Closing the gender pay gap

Published by IWE, September 2015

By Alison Maitland

How would you feel about your employer if you knew that the gender pay gap at your company was bigger than at similar organizations? If you were looking for a job and trying to decide between two employers, would you take their published pay gaps into account in your decision?

These two questions come from a **survey** by Business in the Community (BitC), the charity for responsible business. Currently only a handful of large companies publish information about their gender pay gaps. The UK government aims to change that by making it mandatory for companies with more than 250 employees to disclose the difference between average male and female earnings from next year. In the run-up, BitC is asking people their attitudes towards equal pay.

One of my abiding memories of life as an employee at a large company is having received an unexpected and generous pay rise. With it came the explanation that the rise was to correct an anomaly that had been unearthed by a gender pay audit. I felt gratitude to the woman executive who had courageously instituted the audit – this was about 20 years ago – and satisfaction that my contribution was being fully recognised. I did, of course, wonder why it had taken so long, but ultimately it increased my loyalty. It also made me a big supporter of gender pay auditing as a way of closing the gap.

Across the European Union, women are paid on average about 17% less than men. In the UK, the average is 19%, which means that for every £1 a man earns, a woman earns 81p. It's a long-running problem with many causes and no easy answers. The principle of equal pay for equal work is enshrined in the founding Treaties of the European Community dating back to 1957, while the UK introduced the Equal Pay Act in 1970. Yet the gap persists.

The reasons range from discrimination, both conscious and unconscious, to different educational and career expectations for boys and girls, career detours, and the male-designed structure and culture of work. The consequences are less complex, as shown in a funny and pointed short video from the European

Commission: **https://youtu.be/0TEGrI5bDLA**. It's ironic that, despite all the indignities suffered by the woman shopper in the video, she still walks away smiling – probably because she's so used to pay discrimination that it seems normal!

It could be misleading if companies are required only to report an average pay gap for their whole workforce

The government says the transparency of mandatory reporting will help to close the gap and increase productivity. I agree, though only if the legislation is carefully crafted. It won't be enough – and indeed it could be misleading – if companies are required only to report an average pay gap for their whole workforce. They need to provide information about the pay gap for each grade or job type, as this will provide a clearer pattern of pay and highlight where the biggest gaps are.

This is also the view of Sarah Churchman, head of diversity at PwC, which is one of only five companies that have voluntarily published their pay gap. PwC began equal pay reviews in 2011 and published the data for the first time last year. This year it won an award for transparency from Opportunity Now, the BitC campaign for women's advancement.

Sarah says the government's move will go a long way to help tackle both the symptoms and underlying causes of gender inequality in the workplace. "Businesses can only tackle gender pay differences if they understand what is happening in their business in the first place, and therefore where they need to focus their efforts. But this is a complex issue and calculating pay averages for the whole workforce won't necessarily reveal where the issues are. Therefore the more detailed information companies can publish, including perhaps differences at a grade level and certainly details of actions they are taking to address gender inequality, the better."

PwC's analysis shows its gender pay gap in 2013 was 15%, somewhat below the UK average. The initiative has focused PwC's attention on identifying where gaps exist and using the analysis to drive action. For example, it identified that bonuses for staff at risk of leaving, and 'signing on' bonuses to attract staff into the firm, led to pay gaps as the vast majority of those at risk and those joining at senior levels were male. “Addressing these practices resulted in fairer pay practices for all, especially loyal, longer serving staff, irrespective of gender and caused PwC to refocus on equality and diversity in their recruitment practices,” says Opportunity Now. PwC says the pay gap has reduced year-on-year.

I agree with Sarah that publishing information on pay differences externally will create a stronger sense of accountability, which is needed to drive real action. As a worker, I would certainly look for evidence of what a prospective employer was doing to close the pay gap. And as a consumer, I would be more likely to buy goods or services from companies that either had a smaller pay gap in the first place, or could demonstrate the steps they were taking to close the gap. Shareholders are also likely to take an interest in these data.

Many employers are likely to be fearful of the legislation, however, and fight to water it down. There are legal and commercial risks for companies in publishing evidence that they have been paying men more than women over many years. It's possible there will be a grace period for companies to investigate and improve on their pay gap before they have to publish the data. Whether there is or not, wise companies will be acting now.