are required to publish their gender pay gaps for the first time. Ahead of commencement, we will be developing an appropriate package of guidance and support for employers to ensure organisations are familiar with the regulation and the metrics.

Scope

Under section 78 of the Equality Act 2010, the regulations cannot apply to private and voluntary sector employers in England, Wales and Scotland with fewer than 250 employees.

We asked

We sought views on whether employers with at least 250 employees should fall within the scope of the proposed regulations.

Respondents said

- Many employers and business organisations (50%) and a majority of individuals (55%) that responded to our consultation agreed that the regulations should only apply to employers with at least 250 employees.
- A number of responses highlighted that small and medium sized employers may find it more difficult to comply with the proposed regulations due to possible system and data constraints.
- Some respondents suggested that smaller employers within scope should be given more time to prepare, with those employers with 250-499 employees being required to publish at a later date.
- Some respondents suggested that the threshold should be lowered to include employers with less than 250 employees.

The Government's response

We anticipate that the regulations will affect around 7,960 employers with around 11.3 million employees. This represents 34% of the total workforce in Great Britain. The Government can review this threshold when we review the regulations five years after commencement.

Having considered the consultation responses, we believe the majority of employers within scope should be able to calculate and publish the required information using existing HR data (e.g. the number of male and female employees; hours worked; and their earnings).

As such, a phased introduction would be unnecessary – especially as larger employers will not be required to publish their first set of gender pay gap information for 18-months if we are able to commence the regulations in October 2016.

Imposing a lower threshold at this time would bring into scope smaller employers who might have difficulty in complying with confidentiality and data protection obligations in respect of individual employees.

Moreover, lowering the threshold would involve amending the Equality Act 2010 – a change to primary legislation requiring a suitable Parliamentary Bill that could take two to three years to implement. We think this would be an unnecessary distraction from the main task of ensuring gender pay gap publication by all larger employers.

Publication Timetable

6 April and 1 October are common commencement dates for regulations. Some businesses run to the calendar year, and may prefer to publish gender pay information on 1 January. Others might want to coincide the reporting with their annual reports.

We asked

We sought views on whether a single cut-off period should be specified in the regulations – for example, 1 January, 6 April, 1 October or the year-end date for each business.

Respondents said

- Responses varied for both organisations and individuals, with no clear favourite date for the cut off period. Over one-third of organisations (36%) that responded felt the cut off period for any calculation should be the end of year for each employer and this was the most popular choice for individuals (32%) too.

The Government's response

As a manifesto commitment, we are keen to commence the regulations at the earliest opportunity (1 October 2016).

The draft regulations give employers a high degree of flexibility over when to analyse and publish their information. The regulations set a specific date (30 April) for employers to take a snapshot of data about a particular pay period. This approach mirrors the methodology used by the ONS to collate employee data from employers for the Annual Survey of Hourly Earnings (ASHE).

The proposed reporting cycle allows an employer to analyse and publish the required information any time within 12-months of the snapshot date. Employers will therefore be able to analyse and publish their data at the most convenient time for them during the year.

Support for Employers

Some employers may have concerns that mandatory publication of gender pay information will require costly and complex reporting. We will support employers to implement the regulations.

We asked

We sought views on how helpful the following measures would be:

- Helping employers to understand the new regulations (e.g. through workshops or seminars).
- Helping employers to calculate their organisation's gender pay gap (e.g. through access to software).
- Helping employers with other types of supporting analysis (e.g. analysis of representation of women at different levels within the workforce).
- Helping employers to address issues identified by a pay gap analysis.

Respondents said

- The majority of organisations thought that all the listed actions would be helpful. Nearly 90% agreed to some extent that workshops and seminars would help employers; 76% agreed to some extent access to gender pay gap calculation software would help employers; 75% agreed to some extent that other types of supporting analysis would be helpful to employers, 78% agreed to some extent that help for employers to address the issues identified by a pay gap analysis would be useful; and nearly 80% also to some extent stated 'other' support would be useful.

- 61% of organisations thought there could be other actions that the government could take that would be very helpful. A common request was for clear and consistent additional guidance on the implementation of pay reporting obligations. Some employers thought examples and/or templates outlining the requirements would be useful.
- Others thought that case studies of how organisations had tackled the gender pay gap in their organisation would be useful. For instance, one respondent stated suggested creating an online toolkit that organisations can access, with videos, questionnaires, tips and advice.
- Not all organisations felt they needed support from the government. For example, one response on behalf of a focus group of multinational companies suggested: *“as the attendees were large organisations, the general consensus was that they would not be relying on government support to comply with the regulations.”* It is clear that these employers felt confident in their ability to implement mandatory reporting early.

The Government’s response

Given the wider issues around labour market diversity that have a significant impact on the gender pay gap, the government will continue to take action that addresses the wider causes. We will also extend reporting requirements to larger public sector employers.

Partnership working between the government and employers is essential to effectively tackle the complex and interrelated causes of the gender pay gap.

Before commencement, we will develop an appropriate package of guidance and support for employers to ensure organisations are familiar with the regulations and the required metrics. This should increase the level of compliance once the regulations commence, and ensure that reforms benefit employers and employees.

Think, Act, Report is the framework to help employers embed gender equality into their business planning as part of our continuing stakeholder engagement. Nearly 300 employers are already signed up to these principles, collectively employing over 2 million people. These companies are leading the way on gender equality and are creating a community of best practice for employers to draw upon.

Alternative Measures

As we were aware that some employers felt the prospect of mandatory reporting of gender pay gap information might be burdensome, we invited respondents to put forward alternative proposals for achieving our policy objective of closing the gender pay gap.

We asked

We sought views on whether there are alternative ways to increase transparency on gender pay that would limit the cost for employers - reporting to the government via the existing PAYE system, for example.

Respondents said

- The most common response from organisations was that there is no alternative way to increase gender pay transparency. Individuals were more likely to think there were possible alternatives, though when prompted, responses were largely focussed on what more could be done, rather than alternatives to reporting. For example, requiring employers to report in greater granularity and/or the view that tough enforcement was needed to ensure employers published required information.
- Employers expressed concerns over the practicality of reporting to the government via the existing PAYE system. Changes to this system could be costly, result in different platforms for employers of varying sizes and cause particular problems for employers with headcounts that frequently varied above and below the regulatory threshold.
- Another concern was that reporting via the PAYE system would shift the onus from the employer to the government.

- Some suggested that it should be a requirement to report on the gender pay gap as part of the annual accounts reporting to Companies House.
- With regard to the potential regulatory burden on employers, the IES noted: *“Software and data analysis costs have continued to fall and most employers are already analysing pay for their own pay reviews...and so the additional costs should be minimal.”*

The Government’s response

Given the feedback from the consultation, the government has concluded that annual publication by employers of their own gender pay gap information is the most effective method for increasing transparency. It will ensure that senior managers take personal responsibility for analysing employee data and take action to promote workplace equality, and help them understand how to get the most from their talent pool.

Compliance

As a requirement under the Equality Act 2010, gender pay gap reporting by employers would already be subject to the compliance and enforcement arrangements provided for in the Act itself, and in the Equality Act 2006 which governs the Equality and Human Rights Commission (EHRC).

The EHRC may support the employee in bringing their case, and can investigate an employer suspected of committing an unlawful act, with a view to making them put it right. These provisions will apply where an employer fails to publish the required gender pay gap information.

We asked

We sought views on whether civil enforcement procedures would help ensure compliance with the proposed regulations.

Respondents said

- Many respondents felt that disproportionate sanctions (e.g. criminal fines) would defeat the object of ensuring that sufficient numbers of large employers take direct responsibility for promoting gender equality for their workforces.
- Suggesting that a system of support for companies reporting their gender pay gap should be prioritised over civil enforcement, a multinational insurance company stated: *“If companies consistently fail to report on their gender pay in the longer term we believe it may then be appropriate for the Government to consider introducing civil enforcement procedures but this should be a last resort.”*

- A multinational pharmaceutical company was concerned that relying on fixed civil penalties *“could encourage companies to simply pay the fine instead of undertaking the analytics to understand their gender pay gap position (and take further action for improvement).”*
- The CBI felt that punitive sanctions *“would not drive debate about closing the gender pay gap or change behaviour within businesses. Efforts should be put into education initially. Possible sanctions may be required later.”*
- A multinational telecommunications company indicated that *“positive enforcement through recognising best practise may be a more effective way of effecting change.”*
- The British Chamber of Commerce (BCC) is of the view that *“civil enforcement procedures would not help ensure compliance as this moves us away from the positive campaign that has begun. This may also increase costs for business, and it is important to strike a careful balance so all businesses can focus on the benefits for gender pay gap reporting.”*
- A large UK trade association *“believes that the risk of brand and reputational damage will drive compliance with the proposed regulations. We are not convinced civil enforcement procedures will be any greater lever for compliance.”*
- During GEO’s workshop with civil society and trade unions, there was broad agreement that compliance measures should not be so harsh that they risk incentivising employers to sub-contract female employees.

- 63% of organisations and 65% of individuals responding to the consultation agreed that civil enforcement procedures would help ensure compliance, while 25% of organisations and 15% of individuals disagreed.
- Some responses expressed concerns that employers would not implement the regulations without strong enforcement measures, or that the proposed regulation would not go far enough.

The Government's response

In addition to the existing mechanisms, we are proposing a pro-active compliance regime under which an employer within scope of the regulations will be required to:

- Publish their gender pay information in English on a searchable UK website that is accessible to employees and the public.
- Provide the signature of the senior responsible person to confirm that the data being published is accurate.
- Notify government that they have published their data by linking the details to a government-sponsored website.

These requirements will enable us to identify employers who have complied and run periodic checks to assess for non-compliance. We want to produce publically displayed tables by sector of employers' reported pay gaps. Beyond that, we would aim to identify and highlight employers publishing particularly full and explanatory information. We may also publicise the identity of employers known not to have complied.

We do not intend to create any additional civil penalties in the regulations. However, we will want to keep this position under review in the light of

experience of employers' willingness to comply with the reporting requirements during the first few years of implementation. Given that we received many responses to the consultation that were supportive of our objective to close the gender pay gap, we expect employers within scope to comply.

Implementation Risks

The reporting requirements must be clear and workable as we move from voluntary to mandatory reporting. It is important that the regulations do not create any risks, unintended consequences or perverse incentives that might actually increase gender inequality in the workplace.

We asked

We sought views on whether there are any risks or unintended consequences that warrant dropping or modifying the implementation of section 78 of the Equality Act 2010.

Respondents said

- 68% of organisations were of the view that there are no risks or unintended consequences that warrant dropping or modifying the implementation of section 78.
- Some organisations identified a potential risk about protecting the anonymity of their staff if the regulations required very granular information.
- Other organisations wondered if the regulations would undermine existing efforts to make workplaces more equal. Eversheds, the international law firm, stated: *“employers in sectors traditionally dominated by male workers, such as engineering, are making genuine efforts to attract female employees. The reality is, however, that the existing gender imbalance will mean that crude measures of the gender pay gap are likely to cast such employers in a negative light. This, in turn, could undermine attempts to attract female employees into such sectors, potentially perpetuating the very gender segregation that is at the root of the gender pay gap.”*

- Participants at the roundtable for expert HR practitioners suggested that complacency might set in among some employers if others in the same sector have similar gender pay gaps.
- A few organisations expressed concern about the potential risk to effective implementation if the lead-in time was too short.
- Business in the Community (BITC) stated: *“We are satisfied that any potential risks or unintended consequences are far outweighed by the benefits to business and society.”*

The Government’s response

We have worked closely with employers and business organisations during the first consultation, and will continue to do so in order to ensure the regulations and accompanying guidance are clear and workable.

We are aiming to lay the draft regulations in Parliament this summer. An 18-month period between commencement of the regulations and first publication (by April 2018) would give employers six months before the first data snapshot (April 2017) and a further 12-month window for publication at a time of their choosing. We believe this is sufficient time for employers to prepare effectively for implementation.

We will encourage employers to contextualise their required gender pay gap with a voluntary narrative. For example, an employer may wish to provide detail of the initiatives they have implemented to recruit more women or strengthen their female talent pipeline. This approach should mitigate the risk of reputational damage.

Employers in sectors that have traditionally been male-dominated may want to work with relevant trade organisations and women’s civil society groups to reach out to prospective female employees and actively promote the

opportunities available (e.g. roles in growing sectors with greater scope for earning and reward). Industries are already taking it upon themselves to diversify and attract the most talented people – after all, no one knows their own sector better than employers.

Last year, thousands of women working in science, technology, engineering maths (STEM) and associated fields posted photographs of themselves in their workplaces using the twitter hashtag #iLookLikeAnEngineer. This kind of online activity can be a powerful tool for illustrating how roles and sectors are becoming more diverse, challenging the stereotype of STEM being ‘men’s work’. We will seek to inspire employers to adopt such good practice in recruiting talented women to challenging and exciting careers.

We will not be requiring organisations in scope to publish granular gender pay gap data because protecting the anonymity of individual employees is crucial. Although some employers may fear an increase in equal pay litigation, our research shows that no employers that have published gender pay information have found the experience a negative one.

Chapter 3: Wider Work to Close the Gender Pay

Girls' Aspirations

Increasing transparency is a crucial step, but we know that many of the causes of the gender pay gap are beyond the immediate control of any one actor, such as an individual employer. Gendered stereotypes about what society regards as 'men's work' and 'women's work' are a strong influence on young people throughout their education, and can have significant influence on the career choices they make.

We asked

We sought views on how the government can most effectively encourage young girls to consider the broadest range of careers.

Respondents said

Suggestions made by respondents included:

- To invest in ensuring that anyone delivering careers advice is able to promote the skills and talents of both girls and boys, helping them to consider the widest range of occupations and apprenticeship opportunities.
- To raise parental awareness around gender stereotyping and the impact it has on young people's employment choices.
- To establish links between businesses and schools earlier in education; improving work experience opportunities in non-traditional roles for girls and encouraging boys to sample traditionally female dominated careers, as well as exposing all young people to positive role models, including successful women.

- To promote standards and guidelines across media outlets on presenting women who are succeeding in society, business and public life and do not conform to gender stereotypes.

The Government's response

Girls are being encouraged to consider further study and careers in STEM, with campaigns like *'Your Life'*, and the investment of £185 million to support teaching of high cost subjects (including science and engineering) where institutions demonstrate a commitment to diversity and equality.

We are also providing £10 million to support *'Developing Women Engineers'* which will enable companies to establish training programmes to develop future engineers.

The government has also provided funding for a diversity programme led by the Royal Society and Royal Academy of Engineering, to understand and address recruitment, retention and work experience issues in the STEM workforce.

The Women's Business Council (WBC) was set up in 2012 to advise Government on how women's contribution to growth can be optimised. Ministers agreed new priorities with the Council when it was extended to 2018 and this included increasing activity to raise girl's aspirations. The Council will look to establish a working group with the business community and education experts to see what more can be done to work with schools and businesses to offer gender-neutral resources, activities and events that inspire the next generation to consider the opportunities available from studying STEM subjects.

In March 2015, the government published revised statutory guidance for schools on careers, which includes raising aspirations and challenging stereotypes.

To help skills development and support wider career choices, the government will spend £70 million on its strategy to improve careers education and guidance, including continued funding for the Careers and Enterprise Company and launching a major campaign to grow the number of business people and professionals volunteering as mentors to young teens. This campaign will help business, charities and the public sector to build a new generation of high-quality mentors. The Careers and Enterprise Company will oversee this campaign and help volunteers to identify existing mentoring organisations who operate locally.

We published an online guide for parents, '*Your Daughter's Future*', to help daughters make subject and career choices, regardless of gender stereotypes.

Women Returning to Work

Women taking time away from the workplace due to caring responsibilities and the lack of well paid flexible work that fits with the availability of childcare both have a significant impact on the gender pay gap.

We asked

We sought views on how the government can work with business to support women to return to work and progress in their careers after having children.

Respondents said

Suggestions made by respondents included:

- To encourage workplace culture change around attitudes towards flexible working by challenging long hours culture, which creates barriers to returning carers.
- To incentivise employers to provide a broader range of flexible working options, available from day one of employment.
- To introduce fully paid maternity and paternity leave, and equal shared parental leave to encourage men to take a more active role in childcare.
- To challenge employers who continually fail to comply with maternity discrimination law, and to remove tribunal fees, which are a barrier to women making claims against discrimination.
- To introduce more free or subsidised childcare hours (particularly for under 3s and for older children), and to ensure that there are enough carers to meet the childcare demand that these hours would create.

The Government's response

The government is committed to the creation of work environments that ensure women can fully contribute and achieve their economic potential.

The right to request flexible working has been extended to all employees, and shared parental leave has been introduced. More than 20 million employees can now request flexible working and 285,000 couples per year can now benefit from shared parental leave.

We are extending shared parental leave and pay to working grandparents. The policy, which the government aims to implement in 2018, will support working parents with the cost of childcare.

We will have invested over £1 billion more a year by 2019-20 on free childcare places. We have delivered free early education places for 3 and 4 year olds to 15 hours a week, and committed to extend it to 30 hours for parents working more than 8 hours a week.

We have also announced tax free childcare, supporting childcare costs for working families, worth up to £2,000 per child per year.

Last June, we announced the start of the post-implementation review of the introduction of fees in the employment tribunal. The government will consult on any subsequent proposals for changes to the fees or remissions system.

Older Working Women

There remains a mismatch between the sectors where women work and where job growth is predicted over the next decade. At present, two-thirds of working women aged over 50 are employed in just three sectors: education, health and retail.

We asked

We sought views on how the government can make sure older working women are able to fulfil their career potential.

Respondents said

Suggestions made by respondents included:

- Raise awareness amongst employers of the barriers facing older women.
- Work with employers to encourage the provision of improved flexible working options, carefully considering how to maximise the potential of those on part-time hours and to make management and high-level roles fit within flexible working patterns. Offering the right to request increased hours when an individuals responsibilities and circumstances change.
- Do more to encourage men to equally share in caring responsibilities.
- Encourage employers to provide full access to all available training regardless of working patterns, and to offer government funded training programmes tailored to older women's needs, enabling them to learn new skills and re-learn after time away from work.

The Government's response

The government is committed to ensuring women in the middle phase of their working lives and careers capitalise on the progress they have made. There is much good work already going on in this area, and progress has been made but more needs to be done to ensure women are fully contributing their potential across all sectors. The government is currently exploring how employers can best support women through the menopause.

The government is determined to get more women over 40 into the workforce and to ensure that those already in the workforce are able to reach senior positions. The government is improving the employability of older women through more women on to company boards and into senior positions to improve diversity at the top and provide role models for other women throughout the organisation.

Under this government there are more women on FTSE 350 boards than ever before, and for both the FTSE 100 and FTSE 250 the number of women on boards have more than doubled what it was in 2011. In addition, the Prime Minister announced in October 2015 his ambition to eliminate those remaining 14 all male boards in the FTSE 350.

Adult education provides a means for older women to retrain or up-skill: 25% of all applications for Advanced Learning Loans are from people over 40 and 70% of approved applications are from women.

The government published '*Fuller Working Lives*': a framework for action' in June 2014. The framework explains how working longer can benefit individuals, businesses, society and the economy and sets out the actions government has and will take to help people have fuller working lives.

Government action includes Jobcentre Plus pilot projects offering tailored provision for older jobseekers in some offices; Jobcentre Plus initiative to identify and understand particular barriers to employment for carers, with the aim of designing specific interventions to support them into work; development of a guidance toolkit for employers to help them support older staff in the workplace; the launch of a new *'Fit For Work'* Service which will give workers with long-term health problems the support they need to stay in or return to work; and greater flexibility to combine pension income with earnings, and therefore plan a gradual retirement.

The WBC has established a working group on older workers as part of its new strategic operating model 2015. It will consider what business can do to support older workers, encourage a greater use of flexible working and provide practical support.

The government is committed to helping carers remain in work should they want to. As part of the *'Carers in Employment'* initiative, the government is investing £1.7 million in nine pilot projects to explore how carers can be supported to stay in paid work alongside their caring responsibilities.

In 2014 the Care Act gave carers new rights focussing on their wellbeing, including employment. It introduced new duties on local authorities to support carers, including expanded rights to assessment and support as well as providing a comprehensive information and advice service. We are providing over £100m to support implementation of the Care Act rights for carers in 2015/16.

Since 2010 the rate of Carer's Allowance has increased from £53.90 to £62.10, and in April 2015 the earnings threshold for carers was increased by 8% to £110 a week – well in excess of the rise in earnings.



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