

# + PAY GAP AUDIT

## + Definitions

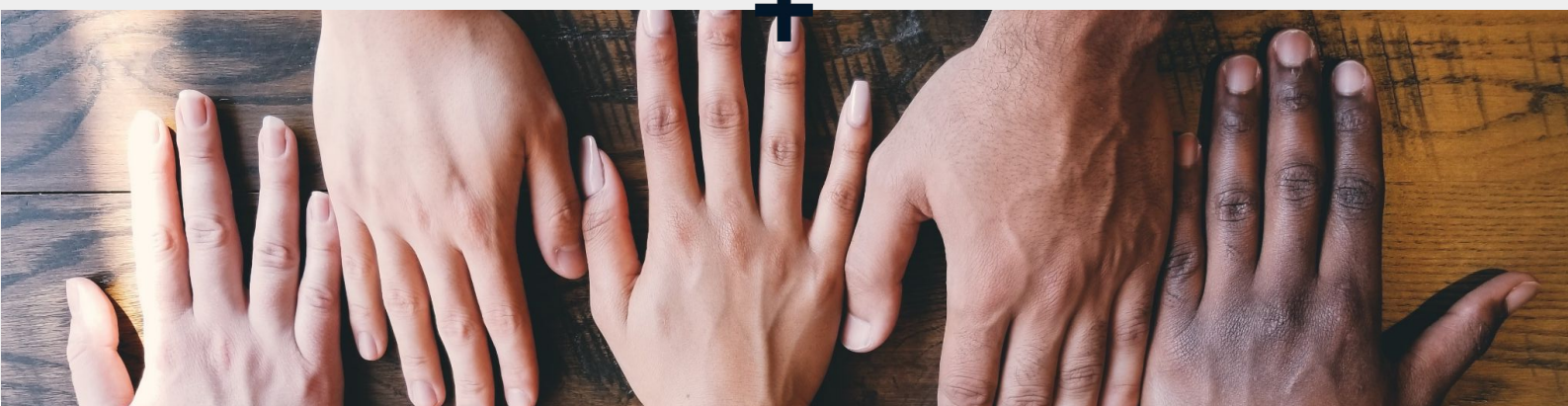
A '**pay gap**' measures the difference between the average pay of certain groups within your organisation (most often between men and women). **Equal Pay** is the legal obligation under the [UK Equality Act 2010](#) that requires employers to give men and women equal pay if they are employed to do the same work. An employer paying men and women in the same jobs equally may still have a large pay gap. This could be down to the fact that predominantly men are employed in senior roles.

## + The Business Case

Although current UK legislation only requires organisations employing **more than 250 employees** to publish their Gender Pay Gap, we recommend all companies regardless of size to conduct an audit. Not only is it good practice, but an equal pay gap audit is a useful tool to help companies identify, assess, and mitigate certain risks. That being said, it is important to remember that a pay gap audit is a **diagnostic** tool, not an **intervention**.

## + Disclosing results

Some countries require employers to inform employees and work councils of the results of voluntary pay audits - be sure to check the **local legislative requirements** for all your operating territories. In the UK and US, employers with under 250 employees may prefer to carry out an audit under **legal privilege** (where results are kept confidential), although it is encouraged (both by the [CIPD](#) and the British Government) that any pay gap audit be followed by a **narrative report** that explains any gaps found and action plans put in place to close them. This further helps companies to mitigate future risks.

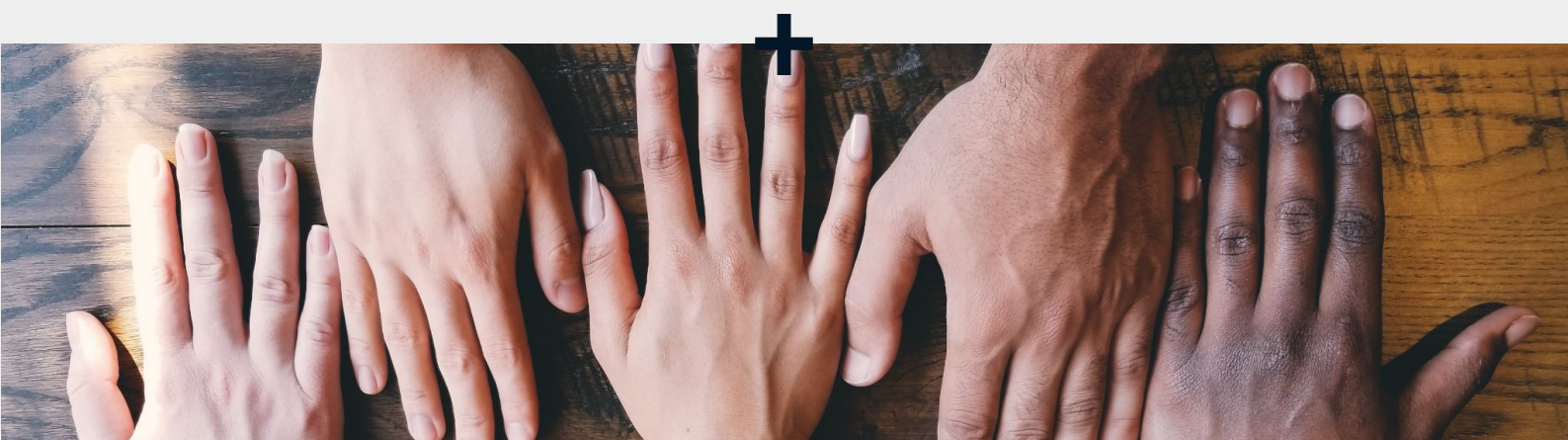


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## + Benefits

- In the long term, conducting annual audits will help prevent **equal pay claims** whilst at the same time helping **narrow the pay gap**.
- Doing so will also ensure that you're staying ahead of **legislative requirements**.
- When a risk is identified, audits allow you to take steps to **remedy** them before litigation arises.
- Not only do audits allow for an organisation to better understand their own **pay structure**, but also their **rewards**, and **progression schemes**.
- Audits can help drive positive **culture changes** in an organisation.
- An audit can also help an organisation consider if its **pay practices are consistent with its brand values** (something which is increasingly important when attracting new talent).

For most organisations, the single biggest cause of the gender pay gap is the lack of women in **senior roles**, which is primarily driven by challenges in recruiting, retaining, and promoting women.



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## + Conducting a Pay Gap Audit

### 1. Define your scope

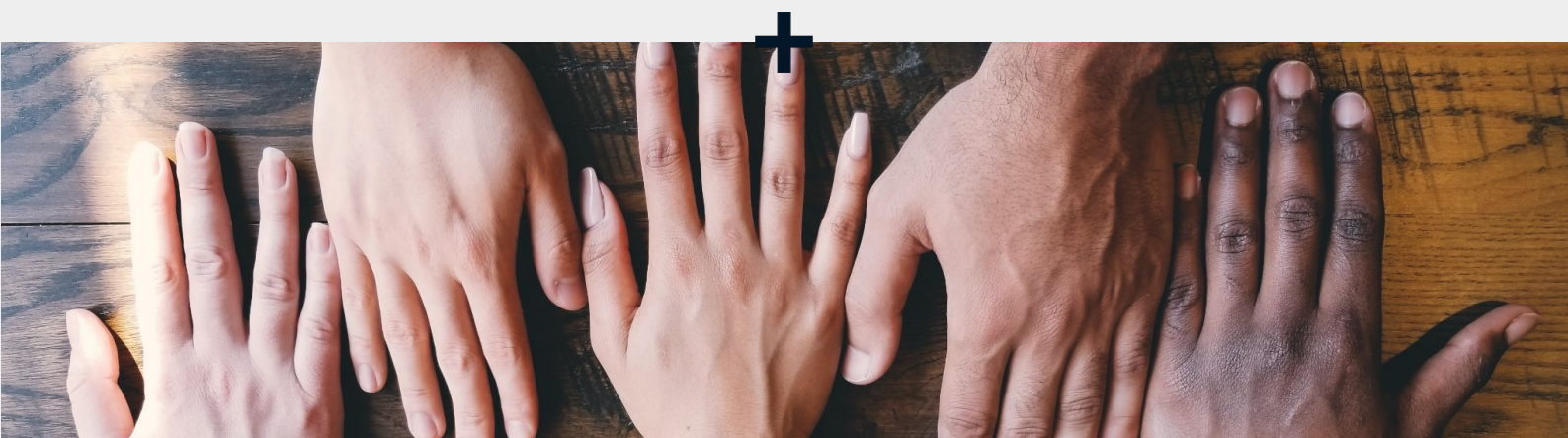
Work out what you want your pay gap audit to measure. Gender is the most common characteristic considered, but you may also want to conduct a BIPOC (Black, Indigenous, and People of Colour) pay gap audit.

### 2. Data capture

On top of ordinary pay, your analysis should also factor in:

- Overtime pay
- Redundancy pay
- Pay in termination of employment
- Pay in lieu of annual leave
- Benefits of any kind
- Bonuses

Depending on where you operate, there may be certain **legislative requirements** outlining the types of data you must collect. In Germany for example, there is a clear statutory framework which must be adhered to when carrying out a gender equality audit. Legislation in the UK and US is a bit more flexible. Either way, try and collect as much data as you can and be sure to include a **transparent methodology** in all reports created as a result of the audit.



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### 3. Data analysis

Once you have collected your data, pick out any points which require **further analysis**. The [UK Equality and Human Rights Commission](#) suggests that, as a general rule, differences of 5% or more, or recurring differences of 3% or more, merit further investigation.

Where differentials have been identified, start to **investigate** what might be causing discrepancies.

### 3. Action planning

After analysing your data, it is important to put in place action plans and strategies to deal with any issues and mitigate further risks. Actions may include:

- Setting up further investigations into recurring pay differentials.
- Setting up an Equal Pay Policy.
- Reviewing your job evaluation and grading schemes.
- Implementing recruitment, retainment, and promotion policies for underpaid groups.

## + Need more help?

If you would like more information on carrying out a Pay Gap Audit, or putting in place an Equal Pay Policy, please get in touch: [team@future-plus.co.uk](mailto:team@future-plus.co.uk)

