

ESG in 3D: Social

# U-turn on DEI regulatory reporting

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## Digest:

- The Government has made a change to reporting requirements which will mean businesses with less than 500 employees may become exempt.
- According to government data, as of 2021 SMEs (0-250 employees) account for 61% of all employees in the UK private sector and 52% of all turnover.
- The Government is aiming to “to remove bureaucratic and burdensome regulations on businesses”. However, the change poses a significant organisation risk and a risk to workers as significant proportion of the UK economy is left out of the conversation.
- Studies have found that gender pay gap reporting has resulted in more women-friendly hiring practices and has narrowed the gap between gender pay and critics argue this deregulation will reverse this progress.

## Source/Context:

On 2 October 2022, the government announced that ‘thousands of UK businesses will be released from reporting requirements and other regulations’. The announcement outlines that the currently, businesses with fewer than 50 employees should be exempt from certain but this is being increased to 500 employees. Currently, gender pay gap reporting requirements are in place for businesses with 250 staff or more.

This change is said to apply from Monday 3 October 2022 to all new regulations under development as well as those under current and future review. It will therefore include reporting requirements such as gender pay gap reporting. This follows the government’s suspension of the requirement for the year 2019/2020.

## What does this mean for the FS and other industries?

This is another example of the discrepancy between government policy, stakeholder expectations and good DEI practice. The suspension during the pandemic has been heavily criticised by campaigners, because as we know, the pandemic exacerbated pre-existing inequalities, and as a result, the data becomes even more important for tracking and preventing further inequity. However, getting a business to foster a culture that prioritises ESG will inevitably require effort, as would any change. Therefore, this further highlights the issue with the ‘business case’ for DEI as the government’s reasoning for these changes are due to wanting to ‘slash red tape’. Creating and sustaining long-term value for shareholders and other stakeholders requires managing and addressing external factors of which, social issues and social support are paramount.

Businesses should continue with regulatory reporting as a part of DEI good practice and should also consider expanding their efforts to include race and disability pay gap reporting. The Equality and Human Rights Commission view, “Pay gaps reflect broader inequalities in society and tackling them is an important way to achieve a fairer society”. It has also committed to introducing ethnicity and disability pay gap reporting as soon as possible.

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