Mandatory UK Gender Pay Reporting

Managing the transition to global reporting on fairness

Year 5 Gender Pay Gap Reporting 2021/22

June 2022

pwc

Foreword

After five years of gender pay gap reporting, we look back on what has and hasn't changed. As in previous reports, our analysis shows progress is happening, but it remains incremental and slow.

Every year we have seen more companies enhance their disclosures and discuss a range of ways in which they are supporting gender equality, but there is still a significant amount of work to do.

While the reporting figures are not remarkably different to five years ago, the world in which we all do business has transformed. The demands and expectations of our workforce mean companies have never been under greater pressure to articulate their purpose and social value. Our recent UK Hopes and Fears research shows only 51% of UK workers are extremely or very confident their employer is transparent on diversity and inclusion.

At the same time, investor and stakeholder focus on environment, social and governance (ESG) strategy means organisations are required to articulate their role in society and the way in which they are being fair to their employees, their suppliers and their communities. So, while the UK gender pay gap remains a relatively specific measure, increasingly companies are grappling with the challenge of contextualising it in a wider conversation about social contribution, while reacting to the rising tide of reporting requirements being introduced around the world.

Key gender pay trends in 2021/22

10,282

companies disclosed

↓0.5%

Reduction in pay gaps since 2017

12.9%

Median of reported mean pay gaps since 2017 has fallen to 12.9%

Introduction

While the environmental, social and governance (ESG) agenda pushes the principle of fairness up the business agenda, there remains significant work to be done at the local and global level.

For the 2021/22 period, the gender pay gap reporting deadline returned to 5 April following the suspension in 2021/21 to 5 October 2021. This year, our report sets out a five-year review of all gender pay gap and bonus gaps disclosed from 2017/18 to 2021/22.

Of those companies that have reported in both 2020 and 2021, 52.5% reported a reduction in their mean pay gap and 51.9% reported a reduction in their mean bonus gap. However, the median of reporting mean pay gaps has fallen just 0.5% since 2017. This slow rate of change raises questions about the actions and activities that companies have undertaken in order to reduce the gap and the progress they have made.

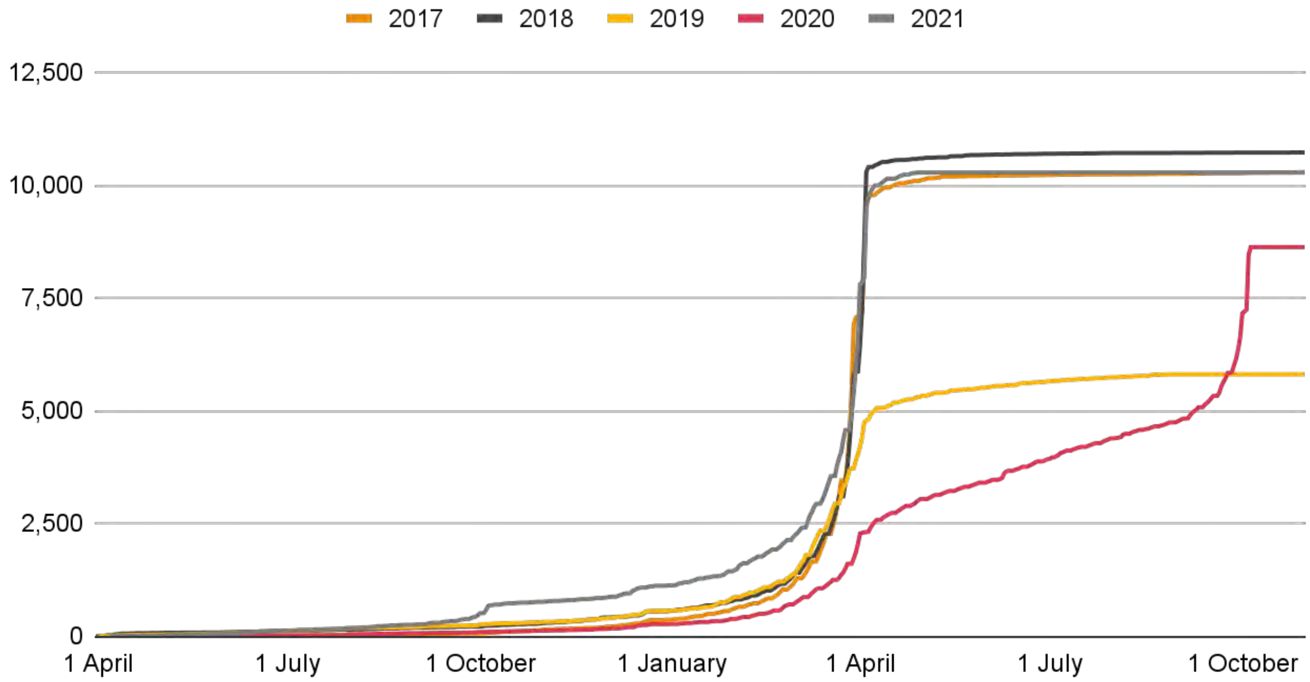
While progress may not immediately result in a positive change in the gender pay gap, it is disappointing to not see greater improvement across the UK.

It is also interesting to note the influence of external factors such as the impact of the pandemic on women. PwC's Women in Work Index found there are 5.1 million more women unemployed and 5.2 million fewer women participating in the labour market, across 33 OECD countries, than would be the case had the pandemic not occurred. This was caused partially by childcare and domestic work responsibilities, but also due to more women being employed in the sectors hardest hit by the pandemic. These wider societal trends and implications are an important part of the story, particularly as organisations begin to think about the broader perspective of fairness for their workforce and society within reporting.

Disclosure timing

For 2021/22 the reporting deadline was reinstated to 5 April. 21% of companies disclosed before 1 March, with 79% disclosing closer to the deadline.

Gender pay gap disclosures over time



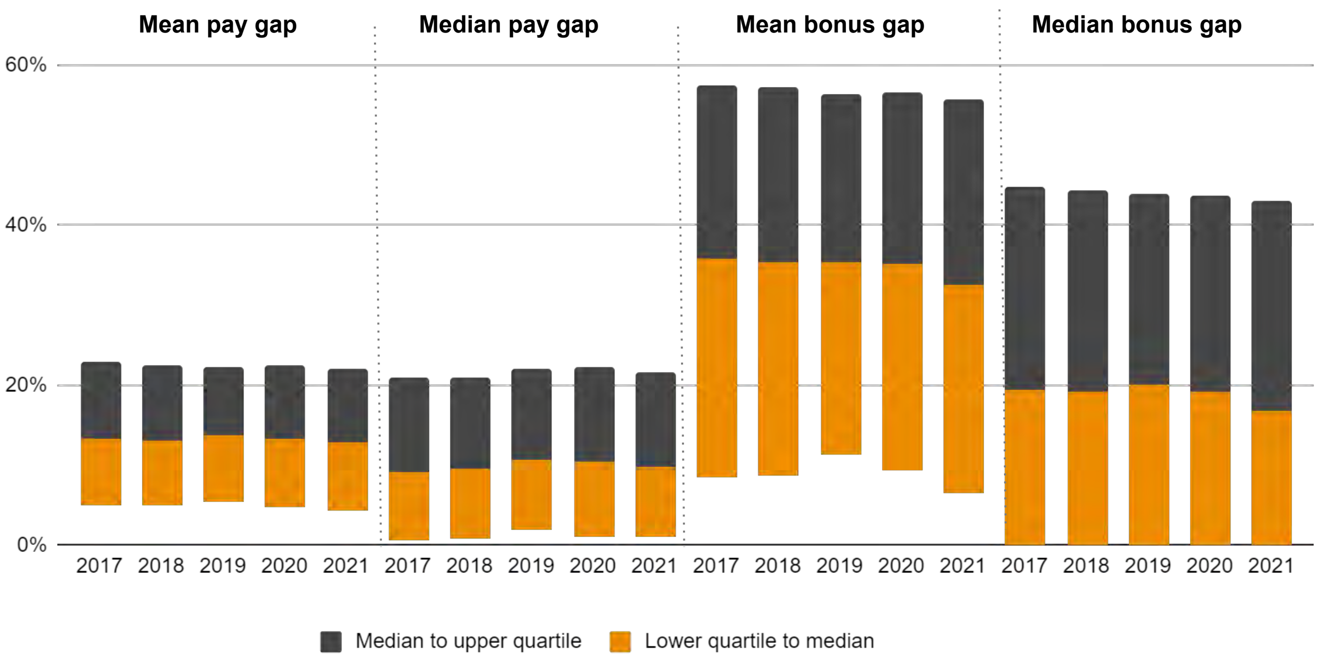
Key trends

The below graph shows the trend across the mean pay and median pay and bonus gaps for the past five years. In particular, it is important to understand the median of these points to see trends between the years.

Our analysis shows average pay gaps have decreased each year since 2017, with the exception of 2019 where there was an increase in 0.6%. The median of the mean pay gaps reduced from 13.4% in 2017/18 to 12.9% in 2021/22.

The median of the median pay gaps indicates slightly more volatility with an increase from 9.2% (2017) to 9.8% (2021). This tells a different story of an slight increase rather than a decrease (as seen in by the mean pay gap movement). The median measure removes the outliers compared to the mean which may be influenced by extremely high or low earners.

Likewise, the median bonus gap has fallen from 19.5% in 2017/18 to 16.7% in 2021/22, albeit with an increase in 2019.

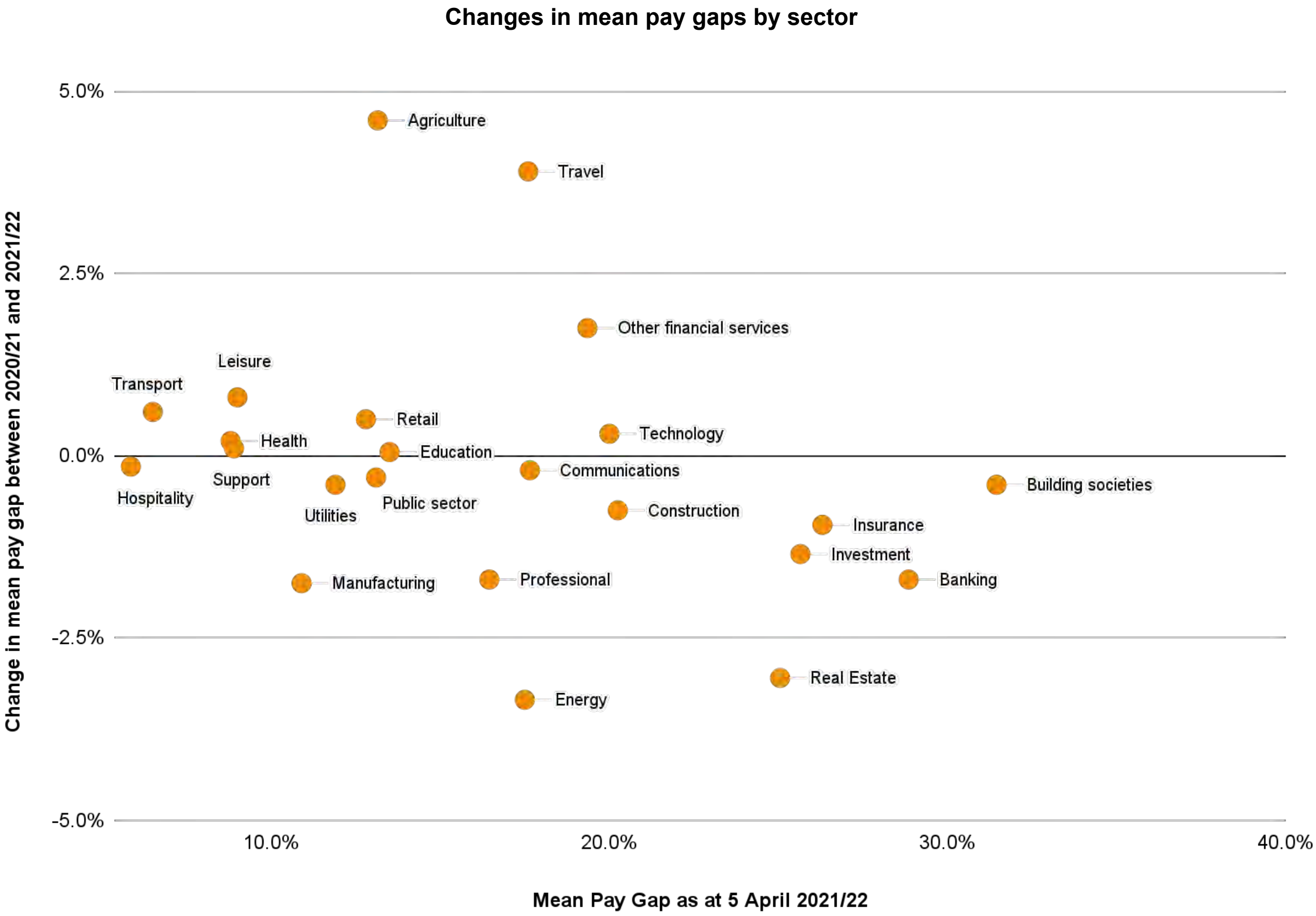


Change in mean pay gap by sector

The mean pay gap increased across 10 sectors, with the biggest increase in agriculture and travel.

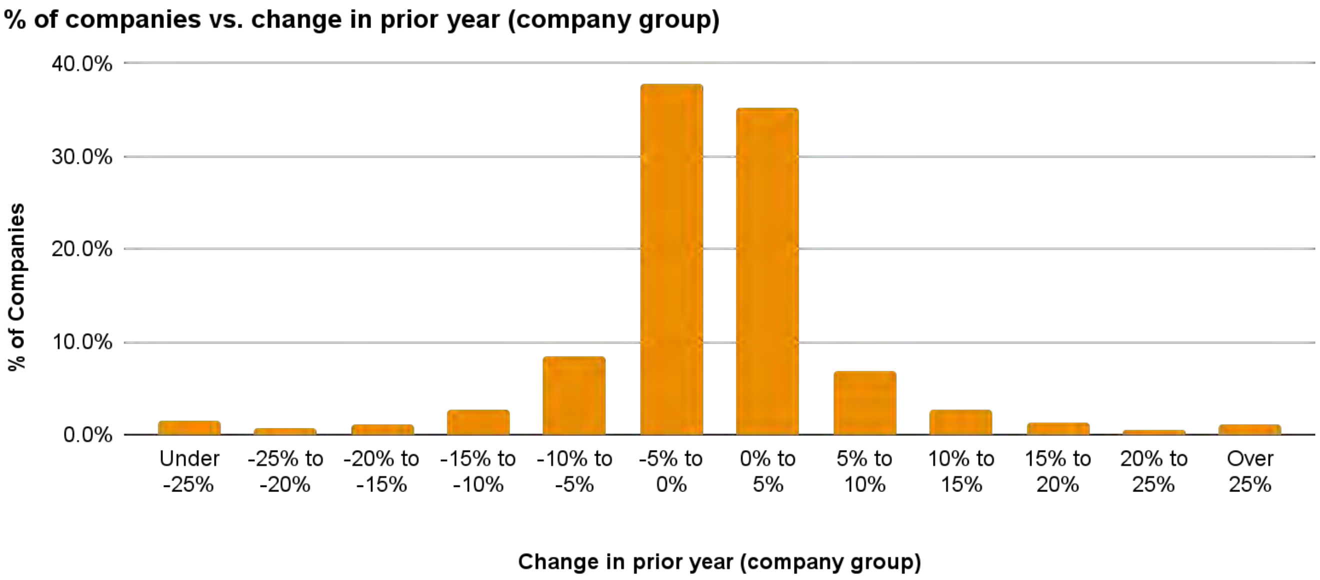
The biggest decrease in mean pay gap over the last year was in the energy and real estate sectors, 64% of energy and 70% of real estate companies reported a reduction in their mean gap for 2021/22.

In terms of other sectors, financial services (FS) has seen a decrease, but it remains high. The average gap in FS is 26.6%. We have seen a slight decrease in this sector attributed to the increased regulatory scrutiny around D&I more broadly (FCA paper discussion paper on D&I) and an increase in remuneration committee involvement.



Size of change in mean pay gap from 2020/21 to 2021/22

The majority of companies' mean pay gaps changed between -5% to 5%. A smaller number have had large changes between +/-5% to 10%. This shows many organisations continue to struggle with making impactful changes to the gap, suggesting significant change may take a long time.



Looking ahead – The broader picture

After five years, gender pay gap reporting requirements have become an increasingly “business as usual” part of the reporting cycle for many UK organisations. However, over the last year we have seen more organisations think about how these reporting requirements fit into increasing reporting obligations globally and related to their broader ESG agenda.

The ‘S’ in ESG: The fairness agenda

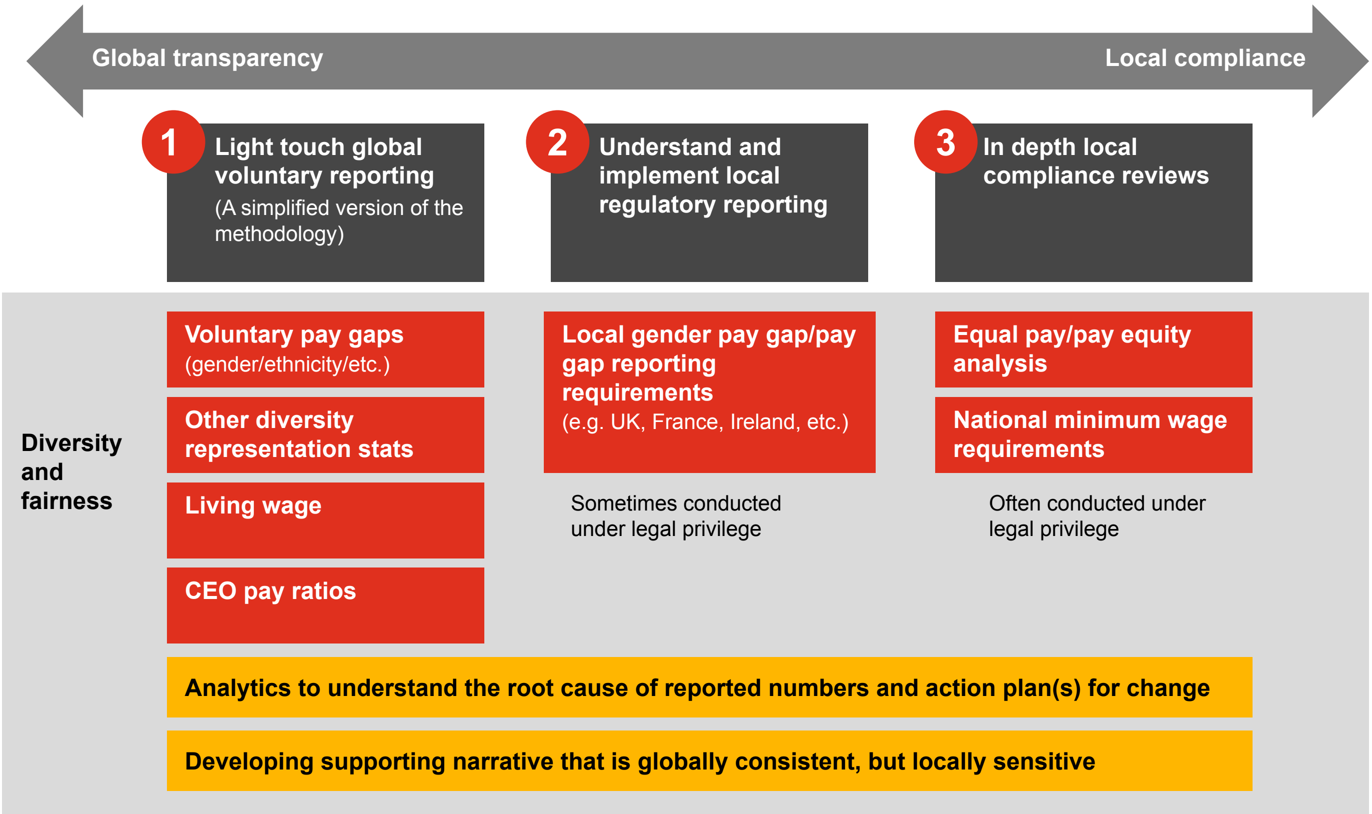
The environmental, social, and governance (ESG) agenda continues to be a focus for employees, customers and investors. Historical activity and focus has primarily been in relation to the ‘E’. Increasingly, companies are thinking about how they meet and address expectations and requirements on the ‘S’. A key part of this is the concept of fairness, as companies and their stakeholders seek to understand and articulate how fairness can be established both within the organisation’s direct control (e.g. employees, customers) and more broadly within its supply chain, and communities.

At the same time, fairness is increasingly important as a critical tool in retaining, engaging and attracting talent. This definition of fairness covers a broad range of elements, not least equality, lack of bias, purposeful inclusion and access to opportunities. PwC’s 2022 Hopes & Fears survey shows employees are increasingly discussing social issues at work, putting further pressure on employers to create more open and inclusive workplaces where difference can thrive. In this context, companies need to be more engaged with their workforce to actively drive and reinforce an inclusive culture, while being transparent around how pay and policies are addressing and embedding fairness.

Increasing reporting requirements: Local to global

At the same time as broader ESG reporting requirements and expectations, we are also seeing more territories bring in specific reporting requirements similar to UK gender pay gap reporting. Increasingly, global organisations are struggling to ensure compliance with these requirements, which often differ in scope and definitions, requiring subtly different reported numbers to be published in each territory. This creates a number of challenges for companies, who need to manage the administrative burden of multi-territory reporting, but also have to consider how to maintain globally consistent narratives on diversity, pay and fairness. This is a challenge we expect to increase as more territories bring in regulation, such as the EU pay transparency directive.

At the same time as ensuring local reporting requirements are met, many leading organisations are also thinking about broader global reporting on gender pay gaps, often as part of their ESG strategy. The result is often a number of "tiers" of reporting, in which higher level globally consistent reporting sits alongside more detailed local reporting and internal legal reviews, as set out in the diagram below. The result is a complex internal and external communication challenge, which requires careful consideration and consultation.



Conclusions

Pay gaps have continued to move relatively slowly since the start of gender pay gap reporting in 2017. It is clear more needs to be done to address the underlying cause of pay gaps. At the same time, there has been a growing focus in reporting (both voluntary and mandatory) on the wider topic of fairness, as organisations consider how they articulate their ESG agenda and contribution to society.

For global companies, this is a particular challenge as they also manage increasing local regulation around the world.

In this context companies must consider how they articulate their narrative and workforce fairness, while pushing harder to shift the dial on equality. Reporting across multiple metrics is a key way for companies to show they are committed by being transparent on actions and progress.

Key considerations for employers:

? **Are you monitoring the introduction of gender pay gap reporting requirements globally?**

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

? **Have you considered how diversity will fit into your ESG reporting?**

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