# Government publishes guidance on voluntary ethnicity pay reporting

## DLA Piper

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Just over a year after the government confirmed that it would **not** introduce a legal requirement for employers to publish their ethnicity pay gaps, it has now published guidance for employers wishing to report voluntarily. The aim of the guidance is to develop a consistent, methodological approach to ethnicity pay reporting, which the government hopes can then lead to meaningful action. However, the government recognises that ethnicity pay reporting is much more complex than gender pay reporting.

The guidance is in five parts:

1.   Introduction and overview
2.   Understanding and reporting your data
3.   Collecting ethnicity data
4.   Preparing your payroll data
5.   Making your calculations

## Background

In 2018/2019 the government consulted on options for employer-level ethnicity pay reporting. Following this, the government met with businesses and representative organisations to understand the barriers to reporting and to explore what information could be published to allow for meaningful action to be taken. This data was then analysed by the government.

In May 2021, as part of its response to a Women and Equalities Committee report, the government indicated that it would be publishing a response to its consultation in due course. In September 2021, a petition to introduce mandatory ethnicity pay gap reporting was debated in the House of Commons and, separately, in October 2021, the issue was debated in the House of Lords. In March 2022, however, the government confirmed that it would not be introducing any mandatory requirements on employers to report ethnicity pay gaps but committed to publishing guidance in the summer of 2022. This guidance has now finally been published.

## What is an ethnicity pay gap?

The guidance describes an ethnicity pay gap as a measure of the difference between ethnic groups' average earnings across an organisation or the labour market as a whole over a period of time, regardless of role or seniority. It is not a like-for-like comparison of employees of different ethnicities. Even if an employer has a fair pay and reward policy, and even if it has equal pay, it could still have a pay gap.

## Methodology of reporting an ethnicity pay gap

The guidance very much follows the same methodology as the requirements for gender pay reporting. However, unlike gender pay reporting, which involves only a comparison between two groups, employers will have to make decisions about how best to combine different ethnic groups to ensure their results are reliable and statistically sound and to protect confidentiality. Employers are encouraged to devote time and resources to this exercise and to use harmonised standards. In this regard employers are directed to additional guidance, including the Race Disparity Unit's Standards for Ethnicity Data.

## Causes of pay disparities

Employers are encouraged to scrutinise and explore the underlying causes of any pay disparities and the guidance suggests that the following questions can help employers to understand the cause of any pay gaps:

- Are some ethnic groups more likely to be recruited into lower paid roles in your organisation?

- Is there an imbalance in individuals from different ethnicities applying for and achieving promotions?

- Do people from certain ethnic groups get 'stuck' at certain levels within your organisation?

- Are some ethnic groups more likely to work in specific roles than other ethnic groups in your organisation, and is this reflected in pay?

- Are some ethnic groups more likely to work in particular locations, and does this have an impact on pay?

- Do employees from different ethnic groups leave your organisation at different rates?

- Do particular aspects of pay (such as starting salaries and bonuses) differ by ethnicity?

## Reporting the calculations

The guidance suggest that care should be taken in explaining the results. Any report should aim to help employers and employees understand why a pay disparity might be present and what has been – or will be – done to analyse and improve it.

Rather than relying on any single calculation for ethnicity pay reporting, the guidance recommends that employers present and consider a range of calculations as set out in the guidance, broken down by ethnicity categories. However, the privacy of individuals must be ensured.

The suggested calculations include:

- pay quarters that measure the representation of employees in different ethnic groups at different levels of pay in an organisation;

- representation of ethnic groups across the organisation as a whole;

- mean and median pay gaps that measure the difference between average earnings and bonuses in an organisation for different groups;

- proportion of employees that did not disclose their ethnicity when asked by their employer – this is one measure of the level of engagement of employees.

The guidance also recommends that a supporting narrative is included.

## Employer action plan

The guidance suggests that employers may want to consider publishing an action plan that explains how they intend to address any pay gaps in their ethnicity pay figures. A good action plan should name clear, measurable targets that the employer commits to achieving within a chosen time-frame. These can relate to actions aimed at better understanding the pay statistics and addressing any unfair disparities. Instead of setting arbitrary targets for reducing any pay gaps, employers should instead commit to addressing specific issues identified as likely causes of unfair pay gaps.

## Next steps for employers

No legally required steps need to be taken following the publication of this guidance. However, many businesses may see ethnicity pay reporting as the next step in their diversity and inclusion journey and/or the next milestone towards fulfilment of the social aspect of their Environmental Social and Governance strategy. For these businesses, as well as those who are already on the curve with ethnicity pay reporting, the guidance provides a helpful framework for managing some of the complexities and achieving a consistent approach. With much of the methodology drawn from gender pay reporting, and with the deadline for 2023's reports having just passed, the data already at hand could provide a useful impetus for employers to at least begin scoping out their approach to ethnicity pay reporting.

# Introduction and overview

## Introduction

The UK workforce is becoming increasingly diverse but there is still more to be done to remove barriers to entering the labour market and to ensure pay and progression in the workplace is fair for all ethnic groups.

Data has shown there are wide variations in gross earnings between ethnic groups. Some ethnic minority groups earn less per hour than white British employees on average, while others earn more.

Analysing ethnicity pay information is one way employers can identify and investigate disparities in the average pay between ethnic groups in their workforce. It helps employers understand whether unjustifiable disparities exist between different ethnic groups and in turn, gives them an evidence base from which to develop an action plan.

It is already a statutory requirement for employers with at least 250 employees to measure and report gender pay gaps. While ethnicity pay reporting is voluntary, many employers already report on their ethnicity pay data. However, this is the first government guidance which sets out a consistent approach to measuring pay differences.

This guidance explains how employers can report on their ethnicity pay and in particular how to:

- collect employees' ethnicity data

- gather the required payroll data for ethnicity pay calculations
- make ethnicity pay calculations
- analyse and understand the results of these calculations
- develop an action plan to address any identified disparities

The aim of this guidance is to develop a consistent, methodological approach to ethnicity pay reporting, which can then lead to meaningful action, while remaining proportionate and without adding undue burdens on business.

Much of this guidance – including the methodology for the calculations – mirrors the approach set out in the guidance for gender pay gap reporting. This should help employers to avoid having to run different processes to collect pay data for both sets of calculations.

Ethnicity pay reporting is, however, much more complex than gender pay reporting. While gender pay analysis only involves a comparison between 2 groups, ethnicity pay analysis can potentially involve many more ethnic groups, depending on how ethnically diverse a workforce is.

Unlike gender pay reporting, employers may also have to make decisions about how best to combine different ethnic groups to ensure their results are reliable and statistically sound and to protect confidentiality. This document provides high-level guidance on how to approach balancing reliability and confidentiality. Where possible, the approach and the calculations should be checked with analysts.

These complexities also mean that employers should carefully scrutinise and explore the underlying causes for any pay disparities. There could be legitimate reasons why there are variations in pay across ethnic groups. It should not be assumed that any disparities are necessarily a result of discrimination. Where pay differences arise, further analysis is recommended to help employers understand the real causes and decide whether further action is needed, and if so, to target this more effectively.

Pay disparities may be due to a number of reasons. For instance, lower pay among a particular ethnic group may be because that group disproportionately applies for lower paid, more junior positions in an organisation. On the other hand, it could be because the company does not provide adequate progression opportunities for people from that ethnic group. It is up to employers to do further work or collate other available data (for example, staff surveys, data on recruitment and progression) to identify and understand the underlying causes.

This guidance helps employers to navigate these particular challenges.

To maximise the impact of ethnicity pay reporting, employers should then outline the actions they intend to take to reduce any disparities, including how success will be measured.

## 2. Overview

Since 2017, employers with 250 or more employees have been required to publish gender pay gap figures. Employers are not required to collect, analyse or publish information on ethnicity pay but many choose to do so as a positive measure to improve workforce progression. In Inclusive Britain, published in March 2022, the

government committed to issuing guidance to support employers to calculate their ethnicity pay and to take meaningful action on the findings.

## 2.1 What is a pay gap?

The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 defines a pay gap to be the difference between the median (or mean) hourly pay of employees in category A and the median (or mean) hourly pay of employees in category B.   This is expressed as a percentage of one group's earnings. For ethnicity pay calculations, this would involve employers calculating whether employees in a certain ethnic group earn X% less or X% more than employees of a different ethnicity per hour. A pay gap can be calculated across a whole workforce. It can also be calculated for groups within a workforce, for example based on age or work patterns, like part-time work. This can help employers to understand if certain groups are affected more than others.

## 2.2 A pay gap is not the same as unequal pay

A pay gap is not the same as unequal pay. Unequal pay means that employees performing equal work, or work of equal value, are not receiving equal pay. It is unlawful to discriminate both directly and indirectly against employees and people seeking work because of their race, including ethnicity. This includes paying an employee less or giving them terms and conditions which put them at a disadvantage because of their race.

An ethnicity pay gap is a measure of the difference between ethnic groups' average earnings across an organisation or the labour market as a whole over a period of time, regardless of role or seniority. It is not a like-for-like comparison of employees of different ethnicities. Even if an employer has a fair pay and reward policy, and even if it has equal pay, it could still have a pay gap.

For example, a company has 5 pay bands with equal numbers of employees in each. At each pay band, employees of all ethnicities doing equal work, or work of equal value, are paid the same. This means the employer has equal pay. However, a higher proportion of black and Asian employees are in the lowest pay bands, and a higher proportion of white British employees are in the highest pay bands. This means that the average hourly pay for black and Asian employees is lower than the average hourly pay for white British employees. As such, the employer would have a pay gap, despite having equal pay.

# Understanding and reporting your data

## 1. Understanding your pay calculation results

Before seeking to tackle any identified disparities, you should diagnose the cause of these. This will help you understand your figures and assess whether there are reasonable explanations for any disparities or if there are any areas of concern. This will, in turn, help you to determine whether you need to take action and if so, identify targeted and effective actions that will have a real impact on any ethnic disparities in pay in your organisation.

The cause of pay disparities can vary greatly, even between employers in the same sector.

The Government Equalities Office, in partnership with the Behavioural Insights Team (BIT), published evidence-based, best practice guidance on understanding your gender pay gap, and the actions employers can include in their plans to reduce the gender pay gap. Some of these actions could be relevant to understanding and addressing ethnicity pay disparities.

However, employers should be aware that ethnicity pay disparities do not necessarily arise from the same reasons as gender pay disparities, so it is up to each employer to carefully examine any gaps and develop tailored actions.

Here are some of the questions you can consider in seeking to understand the cause of your pay gap:

- Are some ethnic groups more likely to be recruited into lower paid roles in your organisation?
- Is there an imbalance in individuals from different ethnicities applying for and achieving promotions?
- Do people from certain ethnic groups get 'stuck' at certain levels within your organisation?
- Are some ethnic groups more likely to work in specific roles than other ethnic groups in your organisation, and is this reflected in pay?
- Are some ethnic groups more likely to work in particular locations, and does this have an impact on pay?
- Do employees from different ethnic groups leave your organisation at different rates?
- Do particular aspects of pay (such as starting salaries and bonuses) differ by ethnicity?

Similarly, here are some possible reasons why an ethnic group might be underrepresented in your organisation. Some of these may be internal (resulting from company practices) and some of them external (relating to wider contexts outside the company's control). However, even if external factors are impacting recruitment, you can examine if there are actions you could still take to mitigate their impact. It could be that a mix of these reasons explains what you find in your data.

## 1.1 External

Certain ethnic groups may be underrepresented in your organisation because:

- your company has multiple locations with different local representations of ethnic groups
- the qualifications needed for roles in your organisation are more prevalent among certain ethnic groups

## 1.2 Internal

Certain ethnic groups may be underrepresented in your organisation because they are:

- less likely to be aware of vacancies in your organisation
- aware of vacancies but are less likely to apply than other ethnic groups
- only applying for certain job functions or job levels within the organisation
- applying for the jobs but are not being selected for interviews
- selected for interviews but are not being appointed to roles
- appointed to roles but end up leaving sooner than individuals from other ethnic groups
- not being given the same performance rating, promotion opportunities or support to progress as other ethnic groups

Employers are encouraged to undertake further research or analysis to understand the underlying reasons behind any ethnicity pay or representation gaps.

It is important to note that there may be broader external issues impacting on ethnicity pay calculations including geographical differences in where different ethnic groups live in the UK, differences in education levels and training, and different cultural patterns or interest in certain roles or sectors.

To understand whether location may have an impact on pay differences, it is recommended that employers consider whether:

- the company is in multiple locations
- pay differs based on location
- the representation of ethnic groups differs by location

This can provide useful insight on why there may be variations.

It is also helpful to compare workforce data against local ethnicity population data, which is available from the 2021 Census for England and Wales published by ONS. This can be more insightful than comparing against national averages. Local comparisons can help employers work out if the makeup of their workforce is similar to their local area or whether there are other factors driving differences in pay.

For example, an employer with offices in Bradford and Cumbria is likely to have a higher proportion of ethnic minority staff in the former location compared to the latter, based on the average population figures for those areas. This may help them understand the reasons behind any differences – for example, if the Cumbria office is larger or has more senior positions.

Understanding why a disparity may exist is vital to determine whether action is needed, and if so, choose the most appropriate and effective actions.

## 1.3 Do you see the same or different patterns in different parts of your organisation?

A useful next step could be to run further calculations by ethnic categories for different parts of your organisation. This is to see if you arrive at the same patterns in each part.

However, it is important to consider the size of any particular ethnic group when undertaking any further breakdown of your pay statistics if you are intending to publish the results. It is recommended that each ethnic group in your analysis have a minimum of 50 employees, if you are publishing these findings, to ensure statistical robustness and avoid possible identification of individual employees. If a group falls below this number, the group should be aggregated with another or not be published. This data will still be useful for your internal analysis even if you decide to aggregate into larger groups before publishing. Details on how to aggregate groups are given in the section on Making your calculations.

Some of the categories you might consider investigating are below:

- job role – for example, for an airline, the split might be pilots, cabin crew, ground staff and office staff
- locations, sites or divisions – different geographic sites may show different patterns when ethnic pay is calculated
- permanent or temporary – splitting by permanent and temporary roles would make sense in industries like hospitality or agriculture which rely heavily on a casual or seasonal workforce
- full time or part time – retailers are known for having a large workforce of part time workers in their stores and depots, and this might be an appropriate categorisation for them to use
- pay bands – a number of employers disclose gender breakdowns by pay bands in their reports and they could choose to repeat this using ethnic categories as well
- length of service – this may help identify any issues around retention

## 2. Reporting your ethnicity pay calculations

Employers are not required to report their ethnicity pay calculations but many choose to do so to improve transparency. However, due to the complexity of these calculations, care should be taken in explaining the results. Any report should aim to help employers and employees understand why a pay disparity might be present and what has been – or will be – done to analyse and improve it.

Rather than relying on any single calculation for their ethnicity pay reporting, we recommend that employers present and consider a range of calculations as set out in this guidance, broken down by ethnicity categories. This is provided that privacy of individuals is ensured.

The calculations include:

- pay quarters that measure the representation of employees in different ethnic groups at different levels of pay in an organisation
- representation of ethnic groups across the organisation as a whole
- mean and median pay gaps that measure the difference between average earnings and bonuses in an organisation for different groups
- proportion of employees that did not disclose their ethnicity when asked by their employer – this is one measure of the level of engagement of employees

The complexity of ethnicity pay gap reporting means that using just one overarching measure (for example, the mean pay of white British employees compared to the mean of ethnic minority groups combined) is not as useful as considering all the recommended calculations, and producing analysis for individual ethnic minority groups.

Instead employers should present all of their calculations, including the representation of ethnic groups in your organisation and the percentage of employees who have responded 'prefer not to say' or not disclosed their ethnicity.

Employers should also consider a supporting narrative that includes:

- explanations for each of your pay figures in your report
- a summary of why you believe any pay disparities exist, based on close analysis of your data and broader factors – employers should avoid making definitive assertions about why pay gaps might exist without robust analysis as reasons for any pay gaps are likely to be complex and multi-dimensional
- wider workforce statistics, so you can provide a wider and more clear picture of why any pay differences that exist
- the efforts your organisation has already taken to understand and address any pay disparities
- producing ethnicity pay calculations every year in a consistent way is also an important step to see how any disparities in the organisation are changing

## 3. Adding an employer action plan

You may want to consider publishing an action plan that explains how you intend to address unfair pay gaps in your ethnicity pay figures. A good action plan should name clear, measurable targets that you commit to achieving within a chosen time frame. These can relate to actions aimed at better understanding your pay statistics and addressing any unfair disparities.

The government is launching an Inclusion at Work panel in spring 2023 which will develop and disseminate advice on evidence-based actions employers can take to improve inclusion and fairness in the workplace. The panel's work will inform a new voluntary Inclusion Confident Scheme which employers will be able to sign up to demonstrate their commitment to adopting the most effective diversity and inclusion measures in the workplace. Updates on this will be available on GOV.UK's Inclusive Britain updates pages.

When developing an action plan, it is important to be realistic and aim for ambitious but achievable outcomes. Employers should avoid setting a target for a zero percentage gap as this fails to appreciate the complexity of why pay gaps arise. Instead of setting arbitrary targets for reducing any pay gaps, employers should instead commit to addressing specific issues identified as likely causes of unfair pay gaps.

Improving the diversity of the talent pipeline in your organisation is an important issue to consider when thinking about possible actions, as this can have a significant effect on future ambitions to reduce disparity in your workforce. Employers should carefully consider the legalities of hiring policies and practices which are targeted to employing people from certain ethnicities. Employers should consult the government's [positive action guidance](#).

## 3.1 Benefits of publishing an action plan

If you publish an action plan with targets and clear actions:

- you will be sending a strong signal about your commitment to understanding and addressing any unfair ethnic disparities in your workplace
- you may attract a wider pool of potential recruits for vacancies if prospective candidates see you are committed to monitoring and assessing ethnicity pay gaps
- it could have a positive impact on the overall culture of your organisation
- it can foster a sense of fairness and inclusivity among your workforce

In considering whether you need to take action in your organisation, you should take into account the underlying causes that you have identified through your analysis. Pay disparities can be due to a variety of reasons and any action you take should be tailored to address the specific concerns you have identified.

We recommend considering actions that will improve the evidence base, including encouraging your employees to disclose their ethnicity data. This could be through a communication plan, which should highlight the importance of providing this information, how the information will be used, and how your organisation will ensure privacy. This action can be measured by setting overall targets for self-declaration rates and recording progress against these targets.

You should also consider gathering data on ethnicity relating to recruitment and progression to understand if there are particular areas where candidates or employees are facing significant barriers. This could include data for people from different ethnic groups on the following:

- the proportion of candidates who are: applying, shortlisted and successful for vacancies in comparison to the whole candidate pool
- the proportion of employees who are: applying, shortlisted and successful for promotion opportunities
- the proportion of employees who receive bonuses or high performance markings

- monitoring the outcome of salary negotiations and data on starting salaries
- holding exit interviews with all employees who leave the organisation

# Collecting ethnicity data

## 1. Who counts as an employee

We recommend that any employer wanting to calculate their ethnicity pay data should follow the gender pay gap guidance on who counts as an employee. This guidance covers:

- employers with multiple payrolls
- overseas workers and international jobs
- if your employer is part of a group
- employees working part-time, job-sharing and employees on leave
- self-employed people
- partners
- agency workers
- apprentices, seasonal, temporary or casual employees, zero-hours workers

## 2. Collecting employee ethnicity data

Collecting data on employee ethnicity can be complex and should always be approached with sensitivity and transparency. Employers are encouraged to devote time and resources to this part and to seek expert advice as needed.

The best way for employers to collect ethnicity data is to ask employees to report their own ethnicity, but always with an option to opt-out of answering, such as 'prefer not to say'.

The Race Disparity Unit provides guidance on collecting ethnicity data which is relevant to any employer who wants to analyse their ethnicity pay. This guidance recommends using the Government Statistical Service (GSS) harmonised standards for collecting someone's ethnicity.

Using the harmonised standards can help:

- ensure comparability across different data collections produced by the government and other employers that use harmonised categories
- derive more useful statistics that give people a greater level of understanding
- employers be consistent with their calculations in different time periods

They also provide a ready-to-use set of tested and legally sound questions.

For consistency, it is recommended that you use the questions from the:

- [2021 Census for England and Wales](#)
- current ethnicity harmonised standard for Northern Ireland
- [2022 Census for Scotland](#) ([2022 Census for Scotland ethnic group: guidance](#))

We recommend that you use detailed ethnicity classifications wherever possible.

For England and Wales, the categories are:

**White**

- English, Welsh, Scottish, Northern Irish or British
- Irish
- Gypsy or Irish Traveller
- Roma
- any other white background

**Mixed or multiple ethnic groups**

- white and black Caribbean
- white and black African
- white and Asian
- any other mixed or multiple ethnic background

**Asian or Asian British**

- Indian
- Pakistani
- Bangladeshi
- Chinese
- any other Asian background

**Black, black British, Caribbean or African**

- Caribbean
- African
- any other black, black British, or Caribbean background

**Other ethnic group**

- Arab
- any other ethnic group

Prefer not to say (for employees who do not wish to disclose their ethnicity).

(In Wales, 'Welsh' is the first option in the white category.)

As this list is used in the Census and many other government and non-government data collections, employees will probably be reasonably familiar with the categories.

Please note that as different countries within the UK have specific requirements from their ethnicity data, the format of the question varies slightly depending on whether data is collected in England, Northern Ireland, Scotland or Wales. It is therefore recommended that the harmonised country-specific approaches are used where possible.

It is recognised that in some cases employers will not have the resources required to ask different questions in different countries. In the case of Great Britain (GB) or UK-wide data collections that do not have the resources to implement the country-specific approaches, the approach for England or Wales can be used in Scotland. For Northern Ireland, the specific requirements comply with the Belfast Agreement (also known as the Good Friday Agreement).

To help comparison at a UK level, the harmonised standards also allow for GB and UK level outputs, More information is available on the GSS Harmonisation web page.

The ethnic groups should be presented as a list where employees can tick only one option. Employees who do not want to disclose their ethnicity should have the option of ticking 'prefer not to say', or not answering at all by not ticking any of the boxes.

## 3. Complying with General Data Protection Rules (GDPR)

Most employers already hold a record of their employees' gender for a variety of reasons, such as eligibility for maternity leave. It is less common for employers to hold a record of their employees' ethnicity as there is currently no statutory requirement to do this. An employee's ethnicity is regarded as special category data under GDPR according to the Information Commissioner's Office. This means that employers must make sure their employees are aware of the following points before they ask them to disclose their ethnicity:

- a description of how you will use the ethnicity data they provide you
- a description of how you will keep their disclosed ethnicity data safe and secure including how you will ensure no individual can be identified from any data or analysis you choose to publish

Employers should familiarise themselves with the full guidance on how to collect special category data on the Information Commissioner's website to ensure that they fulfil the legal requirements.

# Preparing your payroll data

As well as gathering ethnicity data, you'll also need to gather specific payroll data for each relevant employee to calculate your ethnicity pay figures. Once you have

gathered this data you will be able to make your calculations. If you have already gathered your payroll data for gender pay gap reporting then you can use the same data.

You'll need to:

- determine who your relevant employees and full-pay relevant employees are from your headcount of employees
- gather specific data from your payroll on each relevant employee and full-pay relevant employee (outlined in 5 tasks within this guidance)
- use this data to make your ethnicity pay calculations in the next step

The advice for completing this step mirrors the approach set out in the gender pay gap guidance. If you are already familiar with the process and have the payroll data that you need, you can go straight to the guidance on making your calculations. If you need it, the full instructions for this step are also included here.

## Which pay period to use

A pay period is a timeframe in which you pay your relevant employees basic pay. The duration of your pay periods will vary but will typically be a week, a fortnight or a month. The duration might vary for different employees.

Pay periods inform the calculations of ordinary pay.

The duration of a pay period may vary between employees. You will need to make your calculations taking into account these differing pay periods.

## Pay periods for employees who don't receive basic pay

If an employee does not receive basic pay, but receives some other form (or forms) of ordinary pay, their pay period is the period in which you most frequently pay that form of ordinary pay.

Examples of pay periods of employees who don't receive basic pay:

- if the employee receives pay for piecework only, and you make payment for the number of pieces created in a week, then the employee's pay period is a week
- if the employee receives an irregular amount every month or irregular pay in arrears, then it may be useful to designate up to a year as their pay period

## Relevant pay period

The relevant pay period is the pay period in which your 'snapshot date' falls.

For example, if your pay period is monthly from the 1st of the month, and your snapshot date is 5 April, your relevant pay period would be 1 April to 30 April.

Payments you should exclude from your relevant pay period:

- any ordinary pay received in the relevant pay period that would normally be received in a different pay period (such as a payment to remedy an accidental underpayment for the previous period)
- any payments made at other times even if they relate to, or should have been paid in the relevant pay period

Only take into account earnings that have been received in pay periods described in this guidance

When gathering your data you should only take into account earnings that have been received in pay periods that are described in this guidance. You should exclude any earnings that have not yet been paid, or were already received in earlier pay periods.

# Task 1: Make a list of employees and their ethnicity

Use your list of employees in your headcount to establish which are your relevant employees, and your full-pay relevant employees. You'll need to gather different data for relevant employees, and for full-pay relevant employees. If you're using a spreadsheet, keep these lists separate.

For this task you will need to create a full list of:

- your 'relevant employees'
- your 'full-pay relevant employees'
- the ethnicity of each relevant employee and full-pay relevant employee (see guidance on collecting ethnicity data of your employees)

Tip: Set up a list with 2 groups, one for relevant employees, and one for full-pay relevant employees

Full-pay relevant employees are also relevant employees, so you'll record some of their data in both lists. Identify which employees count as relevant employees, and another list identifying those employees which also count as full-pay relevant employees. You will need to gather specific payroll data for both lists.

## Relevant employees

Relevant employees are all employees employed by the employer on your snapshot date of a given year, who:

- have a contract of employment with your employer (including those employees working part-time, job-sharing and employees on leave), or
- are self-employed (where they must personally perform the work)

You should exclude partners that are salaried, or are LLP members who are treated as employees for payroll purposes from your list of relevant employees.

Relevant employees are counted on an individual basis, not as full-time equivalents. This means that each part-time employee, including job-sharers, employed by you on your snapshot date counts as one employee. When 2 people share a job, they are counted as 2 employees.

Read more about who counts as an employee

## Full-pay relevant employees

Your list of full-pay relevant employees is made up from your list of relevant employees.

Your list of full-pay relevant employees is the basis for your ethnicity pay gap calculations, apart from your bonus pay gap calculations.

Full-pay relevant employees are all employees who are employed by the employer on the snapshot date, and are paid either:

- their usual full basic pay (or pay for piecework) during the pay period in which the snapshot date falls (the relevant pay period)

- less than their usual basic pay or piecework rate, or none at all, during the pay period that includes their snapshot date, if it is for reasons other than leave (for example because of irregular working hours)

**When to exclude full-pay relevant employees**

You should not count any employee as a full-pay relevant employee if they are paid less than their usual basic pay or piecework rate, or none at all, because of being on leave during the pay period in which the snapshot date falls (the relevant pay period). They would still count as relevant employees.

Exclude from your list of full-pay relevant employees, those on 'leave', and who are receiving less than full pay, including those on:

- annual leave
- maternity, paternity, adoption, parental or shared parental leave
- sick leave
- special leave
- any other forms of leave (for example, study leave or sabbaticals)

**Example: full-pay relevant employees**

Jalissa, Jenny, Jackie, and Javed all do the same role on the same terms and conditions:

- work 5 days a week, and get paid weekly
- usually earn £400 basic pay in the relevant pay period.

Jade carries out the same role as Jalissa, Jenny, Jackie, and Javed, but in a part-time arrangement where she works the equivalent of 3 days per week, earning £240.
They are all full-pay relevant employees because:

- Jalissa worked all week and earned £400
- Jenny worked 4 days but took a fifth day as fully paid special leave to deal with a childcare-related emergency and earned £400
- Jackie was off all week but took fully paid annual leave, so she still earned £400. This counts as leave, but she still earned her usual pay
- Javed worked 3 days and was involved in official strike action for 2 days and earned £240
- Javed earned less than usual, this does not count as leave
- Jade worked all her part-time hours in the relevant pay period

**Example: when an employee is not a full-pay relevant employee**

Omar and Safiah do the same role on the same terms and conditions in the example above, which are:
- work 5 days a week, get paid weekly
- would usually earn £400 basic pay in the relevant pay period

Omar and Safiah are not full-pay employees, they are relevant employees only, because:

- Omar worked 4 days but took a fifth day as unpaid special leave to attend a funeral and earned £320. This counts as leave and Omar earned less than usual.
- Safiah was on maternity leave and received statutory maternity pay, which was less than £400. This counts as leave as Safiah earned less than usual.

Even though Omar and Safiah are not full-pay relevant employees, they would still be 'relevant employees'.

Because Omar and Safiah are not considered full-pay relevant employees they would be excluded from these ethnicity pay calculations:

- the mean (average) ethnicity pay gap using hourly pay
- the median ethnicity pay gap using hourly pay
- the percentage of people in each ethnic group in each hourly pay quarter

# Task 2: Add ordinary pay

In task 1, you created a list of relevant employees, and a list of full-pay relevant employees.

You should now add the amount of 'ordinary pay' received by each full-pay relevant employee in the pay period that includes your snapshot date.

Use the employee's gross pay:

- after any reduction for a salary sacrifice scheme

- before deductions such as tax, National Insurance and employee pension contributions

You do not need to add ordinary pay for people who are only counted as 'relevant employees'.

## Ordinary pay: what's included

Ordinary pay includes any monetary payment such as:

- basic pay
- allowances (such as payments for extra responsibilities, location-related payments, car allowances, recruitment or retention incentives)
- pay for piecework
- pay for leave
- shift premium pay

## Allowances

You should include all allowances in ordinary pay. In some cases, you will need to make a judgement on what is considered an allowance or expense.

Generally you should include any allowances if the employee would expect to receive this in their regular pay. If you are unsure you should seek professional advice if necessary.

Where payments called 'allowances' are paid for core duties (not additional duties), they are regarded as part of basic pay and you should still include them.

Examples of allowances include:

- extra amounts for roles including fire warden and first aider roles
- extra amounts due to location, such as London living allowances
- extra amounts paid to an employee abroad where an employer can reasonably obtain information from a host employer
- extra amounts for the purchase, lease or maintenance of a vehicle or item, such as a car allowance
- extra amounts to recruit and retain an employee
- extra amounts for being on call

### Not included in ordinary pay

- overtime pay
- allowances earned during paid overtime hours

- redundancy pay
- pay related to termination of employment
- pay in lieu of annual leave
- any repayments of authorised expenses
- benefits in kind
- interest-free loans

## Exclude benefits in kind from ordinary pay

You should exclude benefits in kind from your ordinary pay calculations. Benefits in kind are non-cash benefits not usually included in wages and usually found in the form of 'perks' or 'fringe benefits'. For example, company cars or private medical insurance.

## Exclude interest-free loans

Interest-free loans from an employer to an employee such as season ticket loans are not included.

## When 'one off' incentive payments would be excluded from ordinary pay

Where payments for recruitment and retention are 'one off' incentive payments made at the start of employment, or are more in the nature of a bonus than an ongoing allowance, you should treat them as incentive payments falling within bonus pay, rather than as allowances falling within ordinary pay.

## When expenditure reimbursements would be excluded from ordinary pay

To calculate ordinary pay, you should exclude any payments that only reimburse expenditure used entirely for business purposes. For example, the use of a hire car to reach an event, or repayment for a taxi fare between an office and a client.

## Where ordinary pay is used to contribute to a salary sacrifice scheme

To calculate ordinary pay, you should use the employee's gross pay after any reduction for a salary sacrifice scheme.

A salary sacrifice scheme is an agreement between an employer and an employee to change the terms and conditions of employment to reduce the employee's entitlement to cash remuneration. This is usually in return for some form of non-cash 'fringe benefit', perk or benefit in kind that is not reflected in their salary or wages.

## Where ordinary pay is used to make pension contributions

You should calculate the amount of an employee's ordinary pay before deductions are made at 'source'. Employee pension contributions are a deduction, so whether or not

an employee makes pension contributions will not affect the ethnicity pay gap calculations.

Where an employee contributes to a pension by means of a salary sacrifice scheme, you should use the employee's gross salary after the reduction.

## Task 3: Add bonus pay

In tasks 1 and 2, you:

- created a list of relevant employees, and a list of full-pay relevant employees
- added how much 'ordinary pay' you paid to each full-pay relevant employee in the pay period that includes your snapshot date

In task 3a, you will add bonuses paid to each full-pay relevant employee within the pay period that includes your snapshot date.

In task 3b, you will add bonuses paid to all employees in the 12 months ending on your snapshot date. This includes all relevant employees, and full-pay relevant employees.

In both cases, only include bonuses that were actually paid within these periods.

Use the employee's gross bonus pay:

- after any reduction for a salary sacrifice scheme
- before deductions such as tax, National Insurance and employee pension contributions

## Task 3a: Bonuses paid to full-pay relevant employees

For this part, you will add bonus pay that you paid only:

- to full-pay relevant employees
- in the pay period which includes your snapshot date

You will use these figures later to work out each employee's hourly pay.

You should add the full amount of the bonus if:

- you paid it to a full-pay relevant employee during a period which is the same as the 12 months to your snapshot date
- it is not related to a specific period

If a bonus was for a different time frame to the period which includes your snapshot date, you need to adjust (or 'prorate') it. This is so you have a bonus amount for the pay period which includes your snapshot date.

## Prorating bonus pay

Divide the bonus amount by the number of days in the period which includes the snapshot date. Then multiply that figure by the number of days in your pay period.

Use the following figures depending on the length of your pay period:

- for periods in weeks, treat a year as having 52.18 weeks
- for periods in months, treat a month as having 30.44 days
- for periods of a year, treat a year as having 365.25 days

## Example: Prorating a bonus payment

This is how to calculate a bonus that:

- was paid in a pay period which includes your snapshot date
- relates to a timeframe that differs from this pay period

Issa is a full-pay relevant employee and:

- is paid monthly
- received a bonus payment of £2,300 in the pay period which included the snapshot date

The period for which Issa received the bonus was 3 months.

Treat a month as having 30.44 days.

The period for which Issa received the bonus is 3 x 30.44 days, which equals 91.32 days.

Issa's employer needs to:

- divide £2,300 by 91.32 – this gives a figure of £25.19
- multiply this figure by 30.44

This gives a result of £776.79 bonus payment for the pay period which includes the employer's snapshot date.

This example works through the steps and rounds up the figures to the nearest penny. You can choose your own rounding rules.

## Task 3b: Bonuses paid to relevant employees

For this part, add bonus pay that you paid:

- within the 12 months ending on your snapshot date
- to all relevant employees, including full-pay relevant employees

You will use these figures later to work out your ethnicity pay gap in bonus pay.

Do not prorate your bonus figures for this part.

# What counts as bonus pay

Bonus pay includes any rewards related to:

- profit sharing
- productivity
- performance
- incentive
- commission
- long service awards with a monetary value (cash, vouchers or securities)

Include non-consolidated (one-off, non-pensionable) bonuses.

Bonus pay includes rewards paid as:

- cash
- vouchers
- securities
- securities options
- interests in securities

## Bonuses used to make pension contributions

If an employee uses a bonus to make pension contributions, treat the bonus as either a deduction or a reduction.

A deduction is when an employee uses their bonus (or part of it) to make a pension contribution. Include the employee's gross bonus amount before the deduction.

A reduction is when an employee uses a bonus sacrifice scheme to make a pension contribution. Include the employee's gross bonus amount after the reduction.

## Bonuses paid in securities

Bonuses paid in securities are a financial asset intended to gain the employee profit.

Securities include:
- shares
- bonds
- debentures
- futures
- securities options
- interests in securities

Only include bonuses paid in securities if they led to an income tax charge that occurred during the 12 months ending on your snapshot date.

If the income tax charge occurred in the pay period which includes your snapshot date, follow task 3a. If it occurred in the 12 months ending on your snapshot date, follow task 3b.

Do not include securities in bonus pay if:

- they do not give rise to a charge to income tax
- an employee earns a bonus payment under a long-term incentive plan but defers payment

- an employee is part of a share incentive plan of a specific length – only include them as bonus pay if the employee has sold them and received payment

**Not included in bonus pay**

Do not include:

- overtime pay or pay related to overtime pay
- redundancy pay
- pay related to termination of employment
- payments for untaken annual leave
- loan schemes provided by the employer
- benefits in kind

It may be difficult to distinguish whether all or part of an employee's bonus pay relates to overtime hours. If it is unclear, you should include it as bonus pay.

**Explaining your bonus pay gap**

Bonus pay gap calculations include all bonuses paid in the 12 months ending on your snapshot date. They do not take into account how many hours an employee works. If you think there are important factors behind your bonus pay gap, you can highlight them in your supporting narrative.

# Task 4: Add weekly working hours

Weekly working hours are used to help calculate an employee's hourly pay.

The hours used to establish weekly working hours will usually be the same as those to establish ordinary pay with some exceptions which this task details.

For this task you will need to use the payroll data gathered in task 1 and task 2 to calculate:

- the weekly working hours for full-pay relevant employees only
- To find the weekly working hours you will need to:
- identify your full-pay relevant employees
- identify if their hours are fixed or irregular
- use the methods outlined below to calculate their weekly working hours

You don't need to record weekly working hours in your list of relevant employees who aren't full-pay relevant employees.

Don't include paid or unpaid overtime in weekly working hours figures.

## Employees with regular working hours

For employees that usually work the same number of hours every week use the hours specified in their contract of employment, effective on the last day of the pay period that includes the snapshot date.

Employees should be treated as having normal weekly working hours if they have the same contractual hours each week, even if they often work additional unpaid hours.

Calculating in weeks, months and years:

- where periods are calculated in weeks, a year is treated as having 52.18 weeks
- where periods are calculated in months, a month is treated as having 30.44 days
- where periods are calculated as a year, a year is treated as having 365.25 days

# Example: An employee with minimum annualised hours

Jacob is a teacher and is:

- a full-pay relevant employee on the snapshot date
- required to work a minimum of 1,265 hours over 39 weeks
- doesn't need to have annual leave added separately because his paid hours per week are the same for annual leave and work

Jacob's employer calculates his weekly working hours by:

- dividing his 1,265 minimum hours by 39 working weeks
- this makes his basic weekly hours 32 hours and 26 minutes

### Example: An employee with unspecified hours

**Gillian is a head teacher at the same school as Jacob above and:**

- is a full-pay relevant employee on the snapshot date
- does not have specified working hours but her work amounts to broadly the same overall amount of work as Jacob in the example above
- does not need to have annual leave added separately because her paid hours per week are the same for annual leave and work

Gillian's employer records her basic weekly working hours as 32 hours and 26 minutes so meaningful comparisons can be made.

### Example: Term-time employees

Claire is a full-pay relevant employee on the snapshot date and:

- works 10 hours a week over 39 weeks
- gets 5 weeks of annual leave, which is taken outside of the 39 weeks
- gets paid in 12 equal instalments no matter how many hours she works that month

Taking a 12 week average of weekly working hours and excluding weeks Claire didn't work is unlikely to represent how her pay and work matches up.

Her employer calculates her average weekly working hours by using a method that more fairly represents Claire's average weekly hours by:

- adding her 39 work weeks and 5 annual leave weeks, making 44 paid weeks per year
- multiply this by the 10 hours Claire works to get 440 paid hours each year
- average out her hours over the whole year, just like the payments are, by dividing her 440 paid hours by 52.18 (the exact number or weeks in a year) – this makes Claire's average weekly hours just under 8.5 hours a week, and the method works for other full-time and part-time term time workers too

## Employees with irregular working hours

To find the 'weekly working hours' for employees not contracted to work the same number of hours each week you should calculate an average of hours worked over the 12-week period that ends with the last complete week of your relevant pay period.

To make this calculation you should take the total number of hours worked by each employee over this period and divide it by 12. Exclude any hours worked as paid or unpaid overtime.

Weeks where no work has been done (such as a week of sick leave) should be substituted for an earlier week. Weeks where some or all work has been done (such as a week with 3 days worked and 2 days taken as unpaid special leave) should be included.

If the 12-week period includes a week where no work was done, you should substitute an earlier week before this 12 week period where work was done, for the purpose of the calculation.

If the 12-week period includes a week where some work was done you should include this week as part of the average calculation. For example, if a full-pay relevant employee worked 12 out of the 18 weeks leading up to the pay period which includes the snapshot date (the relevant pay period), only 12 weeks where the employee worked would be included in the calculation.

If you can't reasonably use the 12-week average (for example because the employee has not been at work for long enough), use a number which fairly represents the employee's weekly working hours.

**Example: a full-pay relevant employee with a variable hours contract**

Kathy, a full-pay relevant employee with a variable hours contract, is paid weekly under the following contractual terms:

- basic pay of £7.50 per hour
- an evening shift premium of £2 per hour
- a productivity allowance of £5 for every 100 items packed

Kathy had a relatively quiet week during the pay period that includes the snapshot date. She worked 25 hours, including one evening shift of 5 hours and packed 400 items.

Her pay during the pay period that includes the snapshot date (the relevant pay period) is therefore:

- basic pay of £187.50 (£7.50 x 25 hours)
- an evening shift premium of £10 (£2 x 5 hours)
- a productivity allowance of £20 (for packing 400 items)
- a total payment of £217.50

However, Kathy actually worked significantly more than 25 hours per week over the last 12 weeks. On average (including the week during the pay period that includes the snapshot date), she worked 40 hours a week.

If her employer used the standard calculation outlined earlier in this section, they would need to divide the £217.50 into 40 hours, giving Kathy an hourly rate of £5.44 an hour. This is clearly unrepresentative because it is lower than even the basic hourly pay rate.

In this situation, her employer can calculate her weekly working hours so they are more representative and:

- calculates Kathy's hourly rate of pay by dividing her £217.50 weekly pay that was received in the pay period that includes the snapshot date (the relevant pay period) by the 25 hours actually worked in that period

This calculation provides a more representative hourly rate of £8.70.


# New employees and changes in role

If you have new employees, or an existing employee changes role, and have worked less than 12 weeks in their new role you need to:

- use a figure that fairly represents the number of working hours worked in a week
- use an average over a shorter period if you believe it fairly represents their working hours

If you have a new employee that has replaced someone who was previously working longer or shorter hours you can create a 12-week total by using a mixture of the old and new employees' hours.

If you have employees that have changed roles you should take a 12-week average, even if the period covers more than one role.

**Example: a full-pay relevant employee with less than 12 weeks employment**

Vernillia has been hired for a newly created role and it isn't clear what the normal working hours will end up being, or if there will even be normal working hours. So for now her employer has guaranteed a minimum of 15 hours work each week.

By the end of the pay period that the snapshot date falls (the relevant pay period):

- Vernillia has been working for 6 weeks and worked 150 hours.

Vernillia's employer calculates her weekly working hours by:

- making an average calculation from the 6 weeks Vernillia worked, which is 25 weekly working hours.

If Vernillia had been taking over a more predictable role that someone else had been carrying out before she started, it may have been reasonable to come up with a representative number of hours for Vernillia based on the average number of working hours of the comparable employee.

## On-call and sleeping-in arrangements

You should include the hours worked by employees that are on-call, awake and available.

You should only include the hours worked by employees who have sleeping arrangements as part of their work when they've been called on to work (their 'waking time').

### Employee paid on the basis of piecework

You should use the number of hours worked in a week during the pay period as their weekly working hours for employees paid on the basis of piecework.

## Task 5: Work out your employees' hourly pay

Ethnicity pay gaps are based on hourly pay excluding overtime. This enables you to consider ethnicity pay gaps across your workforce as a whole. Hourly pay is the sum of ordinary pay and any bonus pay (including any pro-rated bonus pay) that was paid in the pay period which ends on your snapshot date

You don't need to record hourly pay in your list of relevant employees who aren't full-pay relevant employees.

## When you don't need to make this calculation in this task

You will already know what your employee's hourly pay is, and you will not need to make the calculations in this task if your employees with regular working hours:

- have a fixed hourly rate of basic pay (including normal working hours, or working hours that differ from week to week, or over a longer period)
- do not receive any bonuses or any allowances, or other variable pay during the relevant pay period.

You will still need to include the hourly pay for full-pay relevant employees in your list.

### Finding the hourly pay rate

To find the hourly pay you will need to:

- add together each full-pay relevant employee's ordinary pay and any bonus pay paid in the pay period.

If the bonus pay relates to a period that is longer than the defined pay period, bonus pay should be prorated (see guidance above).

- multiply this by the appropriate 'multiplier' to find a weekly pay figure.

This is 7 divided by the number of days in the pay period which includes your snapshot date (the relevant pay period)

- divide the result for each employee by the number of their weekly working hours.

This gives you the full-pay relevant employee's hourly pay rate.

Calculating in weeks, months and years:

- where periods are calculated in weeks, a year is treated as having 52.18 weeks
- where periods are calculated in months, a month is treated as having 30.44 days
- where periods are calculated as a year, a year is treated as having 365.25 days

### Example: Calculating hourly pay

Aida is a full-pay relevant employee and:

- received £300 in bonus and £1000 in ordinary pay for the pay period that includes the snapshot date – a total of £1300

Aida's employer calculates her hourly pay by:

- using her pay period of 14 days, divides 7 by 14

This makes the multiplier 0.5.

- £1300 multiplied by 0.5 brings the amount to £650
- £650 divided by 40 (her weekly working hours), makes the hourly pay £16.25 per hour

# Making your calculations

## The ethnicity pay figures we recommend

If an employer chooses to calculate their ethnicity pay figures, the following measures can provide a well-rounded understanding of any disparities.

These measures are recommended to help an employer understand aspects of differences between ethnic groups including:

- ethnicity representation at different pay levels in their organisation, and across their organisation as a whole
- differences in average pay between ethnic groups

- levels of engagement with ethnicity questions

We don't recommend looking at any one of these measures in isolation (such as the mean or median ethnicity pay gap).

The measures we recommend are:

- percentage of each ethnic group in each hourly pay quarter
- mean (average) ethnicity pay gap using hourly pay
- median ethnicity pay gap using hourly pay
- percentages of employees in different ethnic groups in your organisation
- percentage of employees who did not disclose their ethnicity – they either answered 'prefer not to say' or gave no answer when you attempted to collect their ethnicity.

Details of how to make each of these calculations can be found below.

## Bonus pay gaps

Employers may additionally choose to calculate:

- the percentage of each ethnic group receiving bonus pay
- the mean (average) pay gap for bonus pay
- median ethnicity pay gap for bonus pay.

We would strongly encourage organisations to do this where bonuses make up a large proportion of employee pay.

### Choose which ethnic groups to analyse

Before you begin to calculate your ethnicity pay measures, you need to decide which ethnic groups you will include in your calculations. The decision will be based on the number of employees in different ethnic groups. We do this so that:

- individual employees cannot be identified
- the data is statistically robust

## Ensuring individual employees cannot be identified

To comply with the General Data Protection Regulation (GDPR), it must not be possible to identify an individual from information put into any report. A common way of doing this is to not publish statistics for an ethnic group with less than a certain number of employees.

### Ensuring statistical robustness

Having a certain number of employees in each ethnic group for your analysis can also help you be confident that the data is robust. This can help prevent the following scenarios from occurring:

- you appear to have pay disparities which are simply the result of the time that you collected the data and the make up of your workforce at that particular time – for example, you have temporarily opened or closed a certain site and this has had a short term impact on pay
- you appear to have no pay gaps and disparities now but in reality there are issues which have been temporarily hidden because of random, unusual circumstances

It might be difficult for you to know if these situations have occurred. You will need to think about for example:

- whether the make-up of your workforce has changed in an unusual way over the year – for example whether you have recruited more lower or higher paid employees than usual
- if you have opened new sites in different areas of the country with different proportions of different ethnic groups

Producing ethnicity pay reporting analyses for more than one year can help see whether results for any given year are unusual.

### A minimum category size

To guard against both of these issues, we recommend setting a level for the minimum number of employees in each group (a 'minimum category size') that you will analyse. This minimum category size will depend on whether your analysis is:

- for internal use only
- to be published externally

You will probably be able to have a lower minimum category size for each ethnic group for internal use. If you are publishing your analysis, we recommend a higher minimum category size.

## If you are only using your analysis internally

Usually your main concern here will be not disclosing information about individual employees. Current good practice from publishers of statistics (such as the ONS) suggests the minimum the 'minimum category size') to avoid this should be somewhere between 5 and 20 employees.

Exceptions to this requirement are employees who chose 'prefer not to say' and who gave no answer. Since the employees have not disclosed their ethnicity, it should be much harder to identify these individuals from any statistic published. Therefore these categories do not have to comply with the minimum category size you decide upon and if the number of employees in these categories is really small, they can be excluded from analysis.

If your organisation has a dedicated data rights team, it may be worth consulting them to make sure you are compliant with the GDPR, and not at risk of disclosing information about individual employees.

## If you are publishing your analysis

Your concerns here might be about not disclosing information about employees and ensuring your analysis is robust.

We recommend that a minimum category size of 50 employees should be specified to ensure statistical robustness when publishing data.

This will also guard against information about individuals being disclosed.

If you intend to publish data for specific groups of your employees, for example separate analyses for 2 different sites, the minimum category size applies to each analysis published, not just an analysis with all of your employees combined. Therefore, to ensure you have sufficient numbers of employees per category for each group of employees, you may need to specify a larger minimum category size for all employees combined.

If you are unsure what value to use, we recommend you take advice from an analyst and your data rights team.

Once you have decided your minimum category size, you can count the number of employees within each ethnic group you have collected. This will tell you which groups are below the minimum category size you have collected. If some groups are below that number, you may need to aggregate some ethnicities into larger groups.

## Deciding how to aggregate

There are many ways to aggregate the ethnic categories that are below the minimum category size for either internal analysis or publication. It requires judgement and understanding of the ethnicity of your workforce. However, you can bear in mind the following considerations when you aggregate data for ethnic groups.

## Try and show as many ethnic groups as possible

You should try and show as many ethnicity categories as possible in your analysis. Some ethnic groups may be earning much more than others and breaking down the different categories will give a much richer picture and better inform your action plans.

### Aggregate to 5 larger ethnic groups

You could use the 5 aggregated groups below and the 'prefer not to say' option:

- Asian
- black
- mixed
- white
- other
- prefer not to say

You might also be able to show white British and 'other white groups' separately.

The risk of aggregating in this way is that differences between ethnic minority groups could be hidden. For example Bangladeshi and Pakistani employees generally earn less than those from the Indian ethnic group, but this might not be clear for analysis of a broader 'Asian' group.

## Aggregate to 2 groups ('binary' reporting)

Sometimes you might only be able to report pay gaps between either:

- white and all other ethnic minorities combined
- white British and ethnic minorities

We strongly discourage you from doing this in isolation. Only reporting 2 groups will mask detail and nuance which might be vital for understanding ethnicity pay gaps and identifying relevant actions. However, you may have to do this should employees' confidentiality be at risk if any further details were released.

If binary reporting is the only available first step for you, particularly if you are a smaller employer or have small numbers of employees in certain ethnic groups, you can keep this under review and aim towards reporting on a more granular level in future years.

Where you can analyse data for more than 2 groups, you might also want to do a binary analysis. This could help you compare data consistently over time in your organisation, or your data with that of employers who are only able to produce a binary analysis.

## Recording aggregated groups

If you have aggregated some of your ethnic groups together, you need to record the aggregated group for each employee. You will be using these aggregated groups for each of the ethnicity pay calculations described later.

## Employees who 'prefer not to say' or who did not respond

You should collect data on these 2 groups of employees and record this information in any published data. The 'prefer not to say' category can indicate if there are employees who have responded to the data collection but do not feel comfortable disclosing their ethnicity. For employees who have not responded, this will help you consider how many employees are not engaging with activities to collect diversity data. Employers might need to do further work to boost engagement in this case.

Both categories can provide useful information for employers and add useful context to their published data. We recommend keeping these 2 categories separate. It is also very important that they are not aggregated with any other ethnic group.

## Presenting and writing about ethnic groups

In their harmonisation webpage, the GSS provide information on how to [present data](#) for different ethnic groups. The RDU also provides guidance about how to [write about ethnic groups](#). Employers might find these resources useful when preparing their data and writing their action plans.

## Illustrative examples

For some of the examples in the calculations below, for simplicity we have assumed that the calculations are using a split between 2 ethnic groups. In some cases, you might need to perform the same calculations for each ethnic category that you are using.

## Calculation 1: percentage of employees in different ethnic groups in each hourly pay quarter

To produce your quarterly pay bands by ethnic category data, you will need to:

- Define your pay quarters and assign each employee to a pay quarter.

- For each pay quarter, count the number of employees within each ethnic category.

These steps are the same as those used for gender pay gap reporting except you replace the gender categories with your ethnic categories. If you have aggregated your ethnic groups together, then you will use these aggregated groups for the analysis.

You could present your data using:

- the number of employees in each combination of ethnic category and pay quarter
- the percentage of employees from each pay quarter that fall in each ethnic category
- both of these

## Divide hourly pay into quarters

- refer to your list of hourly pay for all full-pay relevant employees in the relevant pay period)
- sort your full-pay relevant employees from highest to lowest based on their hourly pay
- divide this list into 4 quarters, with an equal number of employees in each section

These quarters will be the:

- upper hourly pay quarter
- upper middle hourly pay quarter
- lower middle hourly pay quarter
- lower hourly pay quarter

## Example: When the number of employees isn't divisible by 4

If the number of employees is not divisible by 4, distribute them as evenly as possible.

For example, Acme Ltd has 4,445 full-pay relevant employees. To distribute them equally into quarters would mean 1,111 employees in each quarter, with 1 employee left over.

In this case, you should add the 1 employee left over to the lower hourly pay quarter. This means there are 1,112 employees in the lower hourly pay quarter in this example, 1,111 employees in the lower middle hourly pay quarter, 1,111 employees in the upper middle hourly pay quarter, and 1,111 employees in the upper hourly pay quarter.

If you have 2 employees left over, add one employee to the lower hourly pay quarter and one employee to the upper middle hourly pay quarter.

If you have 3 left over, you can distribute them between lower, lower middle and upper middle pay quarters.

## Check the ethnicity distribution of matching hourly pay

If there are employees on the same hourly pay that overlap between hourly pay quarters, adjust the categories to ensure different ethnic groups are split as evenly as possible across the hourly pay quarters, either side of the overlap.

Example: distributing employees across pay quarters when they have the same hourly pay

Acme Ltd has 4,445 full-pay relevant employees, has sorted them by highest hourly pay to the lowest hourly pay, and has then divided the list into 4 hourly pay quarters.

However, 40 employees all have the same hourly pay:

- 36 are are from an ethnic minority group and 4 are white British
- of these, 10 have fallen into the lower hourly pay quarter
- 30 have fallen into the lower middle hourly pay quarter

To evenly distribute these employees by gender, Acme Ltd should list 1 white British employee for for every 9 ethnic minority employees listed:

- of the ethnic minority employees, the employer lists 9 of these, and 1 employee who is white British, in the lower hourly pay quarter
- 27 ethnic minority employees, and 3 employees who are white British in the lower middle hourly pay quarter

## Optional: Use 'pay halves' instead if you have too few employees

It could be the case that although an ethnic category has enough employees for your minimum category size, when you split this category by pay quarters, you end up with some combinations of pay quarter and ethnic category with only 1 or 2 employees. If

this were to happen, it might be possible to identify those people – for example, the 2 Asian employees in the upper pay quarter might be senior people known to many employees.

There are 2 options for you to mitigate this outcome. The first is to perform a further aggregation of your ethnic categories but this may not be possible or desirable. The second is to combine your pay quarters into pay halves instead as follows:

- upper pay half = upper pay quarter + upper middle pay quarter
- lower pay half = lower middle pay quarter + lower pay quarter

You can then present and interpret a pay half breakdown by ethnic category

## Work out the percentage of employees in each ethnic group in each hourly pay quarter

For each hourly pay quarter and for each ethnic group you are using in your analysis, you need to:

- divide the number of full-pay relevant employees in the quarter who are in each ethnic group, by the total number of full-pay relevant employees in the quarter and multiply by 100

This calculation gives you the percentage of employees in the hourly pay quarter in each ethnic group.

The number of calculations you need to do will be the same as the number of ethnic group categories you are using. This will be 2 calculations for each pay quarter if you are using the binary split, for example:

- white British and ethnic minority groups
- white and ethnic minority groups other than white minorities

If you are using the 5 aggregated groups (white, Asian, black, mixed and other), you will need to do 5 calculations for each pay quarter.

If you are using all the England and Wales Census 2021 categories, you will need to do 19 calculations for each pay quarter.

**Example: Calculating the percentage of white British and ethnic minority employees in each hourly pay quarter**

Acme Ltd has 4,445 full-pay relevant employees and has:

- sorted them by highest hourly pay to the lowest hourly pay
- divided the list into 4 hourly pay quarters
- checked that employees on the same hourly pay are distributed as evenly as possible by ethnicity where they cross the quarter boundaries
- of the 1,112 employees in the lower hourly pay quarter, 925 are white British and 187 are ethnic minority employees

This means 83.2% are white British and 16.8% are ethnic minority employees.

- of the 1,111 employees in the lower middle hourly pay quarter, 1,001 are white British and 110 are ethnic minority employees

This means 90.1% are white British and 9.9% are ethnic minority employees.

- of the 1,111 employees in the upper middle hourly pay quarter, 813 are white British and 298 are ethnic minority employees

This means 73.2% are white British and 26.8% are ethnic minority employees.

- of the 1,111 employees in the upper hourly pay quarter, 361 are white British and 750 are ethnic minority employees

This means 32.5% are white British and 67.5% are ethnic minority employees.


## Calculations 2 and 3: mean (average) and median ethnicity pay gap for hourly pay

We have included advice here on mean (average) and median calculations as they can reveal different dimensions of pay differences. Many employers are already familiar with the processes involved due to the mandatory requirements for gender pay gap reporting. The mean calculation shows the average earnings taking account of the earnings of all employees in an organisation. The median calculation shows the average middle earner in an organisation and is less likely to be skewed by a few high earners in an organisation. Both calculations can provide useful information for an employer.

In gender pay gap reporting, the pay of women is compared with that of men. Men are the 'comparator group'. In ethnicity pay reporting, choosing a comparator group is more difficult because you might want to see disparities between a number of different ethnic groups. Analysing pay gaps between each combination of ethnic groups you are using might show more nuance and help you develop a stronger action plan to tackle any pay disparities. We suggest calculating mean (average) and median gaps between each combination of ethnic groups you are using.

If you are using the binary split (white British employees and ethnic minority employees, for example), this will be 1 calculation each for the mean and median pay gap.

We recommend caution in drawing conclusions about your ethnic pay results if using a binary split. In such cases more attention should be placed on the other calculations outlined in this guidance (hourly pay quarters, ethnic minority representation and ethnicity disclosure rates) as these measures will provide more useful information about any actual disparities.

If you are using the 5 aggregated groups, you will need to do 10 calculations each for the mean and median pay gap.

If you are using the full Census breakdown, you will need to do 171 calculations each for the mean and median pay gaps.

## Calculation 2: the mean (average) ethnicity pay gap for hourly pay

The mean (average) ethnicity pay gap figure you might report uses hourly pay of all full-pay employees to calculate the difference between the mean (average) hourly pay of each combination of ethnic groups you are using. For example, the difference in mean (average) hourly pay between Indian employees and black African employees, or between white British employees and ethnic minority employees.

A mean involves adding up all of the numbers and dividing the result by how many numbers were in the list.

Means are useful because they place the same value on every number they use, giving a good overall indication of the ethnicity pay gap. But very high or very low hourly pay can distort the figure.

The calculations of these figures are based on the payroll data of your full-pay relevant employees.

Start by referring to your list of hourly pay for full-pay relevant employees created in Task 5: Hourly pay for each ethnic group. Choose the first 2 ethnic groups you will analyse (we will call them group 1 and group 2):

Step 1. Calculate the mean (average) hourly pay for employees in group 1

- add together the hourly pay of all full-pay relevant employees who are in group 1
- divide this figure by the number of full-pay relevant employees who are in group 1

This gives you the mean (average) hourly pay for employees in group 1.

Step 2. Calculate the mean (average) hourly pay for group 2

- add together the hourly pay of all full-pay relevant employees who are in group 2
- divide this figure by the number of full-pay relevant employees who are in group 2

This gives you the mean (average) hourly pay for group 2.

Step 3. The mean (average) pay gap using hourly pay figure:

- take the mean (average) hourly pay for your group 1 employees and subtract the mean (average) hourly pay for group 2 employees
- divide the result by the mean (average) hourly pay for group 1 employees
- multiply the result by 100

This gives you the mean (average) ethnicity pay gap in hourly pay for group 2 as a percentage of the hourly pay of employees in group 1.

If you have aggregated your data into more than 2 ethnic groups (for example, Asian, black, mixed, white and other) you should perform the same calculation for each

combination of ethnic groups you are using and present each mean (average) pay gap separately. Calculating the pay gaps for all combinations of groups can provide crucial information to inform your action plan to tackle pay disparities.

You might present the mean hourly pay gaps between each of the ethnic groups in tabular form. For example if you were analysing 5 ethnic groups, this might look like:

| Ethnic group | Mixed | Asian | Black |
|---|---|---|---|
| White | Gap between white and mixed ethnic groups | Gap between white and Asian ethnic groups | Gap between white and Black ethnic groups |
| Mixed | | Gap between mixed and Asian ethnic groups | Gap between mixed and Black ethnic groups |
| Asian | | | Gap between Asian and Black ethnic groups |
| Black | | | |

A worked example for 3 ethnic groups is given below.

**Example: Calculating the mean (average) ethnicity pay gap using hourly pay for 3 groups**

Acme Ltd has 4,445 relevant full-pay employees. Of these, 1,345 are white British employees, and 1,500 are Pakistani employees and 1,600 are Bangladeshi employees.

We call white British employees group 1, Pakistani employees group 2 and Bangladeshi employees group 3.

White British employees hourly pay amounts to:

- (1,000 employees x £15) + (300 employees x £21)+ (45 employees x £50) = £23,550
- divided by 1,345, the mean (average) white British employee earns £17.51 in hourly pay

Pakistani employees hourly pay amounts to:

- (200 employees x £10) + (500 employees x £13) + (500 employees x £15) + (200 employees x £21) + (100 employees x £40) = £24,200
- divided by 1,500, the mean (average) Pakistani employee earns £16.13 in hourly pay

Bangladeshi employees hourly pay amounts to:

- (250 employees x £10) + (600 employees x £13) + (400 employees x £15) + (300 employees x £21) + (50 employees x £50) = £25,100

- divided by 1,600, the mean (average) Bangladeshi employee earns £15.69 in hourly pay

Acme Ltd's mean (average) ethnicity pay gaps (using hourly pay rounded to pence) are:

- Between white British employees and Pakistani employees: £17.51 minus £16.13; divided by £17.51, and multiplied by 100 give a figure of 7.88%
- Between white British employees and Bangladeshi employees: £17.51 minus £15.69; divided by £17.51, and multiplied by 100 give a figure of 10.39%
- Between Pakistani employees and Bangladeshi employees: £16.13 minus £15.69; divided by £16.13, and multiplied by 100 give a figure of 2.73%

This means that on average:

- white British employees at Acme Ltd are paid 7.88% more than Pakistani employees
- white British employees at Acme Ltd are paid 10.39% more than Bangladeshi employees
- Pakistani employees at Acme Ltd are paid 2.73% more than Bangladeshi employees

This means that on average for every £1 a Pakistani employee earns at Acme Ltd a Bangladeshi employee will earn 97p.

# Calculation 3: the median ethnicity pay gap using hourly pay

The median ethnicity pay gap figure is the difference between the hourly pay of the median full-pay relevant employee for an ethnic group and the hourly pay of the median full-pay for another ethnic group. The median for each is the employee who is in the middle of a list of hourly pay ordered from highest to lowest paid.

A median involves listing all of the numbers in numerical order. If there is an odd number of results, the median is the middle number. If there is an even number of results, the median will be the mean (average) of the 2 central numbers.

Medians are useful to indicate what the 'typical' situation is. They are not distorted by very high or low hourly pay (or bonuses). However, this means that not all ethnicity pay gap issues will be picked up. They could also fail to pick up as effectively where the ethnicity pay gap issues are most pronounced in the lowest paid or highest paid employees. For example, if a Chief Executive Officer of a company has a substantially higher salary than the rest of the company, the median pay gap is not really affected by this.

The calculations of these figures are based on the payroll data of your full-pay relevant employees.

Start by referring to your list of hourly pay for your full-pay relevant employees created in Task 5: Hourly pay. Choose the first 2 groups you will analyse (we will call them group 1 and group 2) and then:

Step 1. Calculate group 1 employee's median hourly pay:

- identify all full-pay relevant employees who are in group 1
- sort these employees in a list, in order of their hourly pay, with the lowest paid first and the highest paid last
- identify the employee (and their hourly pay) who is in the middle of this list

This gives you the median hourly pay for employees in group 1.

Step 2. Calculate group 2 employee's median hourly pay rate:

- identify all full-pay relevant employees who are in group 2
- sort these employees in a list, in order of their hourly pay, with the lowest paid first and the highest paid last
- identify the group 2 employee (and their hourly pay) who is in the middle of this list

This gives you the median hourly pay for group 2.

Step 3. The median ethnicity pay gap using hourly pay figure:

- take the median hourly pay for group 1 employees and minus the median hourly pay for group 2
- divide the result by the median hourly pay for group 1 employees
- multiply the result by 100

This gives you the median ethnicity pay gap in hourly pay for group 2 as a percentage of group 1 pay.

**If there is an even number of employees in your list of full-pay relevant employees for an ethnic group**

You may find there is an even number of employees in your list of full-pay relevant employees for different ethnic groups. In this instance, to identify the median employee (the person in the middle of each list), use the average of these 2 people's hourly pay to identify the median hourly pay.

For example, if you have 80 full-pay employees who are Indian employees, the 40th and 41st Indian employees would be the middle of this list (the median). To find the median hourly pay for Indian employees, take the mean (average) of these 2 ethnic minority employee's hourly pay.

**Example: Calculating the median ethnicity pay gap using hourly pay for 2 groups**

Acme Ltd has a headcount of 4,500, of whom 4,445 are full-pay relevant employees. Of these, 1,345 are white British, and 3,100 are ethnic minority employees

Identify the median white British employee using hourly pay of full-pay relevant employees only:

- if all full-pay relevant employees who are white British stood in a line in order of their hourly pay there will be 1,345 white employees in this line
- the 673rd white British employee is the employee in the middle of this line and earns £14 an hour. They will have 672 employees to their left whose hourly pay is the same or less than theirs, and 672 employees to their right whose hourly pay is the same or more than theirs

In this example, the median hourly pay for white British employees is the hourly pay of the 673rd white employee in this line, which is £14

Identify the median ethnic minority employee using hourly pay of full-pay relevant employees only:

- if all full-pay relevant employees who are ethnic minority employees stood in a line in order of their hourly pay there will be 3,100 ethnic minority employees in this line
- because there is an even number of ethnic minority employees, when they are sorted based on their hourly pay, there would be 2 ethnic minority employees standing in the middle of this line. They will be the 1,550th and the 1,551st ethnic minority employees in the line
- the 1,550th ethnic minority employee will have 1,549 ethnic minority employees to their left earning the same or less than them, and the 1,551st ethnic minority employee will have 1,549 ethnic minority employees to their right earning the same or more than them
- the 1,550th ethnic minority employee earns £14 an hour, and the 1,551st ethnic minority employee earns £16 an hour

In this example, the median hourly pay for ethnic minority employees is the mean (average) of the 2 ethnic minority employees in the middle of the line (1,550th and 1,551st).

This is the average of £14 and £16, which is £15 median hourly pay.

Acme Ltd's median ethnicity pay gap using hourly pay:

- take the white British employee's median hourly pay and subtract the median ethnic minority employee's hourly pay
- divide this figure by the median white British employee's hourly rate of pay
- multiply by 100 to get the percentage figure
- £14 minus £15, divided by £14, multiplied by 100

This results in a median ethnicity pay gap based on hourly pay of -7.14%.

This means that when using the median, white British employees at Acme Ltd are paid 7.14% less than ethnic minority employees. Which means for every £1 an ethnic minority employee earns at Acme Ltd, a white British employee will earn 93p.

Like calculation 2, you might perform the median pay gap calculation for each combination of ethnic groups you are analysing. You might present this in tabular form.

# Calculation 4: representation of ethnic groups in your organisation

The representation of ethnic groups is simply the percentage of employees falling in each ethnic category you have decided to analyse. This additional data can help contextualise your result for the other calculations, as well as provide more information for decision makers in an organisation about where there may be disparities or barriers in recruitment or progression within the organisation.

## Calculation 5: percentage of employees whose ethnicity is 'unknown' or 'prefer not to say'

Publishing, or at least internally reviewing, the number or percentage of employees who choose not to state their ethnicity, or who you were unable to gather this information from, is a useful baseline. You should try to analyse these 2 groups of employees separately.

It can be used to contextualise the other ethnicity pay calculations, as well as highlighting whether further work is needed to improve data collection. It might identify whether further work is needed to reassure and explain to your employees why collecting ethnicity data is important.

# Calculation 6: percentage of employees in different ethnic groups receiving bonus pay

This calculation shows the percentage of people in different ethnic groups who received bonus pay in the 12 months ending on your snapshot date.

Use the list of all relevant employees (not only full-pay relevant employees), including the ethnic group they are in (after aggregation if necessary) and bonus pay. You might have aggregated your employees into larger ethnic groups.

For each ethnic group you are analysing, add together the number of employees in your list in the group who received bonus pay in the 12 months ending on your snapshot date. Divide this figure by the total number of employees in the ethnic group. This gives you the percentage of employees in the ethnic group who received bonus pay.

**Example: Calculating the percentage of different ethnic groups who received a bonus payment**

Acme Ltd has 4,500 relevant employees. 1,375 are from an ethnic minority group, and 1,300 of them received bonus pay. 3,125 are white British, and 2,000 of them received a bonus.

To calculate the percentage who received a bonus payment, Acme Ltd:

- divides 1,300 (ethnic minority employees receiving bonus pay) by 1,375 (total ethnic minority employees) – this equals 0.945
- multiplies 0.945 by 100
- divides 2,000 (white British employees receiving bonus pay) by 3,125 (total number of white British employees) – this equals 0.64

- multiplies 0.64 by 100

The results show that 94.5% of ethnic minority employees and 64.0% of white British employees received a bonus.


## Calculation 7: mean (average) ethnicity pay gap for bonus pay

This calculation shows the difference in the mean (average) bonus pay paid to different ethnic groups.

Use the list of all relevant employees (not only full-pay relevant employees), including their ethnicity and bonus pay. You might have aggregated your employees into larger ethnic groups. Choose the first 2 groups you will analyse (we will call them group 1 and group 2) and then do the following.

- Add together the bonus payments made to all employees in group 1 in your list in the 12 months to your snapshot date. Divide this figure by the number of group 1 employees who received bonus pay. This gives you the mean (average) bonus pay for group 1.

- Repeat this for all group 2 in your list. This gives you the mean (average) bonus pay for group 2.

- Take the mean (average) bonus pay for group 1 and subtract the mean (average) bonus pay for group 2.

- Divide the result by the mean (average) bonus pay for group 1.

- Multiply the result by 100.


This gives you the mean (average) ethnicity pay gap in bonus pay as a percentage of group 1's pay.

Like calculation 2, you might perform the mean (average) pay gap for bonus pay calculation for each combination of ethnic groups you are analysing. You might present this in tabular form.

### Example: Calculating the mean (average) ethnicity pay gap for bonus pay

Acme Ltd has a mean (average) bonus pay of £1,650 for black African employees, and £1,490 for black Caribbean employees.

To calculate this mean (average) ethnicity pay gap for bonus pay, Acme Ltd:

- takes the mean (average) bonus pay for black African employees (£1,650), and subtracts the mean (average) bonus pay for black Caribbean employees (£1,490) – this equals £160
- divides £160 by the mean (average) bonus pay for black African employees (£1,650) – this equals 0.097
- multiplies 0.097 by 100 to find the mean (average) ethnicity pay gap for bonus pay as a percentage

- Acme Ltd has a 9.7% mean (average) ethnicity pay gap using bonus pay between these 2 groups.

This means that, using the mean (average), black Caribbean employees at Acme Ltd are paid 9.7% less in bonus pay than black African employees. This means for every £1 a black African employee receives in bonus pay at Acme Ltd, a black Caribbean employee receives 90p.

# Calculation 8: median ethnicity pay gap for bonus pay

This calculation shows the difference in the median bonus pay paid to employees in different ethnic groups.

Use the list of all relevant employees (not only full-pay relevant employees), including their ethnicity and bonus pay. You might have aggregated your employees into larger ethnic groups. Choose the first 2 groups you will analyse (we will call them group 1 and group 2) and then:

- Create a list of all employees in group 1 who received bonus pay in the 12 months ending on your snapshot date. Sort them in order of highest to lowest bonus pay amounts. Identify the employee in the middle of the list, and write down their bonus pay. This figure is the median bonus pay for group 1.

- Repeat this for group 2. This figure is the median bonus pay for group 2.

- Take the median bonus pay for group 1 and subtract the median bonus pay for group 2.

- Divide the result by the median bonus pay for group 1.

- Multiply the result by 100.

This gives you the median ethnicity pay gap in bonus pay as a percentage of group 1's bonus pay.

Like calculation 7, you might perform the median pay gap for bonus pay calculation for each combination of ethnic groups you are analysing. You might present this in tabular form.

### If there is an even number of people in an ethnic group

Identify the 2 employees in the middle of the list. Use the mean (average) of their bonus pay to identify the median bonus pay figure.

For example, if you have 80 Bangladeshi employees, numbers 40 and 41 are in the middle of the list. To find the median bonus pay for Bangladeshi employees, take the mean (average) of these 2 employees bonus pay.

**Example: Calculating the median ethnicity pay gap for bonus pay**

Acme Ltd has a median bonus pay of £2,300 for all relevant employees who are Chinese, and £2,225 for all relevant employees who are Indian.

To calculate the median ethnicity pay gap using bonus pay for these 2 groups, Acme Ltd does the following:

- takes the median bonus pay for Chinese employees (£2,300) and subtracts the median bonus pay for Indian employees (£2,225) – this equals £75
- divides £75 result by the median bonus pay for Chinese employees (£2,300) – this equals 0.033
- multiplies 0.033 by 100 to find the median ethnicity pay gap for bonus pay for these 2 groups as a percentage
- Acme Ltd has a 3.3% median bonus ethnicity pay gap for these 2 groups

This means that when using the median, Indian employees at Acme Ltd receive 3.3% less bonus pay than Chinese employees. This means for every £1 a Chinese employee receives in bonus pay, an Indian employee receives 97p.

## Understanding what a positive or negative percentage figure means

In Calculation 2, Calculation 3, Calculation 7 and Calculation 8:

- a positive percentage figure reveals that typically, or overall, employees in the second ethnic group have lower pay or bonuses than employees who are in the first group
- a negative percentage figure reveals that typically, or overall, employees who are in the first group have lower pay or bonuses than employees in the second group
- a zero percentage figure would reveal no gap between the pay or bonuses of employees in the 2 groups