

Gender Pay Gap: Mandatory Reporting Required in the UK

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International Employment

Latest figures suggest that women in the UK still earn on average 20 percent less than men. Companies that fail to address gender pay differences will be highlighted in league tables under the new **Gender Pay Gap Regulations**. The draft regulations require private employers in the UK to collect and publish information showing differences in pay between male and female employees. The new law was published on February 12, 2016 (along with a [consultation](#) document) and is expected to come into force on October 1, 2016.

Draft Regulations

Key points are:

- The regulations apply to employers with 250 or more *relevant employees* on April 30, 2017 (and each subsequent anniversary of that date). This includes companies, LLPs, partnerships, limited partnerships, unincorporated bodies, or any other type of employing entity - the scope is intended to be wide. (Note that further supporting guidance is expected to be published on how to account for different governance structures, such as subsidiaries and parent companies).
- *Relevant employee* is currently defined as someone who ordinarily works in Great Britain and whose contract is governed by UK legislation. However, the expectation is that the final regulations will apply to employees in a wider statutory sense. This means that LLP members and some self-employed contractors are likely to be treated as “relevant employees” for these purposes.
- The April 30 date will be used as a snapshot of data about a particular pay period. The pay period will depend on how the employer usually pays that relevant employee (weekly, monthly, etc.). Employers will have 12 months to analyse and publish their results, allowing a significant period of flexibility on the reporting requirements.
- Pay includes basic pay, paid leave, maternity pay, sick pay, area allowances, shift premium pay, bonus pay, and other pay (including car allowances paid through payroll). It does not include overtime pay, expenses, the value of salary sacrifice schemes, benefits in kind, redundancy pay, arrears of pay and tax credits.
- A calculation will be required to work out average earnings by determining an hourly rate of pay for each relevant employee. The regulations require the disclosure of overall mean and median gender pay gaps as these are considered to be the most complimentary indicators.
- Bonus payments are included in the overall pay “snapshot” but there is an added requirement to report on the difference between mean bonus payments paid to men and women during the year.
- Employers must present their findings according to quartile pay bands, reporting on the numbers of men and women in each band. Employers will need to look at the

overall range of hourly rates paid to employees and create four equal pay bands, with each band consisting of one quarter of the difference between the lowest and highest hourly rates.

- Employers must publish the results on their website, retain the information online for three years and upload the information to a website designated by the Secretary of State.
- No civil enforcement penalties are being introduced, but the UK government will be closely monitoring levels of compliance with the regulations during the initial years of implementation.

Preparation

Companies publishing figures need to be alert to some potential challenges, including disclosure of sensitive (previously confidential) financial data, possible reputational damage, a risk of increased exposure to Equality and Human Rights Commission enquiries and investigations and, depending on the reasons for the gender pay gap, an increased risk of equal pay claims from employees.

To prepare for the incoming requirement to publish gender pay gap information, companies likely to fall within the scope of the regulations should consider:

- Conducting privileged equal pay audits in the UK, looking at the categorisation of employees, suspected pay gaps and the business rationale behind company pay structures;
- Looking for suspected pay gaps and considering whether or not there are lawful justifications for any differences; and
- Reviewing [best-practice guidance](#) published by the UK government aimed at encouraging employers to identify issues and act transparently to address gender pay gap issues.

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