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GUIDANCE, DOCUMENT

Pay gap - Factsheet

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.

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Why is diversity at work important for businesses?

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

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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 ensure their workforce is diverse and inclusive?

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 workers and should include a wide range of protected characteristics and experiences including age, disability, gender reassignment, marriage or civil partnership, pregnancy or maternity/paternity, race, religion or belief, sex, sexual orientation.

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.

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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 & 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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