

Equal pay reviews

Two research studies of equal pay reviews (EPRs) have recently been conducted for the EOC: a survey of GB employers and case study research in selected organisations.

Key findings

- In 2004, 21% of organisations had completed an EPR, 5% were in the process of conducting one and 20% had plans to conduct one; most of those which had completed one EPR were currently repeating the process or planned to do so. The majority (68%) of organisations had not completed an EPR, had none in progress and did not plan to conduct one.
- Although the proportion of organisations that had completed an EPR increased from 15% in 2003 to 21% in 2004, the proportion with their first EPR planned fell from 15% to 9%. The proportion with no plans to conduct an EPR remained unchanged at 68%.
- Large organisations (with 500 or more employees) were most likely to have conducted an EPR. Small organisations (with 25-99 employees) were most likely to report that they had no EPR planned.
- Organisations in the public sector were more likely than those in the private services sector and the manufacturing sector to have completed an EPR. In around 70% of organisations in the manufacturing and private services sectors, compared with 55% of those in the public sector, no EPR activity had been either undertaken or was planned.
- Nearly three in four organisations in the survey that had conducted or were conducting an EPR planned to conduct repeat EPRs annually. Similarly, most case study organisations had plans to carry out future EPRs.
- The main reason given by organisations for conducting an EPR was that they wished to be seen as a good practice employer. The great majority of those that reported no EPR activity stated that this was because they believed that they already had equal pay.
- Large organisations in the survey were much more likely than small ones to have found pay gaps that could not be satisfactorily explained on grounds other than sex.
- An EPR in the case study organisations typically took the equivalent of three to six months of the time of a single member of staff.
- In some case studies, the reasons for equal pay gaps included the impact of line management discretion over pay; market-related pay differences; pay protection or red-circling; and access to overtime premium payments.



Introduction

In October 2004, the EOC commissioned two new, companion, research studies of equal pay reviews (EPRs). One consisted of a quantitative survey, the other of qualitative case studies.

The EOC had previously set targets that 50% of employers with 500 or more employees should have completed an EPR by the end of 2003, while a quarter of employers with 25 to 499 employees should have done so by the end of 2005.

IFF Research carried out a telephone survey between October and November 2004 of 650 organisations with 25 or more employees in England, Scotland and Wales. Quotas were set by size of organisation (25-99, 100-499 and 500 or more employees), sector (public sector, private sector and manufacturing) and country. This was the third EOC survey of EPRs; in order to explore the trends between 2003 and 2004, the published results for 2003 were reweighted.

The Institute for Employment Studies conducted in-depth research in 15 case study organisations in England, Scotland and Wales between October 2004 and January 2005. These organisations were drawn from different sectors; seven each from the public sector and the private services sector and one from manufacturing.

All case studies contained at least 250 employees, while women comprised at least 20% of the workforce in all but one. A key criterion influencing the selection was that the case studies should have adopted a range of approaches to conducting an EPR.

Interviews were carried out with employer, trade union and line management representatives in the case studies.

Survey findings

21% of organisations had completed an EPR, 5% were in the process of conducting one and 20% had plans to conduct one; two-thirds of those which had completed one EPR (14% of the overall total) were currently repeating the

process or planned to do so. The majority (68%) of organisations had not completed an EPR, had none in progress and did not plan to conduct one.

The proportion of organisations that had completed an EPR increased from 15% in 2003 to 21% in 2004. However, this was coupled with a fall in the proportion with their first EPR planned from 15% in 2003 to 9% in 2004. The proportion with no plans to conduct an EPR remained unchanged at 68%.

While data for 2002 are not directly comparable, it is likely that the proportion of organisations with no EPR activity changed very little over the three surveys between 2002 and 2004.

Organisations with 500 or more employees were most likely to have conducted an EPR. A third had done so, compared with a fifth of those with 25-99 employees.

71% of organisations with 25-99 employees and 65% of those with 100-499 employees reported no EPR activity. This compared with only 46% of large organisations.

Organisations in the public sector (27%) were more likely than those in the private services sector (21%) and the manufacturing sector (20%) to have completed an EPR. In all three sectors, the proportion which had done so was higher in 2004 than in 2003.

In around 70% of organisations in the manufacturing and private services sectors, no EPR activity had been either undertaken or was planned.

Due to a particularly large fall in the proportion with their first EPR planned, the proportion with no EPR activity in the public sector increased from 39% in 2003 to 55% in 2004. The equivalent proportion fell in the manufacturing sector and rose slightly (but not significantly) in the private services sector.

Organisations with their headquarters in England were more likely than those with their headquarters in Scotland and Wales to have completed an EPR.

EPRs activity was more common among organisations in which more than half of the workforce was female.

Employers were most likely to state that they conducted an EPR in order to be seen as a good practice employer. Three-quarters of organisations mentioned this as a reason and for 58%, this was the main reason for doing so; three-fifths mentioned that conducting an EPR was seen as good business sense and 25% chose this as their main reason. Two other factors, Government policy or publicity and EOC policy or publicity, were mentioned as reasons by 29% and 22% of organisations respectively.

The great majority of organisations that reported no EPR activity stated that this was because they believed that they already had equal pay.

Almost half (47%) of the EPRs which were now completed had been started in 2004. A fifth had been started in 2003, and the remainder in the years before that.

Nearly three-quarters of organisations that had started an EPR stated that they used their own review process, rather than bringing in outside help.

A quarter of organisations that had conducted or were conducting an EPR were not doing so in strict accordance with the EOC's definition of what an EPR should include.

Large organisations were more likely than small ones to have found pay gaps between women and men that could not be satisfactorily explained on grounds other than sex. Of those with 500 or more employees, 15% had done so, compared with only 1% of those with 25-99 employees. This may be because large organisations were more likely to have conducted an EPR with proper scope. There may also be a greater opportunity for pay gaps to arise amongst employers with more staff and more categories of staff. In addition, pay gaps may be more visible in organisations with smaller workforces and therefore can be addressed on a case by case basis, before any pay reviews have taken place.

All organisations with pay gaps had either already taken action to eliminate them, or had plans to do so in the future.

Nearly three in four organisations in the survey that had conducted or were conducting an EPR planned to conduct repeat EPRs annually. A further 13% said that they would repeat the process biannually. Just 5% said that they had no plans to conduct further EPRs.

Case study findings

In most cases, organisations had more than one reason for conducting the EPR. Reasons given ranged from outside pressure from trade unions or funding bodies, to a desire to implement best practice or to access the benefits of being seen as a leading-edge employer.

There was considerable variation in the processes used, the key actors and the coverage of EPRs. In a minority of cases, coverage was comprehensive; in others, a very limited approach to conducting an EPR had been adopted.

Most organisations claimed to follow the EPR process set out in the EOC's Equal Pay Review Kit. However, it was clear from the research that the proportion which actually followed the model was considerably smaller.

Although all but one of the case study organisations recognised trade unions for the purpose of negotiating over pay, in only a minority of cases were trade union representatives actively involved in the EPR. In other cases, unions were kept informed of the basic approach and outcomes, but were not involved in decision-making in respect of the coverage of the review.

Only a small minority of EPRs involved the introduction of a new, specially designed, job evaluation system (JES) for the purpose of establishing a basis for equal work comparisons. A few others had an existing single JES which was used for this purpose, and which, as part of the EPR, was examined to ensure that it incorporated equal value in its design. However, in most cases, the process for determining which jobs were equal had serious inadequacies.

Most of the case study organisations limited their EPR to a comparison on the basis of gender. The majority of EPRs covered the whole workforce, but coverage of the different aspects of remuneration was much more uneven. There were a number of case study organisations which had quite complex pay systems, but where the EPR was limited to basic pay.

The majority of case study organisations had identified equal pay gaps of 5% or greater. Of the fourteen organisations which had conducted an EPR, nine had identified such pay gaps and five had not. In one organisation, an equal work gap of up to 40% was identified.

In some case studies, the reasons for the equal pay gaps included the impact of line management discretion over pay; market-related pay differences; pay protection or red-circling; and access to overtime premium payments.

Most organisations had plans for future EPRs. In some cases, they planned to extend the coverage or analysis in the original review, while others intended a regular (commonly annual) programme of EPRs.

Only a minority of organisations involved in this study were, as yet, able to report any impact of their EPR on the pay gaps that they had identified. In most cases, this was because the organisation concerned was conducting its first EPR and did not yet have any data to demonstrate change. However, where data were available to show change over time, there was some evidence that pay gaps were reduced following EPR actions.

Most organisations did not cost separately for the work involved in conducting an EPR, and were only able to provide information on the amount of staff time involved. This was typically the equivalent of three to six months of the time of a single member of staff.

A minority of case studies supplied data on the costs involved in making pay structure changes following the findings of an EPR. In only one organisation were these costs substantial.

Considerably more informants took a positive, than a negative, view of the experience of conducting an EPR.

A number of organisations had not found any difficulties in conducting EPRs. Where problems were experienced, they most commonly related to the limitations of existing HR data and data sources.

Equal pay reviews survey 2004 by Stefan Schäfer, Mark Winterbotham and Fiona McAndrew (IFF Research) and **Equal pay reviews in practice** by Fiona Neathey, Rebecca Willison, Karen Akroyd, Jo Regan and Darcy Hill (Institute for Employment Studies) are published as EOC Working Papers. They can be downloaded from the web address below or is available as hard copy.

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Women. Men. Different. Equal.
Equal Opportunities Commission

Great Britain
Arndale House
Arndale Centre
Manchester
M4 3EQ

Wales
Windsor House
Windsor Lane
Cardiff
CF10 3GE

Scotland
St Stephens House
279 Bath Street
Glasgow
G2 4JL