



Maintaining focus on equality

Year 4 Gender Pay Gap Reporting 2020/21

June 2021



Key gender pay trends in 2020/21



25%

of companies
chose to report
prior to 5 April

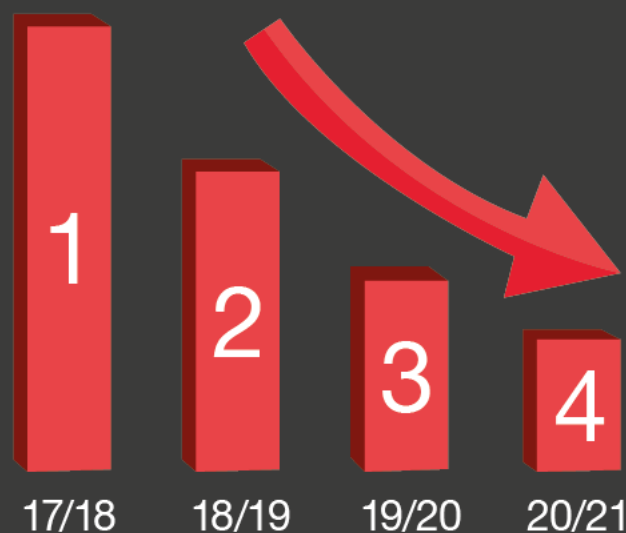


12.5%



Median of reported mean pay
gaps has fallen to **12.5%**

Pay gaps have reduced
for the third year in a row





Introduction

Following the Government Equalities Office's ('GEO') suspension of the gender pay gap reporting deadline for 2019/20, and given the ongoing focus on COVID-19, reporting announcements were significantly slower than in earlier years. On 24 February 2021, the GEO announced a delay in enforcement for 2020/21 reporting to 5 October 2021 and the usual reporting rush towards 5 April didn't happen.

While slightly under 25% of companies reported prior to 5 April 2021, 58% of these reported a reduction in their mean pay gap and 68% reported a reduction in their mean bonus gap (of the companies who reported in both this and the previous year).

**58% reported a reduction
in their mean pay gap**

Deciding to disclose

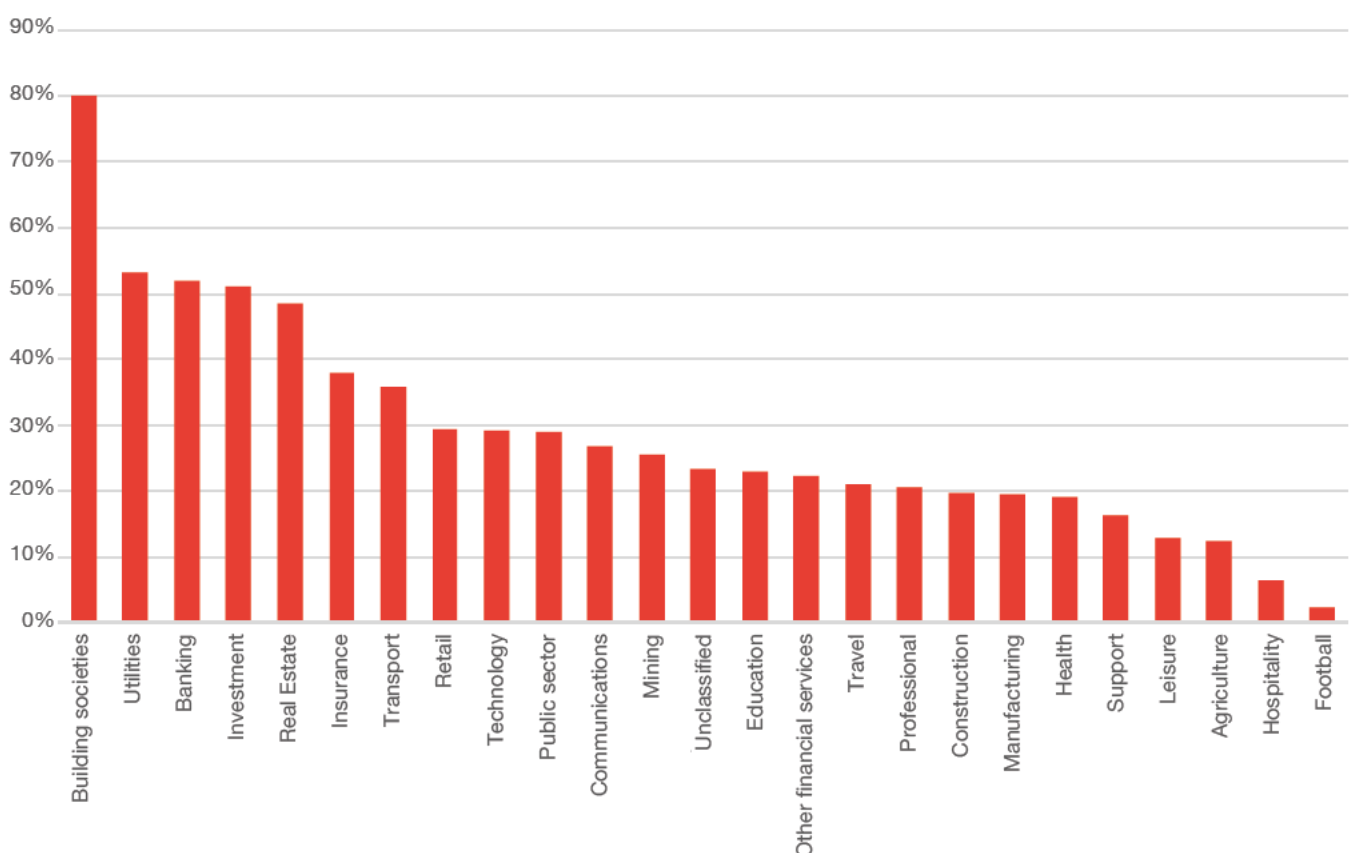
Within those that did report prior to 5 April, larger companies were significantly more likely to continue with disclosure. Over 60% of companies with 20,000 or more employees disclosed prior to the deadline, highlighting a continued focus on gender balance and inclusion and diversity (and also recognising that these companies will be more likely to have experienced less resourcing challenges this year to continue disclosure).

Perhaps unsurprisingly given the differing impact of COVID-19, there is also significant variation in disclosure rates by industry. As seen in the graph below, which compares 2018/19 disclosures to 2020/21, high voluntary disclosure rates continued in a number of areas of financial services, while companies in the hospitality industry understandably disclosed at lower rates.



Over **60%** of companies with **20,000** or more employees disclosed prior to the deadline

Disclosure ratio by sector



Disclosure timing

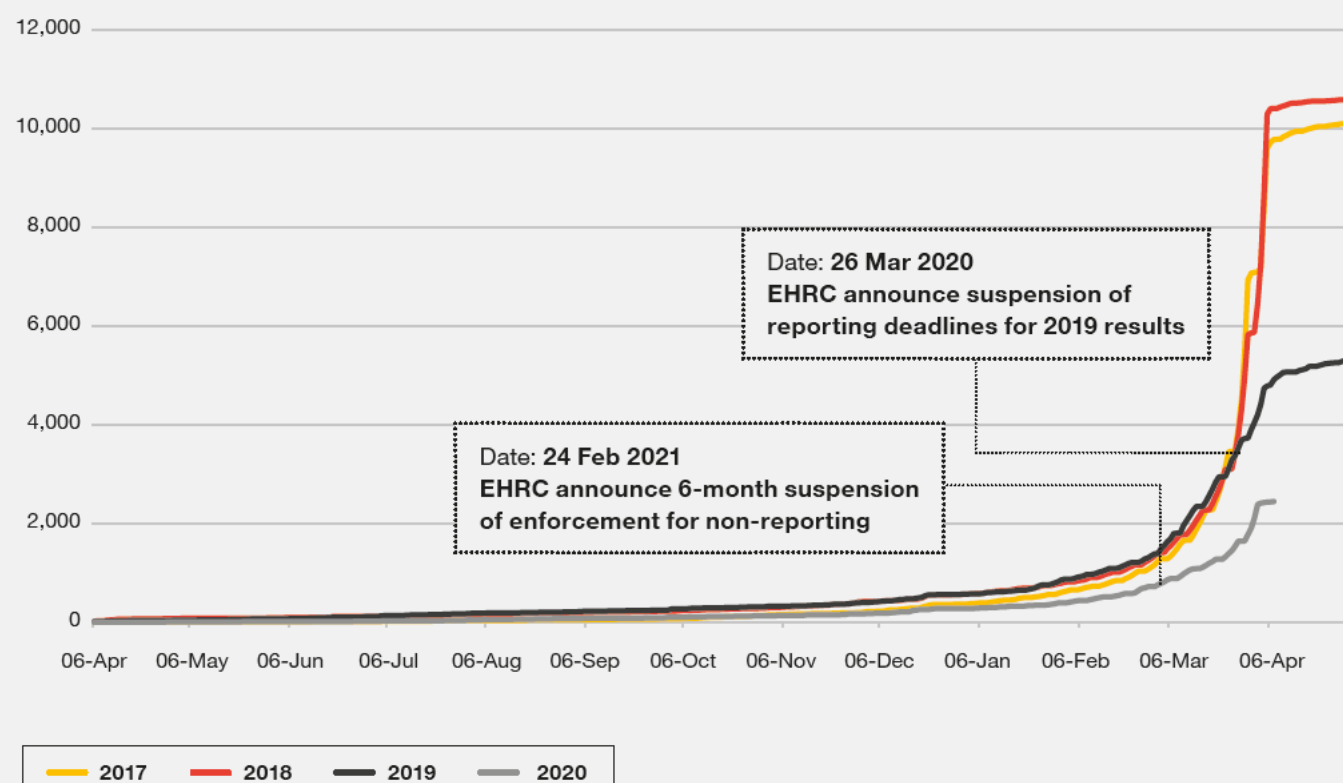
As is to be expected, changes to the gender pay gap reporting deadline in 2019/20 (suspension) and 2020/21 (delay) had a significant impact on the disclosure rate of companies compared to the prior years.

As illustrated in the chart below, while the number of companies reporting before mid-February had increased in each earlier year, the rate of such early disclosure slowed significantly in 2020/21, with many anticipating a further delay in the deadline or unsure how the suspension applied to the prior reporting cycle should impact reporting.

Following the announcement of the six month delay in enforcement, reporting slowed further. As a result, as at 6 April 2021, 2,445 companies had disclosed compared to 10,409 as at 6 April 2019 and 4,808 as at 6 April 2020.



Timing of disclosures

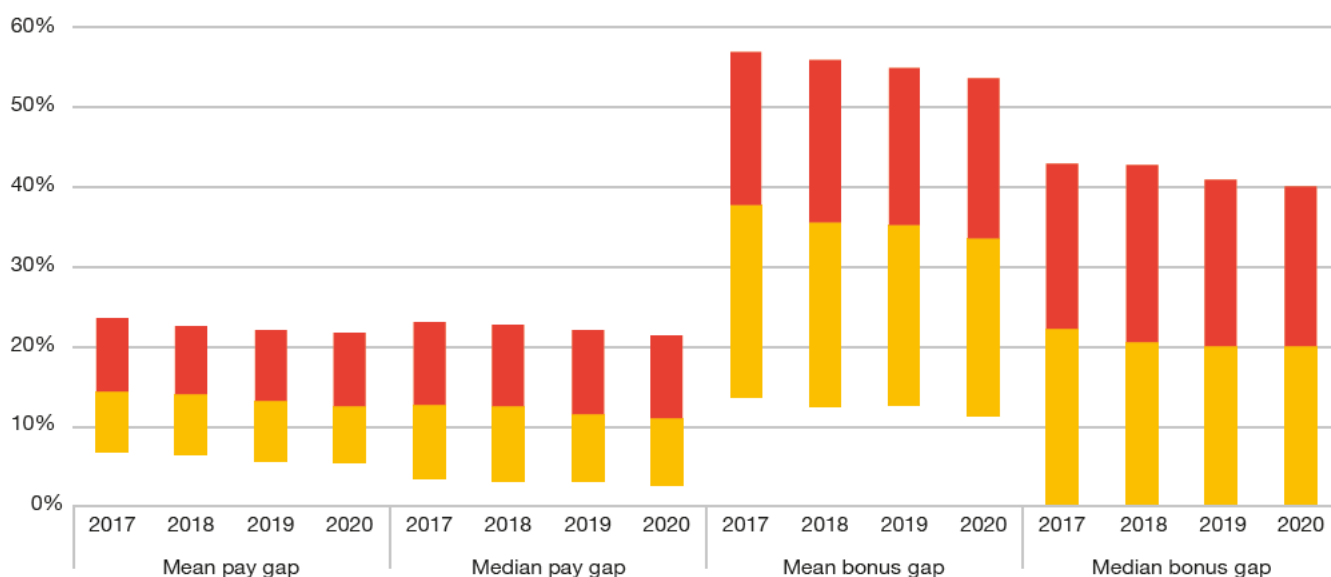




Key trends

Of those that have disclosed every year since 2017/18, mean pay gaps have consistently decreased with the average reducing from 14.3% in 2017/18 to 12.5% in 2020/21. This trend also appears in the mean bonus gap, which has decreased from 37.6% at the median in 2017/18 to 33.6% in 2020/21. When looking at the change in the mean pay gap over time by sector, there has been a consistent decrease since 2017/18 for 18 of 24 sectors considered.

Trends in key reporting figures



■ Lower quartile to median
 ■ Median to upper quartile

Note that the analysis presented is based only on the 1,665 companies who have reported in every year since 2017/18

Looking ahead

Given the ever-increasing scrutiny by the media, customers and investors on diversity and inclusion, it has been a complex reporting year for many and the decision to defer reporting will not have been taken lightly. As we look ahead to next year, external pressure will inevitably continue and companies are likely to face new decisions – particularly in relation to the impact on pay gaps of diversity initiatives discussed over the past 4 reporting cycles and how inclusion and diversity link to reporting on Environmental, Social, and Governance ('ESG') goals and ambitions.

For those yet to report

The six month delay in enforcement by the GEO has been welcomed by many employers, who are currently addressing the ongoing impact of the pandemic and reviewing the impact of COVID on their April 2020 gender pay gap results. However, organisations must continue to report and the optics of this reporting cycle will be especially important given the disproportionate impact on women of the pandemic, which saw female workers lose jobs more frequently and being more likely to take on additional childcare responsibilities

(PwC's Women in Work index – 2021).

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Looking ahead continued...

Reporting by October 2021 – key considerations

1

Which year's disclosures are covered within the report published between April and October 2021?

The adjusted deadline applies to disclosures in respect of April 2020 but, given the timing of the deadline, companies should consider a combined report with disclosures as at April 2021 to improve transparency and build a narrative. Furthermore, those who didn't disclose as at April 2019 due to the previous reporting suspension may consider a 3-year report with clear insight into the direction of travel (although reporting for this year is not strictly required).

2

How did COVID-19 impact the reporting outcomes?

From furloughed employees to pay reductions and cancelled bonuses, COVID-19 has impacted pay and employment in almost every sector. As such, consideration should be given to the explicit and implicit impacts this had on the workforce in April 2020 and 2021 (and hence the gender pay disclosures).



3

How is the wider context of the last year relevant to the gender pay gap?

Given the differing impacts of COVID-19 on working for men and women, companies should consider whether any decisions made over the past year be included within the report or whether other statistics (e.g. proportion of men and women furloughed) should be disclosed.

4

What is driving the gender pay gap?

Employers who report a significant gender pay gap, particularly those whose gender pay gap hasn't improved, should investigate causes of the gap to ensure they are aware of diversity and inclusion issues and/or legal risks underlying the gender pay gap.

Reporting beyond gender

There are a growing number of organisations choosing to voluntarily calculate and disclose wider diversity metrics, the most common addition in the UK is ethnicity pay gaps ([see our report – Ethnicity pay gap reporting – A focus on inclusion, equality and fairness](#)) with some also reporting on disability and sexual orientation. This shift is part of an important global trend where organisations are choosing to be more transparent in areas such as diversity, inclusion, fairness and ESG as the societal focus in these areas intensifies.

Collecting data on ethnicity, disability and sexual orientation is key for extending reporting but requires employees to voluntarily self identify, which is particularly difficult to manage consistently on a global scale. Areas to consider include:



Data protection and legal

Diversity data collection can be complex but it is a worthwhile exercise which can, amongst other things, enable employers to carry out meaningful analysis of pay gaps by reference to a range of factors, such as ethnicity, disability and sexual orientation. Employers gathering diversity data will need to be mindful of data privacy and discrimination considerations in the UK and also in any other territories where they are collecting this data.



Systems and technology

It is important to identify the best technology and systems for data collection. For those with a single HR system in place with self-service capabilities, this may be the best option. Where firms have disparate systems or disconnected employees, companies must consider the approach to different employee populations whilst ensuring simplicity and data security.



Communications and engagement

Successful data collection begins with a clear communications strategy. Getting responses can be challenging and clear communications are critical to success. Identify key messages, channels and stakeholders and how to adapt to reach different employee groups. It is crucial to build trust with employees with transparency on how data will be used.



Analytics and reporting

Once available, data can be analysed to calculate pay gaps or identify key trends and action areas. Analysis should also review response rates and identify where additional communications are needed. Data dashboards can support internal reporting and visualisation of data outcomes. These must be designed to comply with data privacy requirements and ensure anonymity.

Conclusions

Recent times have presented unprecedented challenges for businesses, but we expect many to return from lockdown with a heightened focus on corporate purpose and long term strategy. With this context and against the backdrop of social inequality highlighted during COVID-19, we expect equality, inclusion, wellbeing and fairness to be high on the

agenda for employers, employees, customers, investors and regulators. Transparency and reporting, on gender and other diversity characteristics, is one of the clearest signals that businesses can make that they are committed to driving change and holding themselves to account in this important area.

Key considerations for employers



Have you considered reporting on diversity more widely than gender? If and when this is required, will you have the data available?



If you did not disclose as of April 2019, will you do so voluntarily as part of April 2020 and/or 2021 reporting?



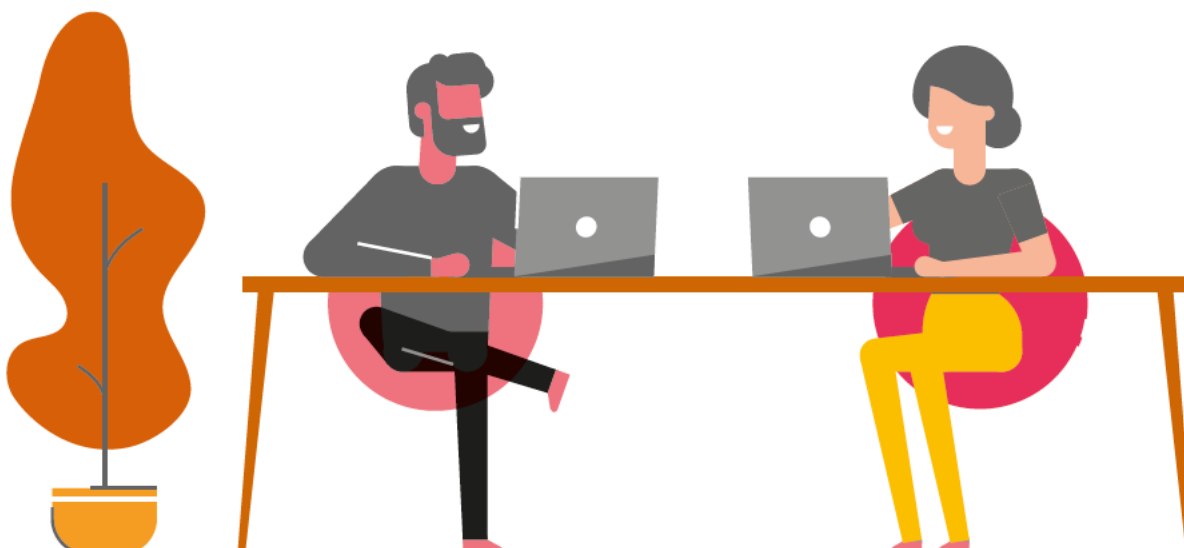
Have you calculated or considered the impact of COVID-19 (for example, employees furloughed in April) on your reporting numbers? How will you communicate this impact?



If you are yet to disclose results as at April 2020, when do you plan to do so? Have you considered a joint 2020 and 2021 report?



Are you monitoring the impact of other reporting requirements globally? For example, will you be impacted by the proposals for similar regulation in the Republic of Ireland?





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