

Final stage impact assessment

Title: Ensuring outsourced workers are included in gender pay gap reporting

Type of measure: Primary and secondary

Department or agency: Cabinet Office

Contact for enquiries: Richard Laux, Head of Equality Data and Analysis Division

Date: 21/10/2024

1. Summary of proposal

- 1.1. Organisations with 250 or more employees have been required to publish specific gender pay gap (GPG) data annually on a Government service since 2017. We are proposing that the same organisations captured by that requirement will also be required to inform the Government (through the existing reporting service) of those organisations, also required to report, which they received outsourced work from. We will then show on the service that these organisations are linked.
- 1.2. As with the rest of the reporting requirements, the provision of this information will be enforceable by the Equality and Human Rights Commission (EHRC). We anticipate that companies will be expected to provide accurate information about organisations they receive outsourced work from (they are already expected to provide accurate GPG data) and could be investigated by the EHRC should they be suspected of not doing so.
- 1.3. We are currently at the stage of taking delegated powers, with the specifics to be detailed in regulations. As such this summary is our working assumption of how the policy will work.

2. Strategic case for proposed regulation

- 2.1. The gender pay gap is the difference in median pay between men and women in employment in the United Kingdom (UK).¹The official statistics by the Office for National Statistics (ONS) show that, while the gender pay gap has closed over the longer term, the reduction has now slowed. ONS states that the gap, for all people (full time and part time) is 14.3% in 2023 having been 14.4% in 2022.²
- 2.2. Previous reductions in the gender pay gap in the UK have been supported by the Equality Act 2010, section 78.³ It states that “Regulations may require employers to publish information relating to the pay of employees for the purpose of showing whether, by reference to factors of such description as is prescribed, there are differences in the pay of male and female employees” These regulations are detailed further in The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.⁴
- 2.3. Currently, the gender pay gap (GPG) reporting regulations require reporting by legal entities, and for their employees only. While that is useful, it does not recognise that the success of an organisation is often down to everyone who contributes, and that employers have a responsibility outside of their own employees. Those providing outsourced services are an important part of making an organisation work, and businesses should not be able to ignore the welfare of those who are often on the lowest pay.
- 2.4. The Government's plan to make work pay included the following commitment: “we will ensure outsourced workers are included in their gender pay gap reporting”.⁵ By requiring companies to state which companies they receive outsourced services from, they can be held accountable for the pay gaps that exist among everyone responsible for making their business a success; and crucially motivate them to support actions to close the gap throughout their supply chains.
- 2.5. The post-implementation review for The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017⁶ shows evidence that Government regulations have supported the faster

¹ Francis-Devine [The gender pay gap](#) (2024)

² ONS, [Gender pay gap in the UK: 2023](#) (viewed August 2024)

³ [Equality Act 2010, section 78](#) (viewed August 2024)

⁴ [The Equality Act 2010 \(Gender Pay Gap Information\) Regulations 2017](#) (viewed August 2024)

⁵ [Labour's plan to make work pay: A new deal for working people](#) (viewed August 2024)

⁶ Equality Hub (formerly Government Equalities Office), [Post-implementation review of the Equality Act 2010 \(Gender Pay Gap Information\) Regulations 2017](#) (2023)

closing of the gender pay gap. It states that of the two academic studies completed on the legislation “One estimates the regulations have narrowed the GPG for employees in these organisations by 14 percent,⁷ the other by 19 percent.⁸ This is a significant impact in only the first two years of implementation.”

- 2.6. Regulations to link contractors and providers of outsourced services, in the reporting of their gender pay gaps, is expected to have similar effects.

3. SMART objectives for intervention

- 3.1. The objective of this measure is a sustained reduction in the gender pay gap in large UK companies (with at least 250 employees) from the point the measure is enacted to its post implementation review.
- 3.2. The objective links to Mission 4 'Break down the barriers to opportunity' of the Government's manifesto. That mission states, as part of its wider narrative on 'Respect and opportunity for all', as "... Labour will take action to reduce the gender pay gap, building on the legacy of Barbara Castle's Equal Pay Act".
- 3.3. The objective is being met through the Employment Rights Bill which was part of the King's Speech: "My Government is committed to making work pay and will legislate to introduce a Plan to Make Work Pay for working people to ban exploitative practices and enhance employment rights [Employment Rights Bill]".⁹
- 3.4. The impact of the measure will be assessed by a post implementation review using similar methods and data to the academic papers listed above. For further details please see section 8 of this document.

4. Description of proposed intervention options and explanation of the logical change process whereby this achieves SMART objectives

⁷ Duchini and others [Pay Transparency and Gender Equality](#) (2022)

⁸ Blundell [Wage responses to gender pay gap reporting requirements](#) (2021)

⁹ [The King's Speech 2024](#) (viewed August 2024)

- 4.1. The proposed intervention for the measure is to identify, and publish, links between those companies that contract outsourced services and the companies that provide them, as part of the existing process to publish gender pay gap figures. Specifically, the measure:
- applies to companies that have at least 250 employees and, therefore, already report their gender pay gap figures in line with The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017¹⁰
 - requires those companies, with at least 250 employees, to use their existing commercial records to identify companies that it contracts with for the provision of outsourced services.
 - requires those companies, with at least 250 employees, to provide details (company ID, name and address) of the companies that provide outsourced service on the existing gender pay gap reporting website.¹¹
- 4.2. All identified links between companies, with at least 250 employees, and the similarly large companies that provide outsourced services, will be published on the GPG website.
- 4.3. This measure amends existing requirements outlined in legislation to collect and report gender pay gap data¹² to identify where outsourced services are obtained.
- 4.4. The delivery of the measure modifies existing methods¹³ and websites (see point 3 above for details) that are known to be understood and used by the same companies. In the 2022/23 reporting year over 90% of private and public organisations reported their gender pay gap figures using the existing methods and websites.
- 4.5. A full logic model was developed to support this measure to ensure that the activities, outputs, short term outcomes and long term outcomes are understood. It also provides a list of assumptions and the evidence to support the links from initial activities to long term outcomes.

¹⁰ [The Equality Act 2010 \(Gender Pay Gap Information\) Regulations 2017](#) (viewed August 2024)

¹¹ [Gender Pay Gap Service](#) (viewed August 2024)

¹² [The Equality Act 2010 \(Gender Pay Gap Information\) Regulations 2017](#) (viewed August 2024)

¹³ Equality Hub (formerly Government Equalities Office), [Gender pay gap reporting: guidance for employers](#) (viewed August 2024)

Table 1: Theory of change for the measure

Activities	Outputs	Short term Outcomes	Long term Outcomes
<ol style="list-style-type: none"> 1. Include delegated powers into the Employment Rights Bill 2. Consult on detailed proposed requirements prior to secondary legislation 3. Make secondary legislation to detail requirements 4. Identify large companies (those with at least 250 employees) 5. Provide guidance to large companies on the requirements of the secondary legislation 	<ol style="list-style-type: none"> 1. Annual published links between companies with at least 250 employees and the companies (also with at least 250 employees that they outsource to) 2. Annual published list of large companies (with at least 250 employees) who did not report the companies (with at least 250 employees) that they outsource to or indicate they do not have any outsourcing contracts. 3. Regulatory contact, by the EHRC, with each company (with at least 250 employees) who did not report outsourcing. 	<p>Intended outcomes:</p> <ol style="list-style-type: none"> 1. High levels of reporting (over 90%) of the information set out in secondary legislation in any year 2. Improved understanding by companies with at least 250 employees, of the gender pay gap figures in companies (with at least 250 employees) that they contract with for outsourced services. 3. Increased pressure on contracted suppliers of outsourced services to reduce their gender pay gaps <p>Unintended outcomes:</p>	<p>Intended outcomes:</p> <ol style="list-style-type: none"> 1. A sustained reduction in the gender pay gap in large companies (with at least 250 employees) <p>Unintended outcomes:</p> <ol style="list-style-type: none"> 2. Companies with high GPG suffer a loss of reputation among women

<p>including the retention data required and any calculations needed</p> <p>6. Develop, or amend the GPG, digital data collection platform for large companies to report their retention data</p> <p>7. Develop a process for EHRC to regulate non-reporting of retention data as set out in secondary legislation</p>		<p>4. Out of scope organisations, with fewer employees, may choose to report and will need to be removed from any analysis</p>	
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<p>Assumptions</p>	<p>1. The measure within the Employment Rights Bill will allow the Secretary of State for Education, and Minister for Women and Equalities, through delegated powers, to make secondary legislation on this matter. This theory of change is based on assumptions that have been made in order to assess the impact that the regulations could reasonably be expected to have. However, these assumptions are not settled policy and the end regulations may include different requirements.</p> <p>2. It is assumed that the Office for Equality and Opportunity, in delivering the outsourcing requirements, will update a list of companies that have at least 250 employees so that companies that this measure applies to can (a) be</p>
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	<p>informed of the requirements outlined and (b) supported to report the required figures</p> <p>3. It is assumed that staffing and financial resources within the Office for Equality and Opportunity and EHRC are maintained such that they are able to provide the inputs listed above.</p> <p>4. It is assumed that companies with at least 250 employees are motivated to improve the gender pay gaps in companies within their supply chains</p>
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Evidence of links	Activities to Outputs	<p>1. Similar activities are required for companies with at least 250 employees to report their gender pay gap figures. Those activities have supported private and public companies with at least 250 employees to achieve reporting rates of over 90%.</p> <p>2. Similar activities have allowed the EHRC to apply its enforcement policy to the GPG regulations. Details of which are outlined on their website¹⁴</p>
	Outputs to short-term outcomes	<p>1. Similar activities are required for companies with at least 250 employees to report their gender pay gap figures. Those activities have supported private and public companies with at least 250 employees to achieve reporting rates of over 90%. It is, therefore, assumed that similar reporting rates for retention can also be achieved.</p> <p>2. Similar outputs for the gender pay gap reporting meant that by 2019: “89% of respondents (typically senior HR staff) felt they had a good understanding of what the GPG is and how it is calculated, up from 82% in 2018 and 48% in 2017”. It is, therefore, assumed that understanding of retention rates will be similarly</p>

¹⁴ Equality and Human Rights Commission, [Gender pay gap reporting](#) (viewed 2024)

		<p>improved in the short term.¹⁵</p> <p>3. Similar outputs for the gender pay gap reporting meant that by 2019: “Approaching half (47%) also reported that this had resulted in the board taking action to address their GPG in the last year.” It is, therefore, assumed that actions to improve retention rates will be similarly improved in the short term.¹⁶</p>
	Short-term outcomes to long-term outcomes	<p>1. Similar outputs are produced for companies with at least 250 employees to report their gender pay gap figures and there is some evidence that they have reduced the gender pay gap faster in companies with at least 250 employees than similar smaller companies.¹⁷</p> <p>2. Similar outputs are produced for companies with at least 250 employees to report their gender pay gap figures and there is some evidence that the stock market reacted to the identification of companies that had higher GPGs and some evidence that client pressure was applied to companies with large GPGs.¹⁸</p>
	Long-term outcomes to impacts	See row above

¹⁵ ONB Research, [Employers' Understanding of the Gender Pay Gap & Actions to Tackle it](#) (2020)

¹⁶ ONB Research, [Employers' Understanding of the Gender Pay Gap & Actions to Tackle it](#) (2020)

¹⁷ Blundell [Wage responses to gender pay gap reporting requirements](#) (2021) and Duchini and others [Pay Transparency and Gender Equality](#) (2022)

¹⁸ Duchini and others [Pay transparency and cracks in the glass ceiling](#) (2020) and Morgan [How to Close the Gender Pay Gap: Transparency in Data regarding Compensation Is the Key](#) (2020)

5. Summary of long-list and alternatives

- 5.1. The Department for Business and Trade's Better Regulation Framework guidance¹⁹ states that: "Where legislation is required urgently ... the relevant minister may seek to agree, as part of the collective agreement process (where relevant), that there is insufficient time for the measure to be assessed under the BRF"
- 5.2. The manifesto committed to transforming the lives of working women, including by reducing the gender pay gap. The Plan to Make Work Pay commits large firms to ensure that outsourced workers are included in their gender pay gap reporting, which this measure does by linking the companies.
- 5.3. The Employment Rights Bill, which will contain the measure, was also included within The King's Speech 2024²⁰ and the manifesto committed to introducing this legislation within 100 days of the election.²¹
- 5.4. It was, therefore, agreed that urgent measures applied to this measure and that the full options appraisals, outlined in the Better Regulation Framework, would not be undertaken as a result.
- 5.5. However, we have done some consideration of non-regulatory options, including doing nothing, and increasing stakeholder engagement activities to encourage employers to drive action within those organisations they work closely with.

Non-legislative option

- 5.6. With regards to the latter option, this is something we have previously explored in the first two years of GPG reporting. We worked with early supporters of reporting who had large supply chains or client bases and pushed them to communicate the importance of reporting through these links. In reality, only a handful of organisations were willing to do this, and it was more an exercise in them promoting their own corporate social responsibility activity than them really forging lasting relationships with other organisations to tackle their gaps. Similarly, this approach is more likely to get organisations to engage with their clients rather than those they have an outsourcing relationship with (which is the real aim of this measure),

¹⁹ Department for Business and Trade, [Better Regulation Framework](#) (2023)

²⁰ [The King's Speech 2024](#) (viewed August 2024)

²¹ [Change: Labour Party Manifesto](#) (viewed August 2024)

and is limited to those organisations wishing to make a competitive advantage of their work on this agenda (and so very limited in impact). As the reporting regime has previously indicated, poor reputational impact can be a motivation for employers to act;²² the proposal has been designed to reflect this.

Do nothing

- 5.7. When it comes to doing nothing, we believe that we could see a continued slowing in the rate at which the national GPG closes, and disillusionment with reporting, especially among those who have previously been its greatest advocates. We are also aware that the current reporting regulations steer organisations to focus purely on the outcomes for those they directly employ, meaning that there is a risk that outsourced workers are overlooked, and that those receiving the services fail to recognise the agency they have to effect change.

6. Description of shortlisted policy options carried forward

- 6.1. See section 5 for a description of the application of urgent measures, as outlined in the Department for Business and Trade's Better Regulation Framework guidance²³ and its impact on options appraisals.

7. Regulatory scorecard for preferred option

Part A: Overall and stakeholder impacts

Table 2: Regulatory scorecard for impacts on welfare

(1) Overall impacts on total welfare	Directional rating Note: Below are examples only
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²² Government Equalities Office, [Employers' Understanding of the Gender Pay Gap & Actions to Tackle it](#) (2020)

²³ Department for Business and Trade, [Better Regulation Framework](#) (2023)

<p>Description of overall expected impact</p>	<p>The measure is intended to reduce the gender pay gap by linking companies that provide outsourced services to the companies that contract them to do so.</p> <p>The wider welfare benefits of gender equality, which this measure supports, are complex and difficult to quantify. For example:</p> <p>Goal 5 of the United Nations Sustainable Development Goals is to “achieve gender equality and empower all women and girls”.²⁴ The UN states that gender equality is “...not only a fundamental human right but a necessary foundation for a peaceful, prosperous and sustainable world”. The goal goes on to discuss economic impacts (through unequal participation in the labour market), impacts on sexual violence, exploitation of women and discrimination in areas like public office.</p> <p>See section 10 of the Evidence Base below.</p> <p>This measure supports gender equality and in doing so will support the outcome above. However, its effect on these wider welfare issues are complex and difficult to measure or monetise.</p>	<p>Positive Based on all impacts (incl. non-monetised)</p>
<p>Monetised impacts</p>	<p>The wider welfare benefits of gender equality, which this measure supports, are complex and difficult to quantify, and therefore, monetise. See the description of the overall impact listed above</p>	<p>Positive Based on likely net present social value (£NPSV)</p>
<p>Non-monetised impacts</p>	<p>The wider welfare benefits of gender equality, which this measure supports, are complex and difficult to quantify. See the description of the overall impact listed above</p> <p>See section 10 of the Evidence Base below.</p>	<p>Positive Based on likely £NPSV</p>

²⁴ UN, [Goal 5: Achieve gender equality and empower all women and girls](#) (viewed August 2024)

Any significant or adverse distributional impacts?	<p>No</p> <p>This measure supports gender equality the impacts of which, on welfare, are described positively. It is not expected that any adverse distributional impacts would result.</p>	<p>Neutral</p> <p>Based on all impacts (incl. non-monetised)</p>
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Table 3: Regulatory scorecard for expected impacts on businesses

(2) Expected impacts on businesses		
Description of overall business impact	<p>The overall impact on businesses in the UK is negligible and focussed only on larger companies, with at least 250 employees.</p> <p>The one-off costs associated with familiarisation and training, for the in-scope businesses in the UK, are £4,313,156. However, the annual, repeatable costs included in this year 1 amount are significantly smaller at £745,892.</p> <p>The total, discounted, 10 year costs of this measure, for all large businesses with at least 250 employees in the UK, is £10,733,495.</p> <p>The non-monetised impacts of gender equality are positive from the measure but are complex and difficult to calculate. However, the effect of these is assumed to be positive.</p> <p>See the 'Evidence Base' for details.</p>	<p>Neutral</p> <p>Based on all impacts (incl. non-monetised)</p>
Monetised impacts	<p>Business net present value (NPV): £10,733,495 for 10 years of the measure being in operation</p> <p>Approx net financial cost to business, equivalent annual net direct cost to business (EANDCB):</p>	<p>Negative</p> <p>Based on likely business £NPV</p>

	<p>£745,892 (discounted after year 1) all of which are assumed to be admin costs</p> <p>Please indicate if pass through to households has been deducted from these figures: Not applicable</p> <p>Please indicate any pass through costs from households to business (if available): Not applicable</p>	
<p>Non-monetised impacts</p>	<p>The wider benefits of the measure to the UK economy are complex and difficult to calculate. Most calculations on the economic impact of equality for businesses are significantly broader in range than this measure. For example:</p> <ul style="list-style-type: none"> • It has been found if women were to participate in the economy identically to men they could add as much as 26% to annual global GDP by 2025 (from 2016).²⁵ <p>See section 10 of the Evidence Base below.</p> <p>The non-monetised impacts of gender equality are positive from the measure but are complex and difficult to calculate. However, the effect of these is assumed to be positive.</p>	<p>Positive Based on likely business £NPV</p>
<p>Any significant or adverse distributional impacts?</p>	<p>No</p> <p>This measure requires large companies, with at least 250 employees, to link their gender pay gap reporting figures, to those of the large companies, with at least 250 employees, they contract with to supply outsourced services. The annual, repeatable costs, of this are</p>	<p>Neutral Based on likely business £NPV</p>

²⁵ McKinsey Global Institute, [The Economic Benefits of Gender Parity](#) (2016)

	<p>£745,892 in year 1 and, as such, considered to have a negligible effect on businesses of this size.</p> <p>As such, while business concentrations do vary geographically, it is assumed that there will be no adverse distributional impacts.</p>	
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Table 4: Regulatory scorecard for impacts on welfare

(3) Expected impacts on households		
<p>Description of overall household impact</p>	<p>This measure requires large companies, with at least 250 employees, to link their gender pay gap reporting figures, to those of the large companies, with at least 250 employees, they contract with to supply outsourced services.</p> <p>The non-monetised impacts of gender equality are positive from the measure but are complex and difficult to calculate. However, the effect of these is assumed to be positive and likely to affect households if they support equality more widely.</p>	<p>Positive Based on all impacts (incl. non-monetised)</p>
<p>Monetised impacts</p>	<p>See 'Description of overall household impact' above</p>	<p>Neutral Based on likely household £NPV</p>
<p>Non-monetised impacts</p>	<p>The non-monetised impacts of gender equality are positive from the measure but are complex and difficult to calculate. However, the effect of these is assumed to be positive and likely to affect households if they support equality more widely.</p> <p>See section 10 of the Evidence Base below.</p>	<p>Positive Based on likely household £NPV</p>
<p>Any significant or adverse distributional impacts?</p>	<p>See 'Description of overall household impact' above</p>	<p>Neutral Based on likely household £NPV</p>

Part B: Impacts on wider Government priorities

Table 5: Regulatory scorecard for impacts on wider Government priorities

Category	Description of impact	Directional rating
Business environment: Does the measure impact on the ease of doing business in the UK?	This measure requires large companies, with at least 250 employees, to link their gender pay gap reporting figures, to those of the large companies, with at least 250 employees, they contract with to supply outsourced services. The annual, repeatable costs, of this are £745,892 in year 1 and, as such, considered to have a negligible effect on business environments.	Neutral
International Considerations: Does the measure support international trade and investment?	This measure requires large companies, with at least 250 employees, to link their gender pay gap reporting figures, to those of the large companies, with at least 250 employees, they contract with to supply outsourced services. The annual, repeatable costs, of this are £745,892 in year 1 and, as such, considered to have a negligible effect on any international trade conducted by these companies.	Neutral
Natural capital and Decarbonisation: Does the measure support commitments to improve the environment and decarbonise?	This measure requires large companies, with at least 250 employees, to link their gender pay gap reporting figures, to those of the large companies, with at least 250 employees, they contract with to supply outsourced services. The measure is considered to have no effect on natural capital and decarbonisation.	Neutral

8. Monitoring and evaluation of preferred option

- 8.1. The Small Business, Enterprise and Employment Act 2015²⁶ requires the inclusion of a statutory review provision in secondary legislation that regulates business or voluntary and community bodies. The inclusion of a review provision requires policy officials to undertake a 'Post-Implementation Review' in line with the legislative requirement in the Act.

²⁶ [Small Business, Enterprise and Employment Act 2015](#) (viewed August 2024)

- 8.2. The Department for Business and Trade's Statutory Guidance under s.31 of the Small Business, Enterprise and Employment Act²⁷ states that the timescale of the Post-Implementation Review should be up to five years from when the amendment is implemented.
- 8.3. In this case, as the measure will add to the gender pay gap reporting requirements set out in The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. That legislation was itself subject to a post implementation review in April 2023²⁸ and is, therefore, due to be reviewed again in April 2028. It is proposed that the review of this measure, and the legislation for the gender pay gap reporting requirements, are undertaken at the same time in April 2028. However, any substantial changes that have a profound effect on the levels of employment, its structure, or pay may affect the timing of such a review. See below on the effects of COVID-19.
- 8.4. The post implementation review of the gender pay gap regulations was undertaken using a theory based evaluation. It included a range of data sources including the findings of a literature / rapid evidence review, the findings from engagement with companies with at least 250 employees, and the results of academic literature that identified a reduction in the gender pay gap as a result of the legislation itself.
- 8.5. The literature / rapid evidence review and the findings from engagement with companies with at least 250 employees were specifically useful in identifying any unintended consequences of the requirements.
- 8.6. We expect that similar methods will be used in the April 2028 review of this measure and the gender pay gap reporting legislation outlined above. This includes using analysis of data collected by the Office for National Statistics, the Annual Survey of Hours and Earnings (ASHE), which the ONS uses to calculate official gender pay gap figures.²⁹
- 8.7. The completed post implementation review concluded that most objectives have been achieved to some extent. This more qualified statement was in part due to the effect of the COVID-19 pandemic on employment and pay over a number of years included in the period for evaluation.

²⁷ Department for Business and Trade, [Statutory Guidance under s.31 of the Small Business, Enterprise and Employment Act](#) (2023)

²⁸ Office for Equality and Opportunity (formerly Government Equalities Office), [Post-implementation review of the Equality Act 2010 \(Gender Pay Gap Information\) Regulations 2017](#) (2023)

²⁹ ONS, [Gender pay gap in the UK: 2023](#) (viewed August 2024)

8.8. Any future, significant, changes to patterns of employment or pay between the implementation of this measure and April 2028 would impact on the success of any future post implementation review.

9. Minimising administrative and compliance costs for preferred option

9.1. The costs of the measure are largely administrative. The Government will seek to minimise these costs on companies, with at least 250 employees, by:

- Providing clear guidance for companies that is based on an existing, understood, guidance on gender pay gap reporting. In 2019, 89% of respondents to the employers' survey felt they had a good understanding of the GPG and how to calculate it.³⁰ Given it is successful, and understood, we will modify this existing guidance.
- Provide an amendment to the existing gender pay gap portal to support companies, with at least 250 employees to comply with the measure as easily as possible. In the 2022/23 reporting year over 90% of private and public organisations reported their gender pay gap figures using the existing methods and websites.

9.2. The effect of these actions is to maintain a low annual, repeatable, cost for the implementation of the gender pay gap. This cost is £745,892 in the first year, discounted over the 10 years that the measure is assumed to operate.

Declaration

Department:

Cabinet Office

Contact details for enquiries:

³⁰ Office for Equality and Opportunity (formerly Government Equalities Office), [Gender pay gap employer understanding and actions](#) (2020)

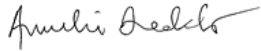
OEO-analysis@cabinetoffice.gov.uk

Minister responsible:

Anneliese Dodds

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed:



Date:

18/10/2024

Summary: Analysis and evidence

Price base year: 2024/25

PV base year: 2024/25

Table 6: Summary of analysis and evidence

	1. Business as usual	2. Do-minimum Option	3. Preferred way forward	4. More ambitious preferred way forward	5. Less ambitious preferred way forward
Net present social value	Not costed, see section 5 for details	Not costed, see section 5 for details	The net present social value is based on £10,733,495 for 10 years of the measure being in operation. Costs include familiarisation, implementation and annual, repeatable, costs.	Not costed, see section 5 for details	Not costed, see section 5 for details
Public sector financial costs			The public sector financial costs, all of which are development,		

			<p>non-repeatable costs, are £31,086</p> <p>Costs included are to modify the gender pay gap portal and website.</p>		
<p>Significant un-quantified benefits and costs</p>			<p>Benefits include improved gender equality in the UK and non-monetised impact on GDP associated with gender equality.</p>		
<p>Key risks</p>			<p>Risks associated with ensuring implementation activities are completed and the effect of the measure on the long term outputs. See the Evidence base below for details.</p>		

Results of sensitivity analysis			Sensitivity analysis indicates that even at a much higher than expected growth rate for companies with at least 250 employees of 3% the additional costs are less than the initial year 1 costs. See the Evidence base below for details.		
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10. Evidence base

Problem under consideration, with business as usual, and rationale for intervention

10.1. For details see 'Summary of the problem' (section 1).

Policy objective

10.2. For details see 'Strategic case for proposed regulation' (section 2) and specific, measurable, achievable, relevant, and time-bound (SMART) objectives for intervention (section 3).

Description of options considered

10.3. For details see 'Summary of long-list and alternatives' (section 5) and 'Description of shortlisted policy options carried forward' (section 6).

Summary and preferred option with description of implementation plan

10.4. The option includes the following actions:

- Companies, with at least 250 employees, will need to familiarise themselves with the requirements of the new measure. This is focussed on key staff reading and understanding Government guidance on the measure.
- Companies, with at least 250 employees, to implement the requirements of the new measure. This is focused on training costs for key staff, HR and financial, on the requirements of the measures.
- Companies, with at least 250 employees, to extract details of companies providing outsourced services from their existing commercial systems, sign them off, and load them onto the gender pay gap portal. This step is repeated annually.
- To support companies, with at least 250 employees, to complete stages 1 to 3 above, the Government will provide guidance on the measure and modify the existing gender pay gap portal and website. Enforcement action by the EHRC for non-reporting may be necessary. As that is an optional decision for the EHRC, we have not estimated any increase in their staff requirements or other costs as a result.

Summarise the expected costs and benefits of the proposed approach

Numbers of businesses with at least 250 employees in the UK

- 10.5. In 2023 there were 10,910 businesses across the UK that were registered for VAT and or/ Pay as You Earn (PAYE) with at least 250 employees.³¹
- 10.6. The compound annual growth rate (CAGR) in companies with at least 250 employees between 2017 and 2023 was 1.76%. Assuming that this rate of growth continued, there would have been 11,102 companies in 2024.

One-off familiarisation costs: Businesses

- 10.7. Context: 'Familiarisation' means reaching the point where an HR professional is aware of the legislative change and understands how it will impact their organisation. This will include understanding what information they as an employer are required to provide, and how they can do that. For most this will mean consulting official advice and non-statutory guidance for employers that will be published prior to the commencement.
- 10.8. In 2023, the median salary for a Human Resource Manager and Director was £26.31 per hour excluding overtime.³²
- 10.9. The CAGR in median hourly pay, between 2014 and 2023 for Human Resource Managers and Directors, excluding overtime, was 1.19%. Assuming that this rate of growth continued, their median pay in 2024 would have been £26.62. This is uplifted by 30% to cover non-labour costs to £34.61 an hour.³³
- 10.10. The time required for 2 Human Resource Manager and Director posts to familiarise themselves with the additional requirement is assumed to be 1 hour each (see note 1a for details). As such the total familiarisation cost is £69.22 per company with at least 250 employees or £768,501 for the UK

³¹ ONS, [UK business: activity, size and location: 2023](#) (viewed August 2014)

³² ONS, [Earnings and hours worked, occupation by four-digit SOC: ASHE](#) (Table 14) (viewed August 2024)

³³ SCM Network [International Standard Cost Model Manual](#) (page 19) (viewed August 2024)

- 10.11. Note 1a: The impact assessment that supported the Equality Act 2010 (Gender Pay Gap Information) Regulations³⁴ assumed that familiarisation of the new legislation would take 2 hours for 2 HR professionals. This measure builds on that existing familiarisation (see note 1b for evidence of existing familiarisation) and is a smaller requirement. It is therefore assumed that 1 hour for familiarisation is required for the same 2 HR professionals.
- 10.12. Note 1b: 91.4% of in-scope private employers, and 94.7% of in-scope public employers, reported their GPG figures on time in 2022/23.

One-off implementation costs: Businesses

- 10.13. Context: 'Implementation costs' include any software costs to extract information from existing financial records and training staff on the requirements of the measure.
- 10.14. Software costs: As the software requirements are limited to extracting basic data (company ID, name and address) from existing financial systems no additional software costs are assumed (see note 1c for details)
- 10.15. Note 1c: The impact assessment that supported the Equality Act 2010 (Gender Pay Gap Information) Regulations³⁵ assumed that there were no additional software costs on businesses with at least 250 employees as the software to extract data and undertake basic calculations already existed. In this case, the measure requires financial staff in a company to extract basic data (company ID, name and address) from existing systems. Such systems are required for businesses to manage their own contracts but also, for example, to ensure that there is no slavery or human trafficking in their business or supply chains (for companies with a turnover of over £36m).³⁶

Training costs: Businesses

- 10.16. In 2023, the median salary for a Financial Manager and Director was £34.15 per hour excluding overtime.³⁷

³⁴ Office for Equality and Opportunity (formerly Government Equalities Office), [Gender Pay Gap Regulations Impact Assessment](#) (2016)

³⁵ Office for Equality and Opportunity (formerly Government Equalities Office), [Gender Pay Gap Regulations Impact Assessment](#) (2016)

³⁶ Cabinet Office, [PPN 02/23 - Tackling Modern Slavery in Government Supply Chains - Guidance](#) (2024)

³⁷ ONS, [Earnings and hours worked, occupation by four-digit SOC: ASHE](#) (Table 14) (viewed August 2024)

- 10.17. The CAGR in median hourly pay, between 2014 and 2023 for a Financial Manager and Director post, excluding overtime, was 1.83%. Assuming that this rate of growth continued, their median pay in 2024 would have been £34.78. This is uplifted by 30% to cover non-labour costs to £45.21 an hour.³⁸
- 10.18. As noted above, the estimated median hourly pay, excluding overtime, for a Human Resource Manager and Director post, is £34.61 including a 30% uplift for non-labour costs.
- 10.19. The time required for 2 Human Resource Manager and Director posts and 2 Financial Manager and Director posts to train themselves on the data extraction and reporting requirements of the measure is 2 hours each. This is a cost of £319.28 per company with at least 250 employees. This is £3,544,656 for the UK.
- 10.20. Note 1d: The impact assessment that supported the Equality Act 2010 (Gender Pay Gap Information) Regulations³⁹ assumed that training for implementation would take two hours for two HR professionals. This measure requires financial professionals to also be trained to extract data from existing company finance systems. As such it is assumed that 2 HR professionals and 2 financial professionals would require training for two hours.

Annual delivery costs: Businesses

- 10.21. Context: annual costs for businesses are the extraction of outsourcing company IDs, names and addresses from its systems, and uploading those details to the GPG website.
- 10.22. In 2023, the median salary for Chief Executives and Senior Officials was £40.83 per hour excluding overtime.⁴⁰
- 10.23. The CAGR in median hourly pay, between 2014 and 2023 for Chief Executives and Senior Officials, excluding overtime, was 0.4%. Assuming that this rate of growth continued, their median pay in 2024 would have been £40.99. This is uplifted by 30% to cover non-labour costs to £53.29 an hour.⁴¹
- 10.24. As noted above, the estimated median hourly pay, excluding overtime, for a Human Resource Manager and Director post, is £34.61 including a 30% uplift for non-labour costs.

³⁸ SCM Network [International Standard Cost Model Manual](#) (page 19) (viewed August 2024)

³⁹ Equality Hub (formerly Government Equalities Office), [Gender Pay Gap Regulations Impact Assessment](#) (2016)

⁴⁰ ONS, [Earnings and hours worked, occupation by four-digit SOC: ASHE](#) (Table 14) (viewed August 2024)

⁴¹ SCM Network [International Standard Cost Model Manual](#) (page 19) (viewed August 2024)

- 10.25. As noted above, the estimated median hourly pay, excluding overtime, for a Financial Manager and Director post, is £45.21 including a 30% uplift for non-labour costs.
- 10.26. It is assumed that it would take 1 hour for a Financial Manager and Director (£45.21) to extract the data from existing systems. It is also assumed that, as a Chief Executive would require 15 minutes (£13.32) to sign off the list of companies providing outsourced services and an additional 15 minutes for a Human Resource Manager and Director (£8.65) to upload them to the GPG website (see note 1e for details)
- 10.27. Note 1e: 1 hour of the Chief Executive's time is already assumed to be required to sign off the gender pay gap reporting costs.⁴² As this extends that requirement, rather than requiring a new sign off process, and including signing of the automatic extract of data (rather than complex calculations) then it is assumed an additional 15 minutes is required.
- 10.28. The total repeatable costs per company with at least 250 employees is, therefore, £67.18. This is £745,892 for the UK.

Costs to public sector:

- 10.29. Context: public sector costs include the development of guidance on the measure for companies with at least 250 employees, the modification of the existing GPG reporting portal, to companies to report outsourcing, and the GPG website. Costs for enforcement are also considered.

One-off guidance development costs: public sector

- 10.30. Guidance necessary to support companies, with at least 250 employees, familiarise themselves with the requirements of the measure will be developed and published. This will extend the statutory guidance already existing for gender pay gap reporting.⁴³
- 10.31. The yearly pay of a grade 6 digital professional, in 2023/24, at the middle of the pay band is £66,950 for a member of staff outside of London. This is uplifted by 30% to cover non-labour costs to £87,035 a year.⁴⁴

⁴² Equality Hub (formerly Government Equalities Office), [Gender Pay Gap Regulations Impact Assessment](#) (2016)

⁴³ Equality Hub (formerly Government Equalities Office), [Gender pay gap reporting: guidance for employers](#) (viewed August 2024)

⁴⁴ SCM Network [International Standard Cost Model Manual](#) (page 19) (viewed August 2024)

- 10.32. The yearly pay of a grade 7 civil servant, in 2023/24, at the middle of the pay band is £56,550 for a member of staff outside of London. This is uplifted by 30% to cover non-labour costs to £73,515 a year.⁴⁵
- 10.33. The development of guidance for companies, with at least 250 employees, is assumed to take 3 weeks for a grade 6 digital professional and a grade 7 civil servant.
- 10.34. These assumptions are based on current time estimates from civil servants who would be responsible for the guidance based on their previous experience of developing the Gender pay gap reporting: guidance for employers.⁴⁶
- 10.35. The total cost for the development is £9,263.

One-off website development costs: public sector

- 10.36. The modification of the GPG portal and website will require a grade 6 digital professional to make the changes necessary to allow:
- the companies, with at least 250 employees to submit the retention data outlined in 1.19 above.
 - the portal to automatically calculate UK figures for the retention data outlined in 1.19 above.
 - the resultant data to be published on a modified GPG website.
- 10.37. The yearly pay of an SCS grade 1 civil servant, in 2023/24, at the middle of the pay band is £96,400 for a member of staff outside of London. This is uplifted by 30% to cover non-labour costs to £125,320 a year.⁴⁷
- 10.38. It is assumed that it will take 3 months for a grade 6 digital professional to make the necessary changes outlined above and an hour for a SCS grade 1 civil servant to sign it off.

⁴⁵ SCM Network [International Standard Cost Model Manual](#) (page 19) (viewed August 2024)

⁴⁶ Equality Hub (formerly Government Equalities Office), [Gender pay gap reporting: guidance for employers](#) (viewed August 2024)

⁴⁷ SCM Network [International Standard Cost Model Manual](#) (page 19) (viewed August 2024)

- 10.39. These assumptions are based on current time estimates from civil servants who would be responsible for developing the website based on their previous experience of developing the GPG website.
- 10.40. As noted above, the yearly pay for a grade 6 digital professional, at the middle of the pay band, is £87,035 including a 30% uplift for non-labour costs.
- 10.41. The cost of a grade 6 digital professional for 3 months, including the uplift for non-labour costs, is £21,759 and the 1 hour sign off costs for a SCS civil servant is £65, including the uplift for non-labour costs (which includes the sign off for the guidance, see above).
- 10.42. The total cost for the development and sign off of the website is £21,824.

On-going enforcement costs: public sector

- 10.43. The EHRC enforces gender pay gap reporting as described in its enforcement policy. Details of which are outlined on their website.⁴⁸
- 10.44. Where this measure increases the need for enforcement, it will be for the EHRC to determine if, and how, it wishes to meet that need.
- 10.45. As that is an optional decision for the EHRC, we have not cost any increase in their staff or other costs as a result.

Summarise how values align with findings received from consultations

- 10.46. The costs listed have been developed to support the inclusion of delegated powers into the Employment Rights Bill. These powers allow the Secretary of State for Education, and Minister for Women and Equalities, to make secondary legislation on the measure.
- 10.47. We will engage with relevant stakeholders, including companies that have at least 250 employees, prior to the making of regulations specifying precise reporting requirements. Any new impact assessment required at that stage will reflect any updated costs as a result of that engagement.

⁴⁸ Equality and Human Rights Commission, [Gender pay gap reporting](#) (viewed 2024)

Costs and benefits to business calculations

Total first year costs: Businesses

- 10.48. The total first year costs of this measure for large companies (with at least 250 employees) is £5,059,048 for the UK. See section 1 of this evidence base for details.

Total annual costs: Businesses

- 10.49. The total annual costs of this measure for large companies (with at least 250 employees) is £745,892 for the UK. See section 1 of this evidence base for details.
- 10.50. These costs are the annual, repeatable, costs that form part of the total costs for year 1. They have been discounted in line with the Standard Discount Rates and Associated Discount Factors outlined in HM Treasury's Green Book,⁴⁹ for years 2 to 10.

Total 10 year costs: Businesses

- 10.51. The total cost to business, discounted in line with the Standard Discount Rates and Associated Discount Factors outlined in HM Treasury's Green Book,⁵⁰ for the first 10 years of the measure is £10,733,495.
- 10.52. Total 10 year costs assume that annual delivery costs (outlined above) remain stable.

Impact on small and micro businesses

- 10.53. The measure outlined in this impact assessment is specific to large companies (with at least 250 employees). There is no expected impact in terms of costs on small or micro businesses as a result.
- 10.54. It is intended this measure will support a reduction in gender pay gap and in turn lead to wider benefits of greater equality. The benefit of greater equality is expected to be shared at a societal level.

⁴⁹ HM Treasury, [Green Book](#) (2022) (table 7)

⁵⁰ HM Treasury, [Green Book](#) (2022) (table 7)

Costs and benefits to households' calculations

- 10.55. The measure outlined in this impact assessment is specific to large companies (with at least 250 employees). There are no costs for households as a result.
- 10.56. The measure is intended to reduce the gender pay gap. The wider welfare benefits of gender equality, which will affect households, are complex and difficult to quantify. However, as they will increase gender equality they are assumed to be positive.

Business environment

- 10.57. The measure applies to large companies (with at least 250 employees) only. As such there are no barriers to entry into UK markets as companies would already need to exist for the measure to apply.
- 10.58. The measure has a small on-going annual cost per large company of £67.18. This cost is assumed to be low enough not to encourage innovation, prevent investment, or growth in a business.

Trade implications

- 10.59. As set out in the Better Regulation Framework guidance, all Impact Assessments must consider whether the policy measures are likely to impact on international trade and investment.
- 10.60. The measure applies to organisations, with at least 250 employees, and has a small on-going annual cost per large company of £67.18. This cost is assumed to be low enough not to encourage innovation, prevent investment, or growth in a business.
- 10.61. From a legal standpoint, the policy does not impact international trade as it is compliant with international obligations and does not have any implications for trade partners or foreign businesses operating in the UK.
- 10.62. The preferred option will not introduce requirements on foreign-owned companies that go above and beyond those which are UK-owned.

Environment: Natural capital impact and decarbonisation

- 10.63. The measure applies to organisations, with at least 250 employees and we expect that there is no or negligible impact on the environment, natural capital, and decarbonisation as a result of this measure. The regulation does not directly relate to environmental or decarbonisation goals.

Other wider impacts

- 10.64. The measure is linked to commitments made in the Government’s manifesto and the King’s speech (see section 3 for details) that are associated with greater equality of opportunity for people in the UK.
- 10.65. The measure applies to large companies (with at least 250 employees) and does not have an effect on the impact of those businesses on other areas not outlined elsewhere in this impact assessment. This includes areas such as public health, defence, national security, animal welfare, systemic risk, market resilience.

Overall benefits

- 10.66. The overall benefits of this measure include wider welfare benefits of a reduction in inequality in the workplace. These are complex and difficult to quantify or monetise however, their impact on households and businesses is expected to be positive. For example:

Equality benefits

- 10.67. Goal 5 of the United Nations Sustainable Development Goals is to “achieve gender equality and empower all women and girls”.⁵¹ The UN states that gender equality is “...not only a fundamental human right but a necessary foundation for a peaceful, prosperous and sustainable world”. The goal goes on to discuss economic impacts (through unequal participation in the labour market), impacts on sexual violence, exploitation of women and discrimination in areas like public office.

⁵¹ UN, [Goal 5: Achieve gender equality and empower all women and girls](#) (viewed August 2024)

- 10.68. UN Women states that “Women’s economic empowerment is essential to achieving women’s rights and gender equality. Women’s economic empowerment means ensuring women can equally participate in and benefit from decent work and social protection; access markets and have control over resources, their own time, lives, and bodies; and increased voice, agency, and meaningful participation in economic decision-making at all levels from the household to international institutions”.⁵²

Public sector equality assessment

- 10.69. It is expected that this measure may have a minor positive impact on the protected characteristics, age, disability, marriage and civil partnership, pregnancy and maternity, and sexual orientation. This is because increased clarity on gender pay gaps in supply chains may increase pressure on companies with higher gender pay gaps to reduce them. There is some evidence that the stock market reacted to the identification of companies that had higher GPGs when that legislation was introduced and some evidence that client pressure was applied to companies with large GPGs.⁵³
- 10.70. However, there is not enough evidence regarding the characteristics of those providing specific outsourced services, to the companies within scope of the measure, to draw a firm conclusion.
- 10.71. There is, however, evidence of differences in the volume of people employed in some industrial sectors. For example:
- 10.72. A YouGov survey from 2019 found that IT support was the part of the business that organisations most commonly outsourced.⁵⁴ Employee diversity data, self-reported by tech based organisations as part of the Tech Talent Charter, found that in 2023 “there is a relatively high proportion of ethnic minority representation in tech compared to the UK workforce overall”.⁵⁵ This should support the protected characteristics of race, and religion or belief.
- 10.73. The same YouGov survey found that many of the other services likely to be outsourced would fall under the wider umbrella of human resources or admin (e.g. payroll, recruitment,

⁵² UN Women, [Facts and figures: Economic empowerment](#) (viewed August 2024)

⁵³ Duchini and others [Pay transparency and cracks in the glass ceiling](#) (2020) and Morgan [How to Close the Gender Pay Gap: Transparency in Data regarding Compensation Is the Key](#) (2020)

⁵⁴ YouGov, [Seven in ten British businesses outsource to third parties | YouGov](#) (2019)

⁵⁵ Tech Talent Charter, [Diversity in Tech Report](#) (2024)

staff benefits). ONS data shows that the admin & support services sector is also one of the highest employers of women.⁵⁶ This should support the protected characteristic of sex.

- 10.74. Given this, it is assumed that there will be a positive improvement for people with these protected characteristics. This is because any impact from the measure to reduce pay gaps in outsourced services is more likely to affect those population groups.
- 10.75. In relation to gender reassignment, GPG reporting has been used as an example in a wider debate around the definitions of “sex” and “gender”. While GPG reporting, as a policy intervention, has in no way instigated or exacerbated this debate, it has been drawn into it.
- 10.76. It may be that the introduction of this measure, which extends the GPG reporting, could be seen as simultaneously extending the scope of the debate. However, this is not an impact that was apparent in the first three years of the implementation of GPG reporting and, therefore, is not an inevitable outcome of extending the regulations.
- 10.77. To date, there is no evidence to suggest that this policy will have specific impacts on people with other protected characteristics. If further evidence is identified, we will consider the implications for policy.

Company benefits

- 10.78. Krekel and others (2019) find a positive correlation between employees' satisfaction with their company and employee productivity and customer loyalty, and a strong negative correlation with staff turnover. Additionally they find higher wellbeing at work to be positively correlated with more business-unit level profitability.⁵⁷
- 10.79. The Equality and Human Rights Commission⁵⁸ found that that 60% of women would be more likely to apply for a job with an employer with a lower pay gap. In addition, over half (56%) of women said that working at an organisation with a gender pay gap would reduce how motivated they felt in their role.

Wider economic benefits of equality

⁵⁶ ONS, [JOBS03: Employee jobs by industry - Office for National Statistics](#) (2024)

⁵⁷ Krekel and others, [Employee Wellbeing, Productivity, and Firm Performance](#), Saïd Business School (2019)

⁵⁸ Equality and Human Rights Commission, [Closing the Gender Pay Gap](#) (2018)

- 10.80. McKinsey Global Institute stated that if women were to participate in the economy identically to men they could add as much as 26% to annual global GDP by 2025 (from 2016).⁵⁹
- 10.81. International Monetary Fund stated that “...empirical evidence shows that women’s economic empowerment and the closing of gender gaps in key areas is associated with positive macroeconomic outcomes, including higher economic growth, lower inequality, increased productivity, better financial sector outcomes and greater financial stability”.⁶⁰

Risks and assumptions

- 10.82. The details of the measure will be outlined in secondary legislation (see section 2 of this evidence base for details). The option outlined is based on assumptions that have been made in order to assess the impact that the regulations could reasonably be expected to have. However, these assumptions are not settled policy and the end regulations may include different requirements. Any changes will affect the costs included in this impact assessment.
- 10.83. The assumptions that support this measure will be tested through engagement as part of the development of secondary legislation. Those assumptions include:
- The feasibility of existing commercial systems, within companies with more than 250 employees, to extract data on suppliers that provide outsourced services.
 - The roles and responsibilities of the people involved in extracting data on outsourced services, signing off that extraction, and submitting the details of that extraction on the gender pay gap website.
 - The time required for people to extract data on outsourced services, signing off that extraction, and submit the details of that extraction on the gender pay gap website.
- 10.84. The risks associated with the measure relate to the ease with which it can be implemented and the likely effect that linking large companies, with at least 250 employees, will have on reducing the gender pay gap in companies providing outsourced services.

⁵⁹ McKinsey Global Institute, [The Economic Benefits of Gender Parity](#) (2016)

⁶⁰ International Monetary Fund, [‘Tackling legal impediments to women’s economic empowerment’](#) (2022)

- 10.85. Mitigation for implementation risks will come from following and modifying existing guidance and processes in place for gender pay gap reporting. Mitigation for impact risks will be supported through engagement with companies that have at least 250 staff before any secondary legislation is made.
- 10.86. Sensitivity analysis was considered in generating the costs used in this impact assessment. Specifically, it noted that:
- 10.87. The total 10 year costs per company with at least 250 employees is £967 at 2024 prices. The total UK cost, for the first 10 years, is £10,733,495 assuming that there is no additional growth in the total number of companies with at least 250 employees from the 2024 calculated number of 11,102.
- 10.88. If the number of companies with at least 250 employees continued to increase at the compound annual growth rate of 1.76% each year until 2033, the total UK cost, for the first 10 years, is £11,232,631.
- 10.89. If the number of companies with at least 250 employees increased at a compound annual growth rate of 3% each year until 2033, the total UK cost, for the first 10 years, is £11,611,920.
- 10.90. Even at a much higher growth rate for companies, with at least 250 employees, of 3%, the increase in costs (£878,425) is less than the first year costs of £5,046,447.