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It will take 40 years to close the Gender Pay Gap, Isio analysis reveals

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A comprehensive new study has found that it will take another 40 years to close the Gender Pay Gap in the UK at the current rate of improvement. Isio, one of the fastest growing pensions, investment, reward & benefit and wealth advisory businesses in the UK, analysed publicly available data from more than 10,000 companies, and found that while the gap is gradually reducing, it won't be until 2065 that we reach equality for hourly pay.

Isio's analysis shows that in the last reporting year of 2023/24, women were paid an average of 12.5% less per hour than men. This is the lowest the pay gap has been since mandatory reporting was introduced for organisations with more than 250 employees in 2017. Despite this progress, the proportion of men and women in the highest pay quartile remains unevenly split, with 59% men compared to only 41% women.

The report highlights the need for more focused and urgent action from employers and policymakers to accelerate change. Isio also found that nearly a quarter (23%) of organisations either experienced no change or saw their Hourly Pay Gap worsen over the period, indicating that progress is uneven.

The research found significant sectoral differences in the Gender Pay Gap, with the financial and insurance sectors reporting an average gap of 23%, with more than 85% of employers having a gap greater than 10%. In contrast, sectors such as public administration and defence are leading the way in achieving equality, with less than a quarter of employers in these sectors having apay gap greater than 10%.

After the financial services and insurance sector, the other sectors with the highest pay gaps are the construction, information and communication, mining and science sectors, where the hourly pay gap exceeds 10% for more than 7 in 10 companies.

New reporting requirements put pressure on employers

New regulations will require employers to publish action plans to close the Gender Pay Gap, alongside additional reporting obligations on ethnicity and disability, increasing the pressure on employers to close their Gender Pay Gap. Employers will need to ensure that they are collecting and reporting accurate data, while also engaging employees in the process.

Isio has identified 10 key pitfalls – common errors and unexpected complexities – from 2023/24 reporting. These include not excluding employees who have left before the reporting date, incorrectly reporting earnings for part-time workers and mistakes when reporting of bonuses, for example with regards to bonus sacrifice arrangements.

Mark Jones, Reward and Benefits Partner at Isio said: “It is encouraging that the Gender Pay Gap continues to fall, but we still have a long way to go. Lots of sectors still have sizeable gaps and this is usually where women are underrepresented in senior roles. While many businesses have introduced policies to accelerate change, this will take time to feed through in the data and reduce their Gender Pay Gaps.

“The introduction of mandatory reporting has been a positive step and sets a good example for employers determined to take further action. Proactive employers are embedding diversity and inclusion into their core business strategies and taking concrete steps to close the gap by improving transparency, and developing action plans that go beyond the current reporting requirements.”

“Closing the Gender Pay Gap requires leadership, commitment, and action. Employers who take the necessary steps to address this will not only improve their pay equity but will also gain a competitive edge in attracting and retaining top talent.”