

# WHAT IS THE PAY GAP?

Gender, ethnicity and disability pay gaps refer to the differences in average hourly pay between different groups of people in the workplace.

Under UK legislation, companies with 250 or more employees must record and report their gender pay gap annually. Other businesses may decide to voluntarily report on their gender and other pay gaps as good practice.

The causes of pay gaps are multiple and complex, but there are practical actions that businesses can take to reduce the gaps, while at the same time promoting greater diversity and inclusion to the benefit of staff and employers.

**03000 6 03000**

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## WHY IS CLOSING THE PAY GAP IMPORTANT TO BUSINESS?

Closing pay gaps in your workforce can benefit business in a wide range of ways:



### 1. Improved employee retention

When employees feel that they are being paid fairly, they are more likely to stay with the company in the long term. This reduces the cost of hiring and training new staff, which can be a significant expense for small businesses.



### 2. Increased productivity

When employees feel valued and fairly compensated, they are more likely to be motivated and productive. This can lead to increased productivity and profitability for the business.



### 3. Enhanced reputation

Companies that are known for treating their employees fairly are more likely to attract top talent and loyal customers. Research consistently shows that people want to feel valued at work and work for employers who have a reputable overall image and follow ethical employment practices.



### 4. Reduced legal risk

Failing to address pay gaps can leave businesses open to legal action from employees who feel that they have been discriminated against. This can be costly and damaging to the reputation of the business.



### 5. Improved diversity and inclusion

Addressing pay gaps can help to create a more diverse and inclusive workplace, which can bring a range of benefits, including increased creativity, innovation and problem-solving abilities.

## **SO, WHAT CAN EMPLOYERS DO TO RECORD AND REDUCE PAY GAPS?**

### **> Introduce or expand Pay Gap reporting as part of an effective EDI (Equality, Diversity & Inclusion) strategy**

Commit to measuring, tracking and reporting and narrowing any gender, race and disability pay gaps that may exist within your business. Also, collect data to track your workforce diversity, and commit to addressing under-representation across the protected characteristics at all levels of the organisation.

Your EDI strategy should go beyond legal compliance and seek to add value to your organisation by contributing to the wellbeing and equality of outcomes for all employees. It should be developed using the lived experiences of marginalised staff and should address a wide range of personal characteristics and experiences including accent, age, caring responsibilities, colour, culture, visible and invisible disabilities, gender identity and expression, mental health, neurodiversity, physical appearance, political opinion, pregnancy and maternity/paternity and family status and socio-economic circumstances.

### **> Ensure you are paying all workers at least the Real Living Wage (RLW)**

People all over Wales are facing real challenges at the moment over cost of living, making it more important than ever for employers to commit to the Real Living Wage.

We understand that businesses are facing huge financial pressures too, so committing to extra spend on staff salaries may not seem feasible. But uplifting pay to the Real Living Wage will not only make a big difference to your employees' lives, it can also help with attracting and retaining talented staff, saving your business money in the long run.

## FAIR WORK FOR WALES FACTSHEET

### › Provide security by guaranteeing your employees' hours

Commit to ensuring workers are offered the security of guaranteed minimum hours. Do not unilaterally impose non-guaranteed – or zero hours – contracts upon workers, and give all employees sufficient notice when making any changes to their shift patterns or hours.

### › Consider flexibility when designing jobs

Use flexibility in job design, working hours and remote working to promote inclusion and a better work-life balance. Enable employees to co-create their own 'good jobs' that are supported by managers and aligned with your organisational practices and policies. By working with your employees to design their job roles in this way, you will not only more accurately meet the needs of the individual workers, but will also be able to improve your organisation's performance.

### › Create an environment where progression is supported, addressing barriers including skills and flexible working

Research shows that organisations with strong learning cultures are 92% more likely to develop novel products and processes, and are 52% more productive.<sup>1</sup>

But it's not always easy for employees to access learning opportunities, particularly if they have caring responsibilities at home. Having to look after either younger or older dependents can be a huge hindrance to progression at work, particularly for women. Employers are now introducing much more appropriate and co-designed caring policies for staff, to ensure their family responsibilities don't stop them being able to progress in work.

<sup>1</sup> Deloitte, Josh Bersin. *Becoming irresistible: A new model for employee engagement*. Deloitte Review Issue 16. 2015

## FAIR WORK FOR WALES **FACTSHEET**

### ➤ **Take proactive steps to make your employees' legal rights meaningful in practice**

To be a true Fair Work employer, consider the importance of how your employees' legal rights can be applied within the workplace, rather than relying on external enforcement.

For example, instead of simply 'not discriminating against' individuals with protected characteristics, develop and implement a comprehensive plan to promote equality, diversity and inclusion, involving workers through their representatives, paying attention to how everyone can interact, and monitoring implementation and outcomes.

And rather than waiting for an individual to exercise the statutory right to request flexibility, a true Fair Work employer will facilitate and offer flexible arrangements in all jobs.

## WHERE CAN I FIND ADVICE AND RESOURCES FOR EMPLOYERS?

Working to reduce pay gaps is one part of becoming a Fair Work employer. In Wales, fair work is defined as employment which meets these six principles:

- Reward your employees fairly
- Ensure your employees' voices are heard
- Ensure security and flexibility for your workforce
- Give your employees opportunities for access, growth and progression
- Create a safe, healthy & inclusive working environment
- Respect your workers' legal rights

There's a wealth of online tools to help you implement these principles across your organisation but we know that navigating your way through all the information can be a challenge so check out our [full guides](#) for tips, advice and links to free resources.

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Contact us to speak 1-2-1 with a specialist adviser about how your business can realise its Fair Work ambitions and take steps towards becoming a more equal, diverse, and inclusive employer.

Call Business Wales on 03000 6 03000 or visit [Fair Work | Business Wales Skills Gateway \(gov.wales\)](#) for further information, free advice and support.

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