

## **Gender Pay Gap Reporting Briefing**

**April 2019**

Nearly 50 years since the Equal Pay Act, women still earn less than men in Britain today.

The most recent statistics from the ONS' Annual Survey of Hours and Earnings (ASHE) show that the gap for full time workers is 13.7%.<sup>1</sup> Unless otherwise stated, statistics in this briefing are from this source.

In April 2018 the first mandatory Gender Pay Gap reporting took place – this saw all organisations with over 250 employees legally required to publish their gender pay gap data for the snapshot in April 2017. The deadline for the second year of Gender Pay Gap reporting is 4 April 2019 for private organisations and 30 March for the public sector, and is the data for April 2018.

### **What is the difference between the gender pay gap and equal pay?**

The gender pay gap refers to the average difference in pay, per hour, between a particular group of men and women – for example in a particular business, industry, or country. This can be caused by a range of different factors. Equal pay refers to the legal right for a woman to be paid the same as a man for the same work, or work of the same value – in other words, not to be discriminated against. Organisations may find that they have an equal pay problem when they look at their gender pay gap data – if they do, this is unlawful and must be corrected.

### **Gender Pay Gap Reporting**

#### **What is Gender Pay Gap Reporting?**

By 30 March 2018 (public sector) and 4 April 2018 (private and voluntary sector) all organisations employing over 250 people in England, Wales and Scotland are legally required to have reported their second year of data on their gender pay gap – this includes publishing information on their own website and also submitting this data to the government's Gender Pay Gap Reporting service (<https://gender-pay-gap.service.gov.uk/>). Fawcett campaigned for this to be introduced, and will continue to campaign for it to be strengthened.

---

<sup>1</sup> ONS (2018), *Annual Survey of Hours and Earnings: All data related to Annual Survey of Hours and Earnings: 2018 provisional results*

In Scotland certain public bodies employing over 20 people already had a duty to publish gender pay gap information. Similar requirements are yet to be implemented in Northern Ireland.<sup>2</sup>

The requirements were an important step forward, improving the information available to employees and the wider public. Publication offers the opportunity for employers to build their understanding of the pay gap in their organisations and for increased public pressure on organisations to take action to address it.

### **Calculating the gender pay gap**

There are different ways of calculating the gender pay gap. Like most organisations, Fawcett uses the gross hourly pay gap - excluding overtime.

Fawcett calculates its headline measure of the gap<sup>3</sup> using the mean average, as this takes into account the fact that more men than women are earning higher wages at the top, which is an important part of the overall pay gap. The mean full time pay gap is 13.7%.<sup>4</sup>

### **Calculating the gap – Gender Pay Gap Reporting**

The gap can also be calculated using the median average, to look at differences between workers in the middle of the distribution. We can also use the total of both full- and part-time workers (the 'aggregate' gap) in order to look at the overall difference in wages when the fact that more women work part-time is taken into account. Each method sheds a different light on gender wage inequality. Gender Pay Gap Reporting requires organisations to publish:

- The mean and median pay gaps for **all employees**
- The proportion of men and women within each quarter of their pay distributions
- The proportion of men and women who get a bonus
- The mean and median gender pay gap solely looking at bonuses

Employers can refer to ACAS' guidance at <http://www.acas.org.uk/index.aspx?articleid=5768> for further information.

### **What did the first year's Gender Pay Gap Reporting show?**

Aggregating up different organisation's gender pay gap data isn't as good a measure of inequality across society as the government's official statistics – the real benefit is in women and men being able to see the inequality in their own workplace and act to change it.

---

<sup>2</sup> Fawcett Society (2018), *Sex Discrimination Law Review*

<sup>3</sup> This is used for each year's Equal Pay Day, which will be the 12<sup>th</sup> November in 2019

<sup>4</sup> ONS, ASHE 2018

But we can say some things from looking across the data. In line with what we might expect, nearly eight out of ten employers had a median pay gap in favour of men, and the mean average of each organisation's median gap was 9.7%.<sup>5</sup>

EHRC research shows, however, that more needs to be done than just publishing data. Looking at whether businesses are taking action, at the end of 2018 they found that:

- only one in five employers sampled had produced an action plan to close the gender pay gap
- only 11% had set themselves targets that would enable them to measure progress of their plans year on year
- larger employers were more likely than smaller ones to have set themselves targets, as employers with fewer than 499 staff were less likely to publish an action plan as part of their gender pay gap figures than larger ones.<sup>6</sup>

### **What if employers don't publish their data?**

In 2018 nearly 10,000 organisations required to do to published their by the deadline. Employers that fail to report on time or report inaccurate data are in breach of the regulations and risk facing legal action from the Equality and Human Rights Commission (EHRC), leading to court orders and fines.

According to the EHRC on 9 April 2018, it started enforcement action against 1,456 employers who it believed to be in breach of the rules. As of 14 May 2018, fewer than 400 employers remained on the list. Its on-going enforcement and engagement with businesses has raised compliance rates to what they describe as 100%. The EHRC has also started early enforcement against employers who have provided what appears to be statistically implausible data.<sup>7</sup>

The Equality and Human Rights Commission (EHRC) can use its existing enforcement powers under the Equality Act to ensure organisations report; this will include seeking summary convictions with an unlimited fine, but this will only be an option where an employer has been investigated, issued with an unlawful act notice and has still failed to comply. This is a disproportionately drawn out process.

Fawcett recommends that the law should be changed so that **civil penalties for non-compliance are introduced**, which along with additional resources for the EHRC would enable them to have a more immediate impact with enforcement activity. This would be a similar approach to the powers given to HMRC to enforce the National Minimum Wage.

---

<sup>5</sup> Pinsent Masons analysis, <https://www.out-law.com/en/articles/2018/april/gender-pay-gap-reporting-explosive-positive-effect/>

<sup>6</sup> EHRC (2018), *Closing the Gender Pay Gap* <https://www.equalityhumanrights.com/en/publication-download/closing-the-gender-pay-gap>

<sup>7</sup> EHRC website, <https://www.equalityhumanrights.com/en/pay-gaps/gender-pay-gap-our-enforcement-action>

## **Why should a business care about its Gender Pay Gap? Why does it really matter anyway?**

The gender pay gap is partly driven by a lack of women at the top, and research from across the private sector routinely demonstrates that more diverse teams, including teams with a more even share of women, perform more effectively than teams which are homogenous: from research and design teams in Spain, which are more innovative with women members,<sup>8</sup> to senior management boards across the UK and North and South America, which are more likely to grow if they are gender-diverse.<sup>9</sup>

Research by McKinsey demonstrates that tackling gender inequality in the workforce overall is a vital issue for productivity – they estimate a £150bn benefit to UK GVA if the performance of every region on gender equality in the workplace was raised to that of the best.<sup>10</sup>

## **Why might an employer have a large pay gap? What should they do?**

An employer will have a large pay gap when, overall, it pays women more than men. This can come about as a result of a number of trends within that organisation, including:

- The employer having more men at the top, which represents a failure to properly recruit or promote women, and a problem for that organisation's effectiveness.
- The employer having mostly women in lower-paid roles, such as we often see in the social care sector, which raises questions about why those women's work is not better paid and why they are not being promoted.
- The employer recruiting fewer women into better paid roles at all levels – for example, having women in HR and Administration, even if they are at the top of those sectors, and men in better paid Finance roles.
- The employer having discriminatory practices in relation to pay, which could be a legal equal pay issue.

Organisations may find that these, or other reasons, come into play when looking at their own data. Publishing an action plan off the back of this analysis is not currently mandatory – but Fawcett has argued that it should be, and we urge all firms to set out what they intend to do to close the gap

---

<sup>8</sup> Cristina Díaz-García, Angela González-Moreno & Francisco Jose Sáez-Martínez, (2013), 'Gender diversity within R&D teams: Its impact on radicalness of innovation' *Innovation: Organisation and Management*, Vol 15(2), pp. 149-160

<sup>9</sup> Vivian Hunt, Dennis Layton, Sara Prince (2015), *Diversity Matters*, McKinsey & Company

<sup>10</sup> McKinsey (2016), *The Power of Parity*

### **What can I do if my company has a gender pay gap?**

The deadline for publishing gender pay gap data is an important moment for employees and employers across the country to have a conversation about equality in the workplace. We set out some of the key policy responses that organisations could use to challenge their gaps, and the Government Equalities Office have also published a helpful guide to some actions that could help.<sup>11</sup>

As we have seen with the BBC, often the conversation will turn to equal pay, or pay discrimination. Everyone has a right under the Equality Act 2010, no matter what your contract might say, to talk about their pay if it is for the purposes of helping women, or people with other protected characteristics such as race or disability, to establish if they have been discriminated against - so this is the right time to have that discussion.

You can also talk to your manager, and ask them to see your company's action plan to close the gap. You can join a union, or if you are already in one ask your union representative what they are doing to advance pay equality. And to build solidarity, you can join your firm's women's network (or gender equality network) – or start one, if there isn't one.

### **What about companies which don't employ many women?**

Firstly, these organisations need to look at why they don't employ many women. If it is an industry-wide issue, such as in many Science, Technology, Engineering and Mathematics (STEM) related fields, then they need to do their bit to change the picture at all levels from education upwards. If it is a problem which is isolated to that particular organisation, they need to urgently look at their recruitment practices.

Even if an organisation has few women employees, a large gap is not inevitable but means that those women are paid less on average than men. They still need to understand the problem and tackle it.

### **What proportion of women are covered by the requirement to publish data?**

The requirement to publish gender pay gap data only applies to employers with over 250 employees. According to evidence given to the Women and Equalities Select Committee, the Government predicts that gender pay gap reporting will only cover 34% of the UK

---

<sup>11</sup> <https://gender-pay-gap.service.gov.uk/actions-to-close-the-gap>

workforce,<sup>12</sup> and the House of Commons Library finds that this is only 0.1% of all businesses.<sup>13</sup>

That is why Fawcett has consistently argued that the regulations should be amended to lower the threshold to workplaces with over 50 employees. This would be in line with regulations in France and Sweden, and with the recommendations of the cross-party BEIS Select Committee.<sup>14</sup>

### **Which sectors have the biggest pay gaps?**

The mean full-time gap is higher in the private sector, at 17.1% - but it has fallen by 4.3% points since 2011. In the public sector it has stayed flat at just above 14%.

Some industrial sectors have much larger pay gaps, such as air transport with a 34% gap, financial and insurance activities with a 30.5% pay gap, arts, entertainment and recreation with a 39.3% pay gap, and legal and accounting with a 25.3% pay gap.<sup>15</sup>

### **What is the bonus pay gap?**

As well as the overall gap in hourly pay, the data firms are required to publish includes the gap in the proportion of women and men who receive a bonus – and then in the amounts of bonus pay that men and women receive. This helps us to break down the reasons for the overall gap – and often reveals that bonus pay is disproportionately given to men. At present, this data groups bonuses for those working full time and part time, which should be split out to provide an accurate picture – however, the scale of the bonus differences we have seen suggest that discrimination may be taking place.

Organisations need to look at the systems they use to allocate bonuses and determine how they can stop them from being discriminatory. This is notably a problem at the top of organisations – CMI data finds an 83% bonus pay gap at C-level.<sup>16</sup>

### **The Gender Pay Gap**

---

<sup>12</sup> Women and Equalities Select Committee (2016), *Gender Pay Gap: Second report of session 2015-16*, House of Commons

<sup>13</sup> Rhodes, C. (2016). *House of Commons Library: Briefing Paper Number 06152 Business Statistics*

<sup>14</sup> BEIS Select Committee (2018), *Gender pay gap reporting*

<sup>15</sup> ONS (2018), *Annual Survey of Hours and Earnings, Gender Pay Gap 2018 – Industry (2 digit SIC)*

<sup>16</sup> CMI, (2017), 'Lack of Promotions is Widening Gender Pay Gap', accessed at <http://www.managers.org.uk/insights/news/2017/september/lack-of-promotions-is-driving-widening-gender-pay-gap>

## What causes the gap?

There's no one cause of the gap – important factors are discrimination, undervaluing roles predominantly done by women, dominance of men in best paid positions and unequal caring responsibilities.

### A divided labour market

- The gender pay gap is larger in traditionally male dominated occupations. For example, in skilled trades occupations the gap is at 20.3% compared to 8.3% in sales and customer service occupations.
- Women are far more likely to work part-time (73% of part-time employees are women).
- For women over 50, the gender pay gap rose over the last year and now stands at 19.4%.
- Women make up 61% of those earning less than the real living wage set by the Living Wage Foundation.<sup>17</sup>
- Women with degrees face a pay gap too. For example, in the UK five years after graduation, men from the highest earnings universities earn almost 50% more than graduates from other Russell Group universities, compared to 30% for women.<sup>18</sup>
- Just 7% of engineering apprenticeships achieved last year were undertaken by women.<sup>19</sup>
- There is a persistent gender pay gap amongst apprenticeships, which is a particular issue for younger women. The latest apprenticeship pay survey published in July 2017 shows that for level 2 and 3 apprenticeships women earn an average of £6.85 compared to £7.10 average for men.<sup>20</sup>

### Unequal Caring Responsibilities

- Women continue to play a greater role in caring for children and sick or elderly relatives. As a result more women work part time. These jobs are typically lower paid with fewer opportunities for progression.

---

<sup>17</sup> ONS (2018), 'Annual Survey of Hours and Earnings (ASHE) -Estimates of the number and proportion of employee jobs with hourly pay below the living wage, by work geography, local authority and parliamentary constituency, UK, April 2017 and April 2018

<sup>18</sup> The relative labour market returns to different degrees, Institute for Fiscal Studies(June 2018) <https://www.ifs.org.uk/publications/13036>

<sup>19</sup> Women on STEM Apprenticeships 2016/17,WISE(March 2018) <https://www.wisecampaign.org.uk/statistics-category/classroom/>

<sup>20</sup> Department for Business, Energy & Industrial Strategy (2017), Apprenticeship Pay Survey 2016



- Research by the Institute for Fiscal Studies found that the gender pay gap rises for mothers after the birth of a first child. Crucially, once the employment gap opens up after the arrival of the first child, it persists.<sup>21</sup>
- Although women's employment rates do start to rise again once the first child is around school age, they remain below male employment rates.
- Once a couple's first child is aged 20, mothers on average earn nearly a third less than the fathers.<sup>22</sup> A key factor is women working part-time in motherhood, with part-time workers missing out on wage progression.
- Timewise Flexible Jobs Index 2018 revealed that the proportion of quality jobs (paid £20k+ FTE) advertised with flexible working options is only 11%. This supply falls well short of the extremely high demand, with an estimated 87% of employees wanting to work flexibly.<sup>23</sup>
- Flexible working rights are essential to enabling women with children to participate in the workforce, and to support fathers to care.

### **Men at the Top**

- Men continue to dominate the most senior and best paid roles. In 2018, only seven Chief Execs in the FTSE 100 were women.<sup>24</sup>
- The number of women holding senior jobs in the boardrooms of Britain's biggest companies fell in 2018. Women make up only 9.7% of Executive Directors in the FTSE 100.<sup>25</sup>
- Government data on small and medium enterprises, published last year showed just 21% of the UK's SMEs were led by women.<sup>26</sup>

### **Discrimination**

- By its nature it is difficult to measure the impact of discrimination. However, experiments have shown that it is still an important factor. An American experiment where identical CVs were presented with female and male names found professors

---

<sup>21</sup> Costa Dias, Joyce, Parodi ( February 2018), The gender pay gap in the UK: children and experience in work accessed at [https://www.ifs.org.uk/uploads/publications/wps/MCD\\_RJ\\_FP\\_GenderPayGap.pdf](https://www.ifs.org.uk/uploads/publications/wps/MCD_RJ_FP_GenderPayGap.pdf)

<sup>22</sup> Costa Dias et al, *Ibid*.

<sup>23</sup> Timewise Flexible Jobs Index 2018, accessed at <https://timewise.co.uk/article/flexible-jobs-index-2018/>

<sup>24</sup> Guardian (2018), 'Number of women in top boardroom positions falls, says report', accessed at <https://www.theguardian.com/business/2018/jul/17/number-of-women-in-top-boardroom-positions-falls-report>

<sup>25</sup> Business, Energy and Industrial Strategy Committee (2017), Corporate Governance

<sup>26</sup> C. Rhodes, Business Statistics, Briefing Paper Number 06152, 28 December 2017, House of Commons Library



judged female applicants to be less competent, and less hireable. Professors were prepared to offer almost \$4,000 more to the identical male applicant.<sup>27</sup>

- EHRC research finds that 54,000 mothers a year are forced to leave their jobs early after they become pregnant.<sup>28</sup>
- Fawcett research identifies that amongst people who make recruitment decisions in businesses, those who oppose equality of opportunity for the sexes are over-represented (16% compared to 7% in the overall population) – this small minority of ‘barrier bosses’ may be key to tackling the impact of discrimination.<sup>29</sup>

### How does the gender pay gap differ for different women?

- The gap varies across the life course - it is at its lowest for women in their twenties (5.5%) and opens up significantly for women in their fifties (18.6%). Even though today’s younger women have a smaller pay gap at the moment as they age, research suggests that their pay gap will widen.<sup>30</sup>
- It also differs across industries. For example, it is over 32.8% in finance and insurance and less than 6% for those working in administrative and support services.
- Graduate women from ethnic minority backgrounds have been found to have lower pay three years after graduation than their white British peers,<sup>31</sup> and Fawcett research finds that women from Bangladeshi and Pakistani backgrounds have a 26.2% aggregate pay gap with White British men, and Black African women have a 19.6% full-time pay gap with White British Men.<sup>32</sup>

### What should we do about it?

- At present, businesses do not have to present an action plan to close their gaps – Government must legislate to make this a requirement.

---

<sup>27</sup> Corinne A Moss-Racusin et al., “Science Faculty’s Subtle Gender Biases Favor Male Students.,” *Proceedings of the National Academy of Sciences of the United States of America* 109, no. 41 (October 9, 2012): 16474–79, doi:10.1073/pnas.1211286109.

<sup>28</sup> Lorna Adams et. al., (2016) *Pregnancy and Maternity-Related Discrimination and Disadvantage: Experiences of Mothers*, Equality and Human Rights Commission/Department For Business, Innovation and Skills

<sup>29</sup> Jemima Olchawski (2016), *Sex Equality: State of the Nation 2016*, Fawcett Society

<sup>30</sup> Resolution Foundation (2017), Press release: ‘Gender pay gap falls to 5 per cent for Millennials in their 20s – but they are still set to face a huge lifetime earnings penalty’, accessed at:

<http://www.resolutionfoundation.org/media/press-releases/gender-pay-gap-falls-to-5-per-cent-for-millennials-in-their-20s-but-they-are-still-set-to-face-a-huge-lifetime-earnings-penalty/>; Goldin C. *A Grand Gender Convergence: Its Last Chapter*. American Economic Review. 2014;104 (4) :1091-1119.

<sup>31</sup> Zwysen and Longhi (2016), *Labour market disadvantage of ethnic minority British graduates: university choice, parental background or neighbourhood?* University of Essex

<sup>32</sup> Anthony Breach and Yaojun Li, (2017), *Gender Pay Gap by Ethnicity in Britain – Briefing*, Fawcett Society

- Mandatory equal pay audits should be required every three years. This should initially apply to employers of over 250 people. These must be conducted transparently and the data made publicly available.
- The introduction of Shared Parental Leave is an important step, but to ensure men have an equal role in household work the system needs reform.
- Businesses should be required to advertise job roles as flexible by default, unless there is a strong business case not to do so.
- Over 60% of those earning less than the real living wage<sup>33</sup> are women – we urge more businesses to become a real living wage employer.
- We need to challenge the segregation of men into higher-paying occupations and women into lower-paying occupations, starting with encouraging more women into STEM<sup>34</sup> subjects at school age.
- And we need to increase the value placed on – and wages paid for – roles which women are highly represented in, such as care work.

---

<sup>33</sup> i.e. the living wage calculated by the Living Wage Foundation, rather than the Government's new National Living Wage, which is a higher minimum wage for people aged 25+.

<sup>34</sup> Science, technology, engineering, and mathematics