Smarter World, Smarter Work
An Ibec campaign

Mind the gap: An introduction to gender pay gap reporting

September 2018

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Smarter Work
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- Flexibility at all life stages
- A dynamic labour market
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Introduction

In Ireland, the government plans to introduce legislation for mandatory gender pay gap reporting for business. This will oblige businesses to publish statutory calculations each year showing the extent of the pay gap between what women earn as a group and what men earn as a group.

Gender pay gap reporting is one part of a much-needed wider strategy to address female participation rates and employment gaps between genders. It will not on its own identify or solve the myriad of structural, cultural and policy causes for these differences, but it is a critical and welcome element.

While women make up over half the world's population, it remains the case they are not fulfilling their potential in measured economic activity or in their contribution to the labour market. This has clear social and economic consequences, and business has an important role to play in finding solutions.

Ibec is working with business, government and other stakeholders to develop and shape an effective and appropriate method of gender pay gap reporting.

The aim of this publication is to introduce the issue, explain the gender pay gap, what causes it and how it can be addressed. It also provides an update on the current state of play in Ireland and looks at what we can learn from the UK experience.

Danny McCoy

Danny McCoy
Ibec CEO

01 What is the gender pay gap?

The gender pay gap is the difference in the average hourly wage of men and women across a workforce. It compares the pay of all working men and women; not just those in similar jobs, with similar working pattern or with similar competencies, qualifications or experience.

A gender pay gap does not indicate discrimination or an absence of equal pay for equal value work - it reports a gender representation gap. If women hold more of the lower paid jobs in an organisation than men, the gender pay gap is usually wider.

Gender pay gap reporting often further highlights important challenges that business and policy-makers are grappling with, such as:

- Why are not enough women in senior positions in our organisations?
- Why are more women in lower paid roles?
- Why do caring responsibilities traditionally fall to women?

Many countries have required some type of pay data reporting, to government authorities or publicly, for many years. However, directly comparing international gender pay gaps can be problematic due to differences in sources, definitions and methods used to calculate the gap in different countries. What is clear, however, is that gender pay gaps in favour of men are a consistent feature.

How does Ireland compare?

According to the latest Eurostat figures, the national gender pay gap in Ireland is 13.9% down from 17.3% in 2007. Ireland compares well with the EU average of 16.7% and has the 11th lowest gap out of 28 EU countries. Ireland currently performs better than the UK (17%), the US (18%) and Canada (18%).

However, according to the World Economic Forum's Global Gender Gap Report 2017, if we continue as we are, the overall global gender gap will take 100 years to close across the 106 countries studied. Taking action to close the gender pay gap must be a priority.

What is the gender pay gap?

The **gender pay gap** refers to the difference between what is **earned on average by women and men** based on **average gross hourly earnings** of **all paid employees – not just men and women doing the same job, or with the same experience or working pattern**.

Paying women less than men for the same job, purely on account of their gender, **is illegal and is outlawed by equality legislation**.

02 Frequently asked questions

What is the difference between unequal pay and the gender pay gap?

There is an important distinction between unequal pay and the gender pay gap, each of which has different causes. Paying women less than men for the same job, purely on account of their gender, is illegal and is outlawed by equality legislation. The gender pay gap is different. It refers to the gap between what is earned on average by women and men based on average gross hourly earnings of all paid employees – not just men and women doing the same job, or with the same experience or working pattern. It does not indicate or identify discrimination or bias or even an absence of equal pay for equal value work. Where unequal pay practices exist, they can contribute to the gender pay gap, but they are not considered the primary factor causing Ireland's gender pay gap.

Is a gender pay gap a sign of pay discrimination?

Gender pay gap reporting has no way of determining whether men and women are being paid less for the same work or subject to bias or discrimination. Instead, it typically indicates that men and women are not equally represented at the different levels of an organisation. It also often points to more women than men in part-time roles.

What causes a large gender pay gap in a company?

An organisation can be positive towards diversity and inclusion, and trying to address gender balance, but still have a large gender pay gap. This can occur, for example, in the tech sector, where there are not as many females graduating with science, technology, engineering and maths (STEM) qualifications as young males. As a result, the graduate pool from which companies recruit is not gender balanced. Of course, the gender pay gap can also be large because an organisation does not care about gender balance and flouts equality legislation and equal pay legislation. The gender pay gap, however, is not a reliable indicator of such practices.

What will gender pay gap reporting mean for my organisation?

Gender pay gap reporting alone is unlikely to change the imbalance in males and females in our organisations. However, measurement and reporting tend to be key drivers of change in most organisations and gender pay reporting, if carried out correctly, could support constructive debate and action at a faster pace than has occurred to date.

It is important to remember that, for many organisations, the first publication of gender pay gap reports will not be positive. However, it should be used as an opportunity to review what is working, where obstacles or challenges exist and what actions are needed for change.

Closing the gender pay gap is a long-term plan – it was not created overnight and, as such, action plans will see incremental changes over time. However, closing the gender pay gap and having organisations with greater gender balance is a sound business strategy and one that is worth the effort.

There are a significant number of organisations already embracing actions that are aimed at increasing the gender balance and culture of diversity and inclusion in the workplace, and by extension reducing their gender pay gap. For those employers, gender parity is a strategic imperative which needs to be owned and led from the top down.

03 What causes the gender pay gap?

The roots of the gender pay gap are multiple and nuanced. Pay disparity, as measured by the gender pay gap, is not just an organisation level issue, but is rather symptomatic of how we think of men, women and gender, and how society has evolved over time. There are several complex factors that typically lead to a gender pay gap, and often these causes are interrelated.

While the female labour force participation in Ireland has more than doubled since the early 1980s, the gender pay gap remain substantial. More broadly, labour markets and access to economic opportunities globally remain divided along gender lines. While the imbalance is greatest at senior levels of employment, the problem is widespread across different sectors and at different points in the career path.

The reasons for the gender pay gap are, in part, rooted in cultural and social norms, but also reflect social and economic challenges and incentives.

To effectively tackle the causes of the gender pay gap, we must understand how women and men participate in the labour market, including pre-labour market areas such as education and skills acquisition, and how this impacts on their labour market experience and outcomes.

Key factors that typically lead to a gender pay gap include:

1. **A gender segregated labour market**
   By and large, the gender pay gap reflects the persistent gender segregation of our labour markets. A number of sectors and jobs continue to be dominated by men or women, with women dominating education, health and caring professions, while men dominate technology and engineering. Women are disproportionately employed in poorly paid professions and underrepresented in well-paid ones.

   The roots of this gendered segregation lie in the traditional gender roles in society and the different educational and career choices of men and women. It stems from the way children are introduced to learning and opportunities, which socialises children into an expectation of certain roles as “women’s work” or “men’s work” and into the roles men and women often assume around caring responsibilities. Such beliefs can be reinforced, consciously or unconsciously, by teachers, parents, employers and society. Occupational segregation is not, however, a given in all societies – 30% of engineers in Russia and over 50% in Oman are female.

Schools, and in particular single sex schools, often fail to offer “gendered” subjects such as physics or mechanical drawing in all-girls schools or home economics in all-boys schools, or timetables are drawn up which pitch gendered subjects against each other. Furthermore, career guidance often seems to be deficient in bridging the knowledge gap for career choices and encouraging new perspectives for boys and girls. For example, women are underrepresented in apprenticeships in certain industries like engineering or transport, but this career option may not have been fully explored with female students, or the subjects needed may not have been offered in an all-girls school. Where subjects required for specific jobs are not available, career decisions are narrowed at an early stage.

As a result of these factors, while girls tend to outperform boys in education, they are less likely to choose the subjects that lead to higher earnings in later life. For example, according to the OECD, the low proportion of women in STEM fields of study and employment makes a significant impact on the gender pay gap – STEM graduates are in high demand and as a result tend to be highly paid. This occupational segregation exacerbates the gender pay gap.

2. Balancing work and family life

Family, care and domestic responsibilities are not equally shared and are more often borne by women. Women’s ability to participate in the labour market is constrained by the fact that they spend more time on unpaid work, four times as much on care work (time spent to care for a child or another adult) and twice as much on household work, than men. This is regardless of the employment status of partners[1,2] and it makes women less available for labour market participation.

Of major European countries, Ireland has one of the lowest female employment rates. The employment rate of men and women in Ireland is roughly equal until people hit their late 20s. However, between the typical child bearing years of 29-39 there is a permanent drop off in the female rate. Many mothers would like to work, or work more, but they are constrained by family responsibilities.[3]

Career gaps for caring reasons can result in a “motherhood penalty”[4,5] due to interrupted employment, detachment from the labour market, and possible deterioration of skills and networks. It can also lead to lost opportunities for training, promotion and salary increments, which would be gained while in employment.

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1. http://www.oecdbetterlifeindex.org/topics/work-life-balance/
2. https://www.imf.org/external/pubs/ft/sdn/2013/sdn1310.pdf
3. This Europe wide issue is one which Ibec has covered in detail in the policy paper on the Labour Market Participation of Women. Ibec (2016, October). *Labour Market Participation of Women*. www.ibec.ie/0/flmp
4. The motherhood penalty is the term given by sociologists when working mothers are considered less competent because they may not be able to do or handle the same work as a man or non-mother while having to take care of her children. As a result, she then earns less than men and non-mothers.
5. Stewart 2013

3. **Availability of quality, affordable childcare facilities and out-of-school hours care**
The cost of early childhood care and education in Ireland is among the highest in Europe, accounting for 53.5% of the average wage, compared to an average of 27.6% in other OECD countries[6]. This presents a barrier for families across a range of salary levels, not just those on lower incomes, and represents the largest additional household cost associated with taking up employment.

   In addition to affordability, the availability and quality of childcare may be a factor in a parent's decision, often the mother, to work, return to work or to leave the labour market for a period of time. In Ireland, despite an increase in investment in this area, early childcare and education services are not consistently appropriate for the children or parents looking to avail of it[7].

4. **Over representation of women in part-time roles**
While working part-time can reflect personal preferences, the high share of female part-time employment may also stem from multiple constraints, including family and care-related reasons.[8] Such constraints can lead to disjointed careers, a depreciation of skills, a loss of networks, and have a negative impact on career development and promotion prospects.

   Research on gender pay gaps report that one of the main reasons for the gap is the issue of women having a lower level of human capital and working fewer hours. While educational attainment is often higher among females, it does not offset the loss of work experience. Where females are working reduced hours this ultimately equates to less experience and a reduced value of benefits (e.g. pensions and bonuses).

5. **Discrimination and bias**
Organisations that are successfully affecting gender balance have started by examining their policies, practices and overall culture with a gender lens. This is because discrimination and bias can be intentional or unintentional. It can be unwittingly present in certain organisational policies and practices, driven by stereotypes and unconscious bias. This can appear in various guises, for example:

   - Having prototypes of what a particular job requires or what a particular career trajectory "should" look like, that has not been challenged or questioned over time.

   - Stereotypes and attitudes which feed corporate norms about how things are done in the organisation, such as the way organisations identify talent and capability, or how they go about offering developmental opportunities, such as secondments.

6. Ibec (2016) *Budget 2017*.
7. For further details Ibec (2016) *Labour Market Participation of Women*.
8. Employment and Social Developments in Europe Report 2013 — ESDE 2013: pp 185

- Men being typically hired or promoted based on their potential, while for women the focus is on past performance.

- Assumptions about the commitment or availability of women with children, leading to them not being considered or selected for certain projects or development.

- Bias in the evaluation of performance and career progression. For example, more women are found in staff or support functions, while more men are found in line or operational roles. Problems emerge where women and men are equally qualified, but greater value is often attached to responsibility for financial rather than people management.

Recruitment processes can also perpetuate and broaden pay gaps. Many businesses rely on the open market to source talent and end up paying the asking price for their preferred candidate, instead of setting clear salary bands for specific levels. Therefore, the best candidates at negotiation get the biggest packages and research tells us that these are less likely to be women[9].

9. For example, when offered a job 7% of female MBA graduates attempted to negotiate compared to 57% of male MBA graduates. In Babcock, L & Laschever. S. (2007) "Women don't ask".

04 Gender pay gap reporting in Ireland

Gender pay reporting emerged as a policy issue in both the *Programme for Partnership Government* and the *National Strategy for Women and Girls 2017-2020 (NSWG)*, which proposed it as part of the solution to Ireland's labour market gender gap.

While significant progress has been made, the legislation is still at draft stage with no confirmed methodology or commencement date.

The proposed legislation will require employers to disclose calculations on pay and benefit differences between men and women in their organisation. It is likely that these reports would then have to be submitted to a designated body, as well as being published for a period of time on the company's own website.

Current plans suggest reporting will first apply to employers with 250 or more employees. This threshold will reduce within two years to include employers with 150 employees or more, and finally to those with 50 employees or more in the following year. It will have an impact on both public and private sector employers.

Ibec has worked directly with the Department of Justice and Equality since the inception of the debate, providing the business perspective.

While gender pay gap reporting alone will not diagnose or solve the issue of gender balance in Ireland, Ibec believes that transparent gender pay reporting could, if properly implemented, enable organisational leaders to identify the true obstacles holding their organisations and sectors back. As such, it could enable targeted interventions by all stakeholders to address the gender pay gap.

Ibec has proposed what it believes to be the most appropriate model of gender pay reporting, which would be akin to the Australian model. It compares "like with like" data on total remuneration across four standardised occupational categories for managers below CEO level, and eight standardised occupational categories for non-managers.

This would enable employers to calculate their gender pay gap and then interrogate the data to identify where the issues that cause the gap arise, and what the possible causes could be. Such an approach would focus attention on the underlying causes of gender disparity in our organisations and society, and facilitate more targeted interventions by all stakeholders.

05 The UK experience of gender pay gap reporting

The UK implemented a gender pay gap reporting measure that required private sector employers with 250+ employees to publish their data annually, with the first reporting requirement in April 2018. This information is published on the employer's website for a period of time (circa three years). It is also made available on a designated government website, accompanied by a written authentication statement, authorised by an appropriate senior person from within the business.

The UK system obliges the employer to publish the:

- mean gender pay gap
- median gender pay gap
- mean bonus gender pay gap
- median bonus gender pay gap
- proportion of males receiving a bonus payment
- proportion of females receiving a bonus payment
- proportion of males and females in each quartile pay band

These calculations are for all employees including the CEO, not just those men and women in the same or similar jobs, with the same working pattern or with similar competencies, qualifications or experience.

How did companies respond?

Many companies took a "wait and see" approach to reporting, watched what others in their sector were doing and published just before the deadline. Others chose to be early adopters and published well in advance of April 2018.

The media reaction was mixed, with some higher profile companies attracting most attention. While there was no obligation to report early, much media coverage pilloried those who had not reported, doing little to reassure those concerned about publishing their data.

Many employers did a number of “test runs” before publishing, calculating their figures prior to the requirements coming into legislation and engaging with their workforce on the topic.

Following the reporting date, construction and financial sectors emerged as the sectors with the largest gaps overall. UK results found that 78% of organisations had a gender pay gap with 13% (1377 employers) of those having pay gaps over 30%, and some in excess of 40%. The results found that the majority of higher-paid jobs were held by men; there was no sector that paid women more; and men were paid higher bonuses than women.

06 Lessons from the UK experience

Following the UK reporting date of April 2018, analysis would suggest that there were a number of lessons which can be learned from the UK experience, including the need for education and awareness raising in advance of reporting.

1. **Confusion**

   Many companies took a long time to prepare their data. Requirements in many cases were onerous and unclear, and there was confusion between equal pay and gender pay. Many organisations had difficulty in producing the figures, with Government suggesting some companies were unwilling to devote the necessary resources.

   This resulted in what is believed to be a high error rate in actual results and a set of published figures which may be inaccurate, but to an unknown degree. The UK Government is likely to seek the Equalities and Human Rights Commission (EHRC) and business groups to clarify outstanding levels of ambiguity and issue revised guidance in advance of the next reporting period. Additionally, there has been speculation of an audit being carried out.

2. **Non-compliance**

   Non-compliance was an issue for some organisations and, as such, subsequent action was taken by the EHRC, including threats of legal action, to ensure compliance. This was not something that was expressly known to be a consequence by organisations prior to the reporting date. There are proposals for greater clarity around sanctions and for organisations to receive a fine should non-reporting occur next year.

3. **Narrative**

   A narrative, which is an accompanying contextual statement to clarify why a gender gap is present and what the organisation intends to do to close it, was not required by the UK's gender pay report, but there have been requests for it to be included next year. In addition, there have been calls to include an action plan with objectives and targets for tackling the gender pay gap against which reporting and progress will be measured year on year.

4. **Partner pay**

The pay of equity partners in professional service firms was excluded by the requirements of gender pay gap reporting. However, this led to much controversy and negative publicity. As a result, most firms published those figures retrospectively. In some instances, the gender pay gap rose by over 20% when equity partners were included. There is an expectation that the obligations around partner pay will be clarified and included in future reporting.

5. **Specific areas for focus**

Particular criticism was levelled at how certain elements of gender pay reporting were calculated, with demands for these to be changed. Specifically:

- Ordinary pay should be based on pre-salary sacrifice figures.
- Working out variable hours is too complex.
- Bonus payments should be excluded from ordinary pay gap calculations.
- Bonus pay elements should be simplified and calculated on a pro-rata basis, with a clearer guidance for calculation.

07 Preparing for gender pay gap reporting

While the final decisions surrounding the methodology and guidance for reporting have not been concluded by the Department of Justice and Equality, it is important that organisations begin to prepare for gender pay gap reporting. There are a number of technical and communications processes that can be started prior to the requirement for reporting.

1. **Financial information about the organisation's pay gap**

   While difficult in the absence of a defined method, a number of organisations have begun to gather their data using both the UK and the Australian methods of calculation (see Appendix). In gathering this data, there may be a requirement to bring systems in line with existing payroll processes.

   It may be useful to consider gathering other data or metrics that will support the narrative and the action plan. This could include: the breakdown of males and females across the organisation, their length of service and attrition rates at different levels within the business. Such metrics will provide insights into whether there is a gender balance within the organisation and where pockets of imbalance may occur, whether by discipline or level. This could help to provide an understanding as to whether there is an imbalance at entry level or whether it emerges at later stages in the pipeline. The review of data will enable a consideration of policy and practice to ascertain what is occurring within the organisation and what stakeholder approach is required to address any challenges.

   Some employers have looked at calculating previous years' gender pay gaps, as this can provide more insights into gender pay gap trends and any actions that might have affected it.

2. **Gender pay gap narrative**

   It is important that organisations publish background information to accompany the publication of the gender pay gap. In the absence of market and organisational context, the figure is relatively meaningless. Done correctly, the narrative can reassure employees, potential employees and other stakeholders of the intentions of the organisation, even when a significant gender pay gap is reported.

Organisations in the UK were not obliged to submit a narrative to accompany their gender pay gap, although many did. However, it was recommended for future iterations by various stakeholders, including the Government Equalities Office and the Chartered Institute of Personnel Development. While having a gender pay gap does not mean an employer has acted inappropriately or in a discriminatory manner, the narrative can help to illustrate and confirm this. The narrative is not just about the gender pay gap itself but goes further to describe an action plan and the organisations commitment to action.

While there is no one-size-fits-all narrative approach, and the reasons for the gender pay gap in an organisation are likely to be somewhat specific to that organisation, some key areas that the narrative may address include:

- The type of business the organisation is in. For example, what sort of sector it is? Is it a male- or female-dominated industry? Have there been any significant changes to the organisation such as redundancies, mergers, acquisitions?
- A comparison of the organisation's figures with the national figure or other organisations within the sector or economy.
- What actions the organisation intends to take to tackle the gender pay gap, such as examining recruitment processes, developing mentoring or sponsorship programmes, introducing flexible working, reviewing career development opportunities or re-examining bonus schemes.
- Clarity that actions by the organisation may take time to embed, before a shift in the gender pay gap is apparent.

In considering the UK experience, where organisations chose to include a narrative, the format varied. Some produced visuals and graphs to accompany the data, such as depicting the number of men and women in senior leadership roles. Others produced a report. Some outlined further, more granular, details to give extra context to their gender pay gap, while others used case studies to illustrate the people behind the figures.

Some companies examined their gender pay gap over time to see what progress had occurred. Some that had embraced diversity and inclusion, or engaged in actions to address gender balance in the organisation, reviewed what worked, what had mixed results, and what did not serve their organisations well. This, in addition to explaining the causes of the gap, allows organisations to formulate an action plan to address their gender pay gap. Of course, it is not always within the employer's ability alone to address some of the underlying causes contributing to the gap.

The organisations in the UK recognised for best narratives were clear and concise in explaining the gap and how they planned to address it. These organisations avoided defensive or dismissive commentary and outlined the nature of the challenges faced honestly. Criticism was levelled at organisations that were perceived to make excuses for the gap, or that concluded that the only reason they had a gap was because of legacy issues, which they were not being seen to actively address. Positive feedback was received by organisations that focused on action to change the legacy.

It is important to take appropriate, credible and achievable actions for the organisation itself rather than what is the latest “popular” approach, as the information is likely to be evaluated over a number of years.

3. Communications strategy

A communications strategy should be designed to help the organisation present gender pay gap data internally and externally. The strategy will need to identify the key messages, the key audiences, the key channels of communication and the sequencing of those communications.

- **Key messages**
  Despite the fact that Ibec and others have been at pains to point out that the gender pay gap is not related directly to equal pay, this has not stopped the two issues being conflated. Therefore, it is recommended that organisations take a strong stance by framing gender pay communications in the context of gender balance.

  Any organisation that finds itself with a gender pay gap above the national average of 13.9% or above its industry sector average will be expected to have an action plan to increase the number of women in senior roles. However, it is recommended that most organisations should outline some form of action plan to address any gaps. These actions should be specific, meaningful and measurable.

- **Key audiences**
  Most organisations will have multiple stakeholders, from board members and investors, to employees and the public. Therefore, the various messages that will be important to each of these stakeholders must be mapped out. If organisations are happy with their gender pay gap or their messaging they could choose to lead the way in disclosing early.

- **Key channels of communication**
  Whether an organisation chooses to report in a low-key or high profile manner, it is important to consider the messages to be communicated and the impact different channels offer.

- **Sequencing of communications**
  In the UK different organisations dealt with the sequencing of communications in different ways, with some choosing to consult with employees along the way as to what the workforce wanted and how their action plan would address their gap. Others choose to publicly communicate their gap while simultaneously engaging in “all-staff briefings” or follow-up workshops with employees to announce and discuss the findings. Some organisations that used the workshop model found it useful to have an independent facilitator to outline the facts around gender pay gap. It is important that internal communications occur promptly rather than employees hearing the results from a news headline or Government website.

Appendix

UK model of gender pay gap reporting overview
https://www.gov.uk/guidance/gender-pay-gap-reporting-overview

Service to enable the search for company gender pay gap by name
https://gender-pay-gap.service.gov.uk/

Australian model of gender pay gap reporting overview
https://www.wgea.gov.au/addressing-pay-equity/what-gender-pay-gap
https://www.wgea.gov.au/addressing-pay-equity/toolkits-conducting-pay-gap-analysis

Acknowledgements

This policy document has been led and informed by the work Ibec has been engaged in regarding diversity and inclusion, with a particular focus on gender balance in organisations over the last decade. Ibec work with employers, Government and interested parties to address the challenges within organisations and society that prevent greater gender parity. Through Ibec's Diversity Forum, a range of employers from medium to large organisations meet quarterly to share best practice, challenges and opportunities in the area of diversity and inclusion. Many are very active in a range of initiatives to increase and improve the gender balance within their organisations.

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About Ibec

Ibec is Ireland's largest lobby group representing Irish business both domestically and internationally. Its membership is home grown, multinational, big and small, spanning every sector of the economy. Together they employ over 70% of the private sector workforce in Ireland. Ibec and its trade associations lobby government, policy makers and other key stakeholders nationally and internationally to shape business conditions and drive economic growth. It has over 240 professional services staff in seven locations including Brussels and has 42 different trade associations in the group.

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Notes

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