

ANALYSING YOUR GENDER PAY GAP

GENDER PAY GAP TOOLKIT
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Are women earning less than men in your organisation? If so, why and what are the driving factors for your gender pay gap?

In our first toolkit on [understanding your gender pay gap](#), we described the basic methodology required to calculate your gender pay gap. Now that you have prepared your data, this toolkit will enable you to analyse the possible causes of any gender pay gaps. Cultural and organisational barriers to women's equality are the largest contributing factors to women's lower pay. Understanding the causes underlying your organisation's gender pay gap is a critical step towards removing structural barriers and creating long-term change.

In this paper we ask you ten key questions to help identify and analyse the main drivers of the gender pay gap in your organisation.

Business in the Community's gender pay gap toolkit suite:

- Understanding your gender pay gap
- Analysing your gender pay gap
- Communicating your gender pay gap
- Tackling your gender pay gap – Attraction and Recruitment
- Tackling your gender pay gap – Retention and Progression

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Analysing the gender pay gap

The gender pay gap is influenced by interrelated familial, work and cultural factors, which are given different weightings according to the approach you choose. As a business, you can choose from two different approaches:

The human capital approach

Explains the gender pay gap on the basis of the **individual choices, aspirations and characteristics** of men and women in the workplace such as education, experience, occupation and age. This approach tends to shift the responsibility towards **women**.

The institutional approach

Explains the gender pay gap on the **cultural, structural, and organisational characteristics** influencing pay gaps. This approach places the responsibility with **institutions and organisations**.

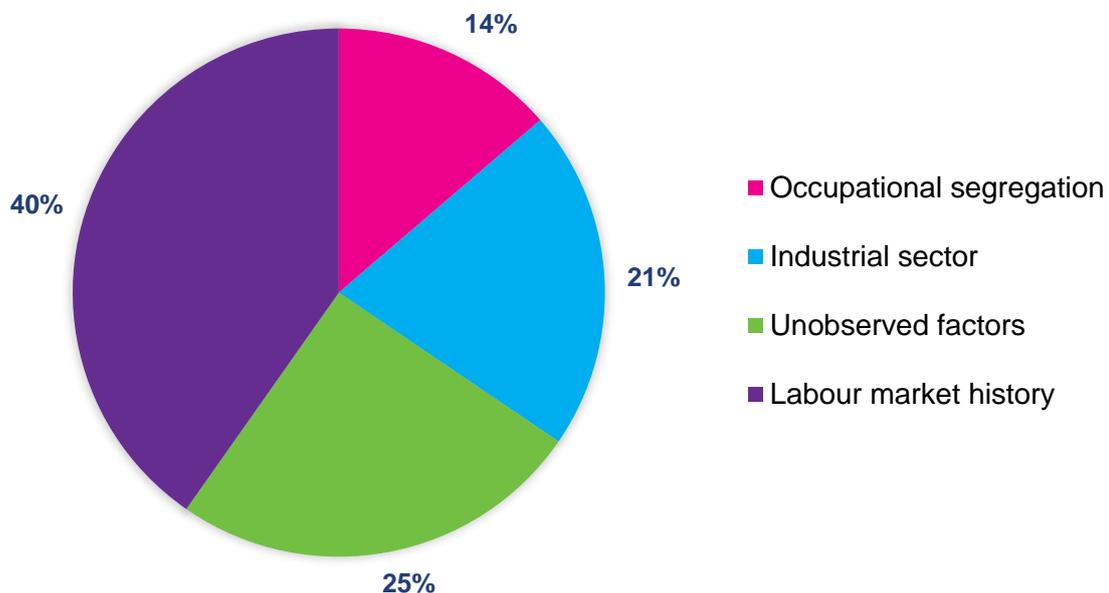
Using the human capital approach and explaining the gender pay gap by reference to 'individual variables' such as women's experience or 'choices' tends to frame the problem as resulting from their own shortcomings and lay responsibility at their feet – yet often such choices are not really choices at all. More importantly, it fails to pay attention to the underlying causes driving any differences in capabilities or attitudes between men and women in the first place. **This is why we recommend employers take the institutional approach.**

- 1) A holistic understanding of the gender pay gap requires us to look at how the larger social context (labour market, work environment, corporate culture) is shaped by gendered norms that result in women's disadvantage. Unconscious bias, the lack of part-time senior roles and poor management of flexible working are just some of the cultural and organisational barriers holding women back. It is not women who need to change but the workplace – and society. Blaming women for not being educated, demanding or ambitious enough is not only morally wrong, it is factually incorrect.
- 2) Gender differences in human capital or personal characteristics explain much less of the pay gap between men and women than they used to. Recent research from the Government Equalities Office indicates that there are multiple drivers for the gender pay

gap, including the history of the labour market, unobserved factors, industrial segregation and occupational segregation.ⁱ Unobserved factors encompass gender discrimination however other factors are also underpinned by forms of gender discrimination as well.

Occupational segregation: Women are more likely to work in occupational groups with high proportions of female co-workers, these jobs tend to be less well paid. This reflects ongoing vertical and horizontal segregation within the workplace. *Source: The gender pay gap in the UK: Evidence from the UKHLS, Government Equalities Office, (2018)*

Figure 1: Drivers and protective factors of the gender pay gap in the UK (2018)



Source: The gender pay gap in the UK: Evidence from the UKHLS, Government Equalities Office, (2018)

Employers are not fully responsible for the pay gap in their organisation, but they can act on significant factors influencing the gender pay gap (see graph above). In order to understand why you have a gender pay gap your organisation, it is important to analyse what factors cause it and how – both at a macro and micro level.

There are certain factors offsetting the gender pay gap as well. These include that women's part-time employment history is a new protective factor of the gender pay gap, the positive impact of public sector employment and women's advancement in educational attainment.

Structural factors are the largest driving factors of the gender pay gap, and in particular:

Vertical Segregation

- The underrepresentation of women in senior higher-paying positions contributes to both the mean and median gender pay gap. This is represented by **occupational segregation** in Figure 1.
- From age 30 years and on, women are less likely to occupy senior positions and employment rates for women start to level off from this age onwards. The average age of mothers is 28.8. *Source: Women in the Labour Market, ONS (2013)*
- Women are much more likely to take career breaks and to work part-time than men (41% and 13% respectively). *Source: Women and the Economy Briefing Paper, House of Commons Library (2018)*
- The causes of vertical segregation relate to organisational practices, gender discrimination and gendered family roles – women shouldering the majority of unpaid domestic and care work.

Horizontal Segregation

- The concentration of women in lower-paid sectors, industries and occupations. This is represented by **industrial sector** in Figure 1.
- From a very young age, boys and girls are exposed to stereotypes and assumptions about the work women and men “should” do.
- These societal conventions are reinforced by media, education and opinions heard within their social networks as they grow up and can influence young people’s career choices as well as biases about women in work that they take with them into employment.

Gender Discrimination, Bias and Corporate Cultures

- Unconscious bias, stereotypical views of gender and workplace discrimination with recruitment, progression and training. This is represented by **unobserved factors** in Figure 1.
- Moreover, direct and indirect discrimination can creep into pay and benefits systems, e.g. unequal pay.
- Other factors such as personal choices or corporate cultures can also influence the gender pay gap.

Caring Responsibilities

- Women continue to take on the majority of responsibilities caring for adults and children. This is represented by **labour market history** in Figure 1.
- Our Equal Lives research found that in working families in the UK, women are eight times more likely to take the primary role in caring for children and are one and a half times more likely to take the lead in caring for adults. *Source: Equal Lives, Business in the Community (2018)*

Ten questions to analyse the causes of your gender pay gap

In this toolkit we will ask you ten questions which will help you analyse how horizontal segregation, vertical segregation and gender discrimination play out in your organisation so that you can action plan to close your gender pay gap. Understanding the labour market context and knowing your workforce profile by gender will help you analyse and measure the factors driving your pay gap.

If the gender pay gap may be similar between two organisations, it often has different contributing factors. It is therefore important that you answer these questions to be able to write a narrative that is specific to your organisation and put in place an action plan that is adapted to your needs.

Horizontal segregation

1. What sector do you work in?

Overall, the gender pay gap in the private sector is larger than the public sector.

This might be due to the fact that within the public sector, employees are protected by collective pay agreements and other similar contracts establishing pay. Moreover, transparency is a key feature of public and third sector pay systems, which may account for a smaller pay gap.

Figure 2: Gender pay gap by sector (2019)

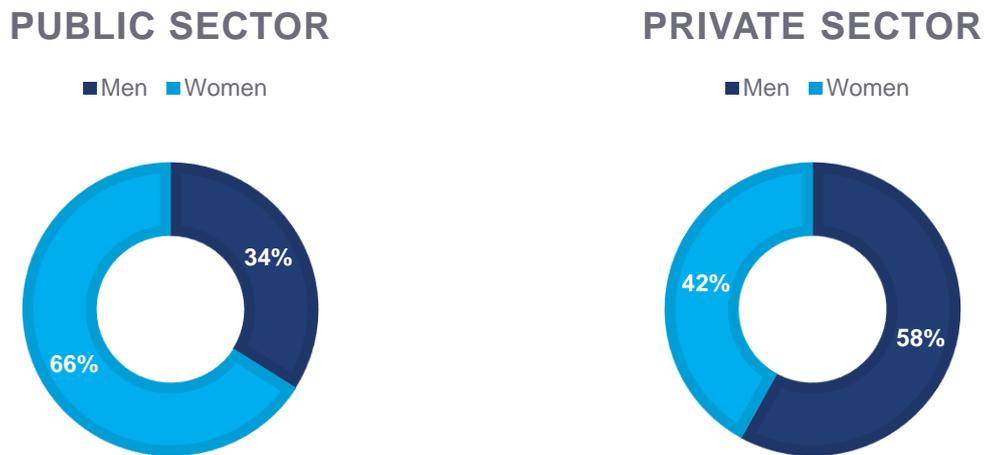
Sector	Median GPG	Mean GPG
Private sector	22.3%	19.9%
Public sector	16.8%	15.7%
Non-profit body	21.9%	18.4%

Source: Employee Earnings in the UK: 2019, Office for National Statistics (2019)

The proportion of men in the private sector is higher than the proportion of women. However, in the public sector, the proportion of women is higher than the proportion of men.

Therefore, if your organisation is in the private sector, this is likely to correlate with a higher gender pay gap and higher levels of men in your organisation.

Figure 3: UK gender split employee by sector (November 2019)



Source: *Employment by Industry, ONS (2019)*

2. What industry do you work in?

In nearly every single industry there is a pay gap favouring men, with the exception of Mining and Quarrying and Water, Sewerage, Waste Management and Remediation. A breakdown of gender pay gaps for different sectors of the economy can be very useful in analysing how you compare within the sector and against your competitors.

If your company spans different industries, you may need to break down your gender pay gap by industry.

Figure 4: Gender pay gap by industry (2016/2017)

Industry	Median GPG	Mean GPG
Agriculture, Forestry and Fishing	9.5%	4.4%
Mining, Quarrying	-16.6%	-12.5%
Manufacturing	15.6%	13.2%
Electricity, Gas, Steam and Air Conditioning Supply	17.5%	13%

Water, Sewerage, Waste Management and Remediation	-1.7%	-7.9%
Construction	9.1%	7.8%
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	10.2%	11.8%
Transport and Storage	1.3%	0.6%
Accommodation and Food Service	5.9%	7%
Information and Communication	14.2%	12.1%
Financial and Insurance	27.8%	30.6%
Real Estate	10.1%	13%
Professional, Scientific and Technical	20.2%	21%
Administration and Support	5.2%	7.4%
Public Administration and Defence, Social Security	8.7%	7.7%
Education	12.1%	12.4%
Human Health and Social Work	14%	21.1%
Arts, Entertainment and Recreation	9.4%	26.4%

Source: *Employee Earnings in the UK: 2019*, Office for National Statistics (2019)

In all EU members' states, **the gender pay gap in the financial and insurance activities is higher** than the business economy as a whole. Source: *Gender pay gap statistics*, European Commission (2018)

3. What is the proportion of female and male staff in the following occupational groups?

Women tend to earn less per hour on average than men, whether it is a highly-skilled profession like a doctor or nurse or a lower-skilled job such as a cashier. The gender pay gap exists across our economy, and in all sectors and occupations.

Breaking down your workforce by gender and occupational group can help you identify areas of concern.

The full-time pay gap tends to be smaller in occupations where a larger proportion of employees are women. For instance, the pay gap is very large for skilled trades occupations and process, plant and machine operatives where women only comprise a small fraction of the full-time workforce.

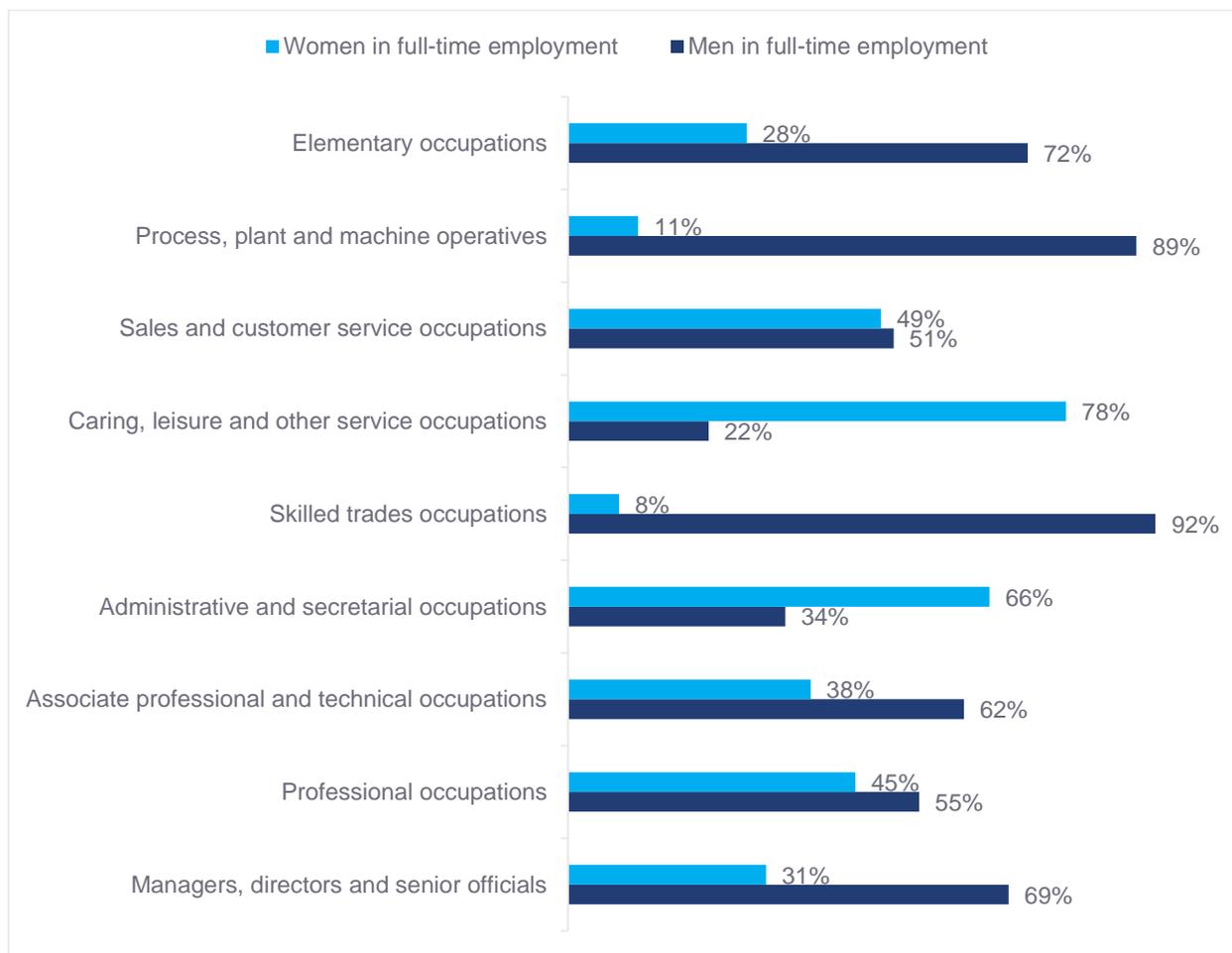
On the contrary, the pay gap is below 10% for administrative and secretarial roles and caring, leisure and other service occupations where around two-thirds of employees are women (see Figure 6). This does not mean that the problem of gender inequality has been eradicated in these occupations; on the contrary, those functions which are highly feminised are typically amongst the lowest-paid due to the historical undervaluing of 'women's work'.

Figure 5: Gender pay gap by major occupation (2019)

Occupation	Median GPG	Mean GPG
Managers, directors and senior officials	17.1%	20.1%
Professional occupations	9.3%	12.7%
Associate professional and technical occupations	13.3%	15.1%
Administrative and secretarial occupations	7.1%	11.5%
Skilled trades occupations	24.8%	19%
Caring, leisure and other service occupations	4.4%	9.5%
Sales and customer service occupations	5.4%	8.8%
Process, plant and machine operatives	17.3%	15.1%
Elementary occupations	7.8%	11.5%

Source: Employee Earnings in the UK: 2019, Office for National Statistics (2019)

Figure 6: Gender proportion by occupation (October 2017)



Source: *How do the jobs men and women do affect the gender pay gap?* ONS (2017)

Vertical segregation

4. What is the working pattern of your male and female employees?

According to Business in the Community's Equal Lives research, in partnership with Santander UK, women are more likely than men to change their work schedule, change their role or change their line of work, to help balance their work and caring responsibilities. Women are also more likely to work part-time.ⁱⁱ

This is supported by data from the Office of National Statistics (ONS), which states that there are more than three times as many women working part-time than men, and part-time jobs tend to be lower paid.ⁱⁱⁱ In 2019, 39% of women were working part-time compared to 11% of men.^{iv}

Figure 7: Gender pay gap by employee work pattern (2019)

Working pattern	Median GPG	Mean GPG
All employees	17.3%	16.2%
Full-time employees	8.9%	13.1%
Part-time employees	-3.1%	5.8%

Source: *Employee Earnings in the UK: 2019*, Office for National Statistics (2019)

The gender pay gap for full-time work means that women earn £1.37 less per hour. Including part-time work, this increases to £2.50 per hour.^v Therefore, whilst there is a negative or reverse gender pay for part-time employees, **part-time women's pay is much lower than that of their full-time colleagues** – around £5.34 per hour.

5. What are the maternity, adoption and shared parental leave return rates in your organisation?

Employment rates for women start to level off after they have children. In fact, women's hourly wages are a third below men's hourly wages by the time their first child is aged 12.^{vi} The average age in the UK for a woman to give birth to her first child is 30.6^{vii} and in older groups of aged 40 and above following childbirth, the gender pay gap is almost always positive for both full- and part-time workers.^{viii}

Business in the Community's [Equal Lives research](#), in partnership with Santander UK found that women are eight times more likely to play the primary role in caring for children and are one and a half times more likely to take the lead in caring for adults.^{ix} If these women do not return to the workforce, this perpetuates the gender pay gap caused by vertical segregation. Indeed, the Equality and Human Rights Commission (EHRC) found that 11% of mothers were either dismissed; made compulsorily redundant, where others in their workplace were not; or treated so poorly they felt they had to leave their job.^x Preventing women from leaving the workforce and increasing the number of women returning to work is instrumental in closing the gender pay gap and increasing the number of women in middle and senior management.



This issue is not limited to women. Over nine in ten men believe it is equally acceptable for both women and men to take time out from employment in order to care for their family and 85% of men agree they should be as involved in all aspects of childcare as women.^{xi} However, the take-up for Shared Parental Leave in the UK has been around 2% since its introduction in 2015.^{xii} In order to achieve true balance, it is important for organisations to offer policies which enable men to take a more equal share of caring responsibilities.

6. Does your organisation implement responsible flexible working?

The Government definition of flexible working is a way of working that suits an employee's needs, e.g. having flexible start and finish times, or working from home. Employees must have worked for the same employer for at least 26 weeks to be eligible.^{xiii} 'Flexible working' can be defined as flexibility in contracted hours – such as term-time working, part-time working, job sharing, and compressed hours. The term is also used to refer to flexible working arrangements, such as working from home and flexible hours.



Research conducted by Timewise found that 73% of the UK workforce currently work either part-time or full-time with some form of flexible working pattern.^{xiv} The top reasons for wanting workplace flexibility are the same for both men and women: caring for children, caring for an elderly or sick parent, and wanting a greater work-life balance.^{xv}

Indeed, men and women with caring responsibilities value flexible working strongly – 84% of men and 91% of women respectively said the ability work flexibly is important to them.^{xvi}

However, provision of flexible working remains poor. According to Timewise, only 11.1% of jobs paid £20k and full-time are advertised with flexible working options.^{xvii} Moreover, it is highly stigmatised in practice – with flexible workers feeling they are given fewer opportunities, they have missed out on promotion and there is a negative impact on their progression.^{xviii}

Organisations will benefit from monitoring and encouraging the uptake of flexible working. Indeed, flexible workers are found to have higher levels of organisational commitment,^{xix} and in some cases they also have higher levels of job satisfaction.^{xx} If agile working is actively promoted and successfully managed by organisations, it can be a critical enabler to retaining women in the workforce, whether they have children or not.

7. What is the percentage of women in managerial and executive roles?

The under-representation of women in senior roles is a significant driving factor behind the gender pay gap. The percentage of women at different levels of management in your organisation will show the extent to which your gender pay gap may be a result of vertical segregation.

Figure 8: Women in leadership positions in FTSE 100 and FTSE 250 (2018)

Women in leadership positions	FTSE 100		FTSE 250	
Female held directorships	305	29%	462	23.7%
Female executive directorships	25	9.7%	30	6.4%
Female non-executive directorships	280	35.4%	432	29.1%
Companies with female executive directorships	22	22%	29	11.6%
Companies with at least one female director	100	100%	240	96%
Companies with at least 33% female directors	32	32%	59	23.6%

Source: *The FTSE Female Board Report, Cranfield University (2018)*

In 2018, only 24% of senior roles are held by women and 75% of businesses have at least one women in senior management.^{xxi}

Research conducted by Business in the Community shows that 9 in 10 employees want to know the gender pay gap at each grade/job level.^{xxii} In order to find out how different levels of staff are paid, we strongly advise you to segment gender pay gap by seniority levels. If you do not have any grading system in place, you can break down your workforce in three categories:

Senior managers

- “Senior Management” e.g. Divisional Heads, Regional Directors, “C-Suite”, Executive Directors, Heads of Department

Managers

- “Middle Management”, e.g. Line Managers, Operational Supervisors, Managers of processes

Others

- Professionals and non-professionals without management responsibility (of people or processes)

8. What is the promotion rate for men and women?

When it comes to appraisal and performance mechanisms that feed into leadership talent development, there is a clear imbalance in how female and male employees are rated. Women are systematically less likely to receive specific feedback tied to outcomes and feedback they receive tends to be vaguer.^{xxiii} Moreover, appraisal mechanisms feeding into leadership are more likely to rate women less favourably.^{xxiv}

This will have knock-on effect when it comes to promotion and progression opportunities as these mechanisms are often the route into feeder pools for executive board positions. This is particularly concerning as women in executive director positions are not increasing at the same pace as women in non-executive roles.

Some organisations have put in place processes to eliminate bias in decision making that works against women based on evidence of what works. For example, recent guidance from the Government Equalities Office and the Behavioural Insights Team advises including multiple women in shortlists for recruitment and promotions.^{xxv} The gender pay gap figures indicate promotion and progression rates for women are worse than for men, therefore it's essential to analyse this issue comprehensively in order to tackle it. You can find more information about how to do this in our toolkits on **tackling your gender pay gap**.

Gender discrimination

9. Do you conduct equal pay audits or reviews?

Further questions to consider

- Are women progressing in your organisation and if so, how far? Where is the point in your organisation where women get 'stuck'?
- What is the female employee journey? How does it compare to the male employee journey?
- Are part time employees progressing?
- Who goes for promotion and who is successful?
- Are you asking employees about their progression?

Equal pay audit: An equal pay audit involves comparing the pay of protected groups, e.g. women/men, minority ethnic/white, disabled/non-disabled staff, etc., who are doing equal work in your organisation. It enables you to identify, explain and eliminate pay gaps that cannot be justified on grounds other than one of those characteristics. *Source: How to implement Equal Pay, Equality and Human Rights Commission (2018)*

Business in the Community found that women are better represented at senior levels in organisations that carry out equal pay audits.^{xxvi} Equal pay audits incentivise employers to put in place rational, fair and transparent pay arrangements. Employees that know and understand how their pay is set and are confident they are paid fairly in comparison to their colleagues are more likely to perform better.

Most organisations do not conduct equal pay reviews and may be at risk. According to research commissioned by the Government Equalities Office, 62% of organisations had no current, past or planned future involvement in formal gender pay reviews.^{xxvii} The most common reason cited by these organisations for not conducting formal pay reviews was that they believed they already provided equal pay (89%).^{xxviii} The vast majority of organisations felt that a formal gender pay review was not necessary within their organisation.

10. Do you bias-proof your processes or de-bias your people?

Gender stereotypes – hidden beliefs about women’s and men’s capabilities – shape decision-making process with regards to recruitment, performance appraisals and promotions.

Recent research found that 80% of female workers still believe that gender discrimination in the workplace exists.^{xxix} However, comparatively 67% of male workers believe this is the case and men are twice likely to say that the presence of gender discrimination in the workplace is overestimated.^{xxx}

Most people are unaware of their own bias, which is why addressing unconscious bias is essential, especially for line managers and those involved in recruitment and progression decision making. Further research suggests that women are assessed differently from men by both male and female managers.^{xxxi} Female employees are more likely to be critiqued for coming on too strong and their accomplishments are more likely than men’s to be seen as the result of team rather than individual efforts. Since evaluations are the ‘gatekeepers to opportunities, promotion

and recognition', errors and biases creeping into feedback and evaluation can significantly affect women's advancement.^{xxxii}

Whilst unconscious bias training is increasingly popular in many organisations, a singular focus on reducing unconscious bias is a significant risk to employers. Not all behaviours are unconscious, therefore trying to rectify conscious bias through training will have a limited impact. It may not be sufficient to break learned or even institutionalised discriminatory behaviours; therefore it is vital that employers focus their efforts on reducing the extent to which bias – unconscious or conscious – can unduly influence recruitment, promotion, pay and reward processes (such as removing the practice of individuals negotiating bigger bonuses or an externally conducted equal pay audit). This will be further discussed in our toolkits on **tackling your gender pay gap**.



For more information, please take a look at Business in the Community's other gender pay gap toolkits:

- Understanding your gender pay gap
- Communicating your gender pay gap
- Tackling your gender pay gap – Attraction and Recruitment
- Tackling your gender pay gap – Retention and Progression

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