

# Final stage impact assessment

Title: Requiring large employers to publish Equality Action Plans

Type of measure: Primary and secondary

Department or agency: Cabinet Office

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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 now be required to publish action plans alongside their data, covering the steps they are taking to improve gender equality in their organisation, as well as how they are supporting women going through the menopause.
- 1.2. Our intention is that the GPG reporting service will include a list of actions and employers will be asked to identify which they are enlisting. The list will be based on international evidence showing them to be effective or considered best practice. Employers will then be encouraged to provide further detail about the actions taken on their own website.
- 1.3. As with the rest of the reporting requirements, the publication of an action plan will be enforceable by the Equality and Human Rights Commission (EHRC).
- 1.4. 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. As it stands, the GPG for all employees, according to the Office for National Statistics (ONS), stood at 14.3% in 2023.<sup>1</sup> The drivers for this are varied but it reflects the fact that women are more likely to be in part-time work, lower-paid work, and take career breaks for caring; and are less likely to be represented in senior business positions. Employers have a responsibility to ensure that their policies and processes do not unintentionally hold women back; as well as having a role to play in supporting all staff to progress, and utilise their skills. When it comes to menopause specifically, in 2024, there are an estimated 9 million women aged 40-59 across the United Kingdom (UK), this number is set to grow over time.<sup>2</sup> 92% of people surveyed as part of the Women and Equalities Committee inquiry on Menopause and the Workplace, reported that menopause symptoms affected them at work, reporting that they were less able to concentrate, experienced increased stress and a loss of confidence.<sup>3</sup> Furthermore, women who reported at least one problematic menopausal symptom at the age of 50 were 43% more likely to have left their jobs by the age of 55 and 23% more likely to have reduced their hours. This clearly has implications for productivity and staff retention.
- 2.2. Despite GPG reporting having been in place since 2017, Office for Equality and Opportunity analysis<sup>4</sup> found that as of June 2019 only roughly half of in-scope employers had published an action plan detailing the concrete steps they are taking to narrow the gap and improve gender equality in their organisation. Similarly, while some employers have begun to exhibit best practice when it comes to supporting women in the workforce going through the menopause, this is not widespread. While an estimated 8 out of 10 menopausal women are in work, the same proportion say that their workplace has no basic support in place for them. We know that ensuring women are able to remain in work, and are supported to progress, is crucial to growing the economy; and that when workplaces fail to support this, it represents a significant loss in talent and skills.
- 2.3. If the Government fails to intervene in this area we could continue to see a slowing in the rate at which the national GPG narrows, with this having an impact on the wider economy. We also know that some employers are already attempting to take steps to reduce their GPG, however, without input from the Government on the actions that evidence has shown to be effective, we could see organisations wasting time and money on ineffectual steps, and

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<sup>1</sup> ONS, [Gender pay gap in the UK: 2023](#) (viewed August 2024)

<sup>2</sup> ONS, [Principal projection - UK population in age groups](#) (viewed August 2024)

<sup>3</sup> Women and Equalities Committee, [Menopause and the Workplace](#) (2022)

<sup>4</sup> Equality Hub (formerly Government Equalities Office), [Post-implementation review of the Equality Act 2010 \(Gender Pay Gap Information\) Regulations 2017](#) (2023)

becoming disillusioned with the whole process. If we fail to act now then we will be unable to capitalise on the momentum that the initial introduction of greater transparency has created, and will have squandered an opportunity to transform this into tangible benefits for employees (bearing in mind that steps towards gender equality will likely be of benefit across the workforce).

- 2.4. A post-implementation review of the existing GPG reporting regulations was published in 2023.<sup>5</sup> The key findings included: the regulations contributed to a reduction in the national GPG - two separate analyses found that the regulations had led to a narrowing of the GPG in organisations just above the 250 employee threshold by 2019, one estimated the regulations had narrowed the GPG by 14%, the other by 19%; the regulations succeeded in introducing greater transparency about pay within organisations - to the time of the review, approximately 12,500 unique organisations had published their GPG information, 'on-time' compliance remained above 87% in all reporting periods other than 2019 to 2020, when enforcement of the regulations was suspended. The review implies that the step of mandatory reporting is a successful motivator of employer action, and that, based on the level of 'on-time' compliance, GPG reporting is already a mechanism that employers take seriously. It is for that reason that the policy decision was taken to build action plans into an already successful reporting system; and for this route to be chosen to also deliver the commitment on menopause action plans.

### **3. SMART objectives for intervention**

- 3.1. The objective of this measure is a sustained reduction in the gender pay gap in large UK organisations (with at least 250 employees) and a sustained increase in the female employment rate for women aged 45 to 55 within the same organisations 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

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<sup>5</sup> Equality Hub (formerly Government Equalities Office), [Post-implementation review of the Equality Act 2010 \(Gender Pay Gap Information\) Regulations 2017](#) (2023)

Plan to Make Work Pay for working people to ban exploitative practices and enhance employment rights [Employment Rights Bill]”.<sup>6</sup>

- 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**

- 4.1. The proposed intervention for the measure is to require all employers, with at least 250 employees, to produce and share with the Office for Equality and Opportunity action plans covering the steps they are taking to a) reduce the gender pay gap in their organisation b) support women going through the menopause in their organisation. Specifically, the measure:
- applies to all organisations 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 2017<sup>7</sup>
  - requires those organisations, with at least 250 employees, to produce the necessary action plans by selecting from the list of evidenced based actions published by the Government and to submit these to the existing GPG reporting website portal<sup>8</sup>
- 4.2. Action plans that are submitted each year will be published on the existing GPG reporting website per company with at least 250 employees. In addition, a list of organisations, with at least 250 employees, who have not submitted action plans will be published on the reporting website.
- 4.3. This measure adds to existing requirements outlined in legislation to collect and report gender pay gap data.<sup>9</sup>

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<sup>6</sup> [The King's Speech 2024](#) (viewed August 2024):

<sup>7</sup> [The Equality Act 2010 \(Gender Pay Gap Information\) Regulations 2017](#) (viewed August 2024)

<sup>8</sup> [Gender Pay Gap Service](#) (viewed August 2024)

<sup>9</sup> [The Equality Act 2010 \(Gender Pay Gap Information\) Regulations 2017](#) (viewed August 2024)

4.4. 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.

Table 1: Theory of change for the measure

Activities	Outputs	Short term Outcomes	Long term Outcomes
<ol style="list-style-type: none"> <li>1. Include delegated powers into the Employment Rights Bill</li> <li>2. Consult on detailed proposed requirements prior to secondary legislation</li> <li>3. Make secondary legislation to detail requirements</li> <li>4. Identify organisations with at least 250 employees</li> <li>5. Provide guidance to organisations with at least 250 employees on the requirements of the secondary legislation</li> </ol>	<ol style="list-style-type: none"> <li>1. Annual published actions from the GPG action plan and their menopause action plan on the existing website per company with with at least 250 employees<sup>10</sup></li> <li>2. Annual published list of organisations with at least 250 employees who did not report the GPG action plan and their menopause action plan</li> <li>3. Regulatory contact, by the EHRC, with each large company who did not report their GPG action plan and menopause action plan</li> </ol>	<p><b>Intended outcomes: GPG Action plans</b></p> <ol style="list-style-type: none"> <li>1. High levels of reporting (over 90%) of the information set out in secondary legislation in any year</li> <li>2. Improved understanding by organisations with at least 250 employees, of the actions that are known to reduce the gender pay gap</li> <li>4. Higher levels of organisations with at least 250 employees, that have GPG action plans and higher levels of implementation of those action plans</li> </ol>	<p><b>Intended outcomes: GPG Action plans</b></p> <ol style="list-style-type: none"> <li>1. A sustained reduction in the gender pay gap in organisations with at least 250 employees</li> </ol> <p><b>Intended outcomes: Menopause Action plans</b></p> <ol style="list-style-type: none"> <li>2. A sustained increase in the female employment rate for women aged 45 to 55</li> </ol>

<sup>10</sup> [Gender Pay Gap Service](#) (viewed August 2024)

<p>6. Provide organisations with at least 250 employees with exemplar actions, based on best practice, to select from as part of their gender pay gap and menopause action plans</p> <p>7. Develop, or amend the GPG, digital data collection platform for organisations with at least 250 employees to report which actions are included in their GPG and menopause action plans</p> <p>8. Develop a process for EHRC to regulate non-reporting of the action plans as set out in secondary legislation</p>		<p><b>Intended outcomes:</b> <b>Menopause Action Plans</b></p> <ol style="list-style-type: none"> <li>1. Improved understanding by HR professionals, with organisations with at least 250 employees, of the needs and reasonable adjustments required for women experiencing the menopause</li> <li>2. Changes in attitudes towards supporting and retaining staff, organisations with at least 250 employees, who are experiencing menopause</li> <li>3. Wider adoption of actions that would support staff who are experiencing the menopause</li> </ol>	
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<p><b>Assumptions</b></p>	<ol style="list-style-type: none"> <li>1. The measure within the Employment Rights Bill will allow the Secretary of State for Education, and Minister for</li> </ol>
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	<p>Women and Equalities, through delegated powers, to make secondary legislation on this matter. This theory of change is based on current understanding of what that secondary legislation is likely to contain, however, that may change.</p> <ol style="list-style-type: none"> <li>2. It is assumed that the Office for Equality and Opportunity, in delivering the gender pay gap and menopause action plans, will update a list of organisations that have at least 250 employees so that organisations that this measure applies to can (a) be informed of the requirements outlined and (b) be supported to report the required figures</li> <li>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.</li> <li>4. It is assumed that organisations with at least 250 employees are motivated to implement the actions plans developed to both reduce the gender pay gap and support staff who are experiencing the menopause</li> </ol>
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<b>Evidence of links</b>	Activities to Outputs	<ol style="list-style-type: none"> <li>1. Similar activities are required for organisations with at least 250 employees to report their gender pay gap figures. Those activities have supported private and public organisations with at least 250 employees to achieve reporting rates of over 90% in the year 2022/23.</li> <li>2. Similar activities have allowed the EHRC to apply its enforcement policy to the GPG regulations. Details of which are outlined on their website<sup>11</sup></li> </ol>
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<sup>11</sup> Equality and Human Rights Commission, [Gender pay gap reporting](#) (viewed August 2024)



	Outputs to short-term outcomes	<ol style="list-style-type: none"> <li>1. Similar activities are required for organisations with at least 250 employees to report their gender pay gap figures. Those activities have supported private and public organisations with at least 250 employees to achieve reporting rates of over 90% in the year 2022/23. It is, therefore, assumed that similar reporting rates for retention can also be achieved.</li> <li>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 improved in the short term.<sup>12</sup></li> <li>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<sup>13</sup>.</li> </ol>
	Short-term outcomes to long-term outcomes	<ol style="list-style-type: none"> <li>1. Similar outputs are produced for organisations 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 organisations with at least 250 employees than similar smaller organisations.<sup>14</sup></li> </ol>
	Long-term outcomes to impacts	See row above

<sup>12</sup> ONB Research, [Employers' Understanding of the Gender Pay Gap & Actions to Tackle it](#) (2020)

<sup>13</sup> ONB Research, [Employers' Understanding of the Gender Pay Gap & Actions to Tackle it](#) (2020)

<sup>14</sup> Blundell [Wage responses to gender pay gap reporting requirements](#) (2021) and Duchini and others [Pay Transparency and Gender Equality](#) (2022)

## 5. Summary of long-list and alternatives

- 5.1. The Department for Business and Trade's Better Regulation Framework guidance<sup>15</sup> 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. Reducing the gender pay gap, on which the measure is based, was announced in Change Labour Party Manifesto 2024.<sup>16</sup> The Employment Rights Bill, which will contain the measure, was also included within The King's Speech 2024.<sup>17</sup>
- 5.3. 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.
- 5.4. However, we have considered alternative options for this measure, including producing non-legislative guidance on producing action plans, as well as potentially doing nothing.

### Non-legislative option

- 5.5. On the option of non-legislative guidance, our previous experience of how employers respond to GPG reporting measures leads us to believe that this would not be sufficient to prompt employers to take action. For example, prior to GPG reporting regulations being introduced, there was a voluntary reporting scheme (called 'Think, act, report'). While c300 organisations signed up to the scheme, less than 10 actually publicly published any data as a result, illustrating organisations reluctance to act without regulatory requirements<sup>18</sup>. Furthermore, during the first two years of GPG reporting Office for Equality and Opportunity officials put significant effort into encouraging organisations to publish action plans, and even produced action plan guidance (which is still available). In spite of this, our own analysis found that only 50% of employers opted to publish a plan. We are therefore satisfied that options not requiring regulation will not be sufficient to induce employers to act.

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<sup>15</sup> Department for Business and Trade, [Better Regulation Framework](#) (2023)

<sup>16</sup> Labour Party, [Change](#) (viewed August 2024)

<sup>17</sup> [The King's Speech 2024](#) (viewed August 2024)

<sup>18</sup> Government Equalities Office, [Closing the Gender Pay Gap](#) (2016, p.6)

## Do nothing

- 5.6. With regards to the option of 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, who may have taken steps that are actually ineffectual due to lack of direction from Government.

## 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<sup>19</sup> guidance 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
<b>Description of overall expected impact</b>	<p>The measure is intended to reduce the gender pay gap by calling for organisations, with at least 250 employees, to detail steps they will take to narrow the gap and improve gender equality in their organisation.</p> <p>The measure is intended to increase the employment rate of women experiencing the menopause by calling for organisations with at least 250 employees to detail</p>	<b>Positive</b> <b>Based on all impacts (incl. non-monetised)</b>

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

	<p>the steps they will take to support women experiencing the menopause in their organisation.</p> <p>The total, discounted, 10 year cost of this measure, for all organisations with at least 250 employees in the UK, is £7,406,072. See ‘Evidence Base’ below for details.</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<sup>20</sup> is to “achieve gender equality and empower all women and girls”. 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>The benefits of this measure in terms of gender equality are assumed to be greater than the cost to business. As such, the overall expected impact of the measure is assumed to be positive</p>	
<p><b>Monetised impacts</b></p>	<p>The measure relates to organisations, with at least 250 employees. The year-1 costs for the in-scope businesses in the UK, are £2,232,352. The annual, repeatable costs after year-1 are £680,076.</p> <p>The total, discounted, 10 year cost of this measure, for all large businesses with at least 250 employees in the UK, is £7,406,072.</p> <p>See ‘Evidence Base’ below for details.</p>	<p><b>Negative</b>  <b>Based on likely net present social value (£NPSV)</b></p>

<sup>20</sup> UN, [Goal 5: Achieve gender equality and empower all women and girls](#) (viewed August 2024)

<b>Non-monetised impacts</b>	<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>The non-monetised impacts in terms of gender equality are expected to be positive.</p>	<b>Positive Based on likely £NPSV</b>
<b>Any significant or adverse distributional impacts?</b>	<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>	<b>Neutral Based on likely £NPSV</b>

Table 3: Regulatory scorecard for expected impacts on businesses

<b>(2) Expected impacts on businesses</b>		
<b>Description of overall business impact</b>	<p>The overall impact on businesses in the UK is negligible and focussed only on organisations, with at least 250 employees.</p> <p>The year-1 costs associated with familiarisation and delivery, for the in-scope businesses in the UK, are £2,232,352. The annual, repeatable costs after year-1 are £680,076.</p> <p>The total, discounted, 10 year cost of this measure, for all large businesses with at least 250 employees in the UK, is £7,406,072.</p> <p>The non-monetised impacts of gender equality from the measure are complex and difficult to calculate. However, the effect of these on businesses is assumed to be positive. For example,</p>	<b>Neutral Based on all impacts (incl. non- monetised)</b>

	<ul style="list-style-type: none"> <li>• 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)<sup>21</sup></li> <li>• 1 in 10 women who worked during the menopause left their job due to symptoms<sup>22</sup></li> </ul>	
<b>Monetised impacts</b>	<p><b>Business net present value (NPV):</b> £7,406,072 for 10 years of the measure being in operation</p> <p><b>Approx net financial cost to business, equivalent annual net direct cost to business (EANDCB):</b> £680,076 (discounted after year 1)</p> <p><b>Please indicate if pass through to households has been deducted from these figures:</b> Not applicable</p> <p><b>Please indicate any pass through costs from households to business (if available):</b> Not applicable</p>	<b>Negative</b> <b>Based on likely business £NPV</b>
<b>Non-monetised impacts</b>	<p>The measure supports gender equality, the wider benefits of which 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"> <li>• 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)<sup>23</sup></li> </ul>	<b>Positive</b> <b>Based on likely business £NPV</b>

<sup>21</sup> McKinsey Global Institute, [The Economic Benefits of Gender Parity](#) (2016)

<sup>22</sup> The Fawcett Society, [Menopause And The Workplace](#) (2022)

<sup>23</sup> McKinsey Global Institute, [The Economic Benefits of Gender Parity](#) (2016)

	<ul style="list-style-type: none"> <li>1 in 10 women who worked during the menopause left their job due to symptoms<sup>24</sup></li> </ul> <p>Overall, the non-monetised impacts on businesses, in terms of gender equality, are expected to be positive.</p>	
<b>Any significant or adverse distributional impacts?</b>	<p>No</p> <p>This measure requires organisations, with at least 250 employees, to produce and share relevant action plans. The annual, repeatable costs of this after year-1 are £680,076 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>	<b>Neutral</b> <b>Based on likely business £NPV</b>

Table 4: Regulatory scorecard for impacts on welfare

<b>(3) Expected impacts on households</b>		
<b>Description of overall household impact</b>	<p>The measure is intended to reduce the gender pay gap and employment rate of women experiencing the menopause and thereby to support gender equality.</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<sup>25</sup> is to “achieve gender equality and empower all women and girls”. 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),</p>	<b>Positive</b> <b>Based on all impacts (incl. non-monetised)</b>

<sup>24</sup> The Fawcett Society, [Menopause And The Workplace](#) (2022)

<sup>25</sup> UN, [Goal 5: Achieve gender equality and empower all women and girls](#) (viewed August 2024)

	<p>impacts on sexual violence, exploitation of women and discrimination in areas like public office.</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>	
<b>Monetised impacts</b>	<p>The measure outlined in this impact assessment is specific to organisations, with at least 250 employees.</p> <p>There are no costs for households as a result.</p>	<b>Neutral</b> <b>Based on likely household £NPV</b>
<b>Non-monetised impacts</b>	See description of overall household impact above	<b>Positive</b> <b>Based on likely household £NPV</b>
<b>Any significant or adverse distributional impacts?</b>	See description of overall household impact above	<b>Neutral</b> <b>Based on likely household £NPV</b>

## Part B: Impacts on wider Government priorities

Table 5: Regulatory scorecard for impacts on wider Government priorities

<b>Category</b>	<b>Description of impact</b>	<b>Directional rating</b>
<b>Business environment: Does the measure impact on the ease of doing business in the UK?</b>	This measure requires organisations, with at least 250 employees, to produce action plans outlining how they will tackle the gender pay gap and support women experiencing the menopause in their organisations.	<b>Neutral</b>



	<p>The annual, repeatable costs, of this are £680,076 after year 1 and, as such, considered to have a negligible effect on business environments.</p> <p>The wider benefits of closing the gender pay gap and supporting women experiencing the menopause at work, are complex and difficult to quantify or monetise. However the impacts are assumed to be positive, on employee satisfaction and on the UK business environment more appealing. For example:</p> <ul style="list-style-type: none"> <li>• There is evidence of a positive correlation between employees' satisfaction with their company and employee productivity, and a strong negative correlation with staff turnover. Additionally, higher wellbeing at work is found to be correlated positively with more business-unit level profitability<sup>26</sup></li> </ul> <p>Given relatively low recurring annual costs to measures and wider benefits, the impact of the measure on the business environment is expected to be neutral.</p>	
<p><b>International Considerations:</b> <b>Does the measure support international trade and investment?</b></p>	<p>This measure requires organisations, with at least 250 employees, to produce action plans outlining how they will tackle the gender pay gap and support women experiencing the menopause in their organisations.</p> <p>The annual, repeatable costs, of this are £680,076 after year 1 and, as such, considered to have a negligible effect on any international trade conducted by these organisations.</p>	<p><b>Neutral</b></p>

<sup>26</sup> Krekel and others, [Employee Wellbeing, Productivity, and Firm Performance](#), Saïd Business School (2019)

<p><b>Natural capital and Decarbonisation: Does the measure support commitments to improve the environment and decarbonise?</b></p>	<p>This measure requires organisations, with at least 250 employees, to produce action plans outlining how they will tackle the gender pay gap and support women experiencing the menopause in their organisations.</p> <p>The measure is considered to have no effect on natural capital and decarbonisation.</p>	<p><b>Neutral</b></p>
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## 8. Monitoring and evaluation of preferred option

- 8.1. The Small Business, Enterprise and Employment Act 2015<sup>27</sup> 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.
- 8.2. The Department for Business and Trade's Statutory Guidance under s.31 of the Small Business, Enterprise and Employment Act<sup>28</sup> states that the timescale of the Post-Implementation Review should be up to five years from when the amendment is implemented. Where possible, this review would be undertaken within a similar timeframe as other post implementation reviews regarding other parts of the Employment Rights Bill.
- 8.3. In this case, the measure will add to the gender pay gap reporting requirements set out in The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.<sup>29</sup> That legislation was itself subject to a post implementation review in April 2023<sup>30</sup> 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.

<sup>27</sup> [Small Business, Enterprise and Employment Act 2015](#) (viewed August 2024)

<sup>28</sup> Department for Business and Trade, [Statutory Guidance under s.31 of the Small Business, Enterprise and Employment Act](#) (2023)

<sup>29</sup> [The Equality Act 2010 \(Gender Pay Gap Information\) Regulations 2017](#) (viewed August 2024)

<sup>30</sup> Office for Equality and Opportunity (formerly Government Equalities Office), [Post-implementation review of the Equality Act 2010 \(Gender Pay Gap Information\) Regulations 2017](#) (2023)

- 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 organisations 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 organisations 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.<sup>31</sup>
- 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.
- 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 organisations, with at least 250 employees, by:
  - Amending the existing gender pay gap website to give organisations with at least 250 employees access to comprehensive guidance on producing action plans. This will include a list of suggested actions they may adopt which have proven effective elsewhere.

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<sup>31</sup> ONS, [Gender pay gap in the UK: 2023](#) (viewed August 2024)

- Amending the existing gender pay gap website portal to support organisations, with at least 250 employees, to submit relevant action plans.

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 £2,232,322 in the first year for all businesses in scope in the UK. Recurring annual costs thereafter are £680,076, discounted over the 10 years that the measure is assumed to operate.

## Declaration

Department:

Cabinet Office

Contact details for enquiries:

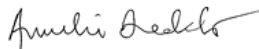
OEO-analysis@cabinetoffice.gov.uk

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

	<b>1. Business as usual</b>	<b>2. Do-minimum Option</b>	<b>3. Preferred way forward</b>	<b>4. More ambitious preferred way forward</b>	<b>5. Less ambitious preferred way forward</b>
<b>Net present social value</b>	Not costed, see section 5 for details	Not costed, see section 5 for details	The net present social value is based on £7,406,072 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
<b>Public sector financial costs</b>			The public sector financial costs, all of which are development, non-		

			<p>repeatable costs, are £31,104.</p> <p>Costs included are to modify the gender pay gap portal and website.</p>		
<p><b>Significant un-quantified benefits and costs</b></p>			<p>Benefits include improved gender equality in the UK and non-monetised impact on GDP associated with gender equality.</p>		
<p><b>Key risks</b></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 organisations with at least 250 employees of 3% the additional costs are less than the initial year 1 costs.

The upper estimate for total costs to businesses in Year-1 is £402.15 compared to a best estimate of £201.07.

The upper estimate for recurring annual costs to businesses after Year-1 is £122.51 compared to a best estimate of £61.26.

			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:

- Organisations, 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, how it affects them, and how to produce the necessary action plans
- Organisations, with at least 250 employees, will produce the necessary action plans and submit these to the existing Gender Pay Gap reporting portal. This is focused on key staff, including HR professionals drafting the action plans and Chief Executives and Senior Officials signing these off
- Organisations, with at least 250 employees, submit updated action plans in each reporting year.
- To support organisations, 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 organisations with at least 250 employees in the UK**

- 10.5. In 2023 there were 10,910 businesses across the UK registered for VAT and or/ Pay as You Earn (PAYE) with at least 250 employees.<sup>32</sup>
- 10.6. The compound annual growth rate (CAGR) in organisations 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 organisations in 2024 (rounded to 0 decimal places for the purposes of reporting).
- 10.7. This impact assessment calculates costs associated with this measure, based on the number of organisations with at least 250 employees in the UK. As legislation is developed, the organisations who will be affected by this measure will be specified and as such costs for organisations may change.

### **One-off familiarisation costs: Businesses**

- 10.8. Context: 'Familiarisation' means reaching the point where HR professionals and Chief Executives or Senior Officials are aware of the legislative change and understands next steps for their organisation. This will include reaching an understanding of how to produce the relevant action plans based on new guidance on the GPG reporting website.
- 10.9. In 2023, the median salary for a Human Resource Manager and Director was £26.31 per hour excluding overtime.<sup>33</sup>
- 10.10. The CAGR in median hourly pay, between 2017 and 2023 for a Human Resource Manager and Director, 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-

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<sup>32</sup> ONS, [UK business: activity, size and location: 2023](#) (viewed August 2024)

<sup>33</sup> ONS, [Earnings and hours worked, occupation by four-digit SOC: ASHE Table 14](#) (viewed August 2024)

labour costs to £34.61 an hour. See SCM Network, International Standard Cost Model Manual (page 19).

- 10.11. In 2023, the median salary for Chief Executives and Senior Officials was £40.83 per hour excluding overtime. See ONS, Earnings and hours worked, occupation by four-digit SOC: ASHE Table 14.
- 10.12. 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. See SCM Network, International Standard Cost Model Manual (page 19).
- 10.13. The time required for 2 Human Resource Managers or Directors and 1 Chief Executive or Senior Official to familiarise themselves with the additional requirements is assumed to be 1 hour each (see note 1a and 1b for details) As such the best estimate for the total familiarisation cost is £122.51 per company with at least 250 employees or £1,360,123.17 for the UK (see note 1c for comment on rounding).
- 10.14. Note 1a: It is assumed that both HR professionals and Chief Executives or Senior Officials would need to familiarise themselves with legislative changes related to this measure, as both could be expected to take steps to ensure the organisation follows requirements of the measure. This assumption is based on internal conversations and on undertaking similar tasks in the public sector. This assumption will be tested in future engagement with relevant stakeholders.
- 10.15. Note 1b: The assumption that familiarisation would require 1 hour for each key member of staff is based on the impact assessment that supported the Workplace harassment: legal protections under the Equality Act 2010 (2021).<sup>34</sup> This assumed that familiarisation involving similar steps (reading new guidance on a measure, developing an understanding of organisational next steps and considering potential organisational policy changes in light of guidance) would take an HR manager of medium and large organisations, including those with at least 250 employees, 1 hour. This is a best estimate of the time required but sensitivity analysis has been carried out using low and high estimates.

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<sup>34</sup>Equality Hub (formerly Government Equalities Office), [Workplace harassment: legal protections under the Equality Act 2010](#) (2021)

10.16. Note 1c: Costs presented in this section have been rounded to the nearest pence for the purposes of reporting. However, figures were not rounded in calculations and as such, costs of staff time as they are presented here may not sum exactly to the total cost figure.

### **Year-1 Delivery Costs: Businesses**

- 10.17. Context: 'Year-1 Delivery Costs' for businesses include the time taken for an HR professional to produce the relevant action plans by selecting actions from the list published on the GPG website, for a Chief Executive or Senior Official to review and these sign off, and for an HR professional to upload them to the GPG reporting portal
- 10.18. As noted above, the median hourly pay, excluding overtime, for a Human Resource Manager and Director, is £34.61 including a 30% uplift for non-labour costs.
- 10.19. Also noted above, the median hourly pay, excluding overtime, for a Chief Executive and Senior Official, is £53.29 including a 30% uplift for non-labour costs.
- 10.20. It is assumed that it would take 30 minutes for an HR professional to produce 1 action plan, selecting appropriate actions from the list of suggested actions published on the GPG reporting website. That equates to 1 hour to produce 2 action plans (£34.61). It is also assumed a Chief Executive would require 30 minutes to sign off 2 action plans (£26.65). An additional 30 minutes is assumed necessary for an HR professional (£17.31) to upload 2 action plans to the GPG reporting system (see note 1d for details)
- 10.21. The total Year-1 Delivery cost per company with at least 250 employees is, therefore, £78.56. This is £872,199.01 for the UK (see note 1c for comment on rounding)
- 10.22. Note 1d: 1 hour of the Chief Executive's time is already assumed to be required to sign off the gender pay gap reporting costs.<sup>35</sup> It is assumed the sign off process will take less time as Chief Executives will have already become familiar with recommended actions to take based on new guidance published by the Government on the GPG website. As such, it is assumed 30 minutes would be required per action plan, or a total of 1 hour for 2. These are best estimates of the time required but sensitivity analysis has been carried out using low and high estimates.

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<sup>35</sup> Equality Hub (formerly Government Equalities Office), [Gender Pay Gap Regulations Impact Assessment](#) (2016)

## **Recurring Annual Costs: Businesses**

- 10.23. Context: 'Recurring Annual Costs' for businesses include the time taken for an HR professional to review or update existing action plans, for a Chief Executive or Senior Official to sign these off, and for an HR Professional to submit action plans to the GPG reporting portal. This is assuming organisations will be required to submit relevant action plans in each reporting year.
- 10.24. It is assumed organisations will not be required to implement or carry out actions on plans. Given this is not mandatory, any costs incurred by organisations associated with carrying out actions on their plans would not be direct from the measure so have not been included as ongoing costs.
- 10.25. It is assumed it would take an HR professional 30 minutes to review or update 2 action plans (£17.31) (see note 1e for details). It is also assumed 30 minutes would be required for a Chief Executive to sign off 2 action plans (£26.65) and an additional 30 minutes for an HR professional (£17.31) to submit 2 action plans to the GPG reporting portal.
- 10.26. The total recurring annual cost per company with at least 250 employees is, therefore, £61.26. This is £680,076.48 for the UK (see note 1c for comment on rounding)
- 10.27. Note 1e: It is assumed reviewing and updating an existing action plan will take less time than producing an action plan in Year 1. It is therefore assumed it would take an HR professional 30 minutes to review and update 2 existing action plans. These are best estimates of the time required but sensitivity analysis has been carried out using low and high estimates.

## **Costs to public sector:**

- 10.28. Context: public sector costs include the development of new guidance on the measure for organisations with at least 250 employees and the modification of the existing GPG reporting portal as well as the existing GPG reporting website. Costs for enforcement are also considered.

## **One-off guidance development costs: public sector**

- 10.29. Guidance necessary to support organisations, with at least 250 employees, familiarise themselves with the requirements of the measure will be developed and published. This will

extend the statutory guidance<sup>36</sup> already existing for gender pay gap reporting and include a list of suggested actions to add to relevant action plans.

- 10.30. Producing updated guidance, including suggested actions for organisations to include on relevant actions plans, would require an HEO analyst to undertake an evidence review of international best practice and a grade 7 analyst to quality assure this work. It would further require a grade 7 policy professional and Senior Civil Servant to sign this off for publication.
- 10.31. The yearly pay of an HEO, in 2023/24, at the middle of the pay band is £37,300 for a member of staff outside of London. This is uplifted by 30% to cover non-labour costs to £48,490 a year.<sup>37</sup>
- 10.32. The yearly pay of a grade 7, 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.
- 10.33. The yearly pay of a Senior Civil Servant level 1, 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.
- 10.34. It is assumed it would take an HEO analyst 4 weeks to undertake an evidence review and draft new guidance for relevant action plans (£3,730.00) and it would take a grade 7 analyst 1 day to quality assure this work (£282.75). It is further assumed it would take a grade 7 policy professional and Senior Civil Servant 2 hours each to review and sign this off (£191.19). (See note 1f).
- 10.35. Incorporating new guidance related to this measure on the existing Gender Pay Gap reporting website is assumed to take 3 weeks and 1 hour for a Senior Civil Servant 1 to sign this off. This is based on internal conversations and past experience of conducting such tasks, for producing the existing Gender pay gap reporting: guidance for employers.<sup>38</sup>
- 10.36. The cost of a grade 6 analyst for three weeks, including the uplift for non-labour costs, is £5,021.25 and for a Senior Civil Servant for 1 hour is £60.25.

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<sup>36</sup> Equality Hub (formerly Government Equalities Office), [Gender pay gap reporting: guidance for employers \(2023\)](#)

<sup>37</sup> SCM Network, [International Standard Cost Model Manual](#) (page 19) (viewed August 2024)

<sup>38</sup> Equality Hub (formerly Government Equalities Office), [Gender pay gap reporting: guidance for employers \(2023\)](#)

- 10.37. The total one-off costs of developing new guidance for the public sector is therefore £9,285.44 (see note 1c for comment on rounding).
- 10.38. Note 1f: the estimated time taken for an HEO analyst to produce an evidence review, for a grade 7 to quality assure an evidence review and a grade 7 policy professional and senior civil servant level 1 to sign off an analytical product is based on internal conversations and past experience of undertaking such tasks.

### **One-off website development costs: public sector**

- 10.39. The modification of the GPG reporting portal and website will require a grade 6 analyst to make changes to allow:
- organisations, with at least 250 employees, to submit relevant action plans
  - relevant action plans from organisations with at least 250 employees, to be published on a modified GPG reporting website
  - a list of organisations, with at least 250 employees, who do not submit their relevant action plans to be published on a modified gender pay gap website
- 10.40. Based on internal conversations and experience of similar tasks, it is assumed that it will take 3 months of a grade 6 analyst to make the necessary changes outlined above and 1 hour for a Senior Civil Servant to sign off these changes
- 10.41. The yearly pay for a grade 6 analyst, at the middle of the pay band, is £87,035 including a 30% uplift for non-labour costs. The yearly pay of a Senior Civil Servant level 1, at the middle of the pay band, is £125,320 including a 30% uplift for non-labour costs.
- 10.42. The cost of a grade 6 analyst for 3 months, including the uplift for non-labour costs, is £21,758.75. The cost of a senior civil servant for 1 hour is £60.25. Therefore, the overall cost to the public sector of one-off website development is £21,819.00 (see note 1c for comment on rounding).

### **On-going enforcement costs: public sector**

- 10.43. An enforcement process will be developed for EHRC to regulate non-reporting of action plans by organisations with at least 250 employees. The EHRC currently enforces gender

pay gap reporting as described in its enforcement policy. Details of which are outlined on their website.<sup>39</sup>

- 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. We assume that if additional staff or non-staff costs are needed the EHRC will act accordingly.
- 10.45. 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 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. As the content of any secondary legislation is detailed we will engage with relevant stakeholders including organisations that have at least 250 employees. Any new impact assessment required at that stage will reflect any updated costs as a result of that engagement.

## **Costs and benefits to business calculations**

### **Total first year costs: Businesses**

- 10.48. Including familiarisation costs and Year-1 delivery costs, total costs of this measure for organisations (with at least 250 employees) in the first year is £2,232,322 for the UK. See section 1 of this evidence base for details.

### **Total recurring annual costs: Businesses**

- 10.49. The total recurring annual costs after year-1 of this measure for organisations (with at least 250 employees) is £680,076 for the UK. See section 1 of this evidence base for details.

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<sup>39</sup> Equality and Human Rights Commission, [Gender pay gap reporting](#) (viewed August 2024)



- 10.50. These costs have been discounted in line with the Standard Discount Rates and Associated Discount Factors outlined in HM Treasury's Green Book,<sup>40</sup> 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,<sup>41</sup> for the first 10 years of the measure is £7,406,072 (present value).
- 10.52. Total 10 year costs assume that annual delivery costs (outlined above) remain stable and are based on the number of organisations with at least 250 employees as calculated for 2024.

## **Impact on small and micro businesses**

- 10.53. The measure outlined in this impact assessment is specific to large organisations (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 an increase in the employment rate of women experiencing the menopause, in turn leading to wider benefits of greater equality. The benefit of greater equality is expected to be shared at a societal level.

## **Costs and benefits to households' calculations**

- 10.55. The measure outlined in this impact assessment is specific to organisations (with at least 250 employees). There are no costs for households as a result.
- 10.56. The measure is assumed to have wider welfare benefits in terms of supporting gender equality, by tackling the gender pay gap and increasing the employment rate of women experiencing the menopause.
- 10.57. The wider welfare benefits of this measure in terms of gender equality are complex and difficult to monetise. However, the non-monetised impacts are assumed to be positive.

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<sup>40</sup> HM Treasury, [Green Book](#) (2022) table 7

<sup>41</sup> HM Treasury, [Green Book](#) (2022) table 7

## **Business environment**

- 10.58. The measure applies to large businesses (with at least 250 employees) only. As such there are no barriers to entry into UK markets as organisations would already need to exist for the measure to apply
- 10.59. The measure has a small on-going annual cost per large company of £61.26. This cost is assumed to be low enough not to encourage innovation, prevent investment, or growth in a business.

## **Trade implications**

- 10.60. 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.
- 10.61. The measure applies to organisations, with at least 250 employees, and has a small on-going annual cost per large company of £61.26. This cost is assumed to be low enough not to encourage innovation, prevent investment, or growth in a business.
- 10.62. 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.
- 10.63. 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**

- 10.64. 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

- 10.65. 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.
- 10.66. The measure applies to large businesses (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

- 10.67. The overall benefits of this measure include a reduction in the gender pay gap, support the employment rate of women experiencing the menopause, and 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

- 10.68. Goal 5 of the United Nations Sustainable Development Goals is to "achieve gender equality and empower all women and girls".<sup>42</sup> 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.
- 10.69. 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".<sup>43</sup>

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<sup>42</sup> UN, [Goal 5: Achieve gender equality and empower all women and girls](#) (viewed August 2024)

<sup>43</sup> UN Women, [Facts and figures: Economic empowerment](#) (viewed August 2024)

## Public sector equality assessment

- 10.70. It is expected that this measure may have a minor positive impact on the protected characteristics of religion or belief, marriage and civil partnership and sexual orientation as a result of a wider focus on gender pay gaps. While this may also happen with the introduction of this measure, there is a lack of evidence to support this as a noticeable impact. However, the impact for other protected characteristics is likely to be more positive.
- 10.71. For the disability, pregnancy or maternity, and race protected characteristics the actions to reduce the GPG, which are likely to be included in action plans, are also likely to benefit these groups. For example, improving workplace flexibility, behaviour based job requirements and mentorship opportunities have been seen to be positive, or promising, for people with a disability as well as women.<sup>44</sup> <sup>45</sup> The same research indicated that internal representation targets, using structured interviews, and transparent promotion, pay and reward processes also supported different ethnic groups.<sup>46</sup>
- 10.72. For the age and sex protected characteristics, the GPG is higher for older employees and women. As such action plans that reduce the GPG will disproportionately benefit older people and women. This is also likely for menopause action plans which will specifically focus on the experiences of women, typically, aged between 45 and 55 although the menopause can occur earlier or later. In 2024, there is an estimated 9 million women aged 40-59<sup>47</sup> across the UK. This number is set to grow over time.<sup>48</sup>
- 10.73. 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.

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<sup>44</sup> Behavioural Insights Team, [How to Improve Workplace Equity - Evidence-based Actions for Employers](#) [How to Improve Workplace Equity](#) (2022)

<sup>45</sup> Effective actions are actions where there is strong evidence that these actions work, supported by research that shows a cause-and-effect relationship between the action and the desired outcome. Promising actions are actions where the action has potential to be effective but more research is needed to determine this and how best to implement these actions

<sup>46</sup> Behavioural Insights Team, [How to Improve Workplace Equity - Evidence-based Actions for Employers](#) [How to Improve Workplace Equity](#) (2022)

<sup>47</sup> As per NHS guidance, this age range includes the ages where women are more likely to be affected by menopause (age 45 to 55). We've expanded this to include women who enter menopause early (perimenopause) and for those who likely experience menopausal symptoms later

<sup>48</sup> ONS, [Principal projection - UK population in age groups](#) (2024)

## Company benefits

- 10.74. 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.<sup>49</sup>
- 10.75. The Equality and Human Rights Commission<sup>50</sup> 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

- 10.76. 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).<sup>51</sup>
- 10.77. The 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".<sup>52</sup>

## Risks and assumptions

- 10.78. The details of the measure will be outlined in secondary legislation (see section 2 of this evidence base for details). The option outlined is expected to be reflected in that secondary legislation but is subject to change as that legislation is developed. Any changes will affect the costs included in this impact assessment.
- 10.79. The assumptions that support this measure will be tested through engagement as part of the development of secondary legislation. Those assumptions include:

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<sup>49</sup> Krekel and others, [Employee Wellbeing, Productivity, and Firm Performance](#), Saïd Business School (2019)

<sup>50</sup> Equality and Human Rights Commission, [Closing the Gender Pay Gap](#) (2018)

<sup>51</sup> McKinsey Global Institute, [The Economic Benefits of Gender Parity](#) (2016)

<sup>52</sup> International Monetary Fund, [Tackling legal impediments to women's economic empowerment](#) (2022)

- Details of the number and names of organisations with at least 250 employees that this measure applies to
- The roles and responsibilities of the people involved in producing, signing off and submitting action plans to the GPG reporting portal
- The time required to produce or update, sign off, and submit action plans to the GPG reporting portal
- Requirements for organisations to submit updated action plans each reporting year to the GPG reporting portal
- Implementation of action plans produced by organisations with at least 250 employees is optional and will not be enforced.

10.80. The risks associated with the measure relate to the ease with which it can be implemented and the likely effect that producing action plans will have on reducing organisations gender pay gap and their retention rate of women experiencing the menopause.

10.81. Mitigation will be supported through engagement with a) organisations that have at least 250 staff that this measure relates to and b) organisations that have produced action plans to tackle the gender pay gap or support women experiencing the menopause.

## **Sensitivity analysis**

10.82. Sensitivity analysis was considered in generating the costs used in this impact assessment. Specifically it considered the impact on estimated costs of changes in the number of organisations with at least 250 employees over time, and staff time requirements to undertake necessary steps associated with the measure.

### **Changes in the number of organisations with at least 250 employees**

10.83. The total recurring costs after year-1 per company with at least 250 employees is £680,076 in 2024 prices. This is a total UK cost, for the first 10 years of £7,406,072 assuming that there is no additional growth in the total number of organisations with at least 250 employees from the 2024 calculated number of 11,102.

- 10.84. If the number of organisations 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 £7,860,883.
- 10.85. If the number of organisations with at least 250 employees continued to increase at the compound annual growth rate of 3% each year until 2033, the total UK cost, for the first 10 years, is £8,207,017.
- 10.86. Even at a much higher growth rate for organisations, with at least 250 employees, of 3%, the increase in costs (£800,945) is less than the first year costs of £2,232,322.

### **Key staff time requirements**

- 10.87. Cost to business is dependent on time required for key staff to carry out necessary activities associated with familiarisation and delivery. Best estimates were made for time requirements (see section 1 of the evidence base for details) however sensitivity analysis considered the impact on costs if time requirements were significantly higher (+100%) or lower (-50%).
- 10.88. One-off familiarisation costs for business were estimated to be £122.51 per company with at least 250 employees, assuming 1 hour of each key staff member's time is required. An upper estimate was calculated if the time required was 2 hours per staff member (£245.03) and a lower estimate was calculated if 30 minutes per staff member was required (£61.26).
- 10.89. Year-1 delivery costs for business were estimated to be £78.56 per company assuming this required 1 hour and 30 minutes of time from an HR professional and 30 minutes of time from a Chief Executive or Senior Official. An upper estimate was calculated if the time required was 3 hours for an HR professional and 1 hour for Chief Executive or Senior Official (£157.12). A lower estimate was calculated if 45 minutes was required from an HR professional and 15 minutes from a Chief Executive or Senior Official (£39.28).
- 10.90. Recurring annual costs for businesses after year-1 were estimated to be £61.26, assuming this required 1 hour of time from an HR professional and 30 minutes of time from a Chief Executive or Senior Official. An upper estimate was calculated if the time required was 2 hours for an HR professional and 1 hour for Chief Executive or Senior Official (£122.51). A lower estimate was calculated if 30 minutes was required from an HR professional and 15 minutes from a Chief Executive or Senior Official (£30.63).

- 10.91. Using upper estimates, the total cost per company associated with the measure would be £402.15 in year-1 and there would be recurring annual cost after year-1 of £122.51 per business (present value), compared to a best estimate of £201.07 in year 1 and £61.26 each year thereafter.
- 10.92. Confidence in best estimates of time requirements: Best estimates for key staff time requirements are based on the time required and key staff involved in conducting similar activities as detailed in past impact assessments that supported the Workplace harassment: legal protections under the Equality Act 2010<sup>53</sup> and Gender Pay Gap Regulations.<sup>54</sup> See section 1 of the Evidence Base above. As such, confidence in best estimates of time requirements and the cost of key staff is reasonable.
- 10.93. As secondary legislation is developed, assumptions about time requirements will be tested through engagement with organisations that have at least 250 staff that this measure relates to and further with organisations that have produced similar action plans to fully understand the process and to assess the overall impact of this measure on business. Following this, we will update this impact assessment with any additional evidence.

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<sup>53</sup> Equality Hub (formerly Government Equalities Office), [Workplace harassment: legal protections under the Equality Act 2010](#) (2021)

<sup>54</sup> Equality Hub (formerly Government Equalities Office), [Gender Pay Gap Regulations Impact Assessment](#) (2016)