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Employer gender pay gap publication in the United Kingdom: A review of the literature

Background

Gender pay gap reporting regulations in the United Kingdom (UK) came into force in 2017, requiring employers with 250 or more employees to calculate and report their gender pay gaps annually. The regulations were introduced as one tool that can assist in closing the gender pay gap in the UK. While the gender pay gap has been on a steady decline in the UK, like it has been in Australia, this rate of change has slowed in recent years, making gender inequality a persistent feature of the workforce.

The gender pay gap is an important indicator for understanding the state of workplace gender equality and how we value the contribution of men and women in the workforce. When employers take positive steps to understand and address their gender pay gaps, they support the workforce participation of all their employees which contributes to the broader effect of economic growth.

UK employers first reported their gender pay gap for the 2017-18 financial year. The annual requirement to report the gender pay gap was then temporarily suspended in the 2019-20 financial year due to the COVID-19 pandemic. Several studies consider the short-term impact in the initial years of gender pay gap publication in the UK. However, closure of the gender pay gap and realisation of gender equality in the workplace are a long-term project. The evidence base for sustained impact and change is encouraging but still emerging.

This paper considers how UK employers responded to gender pay gap publication through a review of the existing literature, which generally focuses on the first years of reporting and the initial effects of publication.

What gender pay gap information is published in the UK

The gender pay gap regulations in the UK apply to private, voluntary, and public authority employers with 250 or more employees on a certain ‘snapshot date’. Employers prepare and calculate their data, including (1) the average and median gender pay gap for hourly pay and bonus pay; (2) the percentage of men and women in each hourly pay quarter; and (3) the percentage of men and women receiving bonus pay.

Employers’ gender pay gap information is published and publicly available, including on the UK Government’s Gender Pay Gap Service. Employers can also publish an action plan and a supporting narrative on their own websites to explain the factors contributing to their gender pay gap and actions to address it. The Gender Pay Gap Service links to these supporting statements. This is similar to the Employer Statement that Australian employers have been invited to write alongside the publication of their gender pay gaps.

Employer gender pay gap publication in the UK differs from WGEA’s publication of employer gender pay gaps in a few key ways. These include: the employer size threshold is higher in the UK at 250 or more employees whereas in Australia it is 100 or more employees; UK employers calculate their own gender pay gaps while WGEA calculates employer gender pay gaps in Australia based on data provided by employers; the UK publishes base hourly and bonus gender pay gaps while WGEA calculates the total remuneration.

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1 This paper focuses on publication of the gender pay gap which differs to pay transparency measures such as making individual salary or salary bands public.

and base salary gender pay gaps using full-time equivalent, annual earnings; and analysis of composition by pay quartiles does not include average remuneration per pay quartile in the UK while WGEA includes this information.

Research indicates organisational impacts following gender pay gap publication

While the evidence base for assessing trends and impacts over the longer-term is still emerging, research indicates that publication of employer gender pay gaps in the UK brought attention to the issue within organisations and saw positive movement in the gender pay gap.

Employers have increased understanding of and engagement with the gender pay gap

Publication raised awareness of the gender pay gap as an issue important to equality in the workplace. In the initial years of reporting, survey research from the UK finds that an increasing proportion of employers had a good understanding of the gender pay gap and its calculation. Over half of those surveyed also reported that gender pay gap publication increased focus on equality and diversity initiatives more broadly within their organisation.

Engagement from organisational leadership is key to making organisational change, including on gender equality. The majority of UK employers reported greater engagement on the gender pay gap within their organisations, including increased awareness by the board (70%), board discussions about the gender pay gap (63%), and board action on the gender pay gap (47%). These impacts were more likely among larger employers, those with higher gender pay gaps, and public/voluntary sector organisations.

Employers have considered contributors to the gender pay gap

Addressing the gender pay gap begins with undertaking a pay gap analysis, and UK employers have considered their pay gap information. About three-quarters of organisations (76%) reported trying to identify the causes of their gender pay gaps in the initial years of publication, and employers took several approaches to better understand the contributors to their gender pay gaps. These included a gender analysis of workforce composition, salary, bonuses, and application, recruitment and promotion rates, as well as considering the number of part-time workers.

The quartile analysis that forms a part of gender pay gap publication in the UK, as it does in Australia, shows the gender composition of the workforce and any potential disparities that exist within a quartile and between quartiles. An analysis of gender composition and particularly increasing women’s representation in management positions can help to reduce employer gender pay gaps. This is because as women progress into management roles, they are earning more on average within a workplace.

In the UK, preliminary studies indicate changes in workforce composition supporting women’s participation and progression in the workforce. These changes in workplace gender composition included an increased proportion of women in the workforce and women progressing into higher pay quartiles.

Another mechanism that can assist employers in understanding their gender pay gap is measuring their performance against their peers through benchmarking. Studies on the UK publication suggest that benchmarking played a role in influencing employer action to address the gender pay gap. For instance, companies with a gender pay gap above the average of their industry peers show a greater narrowing of their pay gaps. Similarly, studies considering impacts across UK employers indicate that those with larger gender pay gaps narrowed their gender pay gaps more in the first years of publication.

Employers have made improvements to their gender pay gap

Some employers prioritised their gender pay gap in the initial years of gender pay gap publication in the UK, and studies consider the short-term impact on the gender pay gap in those first years.

Studies show that the movement in employer gender pay gaps was due to effects on contractual wages, but not on bonus pay or allowances. Bonuses can have a discretionary element attached to them, which can

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[ii] The survey results were from research conducted in 2019, about two years after the regulations came into force. It involved a telephone survey of 900 employers and 32 qualitative interviews.

[iii] WGEA’s gender pay data also demonstrates this.

[iv] 23% of organisations reported the gender pay gap as a high priority, 38% reported it as a medium priority and 35% a low or non-priority.
make it a more challenging, but not insurmountable, area to measure and manage across a workplace. This highlights the importance of total remuneration gender pay gaps when it comes to addressing the gender pay gap as bonuses predominantly favour men.

Comparisons of employers that were affected by the regulations because they had 250 employees or more with those who did not meet the 250 employee threshold, found decreases in the gender pay gap through effects on men’s base wages. These studies suggest an adjustment to pay imbalances that had favoured men. For instance, one such study shows “pay compression from above” through a 2 percent reduction in men’s real base hourly wages in employers that report relative to employers who do not report. A separate study shows a similar change in men’s real base hourly pay (at a 2.6 percent decrease). This effect is attributed to fewer promotions, together with nominal pay decreases in highly paid occupations such as managerial, professional, and technical positions. Another analysis finds that women’s wages increased at the same rate at employers on either side of the 250 employee reporting threshold while men’s wages at reporting employers increased at a slower rate relative to employers who do not report.

These studies consider the first years of reporting, which can also highlight the more immediate or initial steps that employers can take to address their gender pay gap. Another study suggests this by showing that, between the first and second year of reporting in the UK, smaller firms (between 250-499 employees) with few women staff where it may be relatively easier to address the pay gap had made modest improvements in their gender pay gaps at 0.41 percentage points.

Addressing the gender pay gap requires sustained focus, strategy, and vigilance to address the drivers and continued challenges to the gender pay gap within the workplace. Ongoing, annual reporting of the gender pay gap is one piece that can assist in maintaining this focus, and research demonstrates this. Although the UK suspended the requirement on employers to report their gender pay gaps in the 2019-2020 financial year due to the COVID-19 pandemic, employers that reported despite the suspension had a smaller gender pay gap (by 0.8 percentage points) in 2021-22 compared to organisations that did not report due to the pandemic suspension. This effect was seen in organisations that had fewer women in their workforce and less union membership. Taken together, this study indicates that, while the reduction to the gender pay was small, employers who reported showed sustained progress in addressing their gender pay gap over time.

**Employers have taken action to promote gender equality**

Employers can initiate other measures and actions that foster a workplace culture that supports and promotes gender equality, which can enable women’s workforce participation and help to address the gender pay gap over the longer-term. Some employers in the UK took these types of actions following gender pay gap publication.

For instance, employers were more likely to include wage information in online job advertisements following the requirement to publicly report gender pay gaps. This action can contribute to higher levels of gender equality within an organisation where salary may be set on past salary history or negotiation, both of which can place women at a disadvantage. Said another way, it helps to address the “gender ask gap,” which describes persistent gender inequality in workplace negotiation and contributes to the gender pay gap in turn.

Employers’ policies and strategies can also create an environment that seeks to advance workplace gender equality and enable all employees to fulfill both their work and out-of-work responsibilities. This includes policies and strategies related to recruitment and promotion as well as those that support employees in their unpaid and caring responsibilities. Workplace practices that support more equitable uptake of flexible working arrangements and parental leave can also support more balanced sharing of unpaid and caring responsibilities. Together, these policies and strategies can support and advance women’s workforce participation.

Some UK employers reviewed their practices and policies following gender pay gap publication. This includes flexible working arrangements, parental leave, and recruitment and promotion practices. While these practices and policies were often in place prior to the gender pay gap reporting regulations, some employers were prompted to refine them or introduce new actions. Most employers (89%) held the senior management team to account for these actions and had processes in place to review and assess the actions (75%). A majority (58%) of organisations had processes in place specific to assessing the impact on the employer’s gender pay gap.
**Employers have not experienced negative reaction from employees**

Employers have a responsibility to their employees to communicate and engage with them on the gender pay gap and workplace gender equality issues more broadly. Research on the UK gender pay gap publication highlights the importance of communication and engagement with employees on these issues.

Survey research finds that employees were aware of the gender pay gap reporting in the UK, mainly due to media reports,\(^4\) while a separate survey found that a minority of UK employers (15%) had a strategy in place to communicate their gender pay gap results which may have contributed to the majority of UK employers (81%) also reporting “little or no staff reaction” to the gender pay gap results among employees. An additional 16% of organisations said there was some but not widespread reaction among staff, and 2% reported “widespread reaction,” such as concerns and questions being raised by employees.\(^9\),\(^35\)

Publication of employer gender pay gaps gives employees more information and thus more agency. While a study on the UK’s gender pay gap publication did not find any ill effects of publication on employee productivity or retention,\(^36\) women prefer to work at organisations with smaller pay gaps. Women, particularly young women, would accept lower pay so as to not work at an employer with the highest gender pay gap in their industry.\(^37\)

Another study that looks at public information posted on Glassdoor following the first publication of UK employer gender pay gaps highlights factors associated with reputational impacts, including the importance of stakeholder attention and awareness of the issue and the ease of interpreting information. Some employers with small gender pay gaps had a “short-lived reputational boost” while those with large gender pay gaps did not experience reputational impacts or changes in employee evaluations.\(^38\)

**Conclusion**

The publication of employer gender pay gaps in the UK is impacting organisations’ gender pay gaps. Other countries have also implemented gender pay gap reporting mechanisms,\(^39\) and the European Union has recently adopted new rules placing requirements on employers in Member States, similar to that of the UK,\(^40\) to report and publish their gender pay gaps among other measures.\(^41\) While narrowing the gender pay gap takes time and sustained effort, the publication of employer gender pay gaps can act as an important step in initiating and deepening action on gender equality and making positive change in the workplace.

\(^{4}\) The remaining 1% of organisations reported that they did not know the reaction among employees.


