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CIPD

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Closing the gender pay gap: how can we speed up progress?

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Background

Few will disagree that the gender pay gap remains one of the biggest barriers to achieving equality for women at work. In March 2015, Eurostat (the statistical office of the European Union) reported that the gender pay gap stood at 16.4% in the European Union (EU) (**www.ec.europa.eu**). The gender pay gap represents the percentage difference between the average gross hourly earnings of male paid employees compared with that of female paid employees – meaning that women earned on average 16.4% less than men as reported in March.

Equal pay for equal work has been enshrined as a principle in the EU's founding treaties since 1957 and supporting legislation has been transposed by member states via directives since that time. The European Commission has taken several steps over the past five decades to tackle the gender pay gap across the EU, including the adoption of a Communication in 2007 that made a number of recommendations, including:

- ensuring better application of existing legislation
- combating the gender pay gap through the employment policies of member states
- promoting equal pay among employers, particularly through social responsibility
- supporting the exchange of good practice across the EU.

The European Commission aims to close the gender pay gap through legislative and non-legislative means and its *Strategy for Equality between Women and Men 2010–15* sets out action in key areas such as the economy and labour market, equal pay and equality in senior positions. Over the years the Commission has also implemented actions directly focused on closing the pay disparity between men and women, including information campaigns to boost awareness among employees, employers, social partners and the general public and a website in 22 EU languages, as well as an annual 'European Equal Pay Day' to coincide with the latest gender pay gap figures. There is also an exchange of good practice on issues around the gender pay gap, and the *European Pact for Gender Equality*, adopted by EU leaders in 2011, made tackling the gender pay gap a priority. In March 2014, the Commission published a recommendation on pay transparency to encourage member states to facilitate wage transparency in companies – for example, by establishing pay reporting and gender-neutral job classification systems (EC Directorate-General for Justice 2013).

The continuation of these and future actions at EU level are vitally important and there has been good progress over the past few decades in narrowing the gender pay gap. The 16.4% gap reported in March 2015 represents a 1.1 percentage point improvement compared with five years earlier, for example. However, the gender pay differential has proved to be a persistent trend, undermining the achievement of genuine equality between men and women at work. This is because some of the factors contributing to the gender pay gap are historical and deeply rooted in society. On a global level, the International Labour Organization (ILO) has noted that *'without targeted action, at the current rate, pay equity between women and men will not be achieved before 2086, or at least 71 years from now.'*

This EU Briefing examines some of the causes and potential solutions relating to the gender pay gap, and highlights the case of the UK, where recently the Government has put forward far-reaching proposals to close the country's gender pay gap.

State of play in Europe

There are considerable differences in the gender pay gap across Europe. According to Eurostat's March 2015 release, in 2013 the gender pay gap ranges from 5% in Slovenia to more than

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20% in Austria, the Czech Republic, Estonia and Germany (see Table 1). Compared with 2008, the gender pay differential narrowed in 2013 in a number of European countries, the most obvious examples being Lithuania (from 21.6% in 2008 to 13.3% in 2013, or –8.3 percentage points), Poland (–5.0 pp), the Czech Republic and Malta (both –4.1 pp) and Cyprus (–3.7 pp). In contrast, and disappointingly, Eurostat reported that the gender pay gap rose between 2008 and 2013 in nine member states, with the most significant increases being observed in Portugal (from 9.2% in 2008 to 13.0% in 2013, or +3.8 percentage points), Spain (+3.2 pp), Latvia (+2.6 pp), Italy (+2.4 pp) and Estonia (+2.3 pp).

The Commission says that the gender pay gap is not an indicator of the overall inequality between women and men; it must be looked at in conjunction with other indicators linked to the labour market. For example, in countries such as Italy, where the female employment rate is low, the pay gap is lower than average – this may be a reflection of the small proportion of low-skilled or unskilled women in the workforce. It says that a high pay gap is usually characteristic of a labour market which is highly segregated, meaning that women are more concentrated in a restricted number of sectors and/or professions, such as Estonia and Finland.

What are the root causes of the gender pay gap?
The causes of the gender pay gap are complex and interconnected, with some factors resulting from deep-seated societal and cultural trends and attitudes that have become entrenched in modern-day institutions and working practices. As Eurostat reports, the gender pay gap is *'the consequence of various inequalities (structural differences) in the labour market such as different working patterns, differences in institutional mechanisms and systems of wage setting. Consequently, the pay gap is linked to a number of legal, social and economic factors which go far beyond the single issue of equal pay for equal work.'*

There are a number of systematic reasons as to why a gender pay gap might exist in particular sections and workplaces in a country's economy, such as the talent pool available to certain employers. In the UK, for example, there is a strong disparity in the number of males and females pursuing studies in science, technology,

Table 1: Gender pay gap in EU member states (%) [1]

	Total 2008	Total 2013	Change between 2013 and 2008 (in percentage points)
EU[2]	17.3	16.4	–0.9 pp
Belgium	10.2	9.8	–0.4 pp
Bulgaria	12.3	13.5	+1.2 pp
Czech Republic	26.2	22.1	–4.1 pp
Denmark	17.1	16.4	–0.7 pp
Germany	22.8	21.6	–1.2 pp
Estonia	27.6	29.9	+2.3 pp
Ireland[3]	12.6	14.4	+1.8 pp
Greece[3]	15.0	[4]	[4]
Spain	16.1	19.3	+3.2 pp
France	16.9	15.2	–1.7 pp
Croatia	[4]	7.4	[4]
Italy	4.9	7.3	+2.4 pp
Cyprus	19.5	15.8	–3.7 pp
Latvia	11.8	14.4	+2.6 pp
Lithuania	21.6	13.3	–8.3 pp
Luxembourg	9.7	8.6	–1.1 pp
Hungary	17.5	18.4	+0.9 pp
Malta	9.2	5.1	–4.1 pp
Netherlands	18.9	16.0	–2.9 pp
Austria	25.1	23.0	–2.1 pp
Poland	11.4	6.4	–5.0 pp
Portugal	9.2	13.0	+3.8 pp
Romania	8.5	9.1	+0.6 pp
Slovenia	4.1	3.2	–0.9 pp
Slovakia	20.9	19.8	–1.1 pp
Finland	20.5	18.7	–1.8 pp
Sweden	16.9	15.2	–1.7 pp
United Kingdom	21.4	19.7	–1.7 pp
Iceland	20.7	20.5	–0.2 pp
Norway	17.0	16.0	–1.0 pp
Switzerland	18.4	19.3	+0.9 pp

[1] The gender pay gap (GPG) in unadjusted form represents the difference between average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees, in the sectors of industry, construction and services (except public administration, defence, compulsory social security).

[2] EU aggregate refers to EU27 (not including Croatia) for 2008 and to EU28 for 2013.

[3] Ireland: 2012 data instead of 2013. Greece: 2010 data instead of 2008.

[4] Data not available.

Source: www.ec.europa.eu/eurostat

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engineering and mathematics (STEM) subjects. Therefore, it is highly likely that a large number of, for example, engineering businesses will end up reporting a relatively high gender pay gap. Factors such as the number of females pursuing certain courses of study mean that some underlying reasons for the pay gap are beyond the control of individual employers.

The Commission also highlights underlying factors such as occupational segregation contributing to the gender pay gap (EC Directorate-General for Justice 2013). Women generally work in sectors and occupations where jobs are compatible with their family responsibilities and are therefore more likely to work part-time, be employed in low-paid jobs and not take on management positions. Sectors where women are in the majority have lower wages than those dominated by men; for example, in the health sector, women make up 80% of all workers.

Further, women still face direct and indirect discrimination at work that can have an impact on pay levels, and women and men are affected by different workplace practices such as access to career development and training. Different reward methods and the structure of pay systems can also result in different pay outcomes for men and women. The Commission also points to the undervaluing of women's work and skills – for example, physical tasks, which tend to be carried out by men, are often valued more favourably than those carried out by women. In addition, gender roles and traditions shape women's and men's roles in society from a very early age.

In the UK, the Fawcett Society (**www.fawcettsociety.org.uk**) is a leading charity promoting gender equality and women's rights at work, at home and in public life. In its recent response on the UK Government's consultation on closing the gender pay gap, the Fawcett Society says that the gender pay gap has four main causes: occupational segregation; unlawful discrimination; the unequal impact of caring roles; and progression. In relation to caring, it notes that women continue to conduct the majority of unpaid care and domestic labour, and that caring responsibilities have a significant impact on women's ability to take full-time work or to progress in their career.

In terms of progression, women are still a minority of those in the most senior and highest paid roles. In the UK, the most senior roles in finance, the media and civil service continue to be dominated by men, while the majority of low-paid workers are women. In the EU, there are fewer women than men in senior and leadership positions in business, meaning that few women succeed in enjoying the most lucrative salaries – in 2013, according to the Commission, women made up just 17.8% of board members in the biggest publicly listed companies across the EU.

More broadly, we will not eliminate the pay gap until we break down labour market and workplace segregation; value jobs traditionally done by women in the same way as those traditionally done by men; enable all employees (male and female) to balance work and family life, and achieve an equal split of the responsibilities for care and domestic work, concludes the Fawcett Society.

Different country approaches

Several European countries have taken action across a number of fronts in a bid to close their gender pay gap. Some of these measures focus on gender equality and equal pay, such as **Estonia** (EC Directorate-General for Justice 2013). Estonia's action plan to reduce gender pay disparity has five main streams of actions and it is recognised that simultaneous action is needed in all areas:

- improving the implementation of the existing legislation (for example, improving the collection of statistics and awareness-raising)
- improving the reconciliation of family, work and private life
- promoting gender mainstreaming, especially in the field of education
- reducing gender segregation
- analysing organisational practices and pay systems in the public sector and improving the situation where necessary.

Another approach in some European countries focuses on gender equality plans and audits in companies to reduce the gender pay gap – Austria is one example of a country following such an agenda. The gender pay gap is very pronounced in **Austria**, partially explained by the marked horizontal segregation and the

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large income differences between sectors (**www.genderpaygap.eu**). Austria's 'National Action Plan for Gender Equality in the Labour Market' includes a compulsory requirement for companies to publish equal pay reports. Companies with more than 150 employees have to produce 'staff income' reports every two years and share the gender pay gap information with employees or their representatives. The reports must show the number of men and women classified under each category as well as the average or median income for women and men in the respective category. The goal is to create income transparency and take measures to reduce gender pay gaps (EC Directorate-General for Justice 2013).

In **Sweden**, employers with 25 or more workers legally have to draw up an action plan for equal pay every three years. This has to include information on any gender pay gaps within pay grades. Companies are also required to promote equal pay growth opportunities for women and men.

Belgium, meanwhile, adopted a law on reducing the gender pay gap in 2012 requiring companies to outline differences in pay and labour costs between men and women in their annual reports (**www.ec.europa.eu**). Belgium also publishes an annual gender equality report (*The Gender Wage Gap in Belgium*) which presents relevant statistics in line with official European gender pay gap indicators.

Several countries also make use of tools to make pay systems transparent and which help to identify the gender pay gap. For example, an online tool called Logib has been developed in Germany, Luxembourg and Switzerland to enable companies to analyse pay and staffing structures and verify if equal pay exists between male and female employees (EC Directorate-General for Justice 2013). The tool can also analyse the reasons for the pay differential between men and women, and propose actions to tackle the pay gap.

The UK's pay transparency plans

According to the Eurostat table, the UK's gender pay gap stood at 19.7% in 2013. In November 2014, the UK's Office for National Statistics reported a 19.1% gap for all employees, down from 27.5% in 1997. Based on median hourly earnings excluding overtime (the preferred measure because overtime earnings and the average measure can skew the findings), the gender pay gap for full-time employees was 9.4% – the narrowest gap on record for the UK. The pay gap has been virtually eliminated for full-time workers under 40.

However, the slow overall pace of progress is a key factor prompting the UK Government's proposal to require companies with more than 250 employees to publish the difference between the average pay of their male and female employees. In its consultation document, the Government says that equalising women's productivity and employment to the same levels as men could add almost £600 billion to the UK economy (**www.gov.uk**).

A recent survey of UK employers by IFF Research investigated the extent to which employers collect, report and publish data on pay by gender. It found that less than a third of organisations had conducted a formal pay gap review and only a small proportion had a planned approach for reducing their potential pay gap. The consultation therefore has far-reaching questions for larger employers on what pay information should be collected and how it should be used to help close the gender pay differential between men and women. The public consultation, which is now closed, asked for views on a wide range of issues, including:

- the potential impact of transparency on gender pay
- how important it is for employers to be able to compare their gender pay gap with other organisations
- whether companies should be obliged to publish additional 'narrative information' alongside their gender pay gap
- whether companies should be required to publish their gender pay information
- the potential costs to employers of conducting gender pay analysis
- the categories of gender pay gap data that should be collected
- the type of supporting guidance that it would be helpful for the Government to publish.

On the whole, respondents agree that the publication of gender pay information will encourage employers to take actions that will help close the pay gap.

CIPD viewpoint

The CIPD has given serious attention to the UK's gender pay gap consultation, drawing heavily on the views of our 140,000-strong membership of HR professionals (via focus groups, a survey and one-to-one interviews with senior HR practitioners) to help inform its response to the Government (the CIPD's full response to the consultation is available at http://www.cipd.co.uk/publicpolicy/consultation-responses/closing-gender-pay-gap.aspx).

On the whole, respondents agree that the publication of gender pay information will encourage employers to take actions that will help close the pay gap. Nearly half of the respondents to our survey (48%) believe this is the case. However, participants in our focus groups and interviews made clear that this will only be the case if employers understand why it is that they are being asked to report on their gender pay information and the implications this data has for their people management and development practices.

Encouraging a greater level of transparency around gender pay differentials is to be welcomed, but there are a number of issues to be borne in mind when introducing a regulatory approach as outlined in the consultation. For example, in our response we highlighted the risk that employers might, on the surface, simply see this as yet another regulation or 'hoop' in which they have to jump through which will incur financial cost, without any perceived benefit necessarily being achieved. To address this we are urging the Government to consider how it can work with key stakeholders, such as employer representatives and professional bodies such as the CIPD, to educate employers on the types of steps they can take to close a gender pay gap, such as more inclusive recruitment and talent management practices.

In its consultation response, the CIPD also flagged up the risk that the use of gender pay gap information to name and shame employers is likely to be misleading and could have unintended consequences. For example, simply because an organisation has a larger gender pay gap compared with others does not automatically mean that it is a 'bad' employer. There will undoubtedly be some employers that might have some very inclusive practices that promote diversity within their organisation, yet report a relatively large gap due to broader factors such as the particular sector or type of work or because of the local labour supply. Conversely, there might be employers that do not have particularly inclusive work practices yet are able to report a relatively low gender pay gap. The Government must avoid, therefore, perceptions of employers becoming polarised between being either 'bad' or 'good' depending on their gender pay gap.

We also emphasised, in line with the views of our membership, the importance of clear narrative reporting to explain why any gender pay gap exists and the type of people management practices already in place or being introduced which are designed to promote gender diversity and inclusion. We urged the Government, therefore, to encourage employers to provide a clear narrative as to why any gender pay gap exists and on their approach to encouraging diversity and inclusion, to provide context and meaning to any published figures.

It is also important that the publication of gender pay information is seen as a starting point, we cautioned in our response. Conducting a gender pay audit for the first time will allow employers to shine a light on their organisation and identify where the problems arise that lead to a gender pay gap. After reporting for the first time, time must then be given to allow employers to take meaningful steps in order to close their gender pay gaps. Each time an organisation reports its gender pay information subsequently should be seen as a 'snapshot' or 'progress check'. Meaningful change will not happen overnight, particularly if there are more systemic, underlying reasons for a gender pay gap to exist that are beyond the control of employers.

Publication of gender pay information, therefore, will encourage employers to take actions to close the gender pay gap **providing** this measure is part of an overarching, sustained strategy to improve diversity in the workplace. If it is merely perceived to be a regulation that has to be complied with at a set interval, employers may simply pay lip service to it. We believe that the Government has to follow through with any regulatory change to gender pay gap reporting with encouragement and advice for employers so that they can take action over time to close their gender pay gap in a sustainable way.

Reference
EUROPEAN COMMISSION DIRECTORATE-GENERAL FOR JUSTICE. (2013) *Tackling the gender pay gap in the European Union* [online]. Luxembourg: Publications Office of the European Union. Available at: http://ec.europa.eu/justice/gender-equality/files/gender_pay_gap/gpg_brochure_2013_final_en.pdf [Accessed 1 October 2015].

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About the CIPD

The CIPD is the professional body for HR and people development. We are the voice of a worldwide community of 140,000 members committed to **championing better work and working lives**.

Public policy at the CIPD

The Public Policy Team at the CIPD exists to inform and shape government policy for the benefit of employees and employers, to improve good practice in the workplace and to represent our members at the highest level.

We bring together extensive research and thought leadership, practical advice and guidance, along with the experience and expertise of our diverse membership base, to engage with politicians, civil servants, policy-makers and commentators in the UK and across Europe.

The CIPD in Europe

We use our substantial research, membership base and partnerships to produce EU-wide policy position statements on employment and diversity issues across Europe. Our areas of expertise include labour market forecasting, employee relations, gender equality, the ageing workforce, youth employment, pensions, labour mobility, human capital management and skills. We produce comprehensive research across the world of work to ensure that employers and employees can benefit from better workplace and workforce policy and legislation throughout Europe.

Find out more at **cipd.co.uk**

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