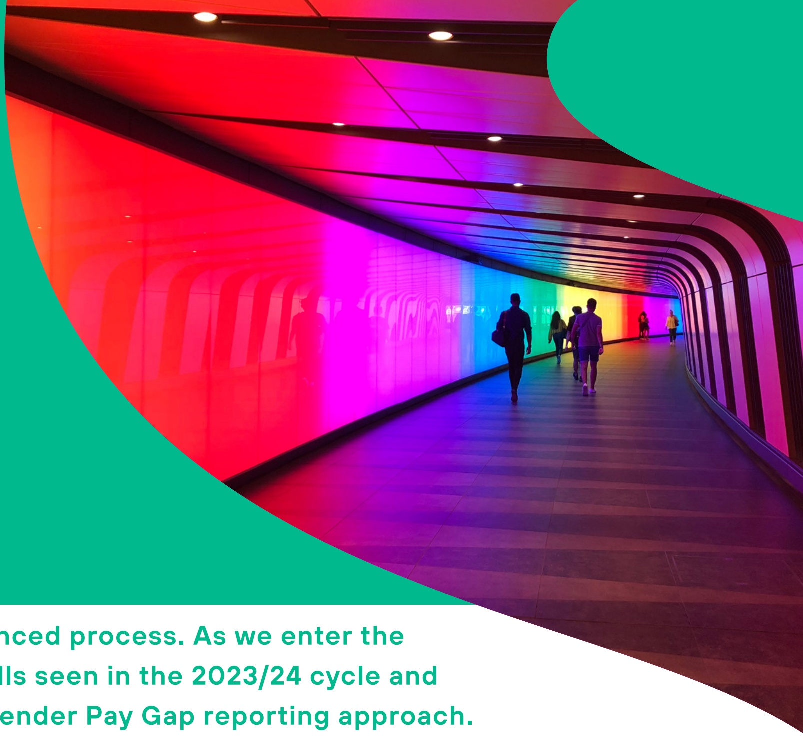
Gender Pay Gap: Making 2024/25 reporting painless

May 2024



Gender Pay Gap reporting can be a complex and nuanced process. As we enter the 2024/25 reporting cycle, we reflect on common pitfalls seen in the 2023/24 cycle and invite you to consider how you could enhance your Gender Pay Gap reporting approach.

Key steps in a typical process are as follows:

1 Getting your data ready

The first step of identifying relevant employees and collating the necessary data is often more complicated than expected, particularly when it involves combining data from different sources.

You should consider whether there are other characteristics (other than gender) that you would like to measure and/or report on. If your workforce data is adequate, you could consider including characteristics such as ethnicity in the data analysis and reporting in order to stay in line with latest market practice.

You may wish to calculate the metrics by business unit or by grade

2 Performing the calculations

Next up is the calculation of the six core metrics.

At this point, you may wish to consider whether there are other appropriate metrics that you should calculate for management information purposes or external disclosure.

3 Analysing the numbers

Now it's time for a deep dive into the results to identify the key drivers of the pay gap and assess how your results have moved year-on-year.

Take a look at how your results compare to your competitors to see how you may be perceived by potential employees surveying the market.

You may wish to use this opportunity to confirm that there is no underlying equal pay issue

4 Communicating your results

At this stage, you might like to consider best practice for preparing your supporting narrative to ensure it is accessible for your employees and the public.

In our experience, communicating your results internally can be a great way to engage your employees if done in the right way.

5 Setting an action plan

Finally, you could take steps to set an action plan to address the underlying drivers of the gap.

This could include setting aspirations for the future diversity of senior leadership.

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Pitfalls in 2023/24 reporting.

We know that Gender Pay Gap reporting can be a complex and time-consuming task, so it's no surprise we found some common pitfalls in the 2023/24 reporting year. To help you identify and avoid them, we have compiled the top 10 pitfalls we saw over the period.

Not excluding employees terminated during the prior year. Although such employees will appear in your dataset of bonus payments paid in the prior 12 months, they should be excluded if they are no longer an employee by the snapshot date.

Incorrectly including or excluding certain allowances from the calculation of Ordinary Pay. Most allowances would be included in Ordinary Pay, however there are important exceptions.

Incorrect adjustments to reflect part-time working. Hourly Pay should reflect part-time hours, whereas Bonus Pay should reflect actual amounts paid with no adjustment to reflect part-time hours.

Not including all relevant employees. Especially where payment details may be held in different systems such as self-employed contractors who are paid via invoicing rather than through payroll.

Spotlight on pitfalls relating to bonus.

In our experience, accurately preparing bonus data presents one of the biggest opportunities for errors to creep in.

Only considering the main annual bonus scheme when calculating Bonus Pay. Any ad-hoc performance-related or recognition awards should also be included in Bonus Pay.

Not capturing bonuses within the calculation of Hourly Pay. If bonuses are paid in the pay period covering your snapshot date (typically, the April payroll run), they may need to be included in Hourly Pay.

Not pro-rating bonus correctly for the Hourly Pay calculation. For example, if an annual bonus scheme pays out in the April payroll run, it may need to be included in Hourly Pay but should be pro-rated to reflect that it relates to a 12 month bonus period.

Not obtaining bonus data for the right time period. Bonus payments must be considered over two different time periods – the 12 months ending on 5 April and any bonuses received in the pay period covering your snapshot date.

Not reflecting salary or bonus sacrifice arrangements correctly. Amounts should be after any salary or bonus sacrifice into e.g. pension (but before any pension contribution not paid under a sacrifice arrangement).

Including bonus payments based on net (post-tax) amounts paid to employees. Calculations should be based on pre-tax gross amounts.

At Isio, we have a team of experienced Gender Pay Gap modelling experts with bespoke data validation and pay calculation models to hand. Whether you need support with calculations, results analysis, benchmarking or action planning, our team is on hand to help. Please contact the team below for more information.

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