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Tackling gender, disability and ethnicity pay gaps

a progress review

Executive summary

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Executive summary

Introduction

This report was commissioned to examine the effectiveness of interventions to tackle the gender, disability and ethnicity pay gaps in the UK. It contains the findings of a literature review and summarises views expressed during workshop discussions with employers and stakeholders. In addition to presenting evidence on interventions and, where available, their effectiveness, the report provides an overview of the legislative framework and a description of employers' progress in tackling pay gaps.

Key findings

The literature review

This review found some evidence of evaluation of policy and practice aimed at tackling the gender pay gap. In relation to the ethnicity and disability pay gaps, very little evidence of specific interventions, or evaluations of them, was found. The following paragraphs summarise the main findings.

Quantifying the impact of the National Minimum Wage (NMW) on pay gaps is not straightforward. Following its introduction the gender pay gap narrowed, particularly for the lowest paid workers. However, analysis suggests that raising the NMW to the Living Wage (a voluntary benchmark set independently from Government) would shrink the gender pay gap only very slightly. This is partly because so few women occupy the highest-paid jobs. The exact impact of the NMW on disability and ethnicity pay gaps is unknown, although there is some evidence that its introduction increased the pay and employment rates of disabled people.

Voluntary initiatives have failed to tackle the gender pay gap because employers' participation rates have been low. 'Think, Act, Report', the Government's campaign to enhance gender equality in the workplace, has had poor take-up as a result of widespread complacency on the part of employers. Many companies fail to recognise they have a gender pay gap and therefore take no action to close it; others

do not see it as a priority. This has led the Government to enact legislation for mandatory gender pay gap reporting from April 2017¹ for private and voluntary sector employers with 250 or more employees. The Government has consulted² on its proposal for the same requirement on the public sector.

Bonuses and highly variable pay, more commonly found in the private sector, have been found to put women at risk of disadvantage. By contrast, public sector employers are subject to stronger regulatory requirements and pay controls. Whatever the outcome of specific interventions, statistics show that the public sector has a lower overall gender pay gap than the private sector.

Tentative conclusions can be drawn by making international comparisons. Finland and Sweden place more stringent reporting requirements on employers and provide more generous funding for shared parental leave. Fathers' take-up of parental leave is much higher in Scandinavian countries than in the UK, where it is extremely low: a survey found that almost a third of British fathers would not consider taking it. While the exact impact of specific initiatives is unknown, the UK's gender pay gap is larger than that of many other European and Scandinavian countries.

Some public, voluntary and private sector employers have introduced measures to support female employees' career progression. Typical schemes offer training and development, mentoring, peer support and assistance for those returning from maternity leave, alongside – in some cases – voluntary representation targets at senior levels. There is some evidence of success, although little is known about the effect of these activities on pay gaps.

This research did not identify any interventions aimed explicitly at reducing the ethnic and disability pay gaps. However, there have been interventions to improve labour market participation and tackle discrimination. Their effect on pay gaps is unknown, although there is strong evidence that anonymised recruitment leads to fairer outcomes. This applies to gender too.

Closing the disability pay gap is a distant prospect, despite the existence of interventions to support disabled people in work. The Access to Work scheme, which provides funding to support disabled people in employment, has been found to reduce sickness absence and improve well-being. However, the voluntary 'Two Ticks' initiative, aimed at encouraging employers to retain and develop disabled people, has met with limited success. It has been criticised for allowing employers to reap reputational benefits without making meaningful change. Among disabled

¹ Proposed date at time of writing.

² Consultation ended 30 September 2016.

people there is a statistical association, if not a causal link, between higher pay and receiving mentoring and support from senior staff.

As with disability, almost nothing is known about how to close the ethnicity pay gap, and progress is slow. When it comes to recruitment, there is evidence of racial discrimination against ethnic minorities, although its effect on the ethnicity pay gap is impossible to quantify. Employers' initiatives to improve recruitment and development tend to be piecemeal and unambitious, and their effectiveness in tackling the pay gap is not clear.

The causes of pay gaps are complex. They are driven by the structures of labour markets and wider society. For example, women are more likely to work part-time, qualified people from ethnic minorities are over-represented in low-paid work and disabled people's employment rate is low. This means solutions to pay gaps are likely to require a range of government and employer actions to tackle all the various factors.

The workshops

The purpose of the workshops was to engage with employers and experts about how to tackle gender, disability and ethnicity pay gaps in practice. Participants were unable to identify interventions which specifically reduced pay gaps, although they did discuss a range of activities that employers are engaged in to enhance diversity.

It was suggested that the Government should develop clear standards to help employers meet the forthcoming gender pay gap regulations and provide guidance, support and incentives to make progress.

Because of the new regulations, the gender pay gap is a high priority for company boards. Strong leadership from the board and chief executive is the pre-requisite for tackling pay gaps and improving equality and diversity, particularly in senior roles.

Employers' efforts on ethnicity and disability tend to lag behind those on gender. Poor quality data on employees' ethnicity and disability status mean many employers are not able to diagnose the problem.

Participants highlighted the long-term challenges facing society with respect to achieving greater equality and fairness at work. Early years intervention and good careers advice in schools were seen as particularly important.

Conclusion

Pay gaps reflect wider, entrenched social and economic inequalities and tackling them is a complex task. Academic literature has focused on the causes and challenges of pay gaps rather than on identifying and evaluating effective solutions. As a result there is little available robust evidence on the impact of interventions. The workshop discussions suggest that many employers do not yet understand the size and causes of their pay gaps and have often taken only tentative steps to tackle them.

However, this report does highlight legislation, UK Government-led strategies and employer interventions that have the potential to reduce the pay gaps for women, disabled people and ethnic minorities. By comparing different sectors and countries, the analysis highlights the types of interventions that are associated with smaller pay gaps – in relation to gender at least.

This report complements our statistical analyses of pay gaps, which look in detail at the causes and drivers of pay gaps. Table 5.1 at the end of this report summarises the evidence on a wide range of policy and employer initiatives.

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