

THE FAIR PAY REPORT

HOW PAY TRANSPARENCY CAN HELP TACKLE INEQUALITIES

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60-SECOND SUMMARY

The gender pay gap measures the difference in average earnings between men and women. Across the economy, average pay for women is one-fifth lower than for men. The gender pay gap in the UK is high compared to most countries, and progress in narrowing it has stalled.

In 2016, the government introduced compulsory gender pay reporting in order to promote transparency and encourage employers to take action to narrow the pay gap. While the regulations are in their infancy, early evidence suggests they have been successful. Compliance with the regulations has been high, they have pushed the gender pay gap up the agenda, and they seem to be stimulating employer action.

Building on this success, gender pay reporting should be expanded to medium-sized organisations, and employers should be required to provide a narrative report alongside their pay gap. To tackle wider pay inequalities, organisations should be required to produce a fair pay report, covering gender, ethnicity and disability pay gaps, as well as internal pay ratios, and the proportion of workers earning below the real living wage.

However, while reporting can help, transparency alone will not close pay gaps. Alongside transparency, government and employers will have to address the structural drivers of inequalities.

KEY FINDINGS

Progress in tackling the gender pay gap has been too slow

- The gender pay gap in 2018 stood at **17.9 per cent**, meaning women earn nearly one-fifth less per hour than men on average. The gender pay gap in the UK is higher than most advanced economies.
- The government have set out an ambition of closing the gender pay gap within a generation. But progress in narrowing the gap has stalled; **at the current rate, the gender pay gap would not close until 2072.**
- In addition to the gender pay gap, there are significant pay gaps for other protected characteristics, particularly relating to **ethnicity and disability**. In addition to pay gaps, there are high levels of pay inequality in the UK, and nearly one in four employees earn below the real living wage.

Compulsory gender pay reporting has been effective in focusing attention on the pay gap and stimulating action

- The government introduced compulsory gender pay reporting in 2017, requiring all employers with 250 or more employees to report on their gender pay gap. The aim was to “cast sunlight on the discrepancies and create the pressure we need for change, driving women’s wages up”.
- While it would be premature to expect to see any impact on the gender pay gap at the national level, there is evidence to suggest the regulations have had a positive impact.
 - **Compliance** has been high, with 100 per cent of employers within scope – over 10,000 in total – reporting within 10 weeks of the deadline.
 - The regulations have **raised the profile of the gender pay gap**, prompting a lively debate, greater attention from policy-makers, and a greater focus at senior levels within organisations on gender equality.

- The regulations have encouraged employers to **investigate and understand their gender pay gap**, and many have **engaged with their workforce** on the issue.
- Most importantly, the regulations appear to have driven employers to **take further actions** towards tackling the gender pay gap. Four in five have considered or taken further action to narrow their pay gap in response to the regulations.

We should build on the success of gender pay reporting by introducing wider pay transparency

- While the gender pay reporting regulations appear to have had a positive impact, they could be improved and extended. Employers should be required to produce a **narrative report** setting out their understanding of their gender pay gap, and what they plan to do to close it. The regulations should be **extended to medium-sized employers** (50–249 employees) with a simplified methodology and a requirement to report only every two years.
- Given the early signs of success, we should extend pay transparency to tackle wider inequalities. All employers with 50 or more employees should be required to produce a **fair pay report**, including:
 - their **gender pay gap**
 - their **ethnicity pay gap** (requirement for employers with 250 or more employees)
 - their **disability pay gap** (requirement for employers with 250 or more employees)
 - the **pay ratio** between their CEO and the median employee
 - the proportion of their workforce earning below the **living wage**
 - a **fair pay narrative**, setting out their understanding of their pay gaps, and their plans to ensure fair pay.
- This would represent a minimal additional requirement on large employers, as they will already be recording pay data to comply with gender pay reporting. For medium-sized firms, this would represent a moderate additional requirement, and so they should be given a significant transition period and they should be required to report less frequently.
- To help tackle illegal unequal pay – where workers are paid less than others for like work or work of the same value – large employers should be required to publish pay ranges internally to their employees. Employees should have a right to request comparison data of pay levels for those doing similar work and a right to request an independent pay audit.
- The Equality and Human Rights Commission should produce an annual fair pay review, based on the data produced by individual employers. This should include analysis of trends in the data and recommendations both for employers and government.

Transparency alone will not tackle pay gaps – government and employers must address the structural drivers of these inequalities

- While gender pay reporting is helping drive action to tackle the gender pay gap, transparency alone will not eliminate pay gaps.
- In addition, government and employers need to do more to tackle the structural drivers of pay inequalities, including through tackling occupational segregation, supporting a more equal distribution of caring responsibilities, and promoting high-quality flexible working opportunities.

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