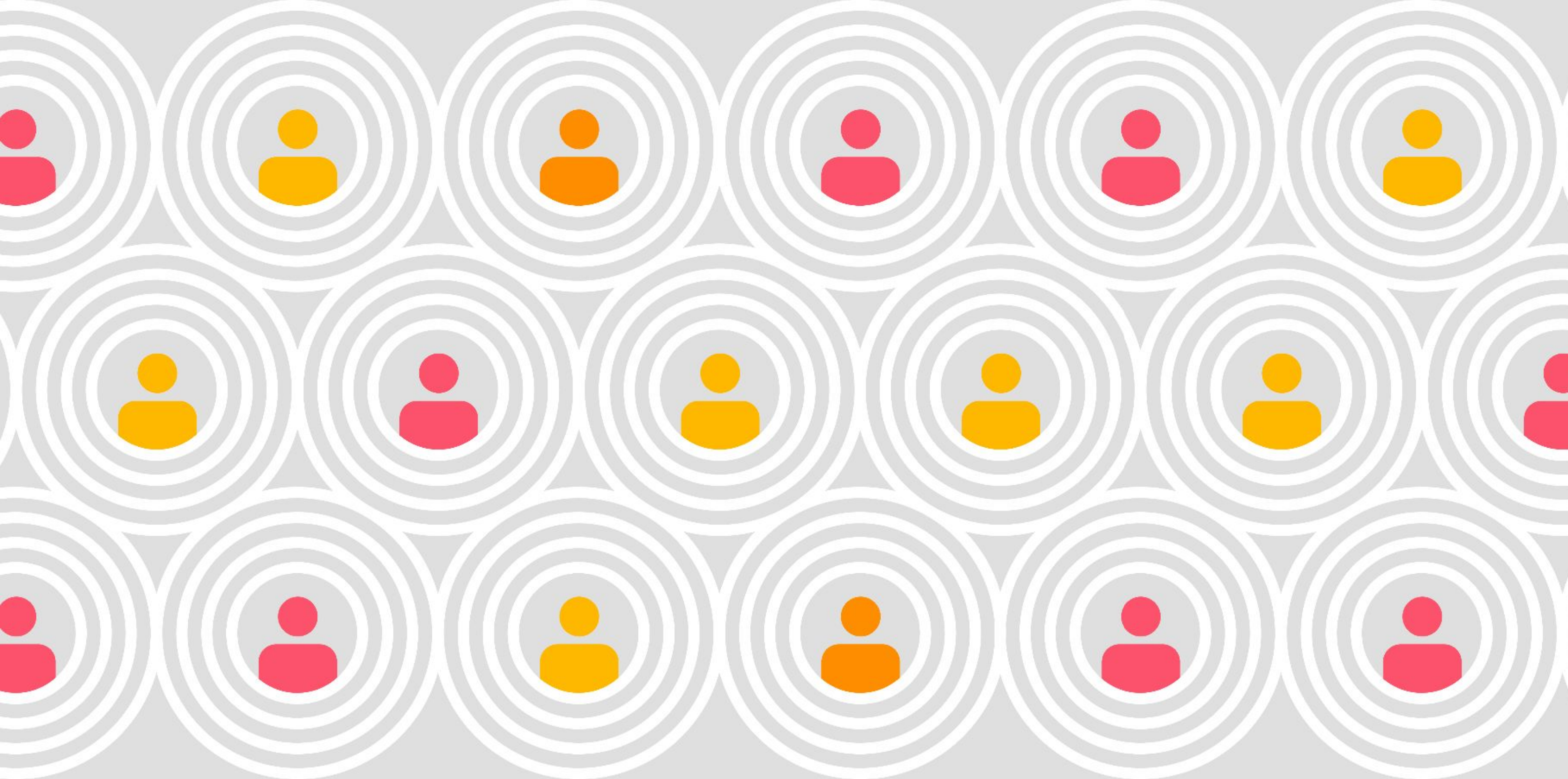


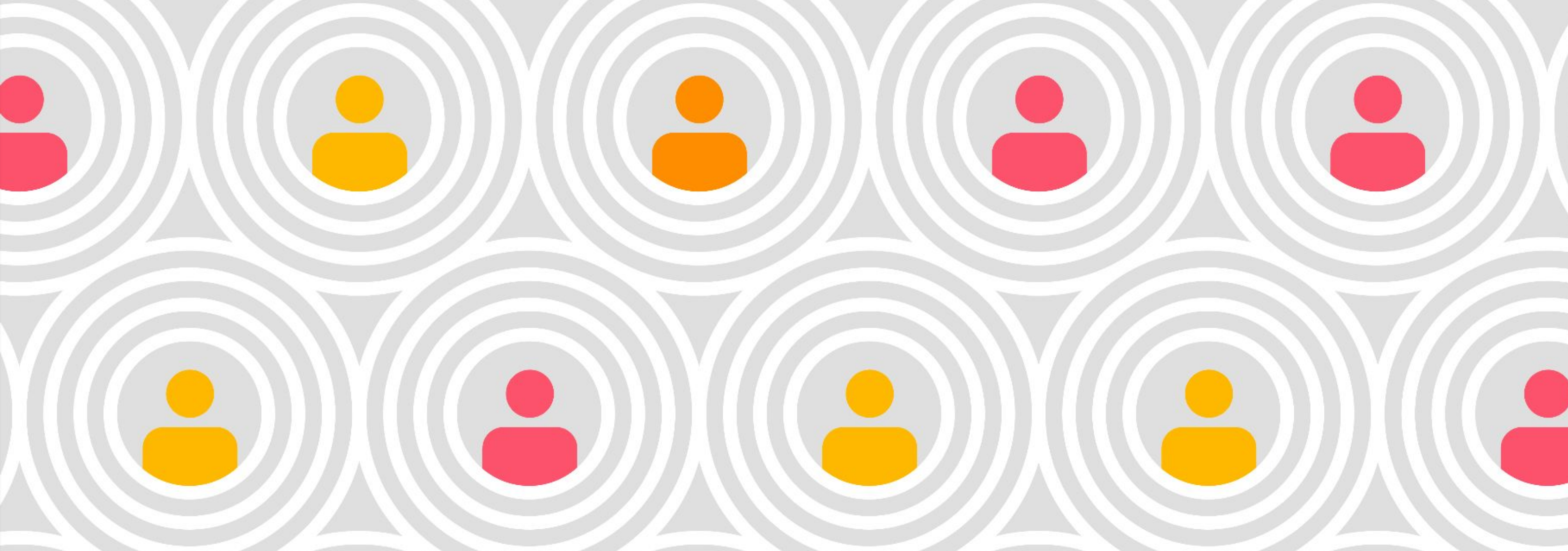
Mandatory UK Gender Pay Gap Reporting

Maintaining focus on equality

Updated Year 4 Gender Pay Gap Reporting 2020/21

November 2021

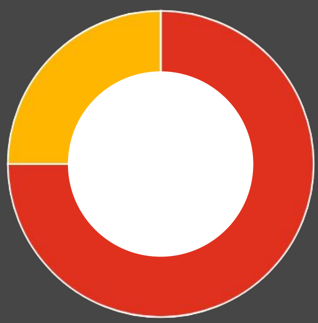
pwc



Key gender pay trends in 2020/21

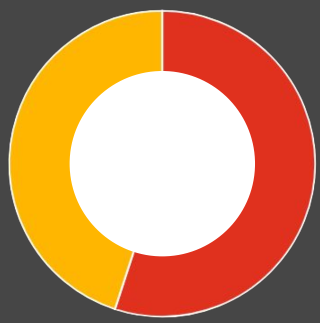
25%

of companies chose to report prior to 5 April

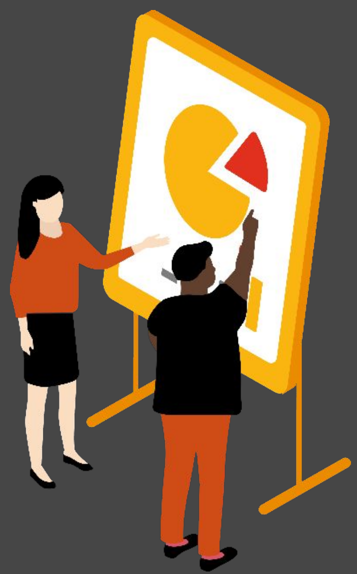


45%

of companies chose to report in the last month before the 5 October 2021 deadline

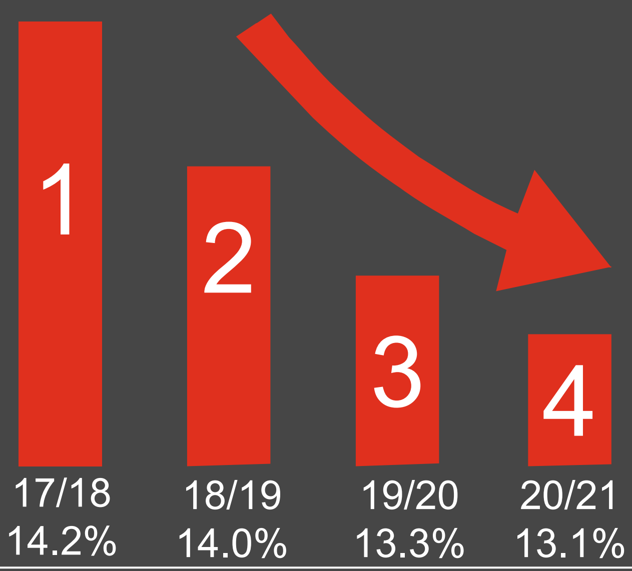


13.1%



is the median of reported mean pay gaps for those that have reported in every year since 2017

Pay gaps have reduced for the third year in a row for those that have reported every year since 2017/18



Introduction

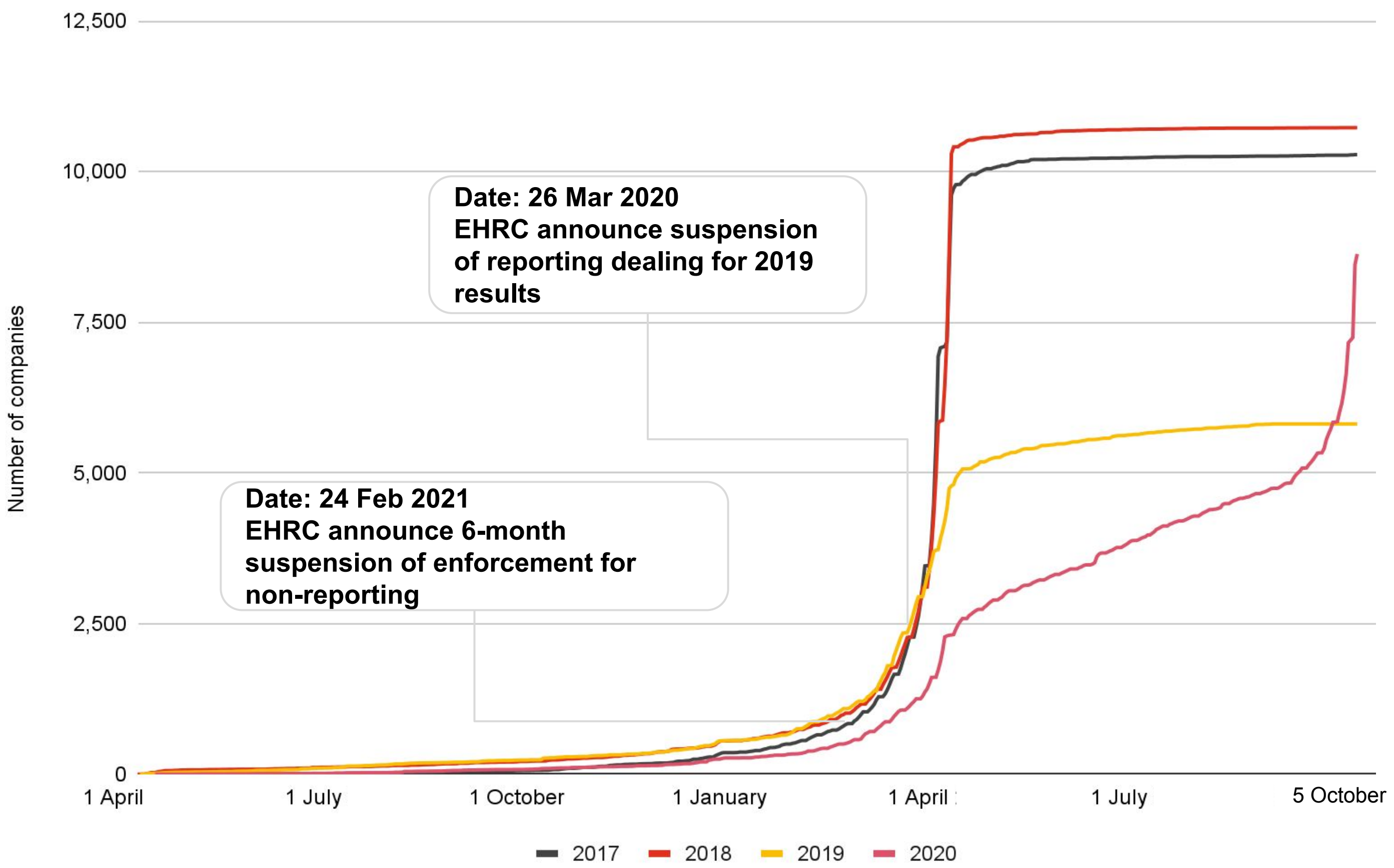
Given the ongoing focus on COVID-19, the Government Equalities Office ('GEO') suspended the gender pay gap reporting deadline for 2019/20, and delayed the enforcement for 2020/21 reporting to 5 October 2021. Just under 25% of companies reported prior to 5 April 2021, with the majority reporting closer to the extended 5 October 2021 deadline.

56% reported a reduction in their mean pay gap and **53%** reported a reduction in their mean bonus gap (of the companies who reported in both this and the previous year).

Disclosure timing

As is to be expected, changes to the gender pay gap reporting deadline in 2019/20 (suspension) and 2020/21 (delay) had a significant impact on the disclosure rate of companies compared to the prior years. As illustrated in the chart below, the number of companies reporting before February fell for 2020/21 after previously increasing year on year. Following the announcement of the six month delay of the disclosure deadline, reporting slowed further with 6,315 companies reporting between 5 April and 5 October 2021, and a significant proportion reported closer to the October deadline. The number of companies who have reported for 2020/21 by 5 October is c.80% of the number that had reported in 2018/19 (the last "normal" reporting year before the pandemic).

Large companies (with 20,000 or more employees) typically reported at the original deadline in April 2021, whereas smaller companies reported later in the year. This is in line with larger companies showing a greater decrease in gaps compared to smaller companies in our analysis when comparing 2017/18 to 2020/21.

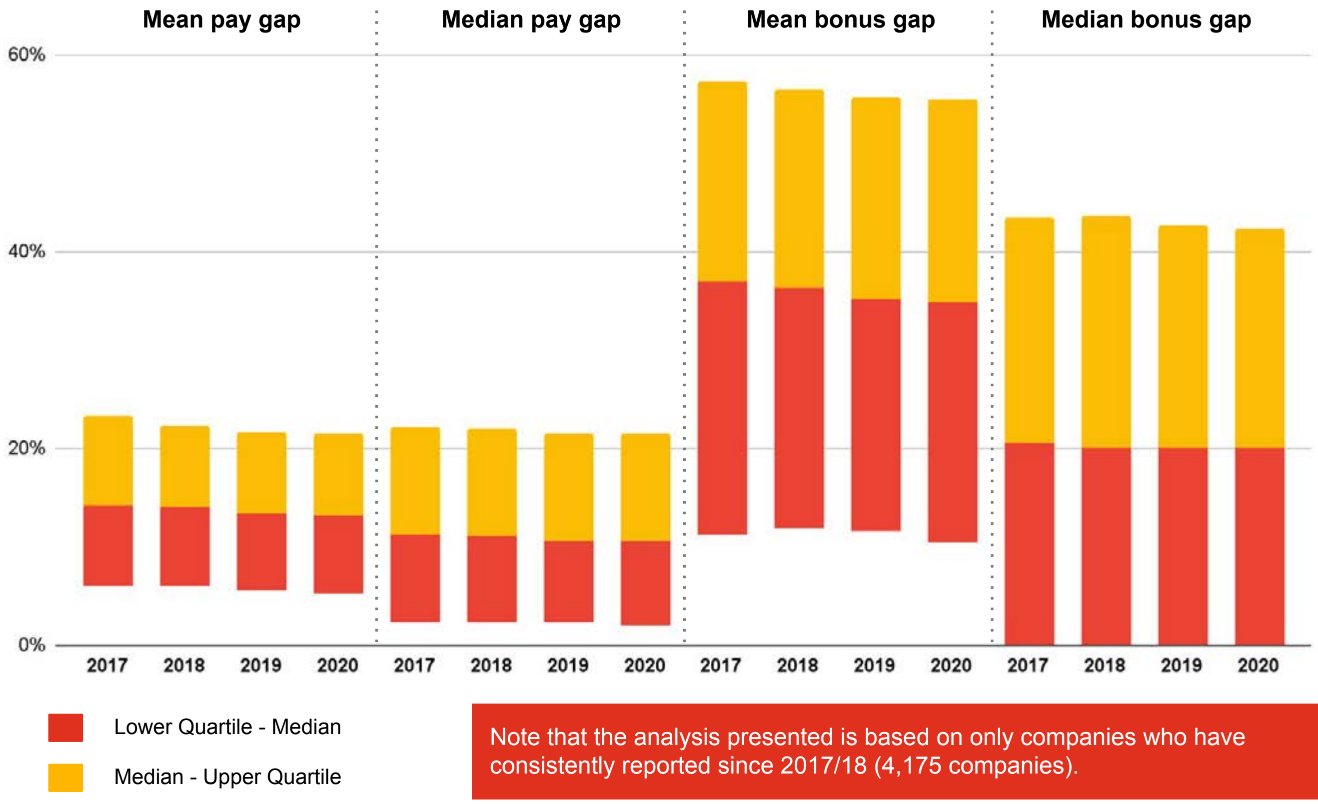


Key trends

Of those that have disclosed every year since 2017/18, average pay gaps have consistently decreased with the mean reducing from 14.2% in 2017/18 to 13.1% in 2020/21. The mean pay gap has increased from 12.5% at the 5 April 2021 deadline where c.25% of companies had disclosed to 13.1% following the 5 October 2021.

Of all companies that have reported by 5 October 2021 (even those that did not disclose in 2019/20) the mean pay gap has broadly remained flat from 13.4% in 2017/18 to 13.2% in 2020/21.

In terms of the bonus gap, for those that have disclosed every year since 2017/18, the mean bonus gap has decreased from 36.9% in 2017/18 to 34.8% in 2020/21. This is an increase from 33.6% at the original 5 April 2021 deadline.

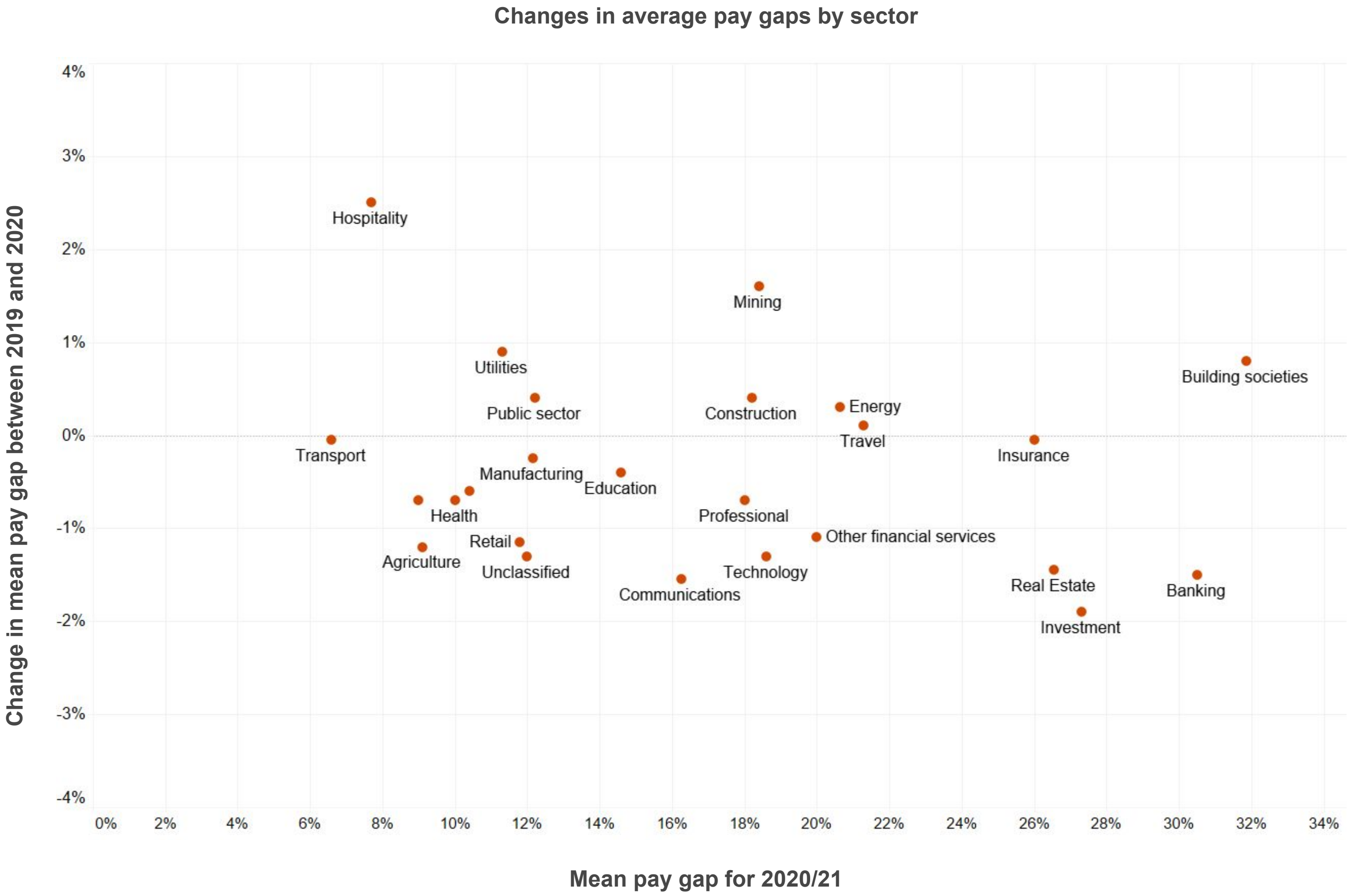


Note that the analysis presented is based on only companies who have consistently reported since 2017/18 (4,175 companies).

Change in average pay gap by sector

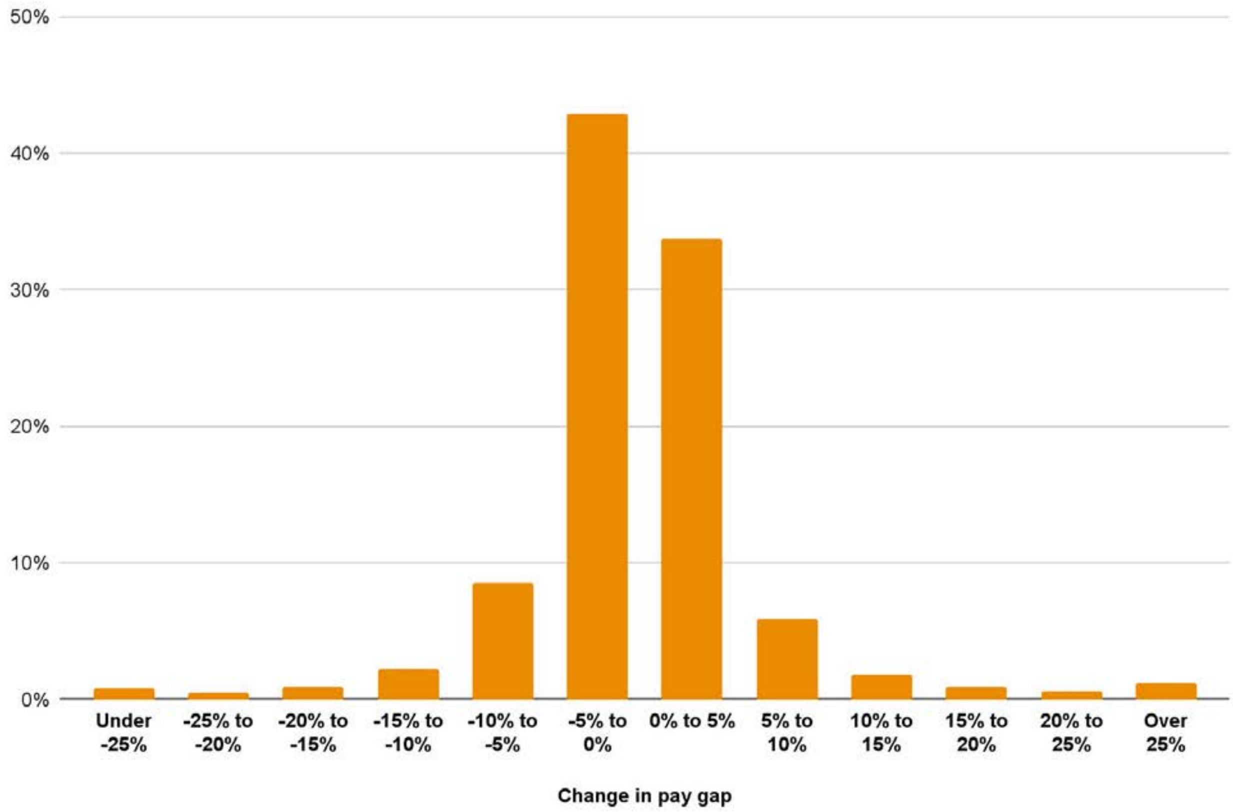
When looking at the change in the mean pay gap over time by sector, there has been a consistent decrease since 2017/18 for 18 of 24 sectors considered.

Hospitality, mining, utilities and building societies are the four sectors which have seen the biggest increases in pay gaps from 2019/20 to 2020/21. Sectors hit hardest by the pandemic such as retail however have seen a decrease in pay gaps. In particular, c.65% of companies in the retail sector had a lower gap in 2020/21. This is likely to be largely driven by the impact of furlough removing large numbers of employees from the calculations, rather than a reduction driven by other pay or demographics changes.



Size of change in mean pay gap from 2019/20 to 2020/21

The majority of companies mean pay gaps changed between -5% to 5%. A smaller number have had large changes between +/-5% – 10%. This shows that making impactful changes to the gap is difficult and will take a significant amount of time.



Looking ahead

Given the ever-increasing scrutiny by the media, customers and investors and the growing focus on diversity and inclusion as part of the broader Environmental, Social, and Governance ('ESG') agenda, it has been a complex reporting year for many. The pandemic has impacted pay gaps via changes to headcount, furloughing of employees on reduced pay and cancelled or reduced bonuses. As we look ahead to next year, narrative around disclosed figures and movement of gaps will be extremely important. Pressure will continue for companies to disclose their diversity initiatives and roadmap to change.

Reporting in 2021/22

The cancelled 2019/2020 reporting deadline and six month delay to the 2020/21 deadline was welcomed by many employers, who were addressing the ongoing impact of the pandemic. However, this may have stalled progress for some companies, especially those who still have not calculated and/or disclosed their 2019/20 gap. Additionally, given the disproportionate impact on women of the pandemic, which saw female workers lose jobs more frequently and being more likely to take on additional childcare responsibilities (PwC's Women in Work index – 2021), it is critical for companies to continue progress and narrative around reducing their gender pay gap.

It will also be important to consider the following:

1. **How did COVID-19 impact the reporting outcomes?** From furloughed employees to pay reductions and cancelled bonuses, COVID-19 has impacted pay and employment in almost every sector. As such, consideration should be given to the explicit and implicit impacts this had on the workforce in April 2020 and 2021 (and hence the gender pay disclosures).

2. **How is the wider context of the last year relevant to the gender pay gap?** Given the differing impacts of COVID-19 on working for men and women, companies should consider whether any decisions made over the past year be included within the report or whether other statistics (e.g. proportion of men and women furloughed) should be disclosed.

3. **What is driving the gender pay gap?** Employers who report a significant gender pay gap, particularly those whose gender pay gap hasn't improved, should investigate causes of the gap to ensure they are aware of diversity and inclusion issues and/or legal risks underlying the gender pay gap.

Reporting beyond gender – collecting data on the diversity of your workforce

There are a growing number of organisations choosing to voluntarily calculate and disclose wider diversity metrics, the most common addition in the UK is ethnicity pay gaps (Ethnicity pay gap reporting – A focus on inclusion, equality and fairness) with some also reporting on disability and sexual orientation. This shift is part of an important global trend where organisations are choosing to be more transparent in areas such as diversity, inclusion, fairness and ESG as the societal focus in these areas intensifies.

Collecting data on ethnicity, disability and sexual orientation is key for extending reporting but requires employees to voluntarily self identify, which is particularly difficult to manage consistently on a global scale. Diversity Data collection is a key focus area.

Data protection and legal

Although these considerations vary by country, in many territories collecting diversity data is possible. However there are some countries where this is not legally permissible or may not be culturally appropriate. In the UK, many employers have already disclosed these gaps and navigated these issues.

Systems and technology

It is important to identify the best technology and systems for data collection. For those with a single HR system in place with self-service capabilities, this may be the best option. Where firms have disparate systems or disconnected employees, companies must consider the approach to different employee populations whilst ensuring simplicity and data security.

Communications and engagement

Successful data collection begins with a clear communications strategy. Getting responses can be challenging and clear communications are critical to success. Identify key messages, channels and stakeholders and how to adapt to reach different employee groups. It is crucial to build trust with employees with transparency on how data will be used. Many organisations are utilising inclusion surveys to understand how employees feel which provides key insights into employees' engagement and can help support a diversity data collection campaign.

Analytics and reporting

Once available, data can be analysed to calculate pay gaps or identify key trends and action areas. Analysis should also review response rates and identify where additional communications are needed. Data dashboards can support internal reporting and visualisation of data outcomes. These must be designed to comply with data privacy requirements and ensure anonymity.

At PwC we are now reporting data on gender, socio-economic background, disability and ethnicity (including a breakdown of ethnicities). We also report our pay gaps for these dimensions. Being transparent with this data has helped us build accountability and using this data we are able to be evidence based when determining our Inclusion and Diversity action plan.

Conclusions

Recent times have presented unprecedented challenges for businesses, but as businesses and the economy starts to recover we expect a heightened focus on corporate purpose and long term strategy. With this context and against the backdrop of social inequality highlighted during COVID-19, and in the increasing focus on ESG, we expect equality, inclusion, wellbeing and fairness to be high on the agenda for employers, employees, customers, investors and regulators.

Transparency and reporting, on gender and other diversity characteristics, is one of the clearest signals that businesses can make that they are committed to driving change and holding themselves to account in this important area.

Key considerations for employers:

If you still have not disclosed your April 2019 gap, will you do so voluntarily? How will this impact your narrative and journey?

Have you calculated or considered the impact of COVID-19 (for example, employees furloughed in April) on your reporting numbers? How will you communicate this impact?

Are you monitoring the impact of other reporting requirements globally? For example, will you be impacted by the upcoming regulations in the Republic of Ireland?

Have you considered reporting on diversity more widely than gender? If and when this is required, will you have the data available?

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