

# HOW EQUAL PAY REVIEWS CAN HELP CLOSE YOUR GENDER PAY GAP

## 1. Introduction

The most effective way for an organisation to uncover unequal pay is to carry out an equal pay review. The equal pay review, sometimes called an equal pay audit, is the key methodology used to identify inequalities in a pay and grading system. This briefing covers why you should conduct regular equal pay reviews, and includes an overview of the five-step process you should follow. It accompanies the Close Your Pay Gap online tool, and is aimed at those with responsibility for developing a gender pay gap action plan.

## 2. Why conduct an equal pay review

The most significant cause underpinning the pay gap is discrimination embedded within pay systems. Usually this isn't intentional, as many employers believe they are already providing equal pay. However, most employers are unaware of the different impacts that seemingly objective pay practices have on men and women.

There can be many factors within pay systems that lead to inequalities including:

- Individuals being appointed to different points on the pay scale;
- Different job and grade titles for virtually the same jobs;
- Stereotypically male jobs having disproportionate access to bonus earnings;
- Women having less access to high-paid shift and overtime work;
- Performance related pay being unfairly awarded;
- Women not receiving the same access to training; and
- Sex bias in analytical job evaluation schemes grading women's jobs lower.

### 3. How to do an equal pay review

It's important that you critically examine your pay system to identify the ways in which female and male employees may be affected differently, and take action to address gaps that can't be objectively justified. The most effective way to do this is to carry out an equal pay review.

The five-step process of the equal pay review, as set out by the Equality Human and Rights Commission, is:

#### **STEP 1: Decide the scope of the review**

This initial step involves some crucial decisions about the equal pay review, and it's especially important if it's your first one. A full pay review should include all employees and workers, and consider the relative pay of women and men. The definition of pay within the Equality Act is very broad, meaning that all elements of pay should be included in the pay review. For example, salary, performance-related pay, competence pay, working patterns pay, bonus pay, any other payments or allowances, and all other benefits.

#### **STEP 2: Determine where men and women are doing equal work**

Under the Equality Act, men and women in the same employment, who are performing equal work, should receive equal pay when they're doing:

- Like work, which is work that is the same or broadly similar;
- Work rated as equivalent under a job evaluation scheme; and
- Work that is different but is of equal value in terms of the demands of the job e.g. skills, knowledge, effort.

A job evaluation scheme is a method for systematically assessing the relative value of different jobs. The job evaluation scheme used must be analytical, which means that jobs are broken down by demands, also known as factors, and scores are awarded for each factor. The total score gives the overall rank order of jobs. The analytical job evaluation must be free from sex bias, and designed with the legal provision for equal value in mind.

#### **STEP 3: Collect and compare pay data to identify gaps**

Once you've determined where men and women are doing equal work, pay information should be collated and compared to identify any significant gaps. Calculate and compare the average basic pay and total earnings on both an hourly, and full-time salary, basis. This should be adjusted for those who work fewer or more hours per week excluding overtime. Unless there is a genuine and justifiable reason for the difference in pay, that has nothing to do with the sex of the person in the job, women and men doing equal work are entitled to equal pay.

## **STEP 4: Establish the causes of gaps and assess the justification for them**

For any significant pay gaps that are uncovered, it must be determined which elements of the pay system are contributing to the pay gaps and why. You should examine all aspects of the pay system, including pay policies and practices.

There may be a valid reason why there is a pay gap; this is known as a 'genuine material factor'. Examples of a genuine material factor include:

- Market forces or skills shortages: where an employer must pay more in order to recruit and retain worker to do certain jobs. This may occur, for example, when there is a shortage of a worker with a particular skillset. In a tribunal, the employer would, however, have to provide evidence that market forces or skill shortages have caused pay differences.
- Geographical differences: it may be more difficult for employers to recruit and retain workers in certain geographical areas, for example, rural areas.

## **STEP 5: Develop an action plan**

This step depends on the nature and extent of the pay gaps that you've uncovered, and whether there was a lawful justification for them. The action plan should make provisions for ensuring equal pay for those workers who are entitled to it, and this should be done as soon as practicable to minimise the risk of a tribunal claim.

The Equality and Human Rights Commission has developed detailed guidance to support employers in carrying out an equal pay review at each of the five stages. The tool is available on the Equality and Human Rights Commission website at [www.equalityhumanrights.com/en/multipage-guide/equal-pay-audit-larger-organisations](http://www.equalityhumanrights.com/en/multipage-guide/equal-pay-audit-larger-organisations)

It's important to get the most out of your equal pay review. While a pay review is an essential process to ensure you can prove that you're providing equal pay, it's also a method which can help to identify the causes of your organisation's gender pay gap. Regular equal pay reviews will enable you to identify priority areas for your organisation, and can inform the development of your gender pay gap action plan.

Close the Gap can provide a quality assurance role in your equal pay review process, or can support you in implementing the actions from your most recent pay review. Close the Gap is Scotland's gender pay gap expert. To find out more, visit **Work with Us**, or get in touch at [info@closethegap.org.uk](mailto:info@closethegap.org.uk).