

U.K. Companies Must Comply With Gender Pay Gap Reporting

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Introduction

While U.S. companies are addressing the new requirement to report CEO pay ratio statistics to shareholders, U.K. companies are now required to report statistics on the gender pay gap. Such reporting is mandated for no later than April 4, 2018, and the reporting must occur on the company's public-facing website and submitted directly to the government using its dedicated online reporting service. Such reporting is in direct response to the U.K. Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

In its recently released regulations, the U.K. government has defined the gender pay gap as "the difference between the average earnings of men and women, expressed relative to men's earnings. For example, 'women earn 15% less than men per hour'."¹

Overview of Reporting Requirements

The gender pay gap reporting requirement is applicable to all organizations in England, Scotland, or Wales that have 250 employees or more. Such organizations are considered "relevant employers" and are required to register with and report to the U.K. government's gender pay gap reporting service.¹

The pay gap statistic calculation must occur on a specific "snapshot date."¹ For private sector businesses, the snapshot date is April 5 of each year. In turn, business organizations must publish their gender pay gap data within one year of this date and no later than April 4 of the following year. For most businesses, the snapshot date will be April 5, 2017 with a reporting date of April 4, 2018. The reporting requirements state that private sector organizations that are part of a group structure must report individually if deemed relevant employers. However, corporate groups may additionally report combined data if they wish to provide such statistics.

Generally speaking, all part-time and full-time employees with an employment contract must be included in the gender pay gap calculation. In addition, all overseas employees are to be counted if they have an employment contract subject to English, Scottish, or Welsh law.

¹ "Gender pay gap reporting: overview." United Kingdom Government Digital Service website. February 22, 2017. <https://www.gov.uk/guidance/gender-pay-gap-reporting-overview>.

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Organizations must report the following calculations with respect to the gender pay gap reporting requirement:

- Mean gender pay gap in hourly pay
- Median gender pay gap in hourly pay
- Mean bonus gender pay gap
- Median bonus gender pay gap
- Proportion of males and females receiving a bonus payment
- Proportion of males and females in each pay quartile

Implications

Pay Governance consultants have attended several board compensation committee meetings on this topic, often for large international corporations with U.K. subsidiary companies. If an organization has a U.K. subsidiary that meets the regulation's definition of a relevant employer, the subsidiary will be subject to the gender pay reporting regulation.

This Viewpoint is intended to inform compensation committees, executives, and compensation professionals about developments that may affect their companies and should not be relied on as providing specific company advice or as a substitute for legal, accounting, or other professional advice.

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