

Mandatory UK Gender Pay Gap Reporting

Understanding diversity beyond gender
in an evolving reporting landscape

Year 7 UK Gender Pay Gap Reporting 2023/24

June 2024



Foreword

As we reflect on the seventh year of UK gender pay gap reporting, our analysis shows a decrease in the median of reported mean hourly pay gaps, from 12.2% in 2022/23 to 11.8% in 2023/24. Whilst it is encouraging to see the pay gap reducing each year, the rate of change remains modest. Our analysis suggests that gender pay parity remains out of sight and it is unlikely that a 21 year old entering the workforce today would see gender pay parity in their working lifetime.

At the same time, the global Environmental, Social and Governance (ESG) reporting landscape is evolving rapidly. As part of social reporting, many organisations are increasing their focus on pay fairness and transparency, as well as pay gap and diversity reporting (including beyond gender). In this context, it is now more important than ever for organisations to take a step back to fully understand the state of pay fairness and Diversity, Equity and Inclusion (DE&I) within their workforce. By truly understanding any DE&I barriers that exist within the workforce and embracing pay transparency, organisations can navigate the reporting landscape and use it as a way to shape their narrative, as opposed to letting it dictate it.

Key gender pay trends in 2023/24

10,408

Companies disclosed
their gender pay gap

↓ 1.6%

Reduction in the mean
pay gap since 2017



11.8%

Median of reported
mean pay gaps





Introduction

The gender pay gap has become a widely recognised measure of pay and gender representation within the UK since the introduction of mandatory reporting in 2017. As a result, many organisations use the metric as one way to monitor and report progress on gender diversity.

For 2023/24, our gender pay analysis shows a decrease of 0.4% in the mean hourly pay gap, from 12.2% in 2022/23 to 11.8%, and a median pay gap decrease from 9.2% to 9.1%. Promisingly, nearly 60% of organisations reported that their pay gap had decreased compared with 2022/23. However, the majority of these reductions were relatively small (that is, between 0% and 2%).

Despite some progress, our year-on-year data shows an overall slow pace of change, suggesting it will take over 45 years to close the gender pay gap in the UK. The gender pay gap itself can often be a lagging indicator, with positive actions to improve gender representation taking years to significantly impact these figures. Acknowledging the external societal influences and systemic barriers, change remains challenging. However, in order to make meaningful and sustainable reductions to pay gaps, it is critical for organisations to truly understand gender pay gap drivers and take targeted actions to address them.

While the pace of change in the reporting figures is slow, the level of external scrutiny and stakeholder pressure is increasing rapidly. This is being further fuelled by the evolving reporting landscape with growing reporting in areas including:



ESG and Sustainability Reporting (such as the EU Corporate Sustainability Reporting Directive).



Pay transparency and fairness (the EU Pay Transparency Directive and growing local territory requirements on pay gap reporting).



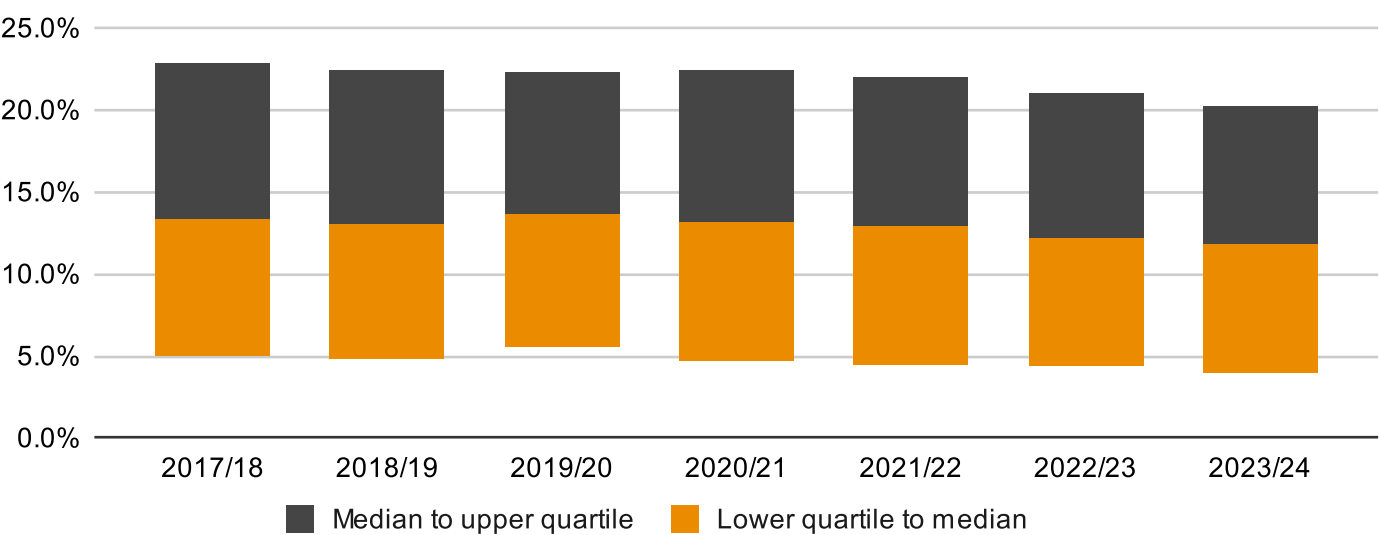
Reporting on diversity beyond gender (ethnicity pay gap reporting).

In this increasingly complex landscape, organisations are finding that a simple report on their pay gaps is insufficient to meet shareholder expectations. Instead, leading organisations are delving deeper to understand the drivers of pay gaps and broader DE&I barriers and the actions that are needed to overcome them. In this way organisations can use the potential of reporting to develop their own narrative, turning compliance into an opportunity for meaningful change.

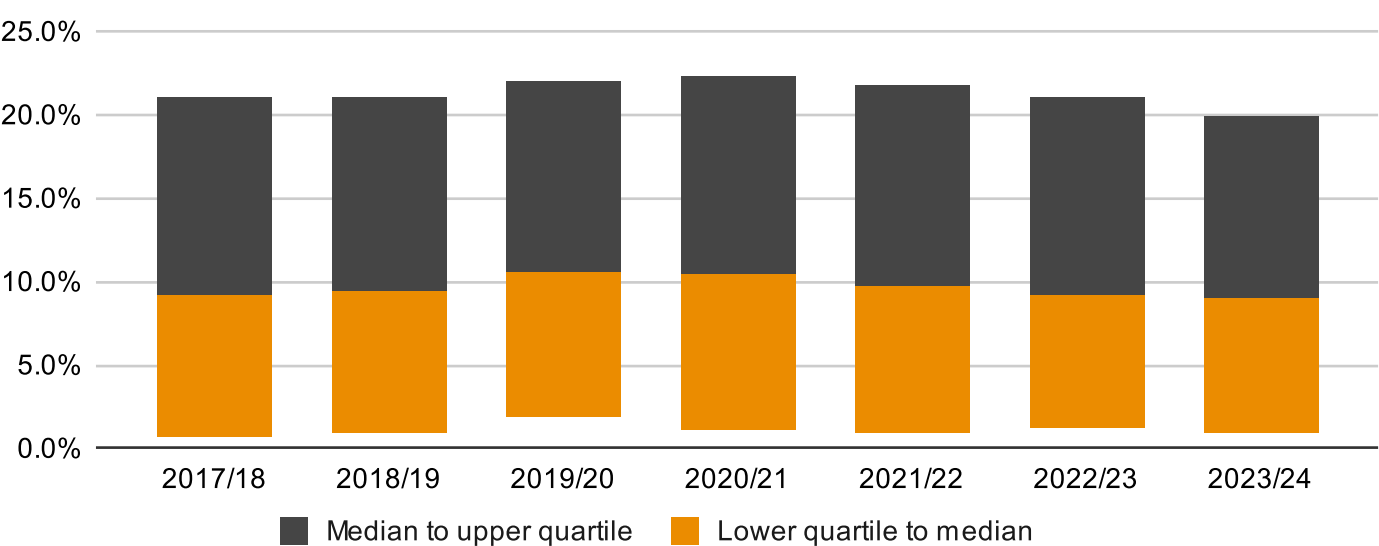
Key trends

Our analysis shows a decrease of 0.4% in the mean pay gap from 12.2% in 2022/23 to 11.8% in 2023/24. The median hourly pay gap has decreased marginally from 9.2% in 2022/23 to 9.1% in 2023/24.

Mean pay gap

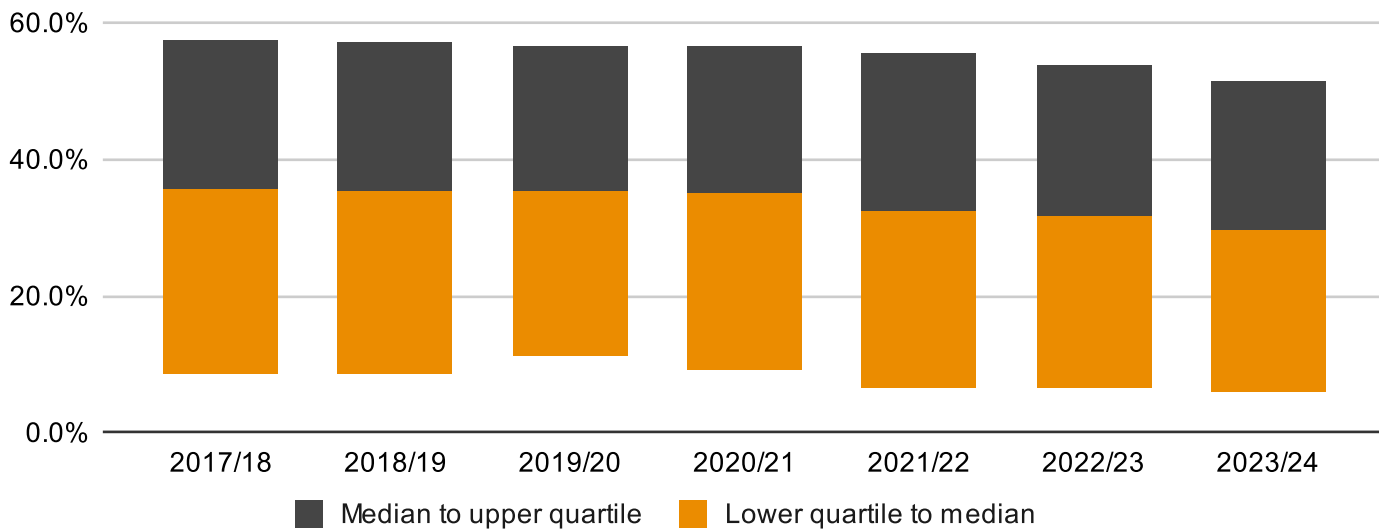


Median pay gap

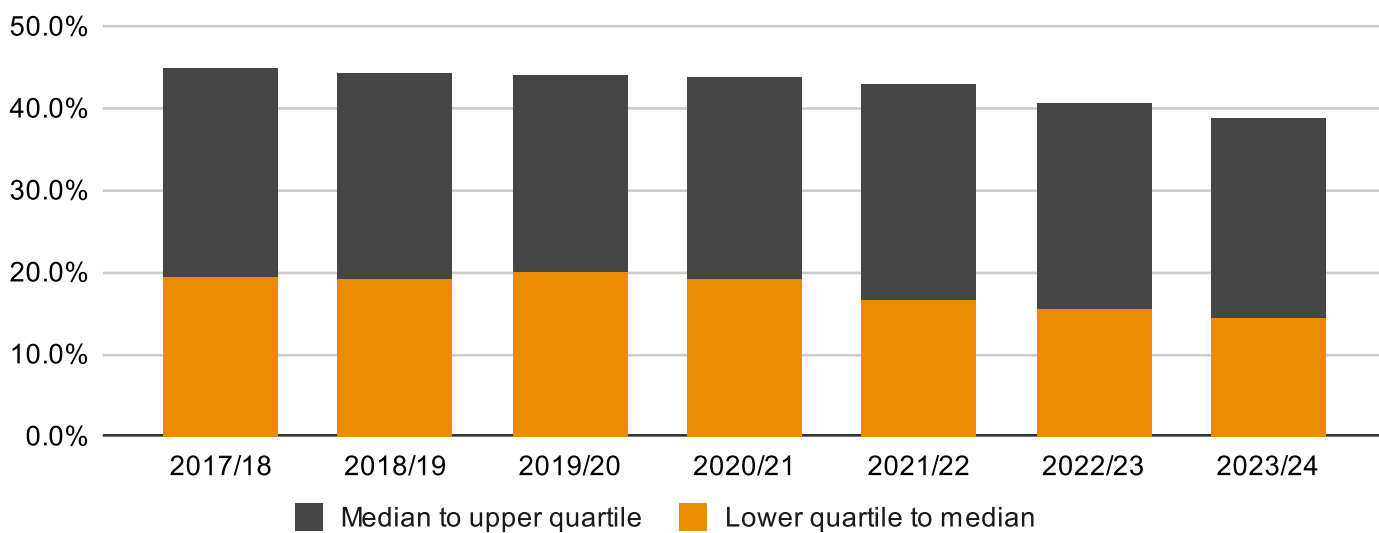


There have been larger decreases to both the mean and median bonus gaps over the reporting period, with the mean bonus gap decreasing by 2.1% from 31.7% in 2022/23 to 29.6% in 2023/24, and the median bonus gap decreasing by 1.3% from 15.6% in 2022/23 to 14.4% in 2023/24. Typically, bonus pay gaps can be more volatile than pay gaps, due to the performance related nature of most bonuses.

Mean bonus gap



Median bonus gap



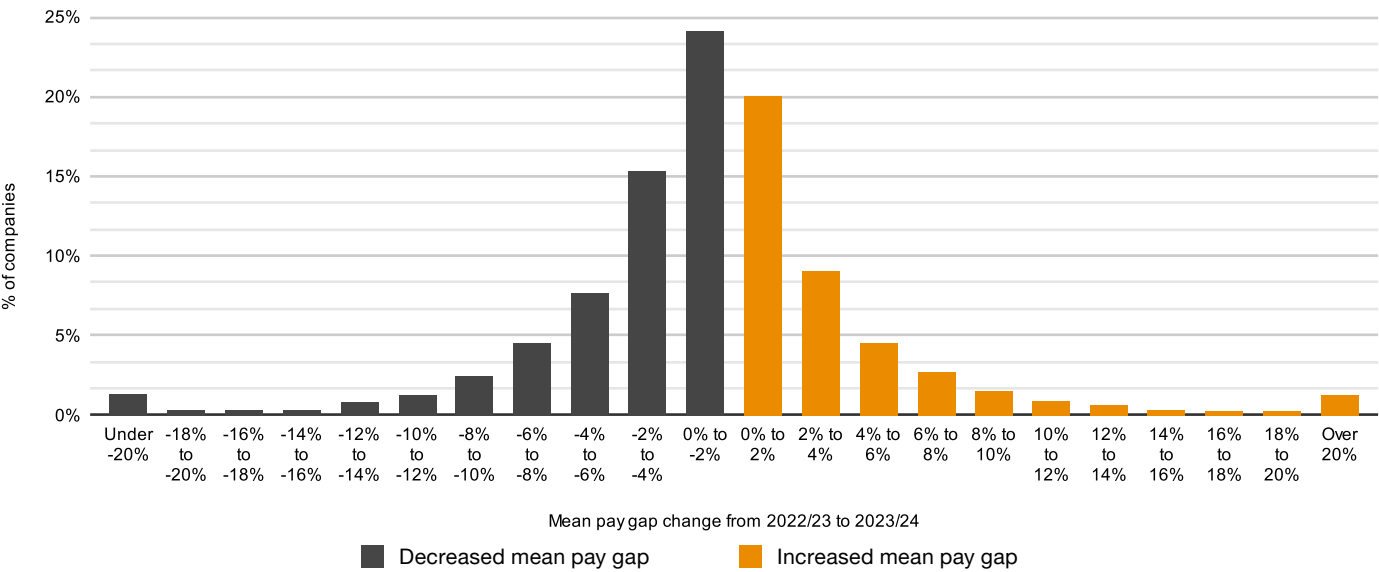


Size of change in mean pay gap from 2022/23 to 2023/24

When looking at the distribution of changes in the mean hourly pay gaps for companies that reported in both 2022/23 and 2023/24, 58.4% of organisations reported decreases to their mean pay gap. Of this, the majority reported small decreases between 0% and 2%. This is a slight increase in comparison to 2022/23, where 53.7% of organisations reported decreases to their mean pay gap.

Overall, 20.1% of organisations reported no change or an increase between 0% and 2% to their pay gap, compared with 17.6% in 2022/23.

Proportion of companies vs. change in mean pay gap



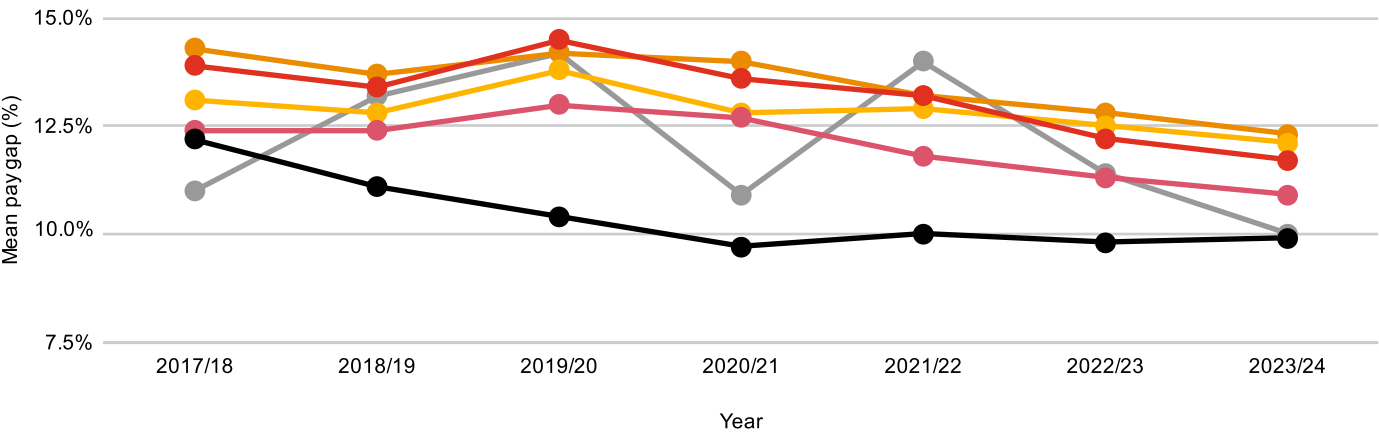


Size of change in mean pay gaps by organisation size since 2017/18

The largest organisations (with 20,000 employees or more) have generally had the lowest mean hourly pay gaps each year, compared to other sized organisations. The smallest organisations display higher levels of volatility in the mean pay gaps, as a single employee can have a more significant impact on overall average pay due to the smaller overall employee population.

In 2023/24, we can see the mean pay gap has decreased for organisations of all sizes, excluding the largest, which have marginally increased by 0.1%.

Mean pay gaps for different sized organisations



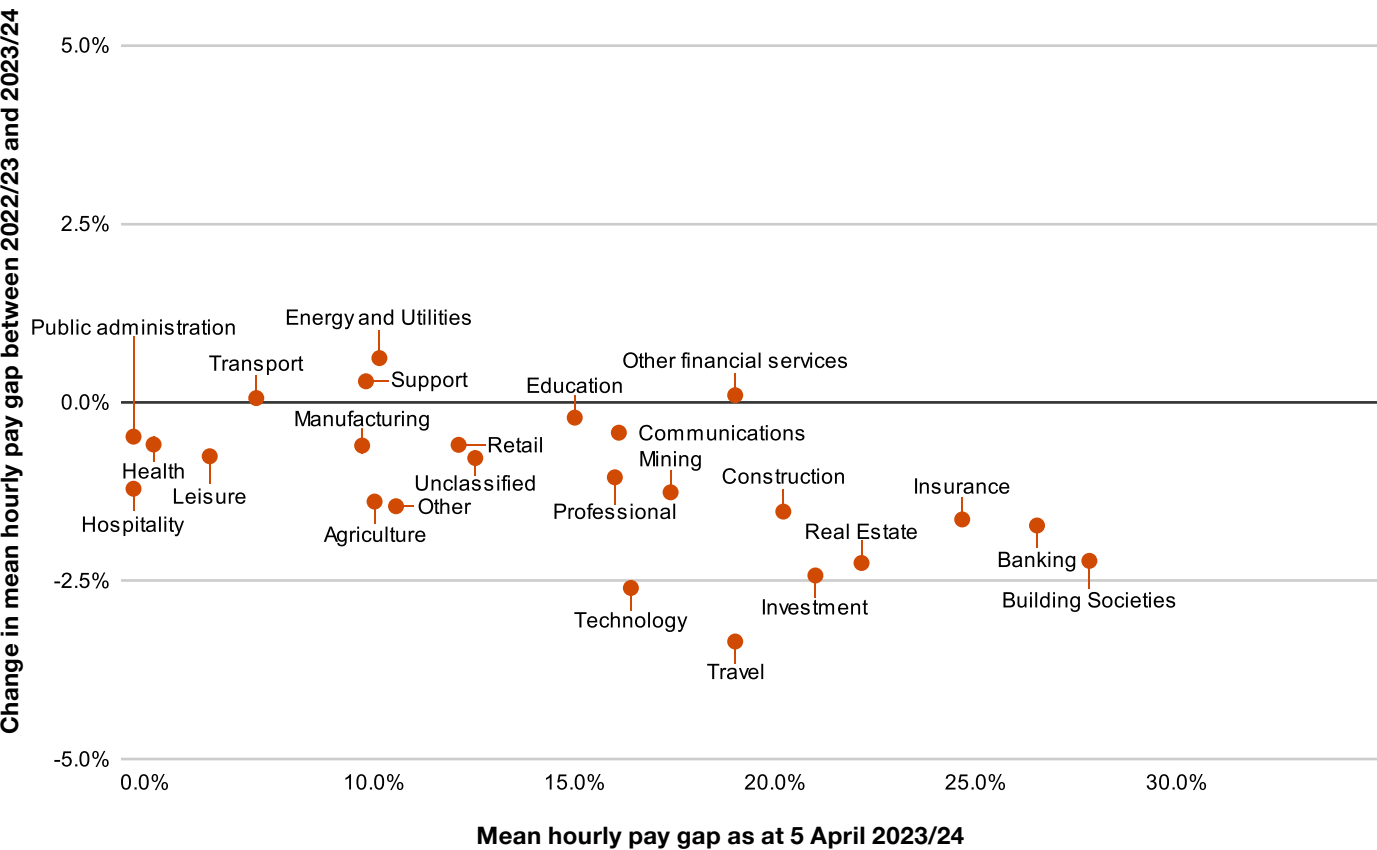
Number of Employees ● Less than 250 ● 250 to 499 ● 500 to 999 ● 1,000 to 4999 ● 5,000 to 19,999 ● 20,000 or more

Sector trends

Our analysis shows the Financial Services sector continues to report the biggest gender pay gaps. This is reflective of the ongoing issues with gender equality within the sector, where potential regulations on diversity and inclusion may be introduced by the Financial Conduct Authority and Prudential Regulation Authority later this year and as outlined in the Treasury Select Committee’s report on their inquiry into “Sexism in the City”, published in March 2024.

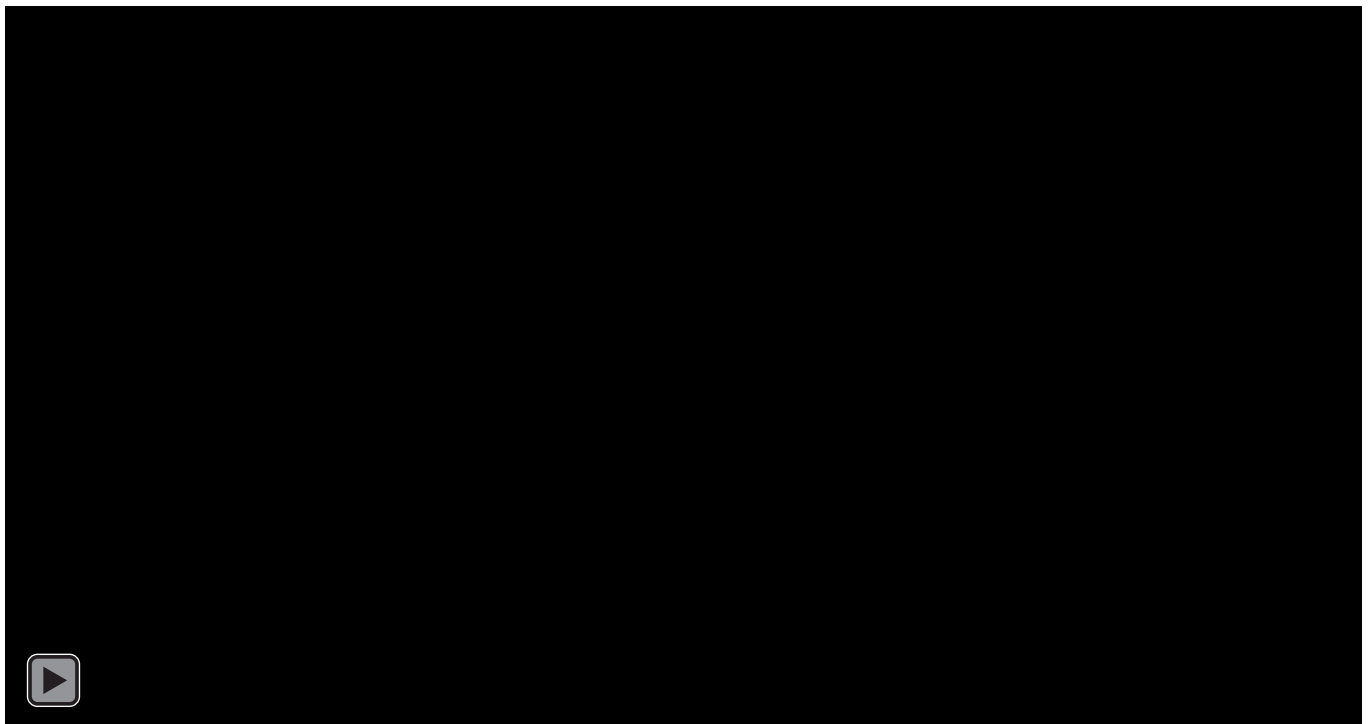
Whilst the Financial Services sector has consistently reported the highest pay gaps, they have also reported the biggest decreases in pay gaps compared to the previous year, alongside the Travel and Technology sectors. As with 2022/23, Public Administration, Health, Hospitality and Leisure continue to be the sectors with the lowest mean hourly pay gaps.

Changes in mean pay gap by sector



How we use analytics to gain an understanding of gender pay gap drivers

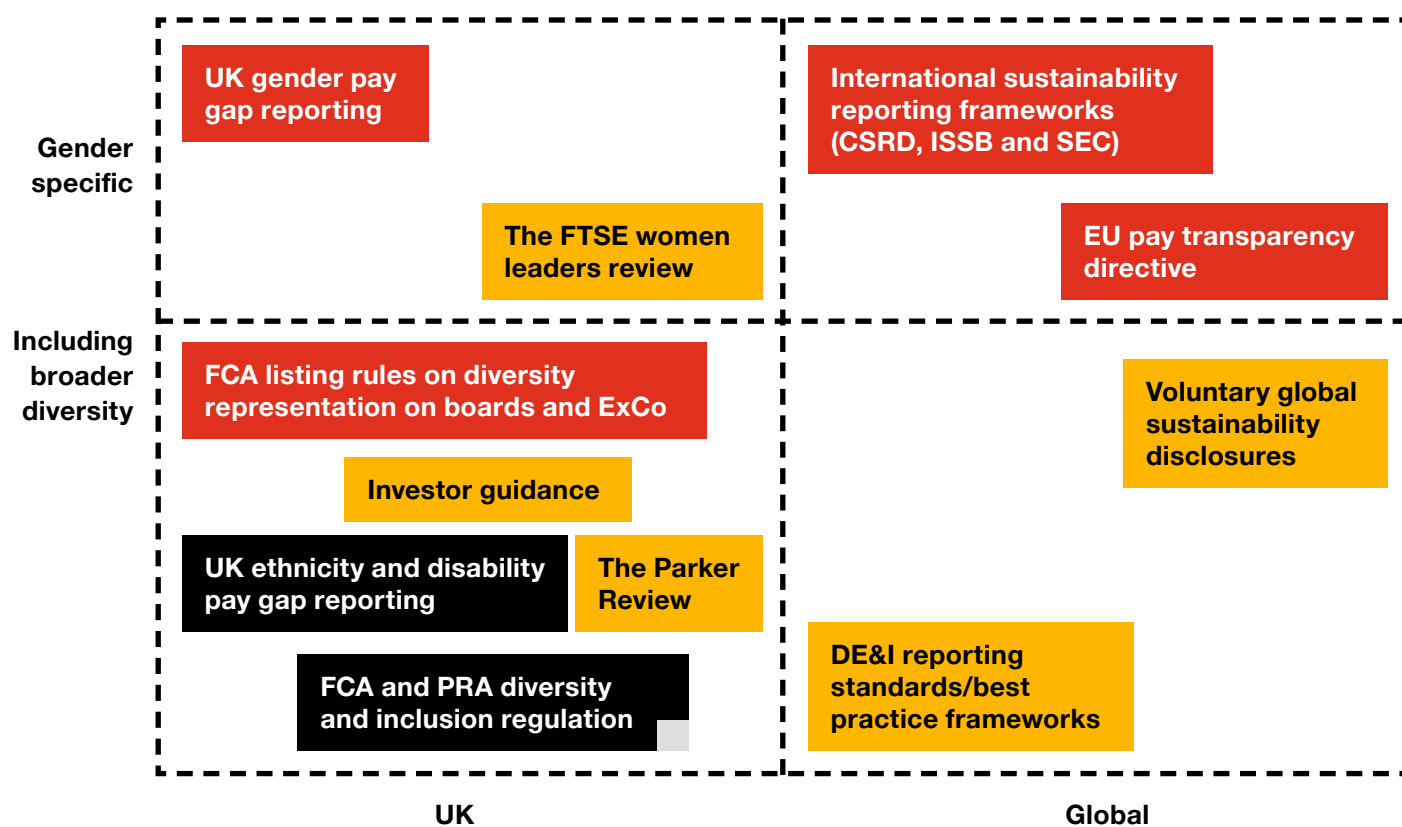
In order to make meaningful change to gender pay gaps, it is crucial to understand the main drivers of the pay gap and the appropriate actions needed. The demonstrative video below showcases our PwC Diversity, Equity and Inclusion Toolkit that we use to help organisations understand pay gap drivers and movements in reported gender pay gaps. The type of analytics shown can help in understanding where barriers exist and where actions need to be focussed as to sustainably reduce pay gaps.





The changing reporting landscape

DE&I reporting is quickly evolving within a global landscape, looking beyond gender and at broader diversity lenses. UK gender pay gap reporting is now one facet amongst many other diversity lenses and reporting requirements.



Key	Mandatory	Voluntary	Sector specific	Anticipated
-----	-----------	-----------	-----------------	-------------

Please see the appendix for an overview of the reporting frameworks and requirements outlined above.

It is important that organisations do not let this evolving landscape become a compliance exercise. Instead, reporting and transparency should be embraced, and organisations should focus on implementing actions that will drive meaningful change.

PwC DE&I reporting checklist: How to drive meaningful change

1

Conduct a thorough compliance exercise to **understand which reporting requirements** apply to you.

2

Ensure you have **collected the right diversity data** to meet these requirements.

3

Ensure you have **sufficient diversity data response rates** to gain meaningful insights (for voluntary diversity data like ethnicity, disability, socio-economic background, sexual orientation etc.)

4

Calculate reporting metrics in line with the relevant requirements.

5

Gain a thorough **understanding of the DE&I barriers driving pay gaps and reporting metrics** by conducting or outsourcing data analytics.

6

Identify key interventions and focus areas looking ahead based on this understanding.

7

Ensure an understanding of **how these key interventions will impact pay gaps** and reporting metrics in the future.

8

Communicate this story and focused actions alongside any reported requirements, ensuring consistency and a clear DE&I focus in the narrative.



As we enter the eighth year of mandatory UK gender pay gap reporting, the global DE&I regulatory landscape continues to evolve. Organisations must take the chance to lead the conversation on pay fairness and transparency, shaping a future where equality is not a goal, but a reality.

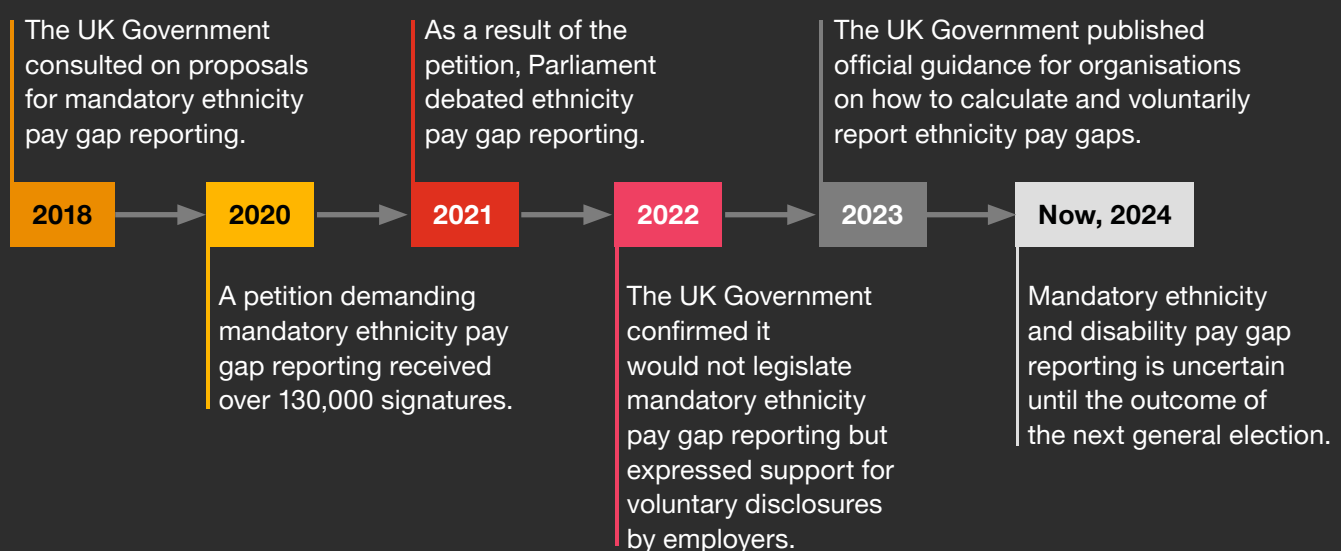


Topic spotlight

UK mandatory ethnicity pay gap reporting

The topic of ethnicity and other types of pay gap reporting, such as disability, has increasingly become a focus point of discussion within the UK with government consultations, public petitions and parliamentary debates. Increasingly, organisations have been voluntarily calculating and reporting their ethnicity pay gaps (along with other diversity pay gaps such as disability, socio-economic background, sexual orientation etc.), as a key aspect of commitment to DE&I within the workplace. These voluntary disclosures not only showcase transparency, but a shift in the UK market as more companies look in more detail at diversity more broadly and beyond gender.

Timeline of Ethnicity Pay Gap Reporting in the UK:



1. For example, [PwC's Diversity Pay Gaps Webpage](#) shows PwC's pay gap disclosures which include gender, ethnicity, disability, socio-economic background and sexual orientation.

How can organisations prepare for ethnicity and disability pay gap reporting?

Organisations are increasingly prioritising ethnicity and other pay gap reporting as part of their DE&I initiatives. Below sets out some key actions to consider in preparation for this.

Collecting the right diversity data and ensuring sufficient diversity data response rates

Collecting diversity data is complex, with a number of challenges and legal requirements.

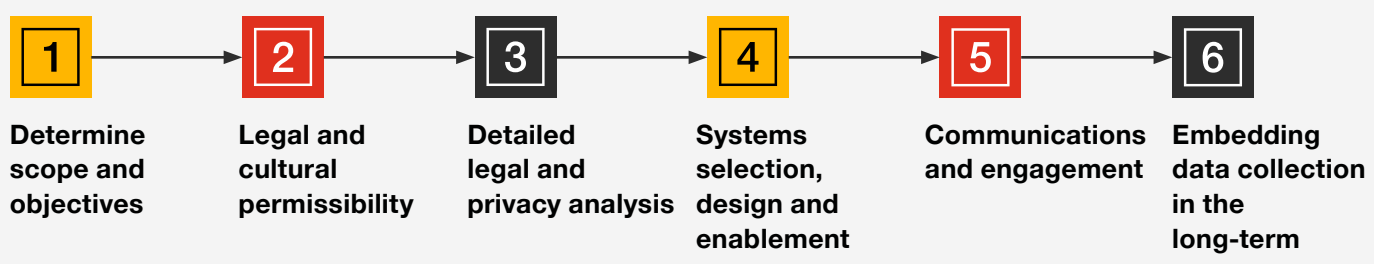
If you do **not** already collect ethnicity data:

- You will need to consider if there are any employment law and data privacy requirements and ensure appropriate processes are followed (such as the publication of data privacy notices). We note that this is an area where law may differ significantly by territory, if you will be collecting ethnicity data more broadly than in the UK.
- It will be important to understand the appropriate questions and attributes for collecting ethnicity data, particularly if you wish to collect ethnicity data in other territories as ethnic groups and approaches may significantly vary.
- If you have an HR system then this may need updating so that ethnicity data can be collected and stored, this could include incorporating certain security measures.
- You may want to ensure appropriate planning of a communications and engagement strategy to encourage high response rates from your employees.

If you already collect ethnicity data:

- You may want to assess the quantity of data collected to ensure your disclosure rates are sufficient for reporting ethnicity pay gaps and for analysis. We recommend aiming for disclosure rates of 80% or higher, but insights can be gained with at least 60%.
- You can consider the quality of data collected by analysing how many employees select 'prefer not to say'. If this number is high then you may want to work on your engagement strategy to build trust with your employees.

PwC's Diversity Data Collection Tool Our approach to collecting diversity data



Calculating ethnicity pay gaps and understanding the DE&I barriers driving these pay gaps

Calculating ethnicity pay gaps can be particularly complex as assumptions need to be made on how to classify ethnicities, which pay gaps to calculate and how to interpret the data accurately. [You can find Government guidance on ethnicity pay reporting here](#), which provides useful information on how to do this.

Following this, you will also need to understand the key drivers of any ethnicity pay gaps, including pay gaps for each ethnic minority group. More advanced data analytics may be required, particularly to ensure an understanding of how gender and ethnicity intersect. This will help to identify key focus areas and targeted interventions from a broader diversity perspective, how these would impact pay gaps over the long-term and how these can be incorporated and communicated as part of a consistent DE&I narrative.

A reporting landscape glossary

Reporting framework/requirement	Details
UK Gender Pay Gap Reporting	The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 requires employers with 250 or more employees to publish and disclose statutory gender pay gap reporting figures each year.
FCA Listing Rules	Under listing rules from the FCA, UK listed companies from any industry need to disclose on a 'comply or explain' basis gender and ethnicity representation levels of their Board and ExCo, noting the Board representation targets set by the FCA.
The FTSE Women Leaders Review	The FTSE Women Leaders Review aims to increase the representation of women in leadership positions of FTSE 350 companies, setting recommendations and targets for businesses to improve senior leadership gender balance.
UK Ethnicity Pay Gap Reporting	Organisations are increasingly voluntarily publishing ethnicity pay gap reports.
The Parker Review	The Parker Review addresses the ethnic diversity of UK companies. Its latest request is for FTSE 350 companies and the 50 largest private companies to set and publicly disclose a percentage target for senior management positions (which it defines as the Executive Committee and the level below) that will be occupied by employees from an ethnic minority in December 2027.
FCA and PRA Diversity and Inclusion Regulation	The FCA and PRA have published two Consultation Papers on diversity and inclusion ("D&I") within financial services which included proposed requirements including the collection of D&I data, setting diversity targets and a D&I strategy, embedding non-financial misconduct into regulatory frameworks, and governance and accountability. The final Policy Statement is due to be published in late 2024.
Investor Guidance	A number of investors and proxy bodies align themselves to diversity targets. For example the IA references the FTSE Womens Leaders Review, the Parker Review and FCA rules and will "red top" companies on diversity for not meeting set targets. Some investors have their own guidance, for example LGIM will vote against the Chair of a listed organisation if less than 40% of the Board is made up of the underrepresented gender.

Reporting framework/requirement	Details
Voluntary Global Sustainability Disclosures	Sustainability reporting frameworks established by organisations and institutions such as the World Economic Forum, Bloomberg and S&P Global provide useful guidelines and metrics for reporting on ESG.
DE&I Reporting Standards/Best Practice Frameworks	Increasingly organisations are voluntarily reporting on DE&I metrics such as pay gaps, representation levels and pay equity on gender and broader diversity factors like gender identity, ethnicity, sexual orientation, socio-economic background, disability and veteran status. While practices may differ based on location, global organisations are generally expanding the types of DE&I reporting and diversity factors they cover in different regions.
International Sustainable Reporting Frameworks (CSRD, ISSB and SEC)	<p>Increasing demand for enhanced transparency about sustainability matters from stakeholders has driven definitive proposals in the form of ‘The Big 3’ disclosure frameworks:</p> <ul style="list-style-type: none"> • European Union (EU) as part of the Corporate Sustainability Reporting Directive (CSRD). • Internationally by the International Sustainability Standards Board (ISSB). • United States (US) by the Securities and Exchange Commission (SEC). <p>These ‘big 3’ disclosure frameworks each detail expansive sustainability disclosure requirements including workforce and apply materiality judgements on what to disclose. For example CSRD alone requires companies to disclose people metrics and information that is assurable as defined in 51 pages of new regulation, 17 Disclosure requirements and 20 quantitative metrics. This will have a significant impact for both EU and non-EU headquartered groups.</p>
EU Pay Transparency Directive (“EUPTD”)	EUPTD will require organisations with any workers in EU member states to implement a series of measures to ensure pay transparency. These include external gender pay gap reporting, Internal equal pay assessments, employees having the ability to request information on individual pay level, prospective employees requesting pay information and additional disclosures on pay philosophy.



For more information on any of the above, please get in touch with our team

Katy Bennett

PwC | Director

M: +44 (0)7715 211 210

E: katy.e.bennett@pwc.com

Kasia Jazeel

PwC | Manager

M: +44 (0)7483 407 110

E: kasia.x.jazeel@pwc.com

Vivek Rajpara

PwC | Senior Manager

M: +44 (0)7872 815 685

E: rajpara.vivek@pwc.com

Cait Spence

PwC | Senior Associate

M: +44 (0)7483 935 131

E: caitlin.x.spence@pwc.com

Sarah Ashcroft

PwC | Senior Manager

M: +44 (0)7701 296 250

E: sarah.m.ashcroft@pwc.com

Riva Patel

PwC | Associate

M: +44 (0)7483 930 683

E: riva.t.patel@pwc.com

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers LLP, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2024 PricewaterhouseCoopers LLP. All rights reserved. 'PwC' refers to the UK member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

RITM16572331