LEVELLING THE PLAYING FIELD:

A practical guide for calculating your socioeconomic pay gap.

Prepared by the Bridge Group in collaboration with The Social Mobility Foundation.

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FOREWORD

A fair day's pay for a fair day's work is the least anyone should expect. When this is undermined, people feel their efforts are not rewarded, resentment grows and with it the risk of greater social division.

Too many of Britain's workplaces share a shameful secret. Employees from working-class backgrounds are paid thousands of pounds a year less than those from better-off backgrounds when working in the most prestigious roles.

Over recent years there has been a welcome focus on tackling racial inequality and gender pay gaps. But diversity efforts are flawed if socioeconomic background is not included. These aren't either/or issues; they complement each other. Inequality based on social class has to be as much a focus as other diversity concerns. It cannot be the poor relation.

Change will require employers prioritising data collection, strategic intentionality and meaningful targets that positively impact socioeconomic diversity.

When these ingredients are combined, progress follows. We have seen this across gender and ethnicity pay gap reporting as examples. Although there is still a long way to go, the gender pay gap has decreased from 18.4% in 2017 to 14.9% in 2022 among full-time employees. The pay gap for median hourly pay between White and ethnic minority groups was 2.3% in 2019, the smallest difference since 2012.

It's well established that what gets measured gets done. With the practical help this guide offers, employers have an opportunity to address the class pay gap. Some are already doing so. I hope many others will do the same and, in the process, contribute to creating a fairer, more socially mobile Britain.

Rt Hon. Alan Milburn
Chair, The Social Mobility Foundation

"Class pay gaps increase our understanding about inequalities in the workplace — informing where to focus efforts and to evaluate impact. **Without the data, we're in the dark."**

Nik Miller
CEO, the Bridge Group

AN INTRODUCTION TO OUR GUIDE

The Bridge Group and The Social Mobility Foundation, with the support of Clifford Chance, Co-op, KPMG UK, PwC UK and Teach First, have developed this guide to support organisations who want to measure, report on and close their socioeconomic pay gap.

Pay gaps measure the difference in the average earnings of staff by background or other characteristics and can be used as a mechanism for assessing workplace disadvantage. Measuring and reporting on them can be useful in helping to understand and improve equity in the labour market, or at an organisation level.

While it is already a statutory requirement for employees with at least 250 employees to measure and report on the gender pay gap, and many organisations are voluntarily reporting ethnicity pay gaps, reporting on socioeconomic pay gaps is not yet commonplace. We hope our guide will change that.

Although socioeconomic background is not a protected characteristic, there is significant evidence of its impact on an individual's earning potential. Recent research by the Bridge Group has highlighted the detrimental impact it can have on salary and career progression and in some instances the impact is greater than that of other protected characteristics.

As a result, certain organisations have proactively taken the decision to measure, report on and close their socioeconomic pay gap. The advice in this guide is designed to help others who would like to take this step and follows the established best practices in reporting gender pay gaps, but with recommendations tailored to looking at this by socioeconomic background.

For those reading this guide who are at the early stages of their journey, we understand that socioeconomic background is frequently overlooked in discussions concerning equity and inclusion, and we recognise that knowing how and where to start can be a daunting task.

In addition to this guide, we suggest hosting a lunch and learn session featuring a screening of The Social Mobility Foundation's short film, STAY DOWN, which illustrates the human impact of classism in the workplace. This can help engage employees in your work on socioeconomic diversity and inclusion.

N.B.: Throughout this guide, the terms 'socioeconomic pay gap' and 'class pay gap' are used interchangeably.

A pay gap is not the same as unequal pay, which means employees performing equal work, or work of equal value, are not receiving equal pay. See here for more information about this.

COMMITTING TO EQUALITY: CASE STUDIES IN BEST PRACTICE

Our pledge to equality at **Co-op**

At Co-op we recognise that too often our life chances are defined by things outside of our control – be that gender, ethnicity, disability or socioeconomic background. It cannot be right that those from less advantaged backgrounds are almost twice as likely to end up in working class jobs than others from more privileged backgrounds. It's a question of fairness.

There is overwhelming evidence that shows socioeconomic background can act as a brake on progression and performance – this has to change. We want to lead by example, taking action to identify where unfairness is holding our people back. That's why we launched our 9-point social mobility plan to break the class ceiling, at Co-op and beyond. A critical aspect of this plan is monitoring and reporting on our class pay gap.

We are delighted to support this guide and hope it will help others as they begin their journey to close the class pay gap.

Making the business case for socioeconomic diversity at **KPMG UK**

At KPMG, we firmly believe that greater diversity in all its aspects improves business performance as it brings fresh thinking and different perspectives to decision-making, delivering better outcomes for our clients.

We recognise that genuine change requires both robust evidence and practical action, which is why we took the decision to measure our class pay gap and set meaningful targets.

In 2022, we challenged ourselves further and published pioneering research which found that socioeconomic background has the strongest effect on an individual's career progression when compared with other diversity characteristics. This puts the importance of socioeconomic diversity sharply in focus – making it clear that getting on in a career is just as important as getting in.

Our commitment to transparency is not merely a promise but a cornerstone of our accountability. It empowers us to take purposeful strategic actions and make tangible strikes towards creating a fairer, more equitable society.

We know that our people, our clients and the communities we serve want greater transparency from business, and we are committed to holding ourselves to account to ensure that opportunities are open to all.

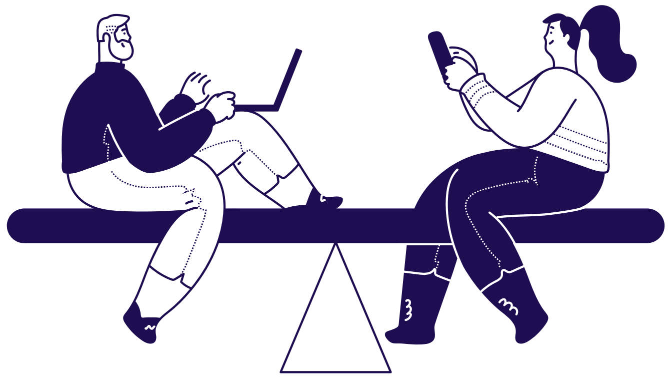
How data collection unlocked the ability to drive change at **PwC**

Improving access to opportunity and striving towards a society where a person's career is based on their potential and not their background is a priority for PwC. Our approach has always been rooted in our people and the evidence of what works.

The pandemic and cost of living crisis have highlighted, and in many cases increased, the inequalities existing within our society. We have collected social mobility data since 2017 and published our pay gaps for the last three years, amplifying our commitment to transparency and progress.

One of the crucial challenges in measuring and reporting your socioeconomic pay gap is the need for robust data collection. Our approach to data collection has always been built on transparency with our employees coupled with a deep understanding that diversity enriches our business.

While we acknowledge that our efforts are ongoing, we stand firm in our resolve to lead by example. By sharing our journey, challenges and successes, we aspire to initiate a ripple effect, inspiring others to embark on their steps toward creating a more inclusive society.



What gets measured gets managed and gets done: how we report our class pay gap at **Teach First**

Teach First was set up to address inequality in education and society, and we apply that mission to how we operate as an organisation too, which is why we took the decision to measure and report on our class pay gap.

The decision came with challenges – identifying how to measure class was one of the first, followed by collecting the data. We ran a mini-campaign, where we made it clear that our choice to collect socioeconomic data was about shining a light on how colleagues from a variety of backgrounds experience working at Teach First, so we can take action to help create a fairer and more equitable organisation.

Now, we have a baseline of what the class pay gap looks like. We're able to use this to put actions in place that improve the experience of our employees, whatever their background. For example, we now know that our class pay gap is driven by an underrepresentation of those from working-class backgrounds in our most senior roles. We've made significant changes to our recruitment and selection processes, adopted inclusive hiring practices, and introduced training and development programmes to build our internal pipeline of underrepresented talent for leadership roles.

HOW TO CALCULATE YOUR CLASS PAY GAP: SEVEN-STEP SUMMARY

1 Collect socioeconomic background data from employees

2 Decide your ‘snapshot date’

3 Which employees to include

4 What types of pay to include

5 Work out weekly working hours

6 Work out class pay gaps

7 Understand and share your results

STEP 1: Collect socioeconomic background data from employees

Which metric to use to define socioeconomic background?

Various metrics are used to categorise people’s socioeconomic background (SEB), including eligibility for free school meals and type of school attended. No single metric can capture the multifaceted nature of someone's social, cultural and economic circumstances; but there is one measure that does this more effectively than others, and is now widely used across research, education and among employers.

The occupation of the main household earner when a child was 14 is a strong indicator of access to opportunities that impact life outcomes. This metric is also internationally applicable (recognising that many organisations will have a high proportion of employees educated outside the UK) and there are standardised ways to categorise the response to this question, placing people’s SEB as lower, intermediate and higher.

This standard metric also enables meaningful benchmarking, since it is collected in national and international datasets (including the census, and the quarterly Labour Force Survey).

Social Mobility Commission (SMC) guidance, prepared in partnership with the Bridge Group, includes more details about the specific questions to ask, the rationale for it, and how to categorise people’s responses.

Collecting SEB data

As outlined in the SMC guidance, collecting SEB data should always be approached with sensitivity and transparency. The best way for employers to collect SEB data is to ask employees to report their SEB, but always with an option to opt-out of answering, such as ‘prefer not to say’.

Employers should be familiar with the ‘legal status’ of this data, since SEB is neither a protected characteristic in UK law, nor is it Special Category Data as defined by the Information Commissioner’s Office (ICO).

Regardless, we strongly recommend that this data should always:

- be stored and handled in line with GDPR best practice;
- be used in aggregate to help make evidence-based decisions;
- not be used for appointment and promotion decisions; and
- be accessible to the fewest people possible in the core HR team.

If you are planning to share any of the data with an external organisation for analysis or evaluation, you should state these recommendations when collecting the data and be as specific as possible.

Response rates

To explore class pay gaps it is essential to have high response rates from the workforce about their SEB. The minimum percentage required will vary depending on organisational size and the way in which responses are distributed (for example, by seniority and occupational area). However, for most employers a response rate of over two thirds enables meaningful analysis.

There is evidence-informed guidance from the Bridge Group about how to encourage increased response rates among employees. One important aspect of this is that employees understand that the data will be used to interpret aggregate patterns in the workforce, and never to make decisions about an individual’s pay, progression or performance assessment.
It is also helpful to link the collection of SEB to the development of an evidence-informed action plan.

STEP 2: Decide your 'snapshot date'

The guidance in these sections follows the standardised best practice guidance relating to calculating gender pay gaps. You will need to decide the date that your analysis relates to: this is called your **snapshot date.**

You will also need to consider your **pay period** – this is the timeframe in which you pay your relevant employees' (defined later) basic pay. The duration of pay periods will typically be a week, a fortnight or a month, and it may vary for different employees. You will need to make your calculations considering these differing pay periods.

The **time snapshot** 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 16 May, your relevant pay period would be 1 May to 31 May.

STEP 3: Which employees to include

Who counts as an employee?

To calculate SEB pay gaps, you should follow the gender pay gap guidance on who counts as an employee. The guidance covers whether you should include, for example:

- employers with multiple payrolls
- overseas workers and international jobs
- employers who are 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

This enables you to calculate your headcount, which is the number of individual employees, not full-time equivalents.

In the process of identifying who to include, you should also note whether groups being excluded may disproportionately be from lower SEBs – and reference this in your narrative when sharing your class pay gap.

Making a list of employees and their SEB

Use the list of employees in your headcount and the below information to establish who are your:

- relevant employees
- full-pay relevant employees

Full-pay relevant employees are also relevant employees, so you will record some of their data in both lists.

Once this list is compiled you can map in each person's SEB data, categorising people as lower, intermediate or higher SEB (as outlined in section 1). You should also record on this list where SEB data is not available for an individual (because they have either not responded to the question, or they have chosen 'prefer not to say' or 'I do not know').

Relevant employees

People who are employed by you on your snapshot date, who:

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

You should exclude partners who are salaried or are LLP members treated as employees for payroll purposes.

Relevant employees are counted on an individual basis, not as full-time equivalents. All employees working part-time, including job-sharers, employed on your snapshot date count as one employee. Where people job-share, they are counted as individual employees.

Full-pay relevant employees

These employees are made up from your list of relevant employees.

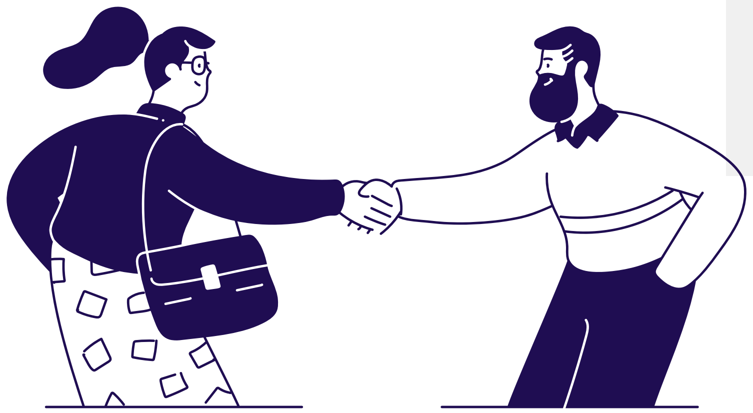
Full-pay relevant employees are employed by you on the snapshot date, and are paid either:

- their usual full basic pay during the **time snapshot;** or
- less than their usual basic pay, or none at all, during the pay period in the time snapshot, if it is for reasons other than leave (for example because of irregular working hours)

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

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

These people still count as relevant employees.



STEP 4: What types of pay to include

Now that you have created a list of relevant employees, and a list of full-pay relevant employees (with SEB data mapped against individuals), you should now add the amount of **ordinary pay** received by each **full-pay relevant employee** in the **time snapshot** and **bonus pay.**

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

You should use the employee's gross pay:

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

There are some payments you should exclude from the relevant pay period:

- any **ordinary pay** received in the relevant pay period that would normally be received in a different pay period (for example, payment to make up for an accidental underpayment in the previous period); and
- any payments made at other times even if they relate to, or should have been paid, in the relevant pay period.

Ordinary pay includes monetary payment such as:

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

The following are not included in ordinary pay:

- overtime pay
- allowances earned during paid overtime hours
- redundancy pay
- pay related to employment termination
- pay in lieu of annual leave
- repayments of authorised expenses
- benefits in-kind
- interest-free loans

Next you should add bonus pay and include all bonuses paid in the twelve months ending on your snapshot date.

You need to add bonus pay for all employees, whether they are counted as **relevant employees** or **full-pay relevant employees.**

You should include non-consolidated (one-off, non-pensionable) bonuses.

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

Add bonus pay to each full-pay relevant employee within the time snapshot.

Also add bonuses paid to **all employees** in the twelve months ending on your **snapshot date** (this includes all relevant employees, and full-pay relevant employees). Only include bonuses that were actually paid within these periods.

This approach will enable you to undertake separate analysis about class pay gaps that relate to bonuses.

Bonus pay to full-pay relevant employees

Add bonus pay that you paid only:

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

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 twelve months to your **time snapshot**
- it is not related to a specific period

Bonus pay to relevant employees

Add bonus pay that you paid:

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

Bonus pay includes any rewards related to:

- profit sharing
- productivity
- performance
- incentive
- commission
- long-service awards with a monetary value

Bonus pay includes rewards paid as:

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

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

Percentage of employees in different SEB groups receiving bonus pay

Where bonuses are an important aspect of pay, employers should separately calculate class pay gaps that relate specfiically to bonuses. This guidance relates to this aspect of the analysis.

This calculation shows the percentage of people in different SEB groups who received bonus pay in the twelve months ending on your snapshot date. Use the list of **all relevant employees** including the SEB group they are in and bonus pay.

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

Mean (average) class pay gap for bonus pay

This calculation shows the difference in the mean (average) bonus pay paid to different SEB groups. Use the list of **all relevant employees,** including their SEB and bonus pay.

1. Add together the bonus payments made to all higher SEB employees in your list in the twelve months to your snapshot date. Divide this figure by the number of higher SEB employees who received bonus pay. This gives you the mean bonus pay for the higher SEB group.
2. Repeat this for the lower SEB people in your list. This gives you the mean bonus pay for those in the lower SEB group.
3. Take the mean bonus pay for those from higher SEBs and subtract the mean bonus pay for those from lower SEBs.
4. Divide the result by the mean bonus pay for those from higher SEBs.
5. Multiply the result by 100.
6. This gives you the mean class pay gap in bonus pay as a percentage of the higher SEB group's bonus pay.

Median class pay gap for bonus pay

This calculation shows the difference in the median bonus pay paid to employees in different SEB employees groups. Use the list of **all relevant employees,** including their SEB and bonus pay:

1. Create a list of all higher SEB employees who received bonus pay in the twelve 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 – this figure is the median bonus pay for the higher SEB group.
2. Repeat this for those in the lower SEB group. This figure is the median bonus pay for the lower SEB group.
3. Take the median bonus pay for the higher SEB group and subtract the median bonus pay for the lower SEB group.
4. Divide the result by the median bonus pay for the higher SEB group.
5. Multiply the result by 100.
6. This gives you the median class pay gap in bonus pay as a percentage of the higher SEB group's bonus pay.

Using socioeconomic pay gap reporting to create an inclusive culture at **Clifford Chance**

Understanding more about our socioeconomic diversity is crucial if we are to become the truly inclusive firm we wish to be.

The annual reporting of this data allows us to take stock of how we are seeking to realise our strategy to change the rules, change the culture and change the lived experience of those from different backgrounds at our firm.

There is work still to do, but we believe nurturing our unique culture, and ensuring it is truly diverse and inclusive, will have the greatest impact on our ability to close our socioeconomic pay gap over the coming years.

STEP 5: Work out weekly working hours

Now that you have a list of your employees, with their SEB data and pay included, you need to add in weekly working hours for full-pay relevant employees. This is because pay gaps are based on hourly pay excluding overtime.

Hourly pay is the sum of ordinary pay and any bonus pay (pro-rata) that was paid in the pay period which includes your **snapshot date.**

You will need to calculate hourly pay only for full-pay relevant employees. You do not need to record weekly working hours in your list of relevant employees who are not full-pay relevant employees.

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

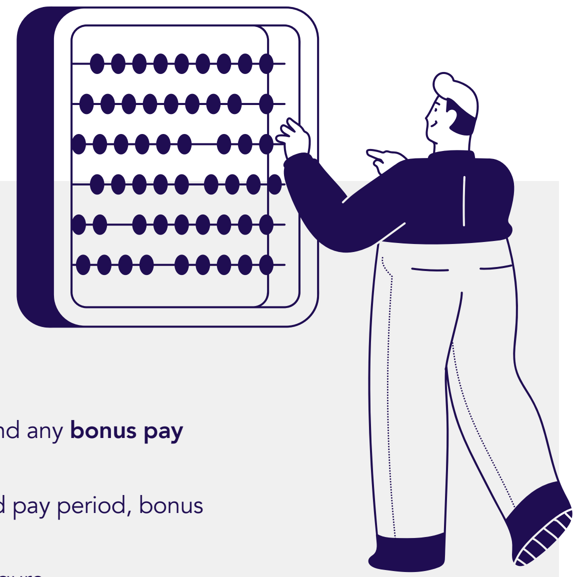
Do not include paid or unpaid overtime in weekly working hours figures.

Do you need to make calculations in this section?

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

- have a fixed hourly rate of basic pay (regardless of whether they have 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 enter the hourly pay for full-pay relevant employees in your list.



Calculating 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 included on a pro-rata basis.
- Multiply this by the appropriate 'multiplier' to find a weekly pay figure.
- The multiplier is seven 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:

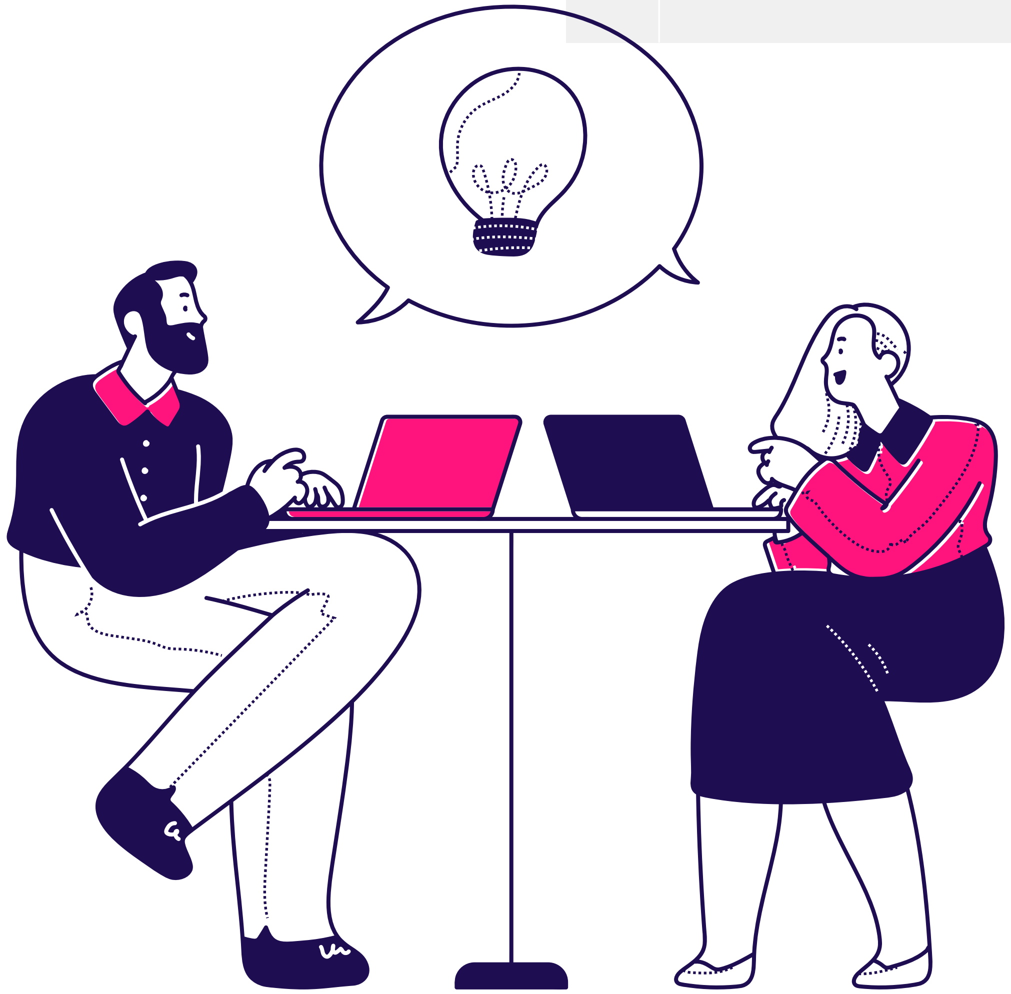
Weeks	Where periods are calculated in weeks, a year is treated as having 52.18 weeks
Months	Where periods are calculated in months, a month is treated as having 30.44 days
Years	Where periods are calculated as a year, a year is treated as having 365.25 days

New employees and changes in role

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

- use a figure that reasonably represents the number of working hours worked in a week
- use an average over a shorter period if you believe this will help better reflect 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.



STEP 6: Work out class pay gaps

Now you have all the data you need to calculate your class pay gap.
As with gender pay guidance, we recommend looking at **five measures** to understand the different aspects of a class pay gap:

A Percentage of each SEB group in each hourly pay quartile

B Mean (average) class pay gap using hourly pay, between those of lower and higher SEB

C Median class pay gap using hourly pay, between those of lower and higher SEB

D Percentages of employees in each SEB group in your organisation

E Percentage of employees who did not disclose their SEB – they either answered 'prefer not to say' or gave no answer

In addition, many employers also use the calculations in the earlier section to look at bonus pay.

We strongly encourage you to use the measures relating to bonus pay, where this makes up a large proportion of employee pay.

A Calculating the percentage of employees in different SEB groups in each hourly pay quartile

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

- Define your pay quartiles and assign each employee to a pay quartile.
- For each pay quartile, count the number of employees within each SEB category, 'prefer not to say' and those who did not respond.

These steps are the same as gender pay gap reporting, except you replace the gender categories with your SEB categories.

You could present your data using:

- the number of employees in each SEB category and pay quartile;
- the percentage of employees from each pay quartile that fall in each SEB category; or
- both of these.

Using 'pay halves' if you have too few employees

Although an SEB category may have enough employees for your minimum category size, when you split this category by pay quartiles, combinations of pay quartile and SEB may result in a very small number of employees. If this were to happen, it might be possible to identify those people.

To guard against this outcome, you could combine your pay quartiles into pay halves instead as follows:

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

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

How to divide hourly pay into quartiles

- 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 four quartiles, with an equal number of employees in each quartile

These quartiles will be the:

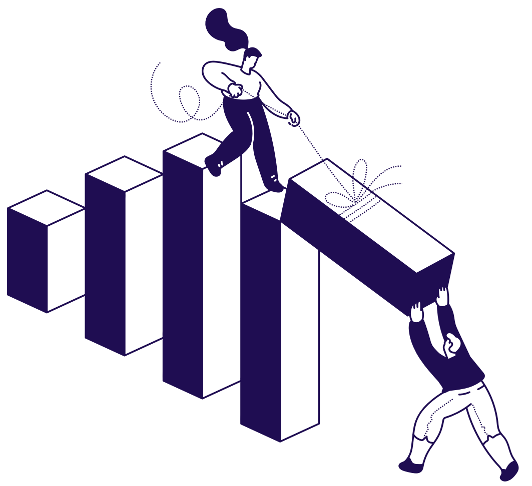
- upper hourly pay quartile
- upper middle hourly pay quartile
- lower middle hourly pay quartile
- lower hourly pay quartile

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

- divide the number of full-pay relevant employees in the quartile who are in each SEB group, 'prefer not to say' or who did not respond, by the total number of full-pay relevant employees in the quartile and multiply by 100.

This calculation gives you the percentage of employees in the hourly pay quartile in each SEB group (as well as for those who preferred not to give their SEB and those who did not respond).

The number of calculations you need to do will be the same as the number of SEB group categories you are using, plus two calculations for 'prefer not to say' and employees who did not respond.



Mean and median calculations reveal different dimensions of pay differences.

Again, many employers will be familiar with the process because of 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 affected by a few high earners in an organisation. Both calculations 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 SEB pay reporting, those from a higher SEB are most likely to be used as the comparator group. As noted previously, some organisations may wish to consider the gaps between all three SEB groups (lower, intermediate and higher), but this may not be possible in many organisations, because of the low number of people from an intermediate SEB.

The mean (average) class pay gap figure uses the hourly pay of all full-pay employees to calculate the difference between the mean (average) hourly pay of the SEB groups.

Calculating the mean involves adding up all the numbers and dividing the result by how many numbers are in the list. This calculation is useful, because it places the same value on every number, giving a good overall indication of the class pay gap.

Refer to your list of hourly pay for full-pay relevant employees created earlier for each SEB group.

Calculate the mean hourly pay for employees in the higher SEB group:

- add together the hourly pay of all full-pay relevant employees who are higher SEB
- divide this figure by the number of full-pay relevant employees who are higher SEB

This gives you the mean hourly pay for employees in this group. Then calculate the mean (average) hourly pay for those from a lower SEB using the same process as above.

You can then calculate the mean pay gap using the hourly pay figure:

- take the mean hourly pay for your higher SEB group of employees and subtract the mean hourly pay for the lower SEB group
- divide the result by the mean hourly pay for higher SEB employees
- multiply the result by 100

This gives you the mean class pay gap in hourly pay for the lower SEB group as a percentage of the hourly pay of employees in the higher SEB group. This calculation can be repeated to compare the pay gap between, for example, those from a lower SEB and an intermediate SEB.

The median class pay gap figure is the difference between the hourly pay of the median full-pay relevant employee for one SEB group and another SEB group.

A median involves listing all 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 two central numbers.

Medians are useful to indicate the typical situation. They are not distorted by very high or low hourly pay (or bonuses).

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

Refer to your list of hourly pay for your full-pay relevant employees.

Calculate the median hourly pay for employees in the higher SEB group:

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

This gives you the median hourly pay for employees from the higher SEB group.

Now, calculate the median hourly pay rate among employees from a lower SEB using the same process.

You can then calculate the median class pay gap using hourly pay figures:

- take the median hourly pay for higher SEB employees and minus the median hourly pay for lower SEB employees,
- divide the result by the median hourly pay for lower SEB employees, then
- multiply the result by 100.

This gives you the median class pay gap in hourly pay for lower SEB employees as a percentage of higher SEB employee pay.

Understanding what a positive or negative percentage figure means

In these calculations:

- A positive percentage figure reveals that typically, or overall, employees in the lower SEB group have lower pay or bonuses than employees who are from a higher SEB in the first group.
- A negative percentage figure reveals that typically, or overall, employees who are in the higher SEB have lower pay or bonuses than employees in the lower SEB group.
- A zero figure would reveal no gap between the pay or bonuses of employees between the two groups.

D Representation of SEB groups in your organisation

The representation of SEB groups is the percentage of employees falling in each SEB category. This additional daata, disaggregated by office region or occupational area/seniority, can give context to your calculations. It can also provide more information for decision-makers about, for example, barriers in recruitment or progression within the organisation.

E Percentage of employees whose SEB is 'unknown' or 'prefer not to say'

The number or percentage of employees who choose not to state their SEB, or who you were unable to gather this information from, is a useful baseline. You should analyse these groups of employees separately.

This can be used to contextualise the other SEB pay calculations, as well as highlighting whether further work is needed to improve data collection.

STEP 7: Understand and share your results

Understanding the calculations

It is important to identify the possible causes contributing to any pay gaps. This will, in turn, help you to determine whether you need to take action and if so, identify targeted and effective actions that will impact on any disparities in pay in your organisation.

The cause of pay disparities can vary greatly, even between employers in the same sector. There is a wide body of evidence about the possible causes of the class pay gap, including research from the Bridge Group, the Social Mobility Commission and the Social Mobility Foundation.

Employers should use this evidence to develop tailored actions. **There are multiple questions you can consider to understand the cause of your class pay gap, each revealing new insights about your workforce.**

- (A) Are some SEB groups more likely to be recruited into lower paid roles?
- (B) Is there an imbalance in individuals from different SEBs applying for and achieving promotions?
- (C) Do people from certain SEBs progress more slowly?
- (D) Are some SEB groups more likely to work in specific roles, and is this reflected in pay?
- (E) Are some SEB groups more likely to work in different locations, and does this impact pay?
- (F) Do employees from different SEBs leave at different rates?

Advice on publishing your findings

You will need to undertake your own calculations, but we typically recommend that a minimum category size of 50 employees should be specified to ensure statistical robustness when publishing data. This will also help guard against information about individuals being disclosed. If you intend to publish data for specific groups of your employees, for example separate analyses, the minimum category size applies to each analysis published.

Employers are not required to report their class pay calculations, but some have already chosen to do so. Any report should aim to help employers and employees understand why a pay gap might be present and what has been, or will be done to improve it.

Using only one of the overarching measures outlined above will be less helpful compared with considering all the recommended calculations.

Employers should also consider a supporting narrative that includes:

- (A) Explanations for each of your class pay gap figures in your report.
- (B) A summary of why you believe pay disparities exist, based on close analysis of your data and broader factors – employers should avoid making assertions about why pay gaps might exist without robust analysis as reasons for any pay gaps are likely to be complex and multi-dimensional.
- (C) Wider workforce statistics, so you can provide a wider and clearer picture of why pay differences exist.
- (D) The efforts your organisation has already taken to understand and address pay disparities.

Producing class pay calculations in a consistent way is also an important step to see what progress is being made to close socioeconomic pay gaps.

You should also consider sharing an action plan that references clear, measurable targets that you commit to achieving.

When developing an action plan, it is important to be realistic but ambitious. In general, avoid setting a target for a zero-gap, since this can under-appreciate the complexity of the causes of class pay gaps.

Further information can be found in the Social Mobility Commission's employer toolkit for socioeconomic diversity and inclusion, and the guidance in the latest Social Mobility Employer Index Report.

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The Social Mobility Foundation has been campaigning to close the class pay gap for a number of years. For previous iterations of our campaign, check out:

Staydown.co.uk and Classpolish.com

To help us spread the word, share this guide with your networks on social media and tag us:

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