

# Gender Pay Gap and Causes Briefing

## Equal Pay Day - 10<sup>th</sup> November 2016

Despite the Equal Pay Act 45 years ago, women still earn less than men in Britain today.

The most recent stats from the ONS' Annual Survey of Hours and Earnings (ASHE) show that the gap for full time workers is 13.9%.<sup>1</sup>

### Key Facts

- The gender pay gap for women working full-time is 13.9%
- In 2016 Equal Pay Day is 10<sup>th</sup> November
- The pay gap has been closing but progress is slow. At the current rate of progress (2012 -2015) it will take over 60 years to close the gap for full time workers.
- 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.
- The gap is wider for older women, BME women, women in certain occupational sectors (e.g. skilled trades) and women on higher earnings.

### 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 the gap 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 for is 13.9%, which has reduced little from 14.1% in 2015.

At the current rate of progress (2012 to 2016), it will take 62 years to close the gap for all workers.

### Who is affected?

The gap varies across the life course - it is at its lowest for women in their twenties (3.7%) and opens up significantly for women in their fifties (19.4%). Even though today's younger women have a smaller pay gap at the moment as they age, their pay gap will widen.<sup>2</sup>

It also differs across sectors of the economy. For example, it is over 20% in the skilled trades and less than 7% for those working in sales and customer service.

Graduate women from ethnic minority backgrounds have been found to have lower pay three years after graduation than their white British peers,<sup>3</sup> and overall women from Bangladeshi, Black African and Pakistani backgrounds have been found to have greater full time gender pay gaps than white British women.<sup>4</sup>

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<sup>1</sup> All stats are ASHE unless otherwise noted

<sup>2</sup> Goldin C. *A Grand Gender Convergence: Its Last Chapter*. American Economic Review. 2014;104 (4) :1091-1119.

<sup>3</sup> Zwysen and Longhi (2016), *Labour market disadvantage of ethnic minority British graduates: university choice, parental background or neighbourhood?* University of Essex

<sup>4</sup> Platt (2006), *Pay Gaps: The position of ethnic minority women and men*, Equal Opportunities Commission

## Causes of the Gender Pay 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

- Women make up 80% of care and leisure workers and only 10% of those working in the better paid skilled trades.<sup>5</sup>
- Women make up over 60% of those earning less than the living wage set by the Living Wage Foundation.<sup>6</sup>
- Women with degrees face a pay gap too. In the UK, the aggregate (full and part time) gender pay gap for graduates ten years after graduation is 23%.<sup>7</sup>
- Men continue to dominate apprenticeships with the best earnings potential: In 2013 nearly 13,000 men started engineering apprenticeships while only 400 women did<sup>8</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 (42% vs 11%.<sup>9</sup>) These jobs are typically lower paid with fewer opportunities for progression.
- Research by IPPR has found mothers in full time work at age 42 face a motherhood pay gap of 11%<sup>10</sup> - when factors such as education, class etc. are controlled for, they still face a gap of 7%. Meanwhile, fathers who have kids enjoy a daddy pay bonus of 21% compared to men without children, even when other factors are controlled for.
- The IFS has found that the pay gap widens over twelve years after a child is born to 33%, due to women's loss in wage progression.<sup>11</sup>

### Men at the Top

- Men continue to dominate the most senior and best paid roles. In 2015, only 5 Chief Execs in the FTSE 100 were women<sup>12</sup>
- Women make up only 9.7% of Executive Directors in the FTSE 100<sup>13</sup>
- Women made up 67% of the management workforce in entry-level roles, but only 43% of senior managers and 29% of directors<sup>14</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

<sup>5</sup> ONS [http://www.ons.gov.uk/ons/dcp171776\\_328352.pdf](http://www.ons.gov.uk/ons/dcp171776_328352.pdf), pp.11

<sup>6</sup> Lawton K. and Pennycook M. (2013) *Beyond the Bottom Line: The Challenges and Opportunities of a Living Wage*, IPPR

<sup>7</sup> Comparing sample survey measures of English earnings of graduates with administrative data during the Great Recession, IFS, <http://www.ifs.org.uk/publications/7997>

<sup>8</sup> Business Innovation and Skills Committee, <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmbis/342/342.pdf>, p. 17.

<sup>9</sup> ONS ( 2015) Annual Population Survey, November 2015

<sup>10</sup> <https://www.tuc.org.uk/sites/default/files/MotherhoodPayPenalty.pdf>

<sup>11</sup> IFS Gender wage gap grows year on year after childbirth as mothers in low-hours jobs see no wage progression, August 2016

<https://www.ifs.org.uk/publications/8429>

<sup>12</sup> Women on Boards Davies Review Five Year Summary October 2015, <https://www.gov.uk/government/publications/women-on-boards-5-year-summary-davies-review>

<sup>13</sup> Women on Boards Davies Review Five Year Summary October 2015

<sup>14</sup> Chartered Management Institute (2015) <http://bit.ly/1EUR9Hv>

presented with female and male names found professors 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>15</sup>

- Tribunal fees have weakened women's ability to tackle discrimination. Research by the TUC shows just 1,222 sex discrimination claims were made to employment tribunals in January to March 2014, compared to 6,017 in the same quarter in 2013, a fall of 80%<sup>16</sup>.
- Research by the CMI has found 36% of female managers receive a bonus, on average of £2764, whilst 43% of men receive a bonus on average of £5398, a gender bonus gap of 48.8%<sup>17</sup>

### **What should we do about it?**

- Fawcett welcomes the forthcoming introduction of mandatory pay gap reporting. To ensure this step genuinely tackles the pay gap there should also be a requirement to publish an action plan on how employers will close the gap and there must be penalties for those who don't follow the new rules.
- The introduction of Shared Parental Leave is an important step, but to ensure more men take it and we rebalance caring responsibilities Fawcett would like to see a period of leave dedicated to second carers paid at a rate that makes it affordable for men to take it.
- Give women access to justice, remove harmful employment tribunal fees currently set at £1,200 which prevent women bringing equal pay claims and have resulted in an 80% drop in tribunal discrimination claims.
- It's time to think seriously about quotas, from the boardroom to apprenticeships.
- Over 60% of those earning less than the living wage are women – we urge more businesses to become a living wage employer.

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<sup>15</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>16</sup> TUC 2014, At What Price Justice? [https://www.tuc.org.uk/sites/default/files/TUC\\_Report\\_At\\_what\\_price\\_justice.pdf](https://www.tuc.org.uk/sites/default/files/TUC_Report_At_what_price_justice.pdf)

<sup>17</sup> <http://www.managers.org.uk/insights/news/2016/august/lack-of-promotions-for-women-fuelling-the-gender-pay-gap>