Gender Pay Gap and Causes Briefing

Equal Pay Day – 10th November 2018

Nearly 50 years since the Equal Pay Act, 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 13.7%.

Unless otherwise stated, statistics in this briefing are from this source.

Key Facts

- The mean gender pay gap for women working full-time is 13.7%
- In 2018 Equal Pay Day is on the 10th November.
- Progress closing the gender pay gap has slowed in recent years. There is no guarantee that the gap will close over time – it needs significant action from Government, businesses, and society.
- 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.

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 primarily 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, and that more women earn the least, both of which are important parts of the overall pay gap. This is the figure we use for Equal Pay Day.

The gap can also be calculated using the median average, to look at differences between workers in the middle of the distribution (this figure is currently 8.6% for full-time workers). 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. That gap stands at 17.9% for the median and 17.1% for the mean. Each method sheds a different light on gender wage inequality.

The mean full time pay gap for is 13.7%, which has changed from 14.1% last year.

1 ONS (2018), Annual Survey of Hours and Earnings: All data related to Annual Survey of Hours and Earnings: 2018 provisional results
2 Each year’s ASHE data includes a revision of the previous year’s data, so 2018 revises 2017, and 2017 revises 2016.
What is the difference between the gender pay gap and pay discrimination?

It is important to note the differences between the gender pay gap and pay discrimination. The gender pay gap is a statistic which shows the differences in average pay between men and women. Pay discrimination occurs when male and female employees performing work that is the same or broadly similar, of equal value, or rated as equivalent under a job evaluation scheme, do not receive their legal right to equal pay and other terms and conditions. Both of these are important, and we want to see action taken on both. Pay discrimination continues to be one of the causes of the gender pay gap (see below), but it is not the only one. And even if there is no gender pay gap within a particular workplace, individual women could still be experiencing pay discrimination.

Equal Pay Day

Fawcett marks Equal Pay Day each year as the point in the year when women stop earning relative to men. It varies when the data changes. We base Equal Pay Day on the data available earlier in the year so that we, and all of the other organisations taking action on and around the day, can plan events and activity in advance.

So in 2018 Equal Pay Day is on the 10th November, because the most recently available ASHE 2017 data showed that the full-time mean gender pay gap was 14.1% - the same as the year before.

Using the 13.7% figure from the ASHE 2018 data, Equal Pay Day would be on the 12th November in 2019, just two days later.

We calculate Equal Pay Day by multiplying the size of the gender pay gap (for this year, 0.141) by the number of days in a year, giving the pay gap as a number of days (52 for 2018). We then count this back from the end of the year to get to 10th November.

Who is affected?

The gap varies across the life course - it is at its lowest for women aged 18-21 (5.1%) 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 research suggests that their pay gap will widen.

The public sector saw its pay gap slightly improve this year, from 14.3% to 13.9%, but over the last five years public bodies have seen a worsening situation with the pay gap slightly widening from 13.5%. In the private sector the gap has fallen from 20.9% to 16.3%. Over the last year there has been a widening gap in social care, sales and admin occupations -- traditionally female dominated sectors.

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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

- 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.\(^5\)
- 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.\(^6\)
- Just 7% of engineering apprenticeships achieved last year were undertaken by women.\(^7\)
- 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.\(^8\)

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.
- Research by the Institute for Fiscal Studies found that the gender pay gap rises after the birth of a first child. Crucially, once the employment gap opens up after the

\(^{5}\) 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, accessed at https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/adhoc/009211annualsurveyofhoursandearningsasheestimatesofthenumberandproportionofemployeejobswithhourlypaybelowthelivingwagebyworkgeographylocalauthorityandparliamentaryconstituencyukapril2017andapril2018

\(^{6}\) The relative labour market returns to different degrees, Institute for Fiscal Studies (June 2018) https://www.ifsfiscalstudies.org.uk/publications/13036


\(^{8}\) Department for Business, Energy & Industrial Strategy (2017), Apprenticeship Pay Survey 2016
arrival of the first child, it persists. Although women’s employment rates do start to rise again once the first child is around school age, but they remain below male employment rates.9

- Once a couple’s first child is aged 20, mothers on average earn nearly a third less than the fathers. A key factor is women working part-time in motherhood, with part-time workers missing out on wage progression.10

- 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.11 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.12

- 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 100.13

- Government data on small and medium enterprises, published last year showed just 21% of the UK’s SMEs were led by women.14

Discrimination

- Research by Investors in People found that 80% of UK women think gender discrimination occurs in the workplace and almost a third consider it be inherent.15

- The Young Women’s Trust found that a third of young women still don’t know how to report sexual harassment at work, with one in five reporting that they are too scared to do so.16

- The EHRC estimates that 54,000 mothers a year are forced to leave their jobs early after they become pregnant.17

- Research conducted by EHRC and YouGov found that a third of managers believe that women who become pregnant and new mothers in work are ‘generally less

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10 Ibid.
13 Business, Energy and Industrial Strategy Committee (2017), Corporate Governance
14 C. Rhodes, Business Statistics, Briefing Paper Number 06152, 28 December 2017, House of Commons Library
16 It’s (still) a rich man’s world: Inequality 100 years after votes for women, Young Women’s Trust (2018), https://www.youngwomenstrust.org/assets/0000/9913/It_s_still_a_rich_man_s_world_-_web_report.pdf
interested in career progression’ when compared to other employees in their company.18

- 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.19

What should we do about it?

We call on the Government and businesses to take action to speed up the pace of change.

**Improving transparency and access to justice**

- Civil penalties for non-compliance with gender pay gap reporting should be introduced which could be issued without the need for extensive enforcement work in advance.
- Securing women’s access to pay information so that they are able to challenge unequal pay effectively is vital. Equal Pay Questionnaires should be reintroduced with the Employment Tribunal entitled to draw adverse conclusions from refusals to answer them.
- The responsibility of employers to regulate pay structures so as to reduce and avoid inequalities is key. To address this, Fawcett recommends mandatory equal pay audits every three years, for employers of 250 people or more.
- The current requirement for a discrimination claim related to pregnancy or maternity to be made within three months is far too restrictive and should be extended to six months as often implications of discriminatory decisions are only felt months down the line.

**Addressing gendered caring roles**

- 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 them to take it.
- The maternity, paternity and parental leave policy should be comprehensively reviewed to ensure that it is structured to presume equal responsibility for the care of children and ensures that both parents have leave entitlements in their own right. One parent’s entitlement should not be dependent upon the other.
- Businesses should be required to advertise job roles as flexible by default, unless there is a strong business case not to do so.

**Women at the top and ‘girl jobs and boy jobs’**

- It’s time to think seriously about quotas, from the boardroom to apprenticeships.

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18 Ibid.
- Over 60% of those earning less than the real living wage\(^20\) 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 subjects at school age.
- We need to increase the value placed on – and wages paid for – roles which women are highly represented in, such as care work.

Appendix – Tables

Mean full-time gender pay gap by age

<table>
<thead>
<tr>
<th>Age</th>
<th>Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>All employees</td>
<td>13.7</td>
</tr>
<tr>
<td>16-17b</td>
<td>-8.8</td>
</tr>
<tr>
<td>18-21</td>
<td>5.1</td>
</tr>
<tr>
<td>22-29</td>
<td>5.8</td>
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<tr>
<td>30-39</td>
<td>5.9</td>
</tr>
<tr>
<td>40-49</td>
<td>15.9</td>
</tr>
<tr>
<td>50-59</td>
<td>19.4</td>
</tr>
<tr>
<td>60+</td>
<td>20.5</td>
</tr>
</tbody>
</table>

Mean full-time gender pay gap by region/nation

<table>
<thead>
<tr>
<th>Region</th>
<th>Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>13.7</td>
</tr>
<tr>
<td>North East</td>
<td>9.0</td>
</tr>
<tr>
<td>North West</td>
<td>11.7</td>
</tr>
<tr>
<td>Yorkshire and The Humber</td>
<td>12.9</td>
</tr>
<tr>
<td>East Midlands</td>
<td>12.8</td>
</tr>
<tr>
<td>West Midlands</td>
<td>14.0</td>
</tr>
<tr>
<td>East</td>
<td>14.0</td>
</tr>
<tr>
<td>London</td>
<td>19.9</td>
</tr>
<tr>
<td>South East</td>
<td>15.4</td>
</tr>
<tr>
<td>South West</td>
<td>14.5</td>
</tr>
<tr>
<td>Wales</td>
<td>8.5</td>
</tr>
<tr>
<td>Scotland</td>
<td>10.2</td>
</tr>
</tbody>
</table>

\(^20\) 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+.
| Northern Ireland | 3.5 |