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THE GENDER PAY GAP IN LARGE, NON-PUBLIC ORGANISATIONS IN THE UK

Note by the Equality and Human Rights Commission, United Kingdom¹

Invited paper

ABSTRACT

In the spring of 2009 the British Equality and Human Rights Commission (EHRC) was invited, along with key partners, to help improve gender pay transparency in the private sector by proposing ways of measuring and sharing information on the difference between men's and women's pay by private and voluntary sector organisations employing 250 or more employees. The invitation was framed in terms of securing greater voluntary reporting of the differences between men's and women's pay and as a driver towards greater transparency.

This paper presents selected results from this project's first annual report, in which the EHRC examines the nature and extent of the measurement and publication of information on progress in closing the gender pay gap, drawing on:

- Analysis of new tabulations from the UK Office for National Statistics Annual Survey of Hours and Earnings (ASHE) 2008. These provided gender pay gap figures for private and voluntary sector organisations with over 250 employees across industry, occupation, age group and government office region.
- A new telephone survey covering 900 private and voluntary sector organisations with 250 or more employees and carried out for the Commission by IFF Research.

This establishes a baseline from which the proposals for gender pay reporting can grow. The Commission will produce similar reports on an annual basis for the next four years.

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I. BACKGROUND

1. In 2009, the UK's Government Equalities Office made the following statement in 'A Fairer Future: The Equality Bill and other action to make equality a reality':

"The private sector

The Bill will contain a power to require reporting on the gender pay gap by employers with 250 or more employees. However the Government has committed not to use this power before 2013 and it will only be used if sufficient progress on reporting has not been made. The Equality and Human Rights Commission will develop a set of metrics for gender pay reports in consultation with business, unions and others over the summer. The Commission will monitor progress on reporting within the private sector annually."

2. This allows for regulations to be introduced in the future that would make gender pay reporting by larger companies (with 250 or more employees) in the non-public sector mandatory, but in the immediate future allows for a period of four years during which greater voluntary reporting of the differences between women's and men's pay would be promoted to improve gender pay transparency.

3. In inviting the Equality and Human Rights Commission (EHRC) to work with the business community and key stakeholders to propose ways of measuring and sharing information on the differences between women's and men's pay at a company level, the UK Government gave the EHRC three specific tasks:

- To carry out a structured consultation of stakeholders.
- To produce an initial baseline report on the extent to which non-public sector employers are already measuring and reporting on the differences between men's and women's pay. Similar reports will then be produced on an annual basis for the next four years.
- In the light of the consultation process, to set out proposals for what companies should report on.

II. DATA SOURCES

4. In carrying out the above tasks, two main statistical sources were used:

- Secondary analysis of data from the Annual Survey of Hours and Earnings (ASHE) 2008
- Survey data collected from a sample of large private and voluntary sector organisations

5. Brief results from these sources are presented here. More extensive results are published in EHRC, 2010a and IFF Research, 2010 (see bibliography).

III. SECONDARY ANALYSIS

6. The Annual Survey of Hours and Earnings (ASHE) is the main source of UK statistics on the gender pay gap. Data on individual employees is collected directly from employers and the

sample is based on National Insurance numbers.² Figures are published each year on the levels, distribution and make-up of earnings and hours paid for employees within industries, occupations and regions.

7. As the gender pay reporting project looked specifically at employment in large enterprises in the private and voluntary sectors, we needed data that could focus specifically on these areas. In order to obtain this information, the ONS produced additional tables for us from the ASHE 2008 dataset (ONS, 2009). This analysis first filtered the data to select only those employees working for employers with 250 or more employees and then broke this sample down into public, private and voluntary sectors. Standard tables by age, industry, occupation and region were then produced from these subsamples.

8. This means that we now have new information on hourly pay in the private and voluntary sectors that can be broken down by industry, occupation, age group and government office region, and can be compared with public sector figures.

9. The following measures of gender pay gaps in hourly pay in the UK are used in the report:

- The full time gender pay gap compares women’s average full time pay and men’s average full time pay.
- The part time gender pay gap compares women’s average part time pay with men’s average full time pay.
- The combined gender pay gap compares average women’s pay with average men’s pay, in both cases including full time and part time employees.

10. A complete range of tables are presented in the annex to the report (EHRC, 2010a), and show full time, part time and combined figures using both the mean and the median measurement. When the combined private and voluntary figures are compared with those in the public sector (see table 1), we can see how much higher the pay gaps are in the private/voluntary sector.

Table 1. Pay gaps in the private/voluntary and public sectors Employees working for large employers, ASHE 2008

	Full-time gender pay gap (%)	Part-time gender pay gap (%)	Combined gender pay gap (%)
Mean-based			
Private/voluntary	22.2	47.2	26.4
Public	13.8	31.1	18.2
Difference	8.3	16.0	8.2
Median-based			
Private/voluntary	21.6	49.8	30.8
Public	10.9	39.5	21.7
Difference	10.8	10.4	9.1

² A 1% sample is obtained by selecting NI numbers with the same two final digits every year. This means that it has also been possible to collate responses over time into a longitudinal dataset.

11. Analysis of the data by age also provides some interesting results. The full time gender pay gap in the private and voluntary sectors combined is lowest for the under 30s, starting at 4.3% for workers aged 18-21, then steadily growing as workers get older. It flattens out from age 40, when the full time gender pay gap reaches 27.0%. The part time pay gap increases at an earlier age and is particularly high for older age groups, climbing to 36.3% at age 22-29, and again to 50.4% in age group 40-49.

12. Comparisons can be made between the private and voluntary combined figures and the figures for the public sector. For example, the full time gender pay gap in the 40-49 age range is 27.0% in the private/voluntary sector, compared with 17.9% in the public sector. The part time pay gap increases at an earlier age in the private/voluntary sectors compared with the public sector. The greatest difference is for the 22-29 age group where the part time gender pay gap is 36.3% in the private/voluntary sector and 14.3% in the public sector.

IV. SURVEY OF BUSINESSES

13. A survey of businesses was commissioned from IFF Research (IFF Research, 2010) in July 2009 to:

- Establish baseline information on the number of non-public sector employers taking steps to measure and make information public on the gender pay gaps in their organisations.
- Investigate how steps taken by employers to measure and make information public on gender pay gaps differ by sector, size of organisation, and in England, Scotland and Wales.
- Explore reasons for measuring or making information public, or not doing so, among these organisations.
- Investigate what could be done to encourage employers to measure and make information public on their gender pay gap.

14. The research comprised telephone surveys with 900 private and voluntary sector organisations with 250 or more employees during September 2009. This is a relatively large sample because there are only around 6,900 of this type and size of organisation in Great Britain.³ Collectively these organisations account for 10 million of the UK's 25.7 million employees.

15. Organisations were distributed across three broad sectors: manufacturing and construction; distribution, hotels and restaurants; and banking, finance and insurance. These categories were chosen because we wanted to make sure that we could make comparisons between different parts of the private sector. They correspond with the larger sections of the Standard Industrial Classification system.⁴ In addition, there were also a smaller number of organisations within the 'other private services' category. 84% of the organisations included were private sector companies seeking a profit and the remaining 16% were charities or voluntary sector organisations.

³ BERR, October 2007, *Small and medium enterprise statistics for the UK and regions 2007*.

⁴ Our manufacturing and construction category corresponds with sections C and F. Distribution, hotels and restaurants corresponds with sections G and H, and banking, finance and insurance with sections J and K.

16. Selected results from the survey:

- Half of organisations taking part stated reducing the pay gap between women and men was either a very or fairly high priority for them.
- 43% of organisations had conducted or were conducting some sort of analysis of their pay gap. When organisations planning future analysis are added, the figure becomes 57%.
- 43% of organisations have combined HR and payroll systems, and 61% of those who do not, think it would not be difficult to combine the two sets of records for gender pay analysis. A substantial proportion of organisations would therefore be technically able to measure gender pay gaps.
- Only a third of employers provide training on avoiding sex bias in pay, and 67% of organisations that do so only run one off or occasional sessions.
- Around half of organisations have carried out some form of job evaluation. 23% have completed an equal pay audit and 28% have plans to conduct an audit in the future.
- Only 19% of organisations share their gender pay data with an audience outside of the HR team. Only 16% of organisations that have completed an equal pay audit share the results internally, and this decreases to 6% externally.
- 20% of organisations discourage or forbid discussions about pay between colleagues and 49% give staff no information at all. 35% make staff aware of the pay band they are in, but only 4% formally make employees aware of how much colleagues in the same role are paid.

V. PROPOSALS

17. Following on from the research and analysis, consultation and other work undertaken for this project (see EHRC, 2010b), the EHRC has proposed that employers be encouraged to measure and share information on the differences between men's and women's pay on the basis of a choice from the menu of options set out below. The options comprise one narrative approach and three which involve quantitative measurement of pay differences:

- The narrative approach would explain the context, such as female participation rates; explore and analyse the causes of any gender pay gaps; describe workforce involvement in addressing the issues, and list actions being taken. Narrative would not be a stand-alone element, but would have to be combined with at least one of the quantitative measures.

18. The three quantitative options would measure:

- The single figure difference between the median hourly earnings of men and women calculated by reference to all female employees' median pay with all male

employees' median pay. This will allow comparison with the public sector and in the view of some of our stakeholders is preferred by smaller firms.

- The difference between the average basic pay and total average earnings of men and women by grade and job type. This is the option preferred by many of those consulted and begins to take job demands into account.
- The differences between men's and women's starting salaries. This is an indicator of the extent of awareness of gender pay issues.

VI. NEXT STEPS

19. The Commission will be encouraging voluntary reporting straight away for all employers and would expect employers employing 500+ employees to use two (or more) options from the menu above, in most cases comprising the narrative approach as one option, and one (or more) of the quantitative options alongside it. Our expectation in respect of companies employing at least 250 employees is that they would opt for one of the quantitative indicators.

20. The initial baseline report, setting out how companies currently approach the issue of transparency, will be built on to produce our first Transparency Monitoring Report in November 2010, followed by further reports annually until 2013.

ACKNOWLEDGEMENTS

21. The following EHRC team worked on this project: Sheila Wild, Programme Head (the EHRC's expert on gender pay issues who lead the project); Jenny Birchall, Policy Manager; Michelle Gyimah, Process manager; Dave Perfect, Research Manager and myself, Karen Hurrell, Statistician.

22. The survey of businesses was carried out by Lorna Adams, Katie Gore and Jan Shury at IFF Research.

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