Gender Pay Gap vs. Equal Pay: Understanding the Differences

Gender pay and equal pay are frequently confused. However, there are key differences between the two, and employers need to be aware of their obligations in relation to both.

GENDER PAY GAP

Definition: The difference between average earnings of men and women over time, irrespective of roles or seniority.

Example: Organisations with a gender pay gap may have more men in senior roles and more women in junior roles.

Intent: Increase transparency of pay differences to address and eliminate broader gender pay disparities.

OBLIGATIONS ON EMPLOYERS

Applicability: Applies only to employers with 250 or more full-time employees. Reporting Requirement: Annual reporting of specific data, including mean and median pay differences, and bonus pay proportions.

Applicability: Applies to all employers, regardless of size. **Reporting Requirement:** Continuous legal obligation under the Equality Act 2010

EQUAL PAY

Definition: Equal pay from a gender perspective ensures that individuals of

different sexes receive the same or similar pay for the same or comparable work.

Scope: Addresses individuals or groups performing "like work," "work rated as

Intent: To eliminate pay differences between men and women engaged in the

SANCTIONS

Outcome: Currently, there are no financial sanctions, but the Equality and Human Rights Commission can take enforcement action.

Outcome: Successful claims may result in compensation for arrears of pay or damages for non-pay terms.

ACTIONS FOR EMPLOYERS

Addressing Pay Gaps:

- > Improving representation of women based on identified gaps.
- > Change policies contributing to lack of representation of women.
- > Consider a narrative to provide context and actions taken.

Conducting an Equal Pay Audit:

equivalent," or "work of equal value".

same or similar work.

- > Identify and compare pay for equal work.
- > Explain reasons for any pay differences.
- > Eliminate discriminatory pay differences.

THE BUSINESS CASE FOR REPORTING YOUR GENDER PAY GAP:

An employer that publishes information on its gender pay gap is likely to be more attractive to potential future employees.

XpertHR

Employers who take a proactive and strategic approach to eliminating bias from their pay systems can avoid damaging and costly legal action. Greater transparency of the gender pay gap opens up the discussion on gender equality, leading to more effective action.

The Society of Occupational Medicine

Thanks to sophisticated payroll software, it is relatively easy for organisations to collect and publish the pay data required for gender pay gap reporting.

CIPD

Publishing pay data is a good way for companies to improve the 'S' element of their ESG obligations.

People Management

Attract, retain and develop the best

Boost the economy

brand

Enhance your

employee engagement and trust

Increase

Pay equity and transparency

> **Attract diverse** talent, increase innovation

Avoid tribunal costs and reputational damage





Companies with diverse teams have better financial results:

- > More diverse management teams have 19 % higher revenues because of innovation.1
- \rightarrow Companies in the top 25 percent for racial/ethnic diversity were 36% more likely to have superior financial outcomes.²
- > The 20 most diverse companies in the S&P 500 performed better over five-year and ten-year periods than non-diverse companies.3
- \rightarrow Companies with the most ethnically diverse executive teams are 33% more likely to outperform less diverse executive teams.4



Candidates and employees seek diverse companies:

- > 76% of employees and candidates said a diverse workforce was critical when considering any job offers.5
- > Diverse companies have 5.4 times higher retention than less diverse companies.6
- > 83% of Gen Z candidates cited a commitment to diversity and inclusion as important when choosing an employer.⁷



Consumers assess brands' and companies' commitment to diversity and stand on social issues when making purchases:

- > 70% of consumers think diverse representation in companies they support is essential, and 43% will walk away from a brand if they are disappointed with its stand on social issues.8
- > 64% of consumers will think about making a purchase immediately after seeing diverse advertisements.9

Gapsquare by XpertHR empowers HR and compensation professionals with pay equity analytics to foster organisation-wide pay fairness, boost employee engagement, and mitigate risks.

Save time on your mandatory gender pay gap report* – generate it in minutes with our pay equity analytics.

Book a call with our expert



