Achieving Equal Pay in the Workplace

Your Guide to Changing Policy and Practice

The Five Steps of an Equal Pay Audit

The guidance outlined here reflects that developed by the Equality and Human Rights Commission (EHRC).

The Commission is the UK's statutory body overseeing the implementation of the Equality Act, and providing advice and guidance to employers, trade unions and the public. EHRC supports the use of equal pay audits to plan for the steady closure of pay gaps.

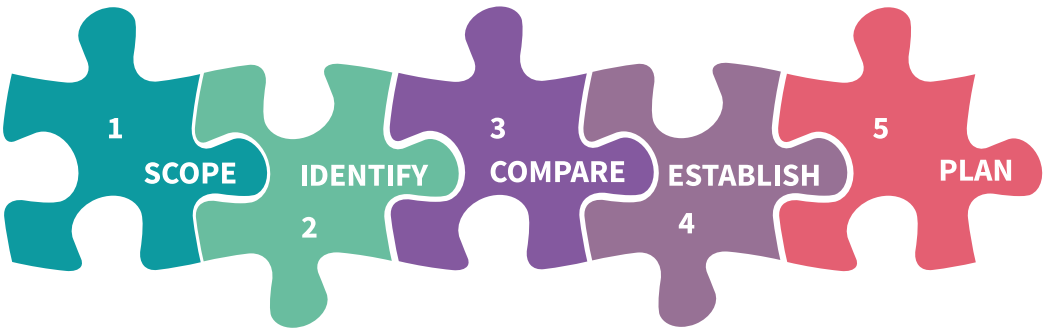
In the early planning stages of this work, it is invaluable to bring together a steering group to help oversee the work of the audit. It is important this group includes a representative from management and/or HR. Where the employing organisation is small and has no dedicated HR staff, it is important that the group includes someone with knowledge of pay systems within the organisation.

Ideally, the steering group should comprise those who can contribute expertise on:

- How current pay systems have been developed, and how any changes arising from the audit can be implemented;
- How the system of pay and grading arrangements are devised.
- Job evaluation;
- Understanding how to get information from payroll; and
- Equality issues and surrounding legislation, guidance and duties.

The group needs to set terms of reference and agree roles within the group, in order that everyone involved in the process is clear about what is expected of them and where responsibilities lie. It is also important that this group is jointly led by representatives of management and the trade union side.

The five steps



Step 1: The scope of the audit

Early discussion within the steering group should agree on the overall scope of the audit. If this is the first audit of the organisation it may be useful to agree on a pilot phase, focusing on an area of the company or an organisational activity where there are known concerns.

A staff-wide consultation, where the organisation seeks the views and input of all staff, may also be useful. For example, an anonymous survey could be sent out or a staff meeting held where the audit is explained and views sought.

An equal pay audit should include all relevant employees and workers and consider the relative pay of e.g. women and men. The definition of pay within the Equality Act is very broad which means that all elements of pay must be included in the pay audit, for example salary, hourly or piece rates, any performance-related pay, job and working patterns pay, bonus
pay, any other payments or allowances, and all other contractual benefits. Every aspect of how work is rewarded financially and non-financially must be under the scope of the audit. Discriminatory benefits that fall outside the equal pay parts of the Equality Act because
they are not contractual may still be unlawful sex discrimination under other sections of the Equality Act.

Early discussion should also include how to obtain this information, and that it is comprehensive, accurate and up to date.

Step 2: Identifying equal work

As outlined earlier, there are three ways of categorising what we mean by equal work:

- **'Like work'** – work where the job and skills are the same or similar;
- **'Work rated as equivalent'** – work that has been rated as equivalent, using a job evaluation system; and
- **'Work of equal value'** – Work that is not similar but is of equal value. This could be because the level of skill, training, responsibility or demands of the working conditions are of equal value.

Step 3: Comparing data

Where the audit process establishes that men and women are engaged in equal work, pay data (and allied information as outlined earlier) must be gathered and compared to establish whether pay gaps exist.

Then the average basic pay and total earnings on both an hourly and full time salary basis should be calculated and compared. This should be adjusted, in other words rounded up or down for those who work fewer or more hours per week excluding overtime.

Some large employers will hold backdated pay data and some will have sophisticated software to support any analysis. Smaller employers may not have so much information or analytical tools readily available.

If your employer does not have the data or software to complete these comparisons you could make suggestions as to how they may carry out such a task, for example:



- Asking HR to provide the current salary of all employees at the same grade; or
- Asking HR to provide the current salary of all employees carrying out the same role, e.g. check out operators or forklift drivers

Step 4: Establishing why pay gaps exist

Where it has been established that a pay gap exists, the role of the steering group is to understand why these unfair differences exist. All aspects of the pay system must be examined, i.e. the pay policies and practises that determine pay.

This should include, for example, an examination of how starting pay is calculated and how employees and workers are treated in respect of pay progression. The valuable role of the steering group here is to look at the pay system from the perspective of those in the group on the differing impacts of the pay system on women and men.

A key issue for the group to consider is whether there are legitimate reasons for variations in pay for women and men. These are known as ‘genuine material factors’. Examples of these factors include:

- Skills shortages and market forces: It is possible that an employer is paying more for a particular type of work due to global or national issues affecting production, service delivery or the number of people available to fill vacancies; and
- Geographical differences affecting pay: It is known that across the UK pay can vary for certain types of work. Additionally, employers can struggle to fill vacancies for certain work roles in different parts of the UK.

Of course, employers will need to objectively identify why pay gaps exist. Even if there is a reason for the difference in pay which is, on the face of it, unrelated to sex, statistical evidence may show indirect sex discrimination, in which case the employer will not be able to use that reason to defeat an equal pay claim. Indirect discrimination is where, as a result of the factor explaining the difference in pay, persons of the claimant’s sex are put at a particular disadvantage compared with those of the opposite sex doing ‘equal work’.

Step 5: Developing an action plan

As the work of the steering group progresses you will have a sense of the volume of work arising around pay gaps – and whether your employer attempts to defend these or not – and the consequent need to plan to close these.

The action plan should make arrangements to provide equal pay for those workers who are entitled to it; this should be done as soon as practicable. Any current pay policies or practices that contribute to unequal pay must be changed.

Look at the Questions to Ask your Employer Section *(www.equalpayatwork.org.uk/toolkit/how-to-go-about-addressing-pay-inequality-2/questions-for-your-employer-3/)* for help with this.



These policies and practices might include those relating to starting salaries, performance management systems, promotion calculations, market supplements, pay protection, and eligibility for bonuses and allowances. An equal pay policy should be negotiated that commits the organisation to providing equal pay for its workers, and also outlines clear accountabilities, regular monitoring and adequate resources for equal pay audits.

Pay systems should also be regularly monitored and audited to ensure that existing policies and practises - and any proposed changes - do not contribute to unequal pay.