



The EU Mutual Learning Programme in Gender Equality

Tackling the gender pay gap

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Tackling the gender pay gap in the UK

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1. The UK gender pay gap

1.1. Country context

Paying people unequally for equal or similar work has been illegal for over 40 years in the UK following the Equal Pay Act in 1970 which was strengthened subsequently by the Equal Pay for Work of Equal Value Law in 1984.

Despite this legislation, the gender pay gap, which relates to the employed population as whole, remains at a high level in the UK (18.3 %) in comparison with other European Union Countries (16.1 %) and Belgium (9.9 %), ranking 20th out of the EU-28 (Eurostat 2016).¹

In the UK, the overall political framework, the relationship with the social partners and wage bargaining processes are very different from those in Belgium. The UK government does not engage in formal collective bargaining over wages and conditions at the sectoral level as a whole but only with respect to some public sector activities. More generally, the government discusses rather than negotiates pay and policy issues with business organisations and the trade unions and with respect to the public sector tends to impose settlements if agreement is not reached, a recent illustration being the case of junior doctors in the National Health Service. In general, the government seeks to establish a flexible, market-friendly environment and minimise regulations and reporting obligations of companies.

There is some collective bargaining between companies and trade unions, but overall less than one third of all workers are covered by such agreements and in the private sector this proportion falls to around one sixth. In the private sector, wage bargaining takes place mainly at company or workplace level rather than industrial sector. Within the public sector, there is some sectoral level bargaining and nearly two thirds of the workforce are covered (ETUI, 2016). However, the number of public sector workers has fallen from 6.3m to 5.3m since the 2010 welfare cuts (ONS 2016a). Likewise, trade union membership has fallen in the UK, but in the private sector the median the trade union premium is 33.5 % above that of non-members.

When new laws are considered, the government launches open public 'consultations' via the internet. As part of these consultations certain 'interested' groups – such as trade unions, employers, people from the voluntary sector, academics, NGOs (including women's organisations) are invited to specific meetings for discussion. The government may then report the outcomes of the discussions, but these are not negotiated or agreed with the social partners.

¹ This figure differs from the measure usually used by the UK in that it is based on average gross hourly earnings rather than the median.

Consultations on the gender pay gap took place in 2015 and 2016, and legislation is expected late 2016 or 2017.

The Government's stated motivation for reducing the gender pay gap rests on social justice and, similarly to the private sector, an instrumental evidence-based argument (Government Equalities Office 2016). Evidence shows that reducing the gender pay gap would increase economic output by 0.6 trillion GBP by 2025 and more diverse organisations are more productive and profitable (McKinsey 2015).

1.2. Dimensions of the gender pay gap

Since 1997 (when measures were first collected) the gender pay gap has been falling, although the rate of decline has slowed in recent years. At the current rate of change, it will be 2069 before the gender pay gap is eliminated (Deloitte 2016).

The unadjusted median hourly pay rate is the measure usually used by policy-makers and this stands at 9.4 % for full-time workers and 19.2 % when part-time workers are included. Given that 42.3 % of women work part-time (compared to 13.4 % of men), it is important to take account of part-time workers to reduce the overall gender pay gap and address gender inequality more generally. Focusing on the hourly measure at the median still means that the difference in working hours is not taken into consideration, which is a significant determinant of gender pay gap and gender inequality in general. For example, looking at average weekly earnings, women earn a third less than men (Costa et al. 2016).

Looking at the size of the gender pay gap for different groups of workers provides information useful for policy. The size of the gender pay gap varies by a variety of factors: for example the 19.2 % difference in median hourly wages reduces to 16 % for those working more than 20 hours a week on average, and to 10 % if mothers are excluded and to only 6 % for people with these characteristics who are aged between 22 and 35. The gender pay gap is much higher for women over 40 and especially, but not exclusively, for mothers (Costa et al. 2016).

When adjusted by education for different population cohorts, only the least well educated group have experienced any decline. For those with 'A' levels (secured at the age of 17-18) or a university degree there is no evidence of any decline in the last 20 years (Costa et al. 2016). Thus although women are performing better than men in terms of educational qualifications the aggregate (full and part-time) gender pay gap for graduates ten years after graduation is 23 % (Britton et al 2015).

The gender pay gap also varies across different occupations. It is especially high in finance, managers and directors at 39.4 %. In science and engineering it is lower at 17.3 % (ONS 2015) and for this reason the Government and private sector reports recommend that girls study STEM² subjects at school. However, the dynamic effect of women's entry into this sector is not considered and neither is the fact that other jobs, in the caring sector for example, still need to be done.

In the main, the gender pay gap reflects both job segregation and higher rates of pay that typify jobs where men are over-represented (LSE, 2015) and the gender-differentiated employment status of women and men in terms of full or part-time work. The gender pay gap is higher at senior levels – but this is where women as a

² STEM = Science, technology, Engineering and Maths.

group are underrepresented, constituting 40 % of the highest quartile but 60 % of the lowest pay quartile.

The second key determinant is the differential employment status of men and women. Men overwhelmingly (86.6 %) work full-time, while 42.3 % of women work part time and the difference in earnings is 45 % per hour at the median (Costa et al 2016). This distribution arises from the unequal domestic division of labour which affords women primary responsibility for child and elder care in the context of inadequate state provision and very high cost for private care. These broader issues figure in policy debates and need to be addressed together with the question of low pay generally and especially in part-time work to reduce the overall gender pay gap.

2. Policy debate

2.1. Government policy and reports

Since 2015, companies and organisations have paid greater attention to the gender pay gap following David Cameron's promise to 'end the gender pay gap within a generation' (Gov.uk 2015), an aspiration shared by the new government.

Measures to implement this promise are expected to be made law by 2017 under section 78 of the 2010 Equality Duty Act. These include mandatory reporting of the gender pay gap for organisations with 250 employees or more, including: their mean and median gender pay gap, the median gender bonus gap and the number of male and female employees in each pay quartile (Government Equalities Office 2016).³

Neither these reporting regulations nor the current policy go far enough to make a real difference to the underlying factors of the gender pay gap: gender-segregated employment, the low value attached to sectors where women are over-represented⁴ and the unequal gender division of care and domestic work which means that women are much more likely than men to work part-time (Women and Equalities Unit 2016) and where pay is low, for example in retail and care sectors.

The Women's and Equalities Committee⁵ (House of Commons, 2016) identified 4 areas that need to be addressed to eliminate the gender pay gap and these reflect many of the concerns of academics literature, trade unionists and women's organisations as well as companies in the corporate sector.

Their first proposal is that job flexibility becomes the norm and employees are 'judged on their outcomes rather than presentism' (HC 2016:6). So employers should make all jobs flexible, i.e. with varied hours by day, week or year and by location. This proposal is designed to allow those with caring responsibilities to work varied or shorter hours and still realise their career potential, though if women rather than men continue to work reduced hours, the gender pay and pension gaps will remain.

³ The intention is that legislation will be introduced in late 2016 or in 2017 so that all organisations will collect data in 2017 and report in 2018.

⁴ In-work poverty and poverty among children have both been increasing since the recession.

⁵ The Women's Equality Committee is a Cross Party Parliamentary Committee. It has limited funds but can gather evidence on a range of matters it considers important and publish the findings in reports.

To address the motherhood pay penalty the WEC recommend 'non-transferable parental leave' so recognising that current 'flagship' policy on flexible parental leave which allows women and men to share care on a voluntary basis is unlikely to lead to change precisely because of the gender pay gap which makes it economically rational (at least in the short term and on a household basis) for women to take the leave. Given the relatively high probability of divorce and separation the current division of labour with respect to carework is rarely in women's long term economic interest.

The Committee also recommends establishing industrial strategies 'for low-paid highly feminised sectors to improve productivity and pay levels.' This recommendation also recognises that while the New Living Wage, introduced in 2016, has led to increased pay, it is insufficient to make the scale of change needed. However the difficulties and indeed potential undesirability of increasing productivity in the care sector is less well recognised. The final recommendation relates to for introducing pathways to work to support women who return to work.

2.2. Corporate thinking

Companies in the corporate sector focus mainly on the gender pay gap in senior positions and the comparative absence of women. Particular areas of concern are recruitment, retention, promotion and bonuses, in addition to pay, and attention is given to the significance of unconscious bias. Bonus determination for example has been found to embody gendered assessments of qualities, performance and suitability for different positions.

The government has responded by introducing voluntary targets for women on boards. In addition, a recent report by Virgin Money for the UK Treasury (2016) on finance companies makes three key recommendations: relating to setting internal targets and public reporting, making executives responsible for improving gender diversity and (somewhat contradictorily) linking their bonuses to success in this regard. The report also specifies 10 actions which relate to flexible working including related technologies and support for working parents; more role models for women and ensuring they have some commercial experience in an attempt to overcome internal gender segregation. A further action was to ensure pay transparency.⁶

2.3. Trade union and feminist organisations

The trade unions and feminist campaigners such as the Women's Budget Group and the Fawcett Society are more concerned by the low pay in sectors in which women predominate and its impact on 'in work' and child poverty.⁷

A further concern are the costs of childcare which take up 40 % of a couples income in the UK compared to an OECD average of 17 % (assuming the parents have a combined income of 150 % average wage – OECD, 2015) and childcare costs have been rising in the UK much faster than earnings in the last five years (Family and Child Care Trust, 2015). These costs discourage low-qualified women from paid

⁶ Other corporate firms have also been active in this regard, in particular McKinsey – see references and KPMG who have produced an extensive report on Unconscious Bias.

⁷ In the UK the number of people who are 'in work poor' now exceeds the proportion of pensioners and child poverty has been increasing.

work and even though the gender pay gap is lower among the low-qualified, the gender wage gap for those who move in and out of the labour force is 14 % higher than those who remain attached (Family and Childcare Trust, 2016).

The Government is introducing measures to double the amount of free childcare to 30 hours a week for working parents of children aged 3 to 4 years from 2017, but a gap for younger children remains. Additionally, childcare providers have pointed out that government funding for childcare places is insufficient to cover the cost of the current free hours of care, the shortfall being made up by parents who pay for additional hours of care who will clearly pay less when the number of free hours is extended further (Rutter 2016). Squeezing the profit margins of the childcare providers could impact negatively on childcare workers pay and so adversely affect the gender pay gap in a different way.

3. Transferability aspects

Despite the different policy environments there is scope for mutual learning. The ideas of pay transparency, gender-neutral job classifications (which go beyond job titles) and job value assessments which are conscious of gendered social norms and unconscious gender bias, stereotypes and prejudices are important and need to be considered in order to address the gender pay gap effectively.

Specific measures to address downward occupational mobility experienced by older women and mothers, in particular, such as the idea of pathways to return to work may be useful. Thinking more broadly about the role of unconscious bias and social norms may assist in formulating gender-neutral job evaluations and classifications and perhaps provide a way of thinking about how to distribute the collectively agreed wage packet in the Belgium case with respect to the distribution of wages within specific companies.

The UK would gain from a Gender Pay Gap Law that made job screening and job classification systems mandatory. At present, the Equal Pay for Work of Equal Value law is addressed on an individual case by case basis within a single employer which is costly, time consuming and limited. Although there have been successful cases, the outcomes are not yet generalised.

It is important to recognise the difference between ensuring equal pay for work of equal value which is designed to ensure that workers doing similar types of work for similar amounts of time are rewarded equally and the gender pay gap which refers to the overall employment and so includes broader concerns relating to the gender division of labour more generally including the domestic division of labour. This means that women are more likely than men to work less owing to the uneven gender distribution of caring responsibilities. In addition it is important to note that the Equal Pay for Work of Equal Value Law generally operates within a single employer and so in practice does not often address occupational gender segregation. In the UK it is workers in large organisations that have been more successful in bringing cases as their place of employment includes women and men

doing different types of work that have been assessed as requiring similar skills and competencies and consequently entitled to similar rates of pay.⁸

4. Recommendations

The current emphasis in the UK on naming and shaming companies with wide gender pay gaps and little indication of how to address these is unlikely to generate the scale of change needed to end the gender pay gap before the new generation of people entering the workforce reach retirement. Instead a comprehensive strategy is required consisting of: national policies – relating to pay legislation, working time and provision for child and elder care; company level pay determination, promotion and recruitment methods and changes to gender divisions of labour within households.

Achieving equal pay for work of equal value is difficult to ensure when pay levels vary so much between companies and organisations, but it is probably the gender segregated character of employment that accounts for why these differences also take a gendered form. And this is why a comprehensive strategy that addresses broader questions including provision of care, parental leave policies, positive forms of work flexibility and working time regulations, gender stereotypes need to be addressed rather than looking at the gender pay gap in isolation.

4.1. Care, flexible and part time work

UK employees have the right to request flexible working times in any job, but there is no guarantee that this right will be granted, and when taken, it can often mean that career progression is stalled. Making all jobs flexible would resolve this problem but needs to be combined with measures to increase the involvement of men in care, increased provision of accessible, affordable and available child and elder care and addressing the low pay in caring work. Otherwise increasing flexibility would risk cementing the gender division of care labour and the gender pay gap.

4.2. Pay determination

Different sectors and occupations are characterised by different levels of pay conventionally justified by the marginal productivity of labour theory. This theory is challenged by some economists, including Paul Krugman who argues that social norms are more important. This analysis is supported indirectly by companies which are recognising the significance of unconscious bias with respect to pay, bonuses, recruitment, and promotion.

4.3. Employment segregation

If it is difficult to revise the pay associated with different kinds of work then the other strategy would be to introduce measures to address the deep-seated cultural barriers that lead to the gender-segregated employment structure. The UK government is trying to encourage more girls to take up STEM subjects (science,

⁸ In October 2016 women workers in ASDA supermarkets won their case to have similar pay to men who work in the distribution centres. <https://www.leighday.co.uk/News/News-2016/October-2016/Major-victory-in-battle-over-ASDA-equal-pay>. This victory however runs the risk that male pay will be lowered over time in the flexible UK labour market.

technology, engineering and mathematics) as in these sectors the gender pay gap is lower. However this encouragement rather overlooks the fact that the majority of women with STEM qualifications do not work in STEM sectors which she suggests that the conditions of employment in this sector need to be examined more closely.⁹

Overall there is a range of very deeply embedded factors relating to gendered social norms that influence the gender division of labour with respect to carework, job segregation and the monetary value of different forms of work such there is no magic silver bullet. Knowledge of the scale of the gender pay gap by regular reporting at least highlights that there is a key social issue that needs to be addressed.

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