



# **PAY GAP AUDIT & REPORTING GUIDE**



# INTRODUCTION

Reducing pay inequity is a core component of building a fair, sustainable and high-performing organisation. A structured **Pay Gap Audit** enables employers to understand whether employees of different groups (e.g., gender, ethnicity, disability, age, socio-economic background, etc.) are being paid equitably, and to identify the systemic factors that drive gaps.

Pay gap reporting is not about assessing individual pay decisions or determining whether unlawful discrimination has taken place. Instead, it shines a light on **representation patterns**, **reward structures**, and **career progression** across the workforce, helping leadership teams target meaningful improvement.

## WHAT A PAY GAP AUDIT MEASURES

A Pay Gap Audit measures **differences in average pay** between different groups of employees. Commonly assessed gaps include:

- Gender Pay Gap
- Ethnicity Pay Gap
- Disability Pay Gap
- Age Pay Gap
- Socio-Economic Background Pay Gap

These findings help organisations understand structural issues affecting representation, pay progression, and reward.

## DEFINITIONS

**PAY GAP:** The difference in average (mean and median) pay between groups across the organisation. Influenced by representation in senior roles, job distribution, and career progression. A pay gap is not itself evidence of discrimination.

**EQUAL PAY:** A legal requirement (in the UK, EU, and many jurisdictions with comparable equality legislation) ensuring that men and women receive equal pay for equal work, work rated as equivalent, or work of equal value. Equal Pay issues relate to individual or role-level comparisons.

**PAY GAP AUDITS:** Help organisations identify representation and progression issues that may contribute to unequal outcomes, but do not determine compliance with equal pay law. Where concerns arise, a dedicated Equal Pay Review may be required.



# WHY CONDUCT A PAY GAP AUDIT?

Regardless of legal obligations, a pay gap audit can provide significant benefits:

- It identifies structural barriers affecting particular groups
- It support ESG, sustainability and DEI commitments
- It improves recruitment and retention by building trust and transparency
- It strengthens employer brand and labour-market competitiveness
- It mitigates legal and reputational risks
- And establishes baseline data to measure progress year-on-year

For SMEs, audits allow leaders to spot issues early, long before pay gaps become embedded or before reaching any regulatory threshold.

## UK GENDER PAY GAP REPORTING

Under the UK Gender Pay Gap Regulations, employers in the UK with **250 or more employees** on their annual snapshot date (see below) must publish gender pay gap data on the GOV.UK Gender Pay Gap Service and their own website. This applies separately to each legal entity that meets the threshold.

- **Public authorities:** Snapshot date 31 March; publish by 30 March the following year.
- **Private and voluntary sector:** Snapshot date 5 April; publish by 4 April the following year.

### Required published figures:

1. Mean hourly gender pay gap
2. Median hourly gender pay gap
3. Proportion of men and women in each hourly pay quartile
4. Mean bonus pay gap
5. Median bonus pay gap
6. Proportion of men and women receiving bonus pay
7. A voluntary narrative and action plan (strongly recommended)

There are no automatic fines for non-compliance, but the Equality and Human Rights Commission (EHRC) can investigate, issue compliance notices, and name non-compliant organisations. Organisations below the threshold are encouraged to conduct pay gap analyses as good practice and to prepare for possible future expansion of mandatory reporting (e.g., ethnicity or disability pay gaps).



# PREPARING FOR A PAY GAP AUDIT

## DETERMINE THE SCOPE

Before beginning your audit, you need to **establish the parameters** of your analysis. This means clarifying which pay gaps will be analysed (for example, gender only, or a broader examination including ethnicity or other characteristics), setting a **snapshot date** for the data, and identifying **which data sources and systems will be involved**. You'll also need to decide whether an internal team will conduct the analysis or whether you'll engage external support.

## DATA TO COLLECT

A comprehensive pay gap audit requires a range of employee data fields. Typical information you'll need to gather includes:

- Gender (and other demographic characteristics where available)
- Job title
- Grade/level
- Pay type (salary, hourly, commission)
- Base salary or hourly rate
- Allowances and supplements (shift, location, etc.)
- Bonus/commission payments (over the previous 12 months)
- Full-time/part-time status
- Contract type (permanent, fixed-term, temporary)
- Working pattern (hours)
- Start date and length of service
- Location
- Whether the individual is included/excluded (with rationale)

## SPECIAL CASES TO DOCUMENT

Certain employee groups require careful consideration when conducting a pay gap audit. You'll need to document your approach to:

- Part-time and zero-hours staff
- Temporary or seasonal workers
- Agency workers (usually excluded unless directly employed)
- Consultants or contractors
- Employees on family leave or long-term leave
- Employees with variable pay

Being clear about your inclusion rules and documenting your rationale for each special case will improve the consistency and defensibility of your audit approach.



# CONDUCTING THE AUDIT

## CALCULATE PAY GAPS

Once your data is prepared, you'll need to calculate the key metrics for each gap in scope. This includes:

- Mean hourly pay gap
- Median hourly pay gap
- Mean and median bonus pay gap
- Proportion receiving bonuses
- Quartile representation (divide workforce into pay quartiles)

Where possible, conduct intersectional analyses (for example, gender by ethnicity) to uncover hidden disparities that might not be visible when looking at single characteristics alone.

## IDENTIFY DRIVERS OF GAPS

Understanding why pay gaps exist is critical to developing effective action plans. Typical structural drivers that contribute to pay disparities include **under-representation at senior levels**, where certain groups are absent from the highest-paying roles; **recruitment processes** that channel candidates into different roles or levels based on demographic factors; and **career progression disparities** that slow advancement for some groups.

You may also find **uneven access** to high-earning functions or allowances, **legacy pay systems** that have embedded historical inequities, **bonus scheme structures** that inadvertently favour certain groups, **geographic pay differences**, and the **impact of time out of the workforce** (for example, for caring responsibilities). Identifying which of these factors are at play in your organisation will shape your response.

## PRIORITISE ISSUES

Not all pay gap drivers can be addressed simultaneously, so you'll need to prioritise where to focus your efforts. Use a structured framework that considers:

- Magnitude of the gap
- Consistency across departments/functions
- Root cause clarity (is the driver identifiable?)
- Compliance or reputational risk
- Feasibility of action

This approach ensures you tackle the most significant and addressable issues first, building momentum for longer-term cultural and structural change.



# BUILDING YOUR ACTION PLAN

A good action plan is evidence-based, targeted, timebound, owned by the leadership team, and revisited annually.

## POTENTIAL ACTION AREAS

- Reviewing recruitment pipelines
- Improving representation in senior roles
- Reviewing promotion and progression processes
- Standardising pay and job evaluation frameworks
- Adjusting bonus structures
- Addressing occupational segregation
- Supporting flexible working
- Coaching, sponsorship and development programmes
- Reviewing family and caring policies
- Reviewing pay decisions at joiner, mover and promotion stages

## SETTING KPIS

Examples:

- Increase representation of women in mid-senior roles from X% to Y% by 2027
- Achieve gender parity in bonus eligibility for grades A–C
- Ensure all pay decisions are audited quarterly for anomalies
- Close the gender pay gap from X% to Y% within 3 years

## COMMUNICATING RESULTS

Transparency builds trust, and strong communication is essential to achieving this. It should include a **clear, honest narrative** that explains the findings while acknowledging any structural or historic factors that have contributed to the current situation.

**Concrete actions and timelines** need to be described so that stakeholders understand what will happen and when. It's important to celebrate progress where it exists, but without masking ongoing challenges or presenting an overly rosy picture. Providing accessible internal FAQs can help employees find answers to common questions.

Throughout all communications, **avoid overly technical explanations** and instead focus on clarity and accountability, ensuring that everyone can understand both what the data shows and what the organisation is doing about it.



## GOVERNANCE

Effective governance is essential to ensure your pay gap audit delivers meaningful change. You should appoint an internal owner (typically from **HR** or **People teams**) who will be responsible for overseeing the process and driving actions forward. It's important to ensure that your **Legal team** or representative also reviews relevant sections of your analysis and reporting to identify any compliance risks or sensitivities.

**Senior leadership sign-off** should be obtained before publishing or sharing results, as their visible commitment is crucial for credibility and momentum.

Finally, **set annual review cycles** to track progress against your action plan and demonstrate continuous improvement.

## RECORD-KEEPING

Strong record-keeping protects your organisation and enables you to **demonstrate due diligence**. You should maintain the following documentation for at least six years:

- Raw data used for calculations
- Methodology and assumptions
- Audit outputs
- Decision logs
- Action plans and progress reports

These records will be essential if your approach is ever questioned or if you need to demonstrate how your position has evolved over time.

## NEED MORE HELP?

FuturePlus offers expert consultancy services if you would like more comprehensive support, such as carrying out a Pay Gap Audit or putting in place an Equal Pay Policy.

You can reach the team at: [info@future-plus.co.uk](mailto:info@future-plus.co.uk)

