



# Gender pay gap reporting

**Nowhere left to hide on diversity**



Very soon, all employers with 250 or more employees will need to report their gender pay gap (GPG). New GPG reporting may look like just another compliance challenge, but GPG data will shine a powerful light on the action needed to achieve real change on gender diversity.

Leading organisations are working hard to improve gender diversity at senior levels. But a real breakthrough is still lacking. There are more women in the boardroom now than five years ago. But a man is still 4.5 times more likely to make it onto the executive committee than a woman starting her career at the same time<sup>1</sup>. And so far, having more women on the board has failed to be replicated for women in the executive pipeline.

## **All will be revealed**

The new requirement for public and private organisations to report their GPG is set to change all that. GPG reporting, based on the draft legislation as it stands, means organisations must reveal (on their own website and a public, government-sponsored website):

1. The percentage difference in male and female pay on a mean and median basis;
2. The percentage difference in bonus paid to men and women on a mean and median basis, and what proportion of the male and female workforce are paid a bonus; and
3. Exactly how many men and women sit in each pay quartile within the organisation.

Final legislation is not expected until near the end of the year, although the first reference date for reporting data is not expected to change from April 2017. For organisations yet to make the progress they

want on gender diversity, the risk of reputational damage is clear. A high gender pay gap and a poor showing in the rankings will suggest a lack of commitment to fair pay, promotion and development opportunities for women.

## **New urgency, fresh understanding**

This reputational risk adds new urgency to the diversity agenda. GPG reporting will also bring important opportunities for organisations to make current efforts on diversity more effective.

- GPG reporting will lay bare any gap between corporate messaging on gender diversity and action to deliver it. It will challenge organisational leaders to show they are serious when they say diversity issues are a strategic priority and treat it with equal prominence to other business issues.
- Data gathered to support GPG reporting will help organisations explore the impact of recruitment, retention, pay and promotion practices on gender diversity in more detail. It will create a better understanding of how to manage the executive pipeline to improve diversity at all levels.
- Formal tracking of how men and women are represented within different pay bands will bring decisions on recruitment, pay and promotion into sharper focus. This will help organisations hold decision-makers accountable for delivering on GPG targets and broader D&I agendas.

<sup>1</sup> 'Cracking the code' research

## Five key questions

With GPG reporting beginning from October 2016, there are five questions to consider as a priority:

### Do we have the data to meet the new reporting requirements?

The first challenge is practical. To report your gender pay gap, you must be able to calculate a gross hourly rate for each employee. But the calculation is not straightforward. It must take account of factors such as paid leave, maternity pay, overtime expenses, the value of salary sacrifice schemes and incentives. Separating out these components within your existing data could take longer than you anticipate.

### Are we confident GPG reporting won't expose discriminatory practices?

The gender pay gap reveals how men and women are spread across different pay bands within an organisation. It's different to equal pay, which concerns equal pay for equal work. Nevertheless, once you start to unpack pay data for GPG purposes, discriminatory practices on pay and promotion could emerge. Addressing GPG reporting early gives you the chance to take confidential advice on these sensitive issues, ideally with the protection of legal privilege to guard against the risk of disclosure.

### How will our reported GPG affect our ability to recruit future talent?

For the current generation of women undergraduates, gender equality is a hot topic. In our Think Future research, 55% of women polled said that a sector's reputation on gender equality would influence their decision about working in it, compared to 27% of men<sup>2</sup>. Individual organisations' standing on gender equality – as revealed by their gender pay gap – is likely to have a similar impact. If your organisation is serious about being an employer of choice for future talent, a plan to minimise the gender pay gap must feature as part of your broader D&I and talent strategy.

### Do we have a clear and realistic target for our future GPG?

A clear target for your future gender pay gap will give shape and energy to your strategy for improving gender diversity. Your target will be unique to your organisation and will depend in part on the sector you operate in. The typical gender pay gap varies from sector to sector. Currently in the UK, average GPG across all sectors is 19%. In sectors such as finance, it is as high as 38%. Targets enable more effective accountability and responsibility which is key if D&I is to be treated as any other business issue where improvement is desired. Further, gender may not be the only diversity strand where targets can be effective, and organisations may start to see the value of wider analysis.

### What changes do we need to make to achieve our GPG target?

In the end, the only way to eliminate the gender pay gap is to have men and women represented equally at each level within your organisation. At board level in particular, where men still hold eight out of every ten executive committee roles<sup>3</sup>, this means taking active steps to bring more women to the top table. Our recommendations for achieving this include providing more targeted support to women on long-range career navigation, supporting them to build a strategic portfolio of experience and coaching them in conveying 'board readiness'.

KPMG offers a multi-disciplinary approach to GPG reporting and its wider impact. We use data analytics to help you understand your options and offer HR expertise to support you in shaping a strategy for the future. To talk to us about GPG reporting, in complete confidence and with the protection of legal privilege, contact us now.

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<sup>2</sup> 'The Think Future study'

<sup>3</sup> 'Revisiting the executive pipeline' research

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