HR[N] Paper

Gender pay gap reporting: important, undesirable or irrelevant?

IES perspectives on HR 2016

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The Chancellor, and indeed the Prime Minister, are really worried about what is known in the Treasury as the UK's 'productivity puzzle': essentially that the UK seems to be having an economic recovery that is almost free from productivity improvement. As my colleague Jim Hillage (2015) has pointed out, we lag behind our major international competitors in the productivity stakes by more than 20 per cent. This concern underpins many of this government's economic policies, from road improvements and protection of the national science budget to apprenticeship schemes and the forthcoming training levy, with a number of high-profile taskforces chaired by business leaders working on different aspects of the issue as I write.

The McKinsey Global Institute (2015) estimates that as much as $28 trillion could be added to global GDP if women could replicate male levels of labour market participation, with Europe standing to gain some 21 per cent of GDP or $5.1 trillion. Similarly, the Women and Work Commission (2006) calculated that removing barriers to women working in occupations traditionally dominated by men, and increasing women's participation in the labour market, could contribute an additional £15 billion to the UK economy.

I was at a European Commission get-together last year where we worked on the re-design of their five-year equality strategy, and equal pay is a key component of their 2015–20 plan. Strictly speaking, if the UK was a truly fair and equal society, our female workforce should have downed their tools on November 9th and taken the rest of the year off, as that is when they start working for nothing compared to men (The Fawcett Society, 2015). The UK's median all-employee gender earnings gap is 19.1 per cent (Government Equalities Office, 2014), compared to the EU average of 16.4 per cent (European Commission, 2012). That's equivalent to a loss of £361,000 in gross earnings over a woman's working life.

To be fair, more than 40 years after the protests of the Dagenham Ford workers and the passing of the Equal Pay Act, and almost a century since the Suffragettes argued for a living and equal wage, government finally seems to have 'got' equal pay, with a range of initiatives almost competing now for employers' attention. The Treasury, Government Equalities Office (GEO) and new Parliamentary Women and Equality Select Committee have all been undertaking work. The latter is carrying out an inquiry into the gender pay gap for the over 40s, where statistically the male:female gap is widest, although factors earlier in women's working lives influence the pay gap subsequently (Leaker, 2008). Interestingly, the number of children women have not only increases their expenditure, it also reduces their pay. The average hourly pay of a full-time woman with one dependent child is £9.32, compared with £10.63 for full-time men, a gap of 12.3 per cent. In a family with four or more dependent children the gender pay gap stands at 35.5 per cent (Leaker, 2008).

And of course we have the forthcoming gender pay reporting requirement, which has to be finalised by April 2016. 'I'm announcing a really big move' the Prime Minister proclaimed when announcing it last year. 'We will make every single company with 250 employees or more publish the gap between average female and male earnings', creating 'the pressure we need for change, driving women's wages up' and thereby, his Education and Equalities Minister Nicky Morgan elaborated, 'eliminating the gender pay gap in a generation' (gov.uk, 2015).

Opinions on the issue are numerous, with over 700 responses sent to the GEO's formal consultation. The views expressed at five employer and stakeholder consultation groups we facilitated for the Equality and Human Rights Commission in late 2015 were equally varied, although most of our participants did seem to agree that, with or without reporting, the European Commission's estimate of a 70-year timespan to close our gender pay gap remains more realistic.

Interestingly, the strongest opponents and proponents of further government action to address the gender pay gap seem to agree that compulsory reporting will have little practical impact. Business groups have generally, if somewhat predictably and depressingly, reacted negatively to the requirement and referred to compulsory reporting as a 'misleading' (according to the Confederation of British Industry) and potentially costly piece of red-tape (Mason and Treanor, 2015).

The British Chambers of Commerce are right though to point out that if the government only requires the reporting of a single, overall male:female pay gap figure by each employer, then this risks 'taking a complex set of issues and reducing it to a few headline statistics.' Banks, for example, would be in for a really tough time, however strong their equality policies and commitment to achieving equal pay, as the pay gap is wide across the whole sector, averaging over 40 per cent.

More interventionist stakeholders emphasise that we have had now more than forty years of research and information and so we need far more action by government and employers. At a recent seminar, equal pay expert Sheila Wild, founder of the Equal Pay Portal, pointed to the failure of voluntarism, the general decline in private-sector pay transparency and government advice and enforcement activity, alongside the watering down of the public-sector equality duty in England. She believes that a much more fundamental reform of the equality legislative framework is required.

The GEO's own 2015 survey (IFF Research, 2015) found just a quarter of employers carrying out equal pay audits, mostly in the public sector. The majority did not plan to undertake one either, believing, despite the absence of evidence, that they did not have a gender pay problem. It must be everyone else. And the previous government's 'Think, Act, Report' voluntary initiative, despite initially signing up hundreds of employers, looks to have been an unmitigated failure, with just five of the 7,000 businesses with over 250 staff due to be affected volunteering and publicly reporting their gaps thus far.

Many of the participants in our consultation groups also believed that stronger and additional action is required. Partly this was because of such recalcitrance and also the ability of employers to disguise and manipulate their gaps under headline reported figures, as ably illustrated by Metcalfe and Woodhams (2012).

Some participants favoured stronger and more wide-ranging government intervention. A number supported the legislative requirement of compulsory equal pay audits, as occurs in Austria, and the remarkably detailed and open pay data comparisons which employers are provided with and have to act on in Denmark.

But as some of the delegates in our Cardiff EHRC group pointed out, there is a limit as to how far even the most interventionist legislation can actually impact on employer practice. In Wales the public sector equality duty has been extended, requiring not just reporting of gender, ethnic and disability pay gaps, but also action plans to address them. Delegates felt that this requirement, however, was almost impossible to police, and also pointed out that many willing employers simply don't know how best to close their gaps in an effective and affordable way. It was felt employers needed to be guided and supported to change and address these gaps, rather than threatened and cajoled by legislation and fines.

Addressing the UK's persistent gender pay gap is far from easy, as nations and for individual employers. Our research and consulting experience at IES points to the complex, deeply rooted historical, cultural and social causes of gender pay gaps. These range from continuing patterns of schools' and parental career guidance, channelling girls towards traditional, female-dominated, low paying occupations, the so-called 'five Cs' ; to the lack of affordable childcare provision, the continuance of maternal-dominated shared parental leave (despite the more flexible, in theory, government provisions); and what one delegate referred to as inflexible flexible working provisions' in many employers and effectively a 'glass ceiling' applied in practice.

An excellent special edition of the Cambridge Journal of Economics highlights these multiple, shifting and complex causes of gaps in Europe. The introduction (O'Reilly et al, 2015) highlights the complexity of the issue in shifting labour markets and economies with very different legislative contexts. While the overall pay gap has tended to fall in many countries over the past forty years, it has not closed; in countries like the UK and US it has been stubbornly resistant, or has even widened.

In reviewing the collection of papers that make up the special edition, they identify four broad themes: conceptual debates over the natures and causes of the gap; legal developments and their impact; wage-setting institutions and changing employer demands, for example for flexibility; and newly emerging pay inequalities between and within educational and ethnic groups. As they conclude, perhaps unsurprisingly: 'progress towards closing the gender pay gap will not be easy, will require a collective effort of various actors, and will not be quick'.

Multi-stakeholder groups working together to address this complex web of causation appears to be a key means of progress, and governments, employers, trade unions and academic experts along with other informed stakeholders, such as EHRC, have already been successfully working to close gaps.

One example is the Women Adding Value to the Economy (WAVE) Programme in Wales, which is funded by the European Social Fund, through the Welsh Government (WG) and with key partners including the universities of South Wales and Cardiff, The Women's Workshop and trade unions. The first phase of WAVE ran between 2012 and 2015 with the aim of understanding and 'interrupting' the ways in which gender pay disparities are consistently reproduced through occupational segregation, through the ways in which 'women's work' is valued and contracted and through the operation of pay systems. The second phase of WAVE is continuing in 2016.

Another example is in higher education (HE), where we can see the progress that effective data analysis and advice can produce in a sector that, perhaps surprisingly, has one of the widest gender pay gaps. Employers, represented by the Universities and Colleges Employers Association, and the HE trade unions recently undertook joint work examining information on gender pay interventions, with a view to identifying and actively promoting effective practice (UCEA, 2015).

Partly through UCEA's work, more than 90 per cent of HE institutions already carry out gender pay audits, and based on this knowledge, we are seeing a wide range of interventions adopted. These range from Kings College's 'positive discrimination', to unconscious bias training, to more widespread promotion of job sharing and part-time working at senior levels, as well as encouraging the Nordic practice of including breaks for childcare as a positive experience on CVs.

And that data, leading to analysis and action, is already having an impact. The November 2015 national earnings data published by the Office for National Statistics revealed that the HE gender pay gap is narrowing, with a significant fall of 2.4 percentage points for full-time staff working in the sector (from 13.5% in April 2014 to 11.1% in April 2015). The 2015–16 pay settlement commits employers and trade unions to further work in this area.

By the time you read this, the UK government may well have published their details of how employers with more than 250 employee will have to report on their gender pay gaps. At IES we favour the use of a single comparative figure, but only with more detailed breakdown and narrative reporting options and progressive implementation over a number of years, to help employers to prepare for and act on their analysis.

Nobody really believes, however, that compulsory gender pay reporting on its own will close the UK's gender pay gaps. It could be argued that the simultaneous introduction of the National Living Wage in April 2016 will do more to close the gender gap than any form of reporting, with 27 per cent of women in work likely to benefit from the anticipated 5 per cent pa increase in the National Minimum Wage, up to a figure of c£9 per hour by 2020. Almost two-thirds of those affected will be low-paid women.

Almost all would agree with Professor Caroline Gatrell (2015) that 'while it is a good thing to encourage more transparency around levels of average pay and to expose the discrepancies between what men and women in the same roles earn, it is important not to think that the task ends there.'

Or as Dr Alison Parken at Cardiff University puts it, 'Total transparency in salaries may give things a nudge in the right direction (but) much more needs to be done to tackle the gender pay gap' (WAVE, 2015).

So, let's all get on and start doing it.

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More on this topic

To find out more about the ideas in this article or how IES can help you, please contact:

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Workshop

Gender pay gap reporting: important, undesirable or irrelevant?
30 July 2016, London

'We plan to close the gender pay gap within a generation' proclaimed the Prime Minister, announcing last summer's consultation as to how best to introduce the requirement for all organisations with more than 250 employees to report their gender pay gaps.

What will your organisation have to report? What will the impact be? What other measures are required to ensure gender pay equality? What is happening in the rest of Europe? Will compulsory equal pay audits follow?

These are all questions we will be seeking to address and answer at this workshop.

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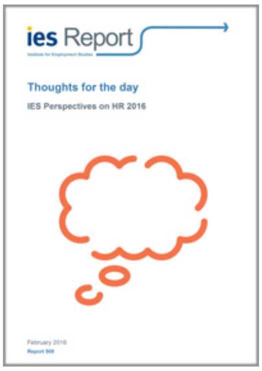

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The full report is available online at: www.employment-studies.co.uk/hr2016

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