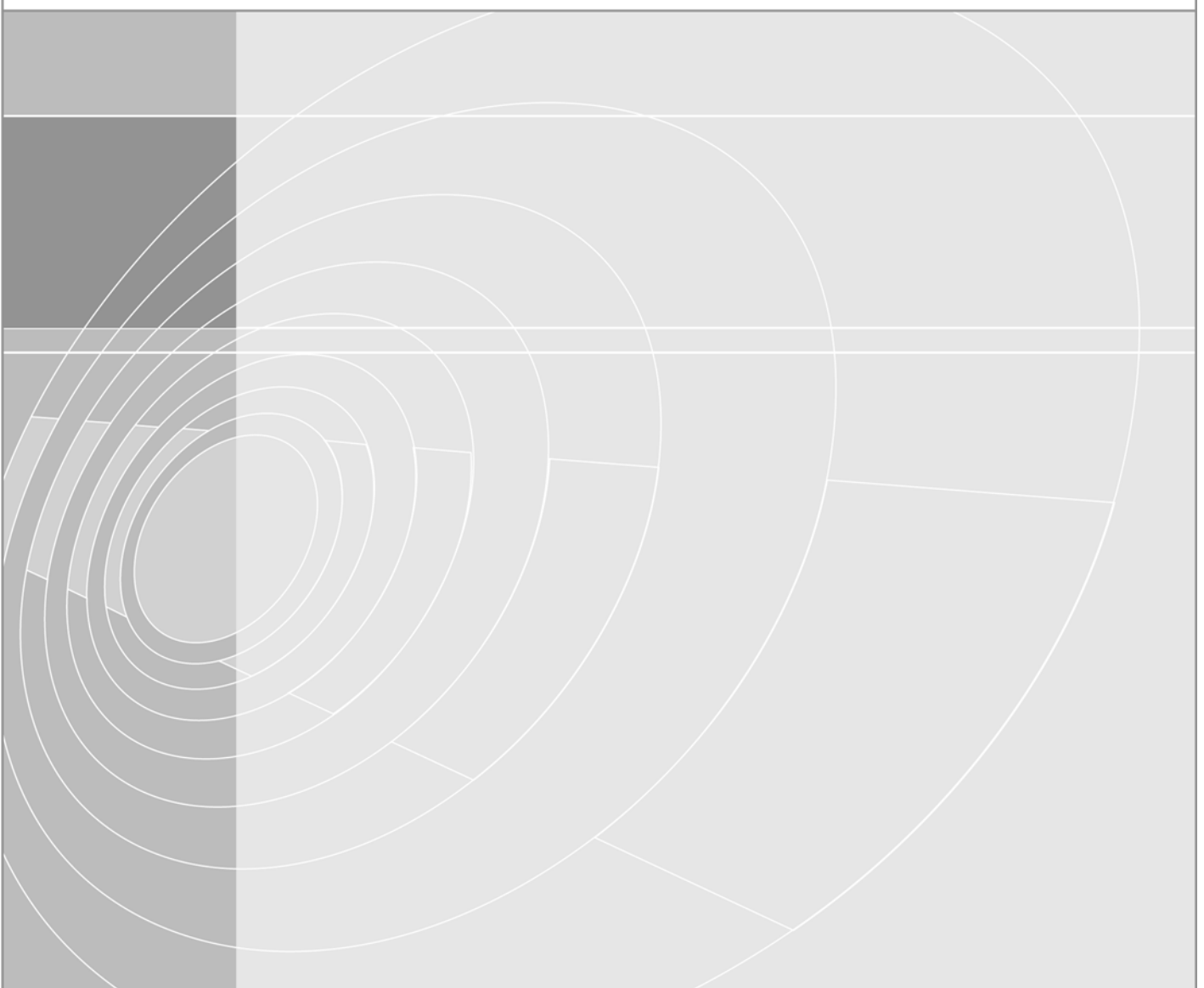




# Closing the Gender Pay Gap:

An update report for TUC Women's

Conference 2008





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## Introduction

This report uses official data and recent research into the gender pay gap to examine the position of women within the labour market and the causes of the continuing pay inequity they experience. The report shows that while the pay gap experienced by women continues to narrow, with the full time pay gap now at 17.2% and the part time pay gap at 35.6%, the underlying causes of the pay gap persist. Undervaluation of women's work, a persistent employment penalty for mothers, occupational gender segregation, and discriminatory treatment in the workplace continue to hamper efforts to further reduce the pay gap. The interconnectedness of part-time work, occupational gender segregation and the onset of family responsibilities hits women in the UK particularly hard – they experience a larger pay gap than many other women in Europe. The UK pay gap is a third higher than the EU average. Unequal pay doesn't just hurt women – this report also highlights the cost of women's unequal pay for everyone, with strong links between the gender pay gap and child poverty, skills shortages and a cost to the economy of the under-utilisation of women's skills in excess of £11bn a year. The findings of this report emphasise the critical need to tackle the penalties paid by part-time workers and mothers as well as for widespread cultural change to challenge the undervaluation of women's work.

## Independent incomes

The persistence of the gender pay gap and the consequent inequality between men's and women's income has always been a matter of pressing concern. If we compare men's and women's individual incomes, that is, the income they have in their own right, the disparity is shocking:

### Median disposable individual income by gender, 2004/05 (£ per week)<sup>1</sup>

Women	Men	Women as % men
127	212	59.9

One consequence of this inequality is that women are much more likely than men to be poor. If we divide the population into individual income quintiles (fifths) and then ask what proportion of women and what proportion of men are in each, we can see that women are twice as likely to be in the bottom quintile and men are nearly three times as likely to be in the top quintile:

### Percentage distribution of women and men in the total individual income quintiles, 2004/5<sup>2</sup>

	Bottom quintile	Second quintile	Third quintile	Fourth quintile	Top quintile	Population (thousands)
All Women	27	25	21	16	11	23003
All Men	13	14	19	24	30	21524
All Adults	20	20	20	20	20	44528

This table is particularly shocking because the difference is much more noticeable than many of the poverty figures we are used to seeing. These show the incomes for the families or households in which women and men live; even those figures still show women more likely to be poor than men<sup>3</sup> but they don't reveal the inequalities within families.

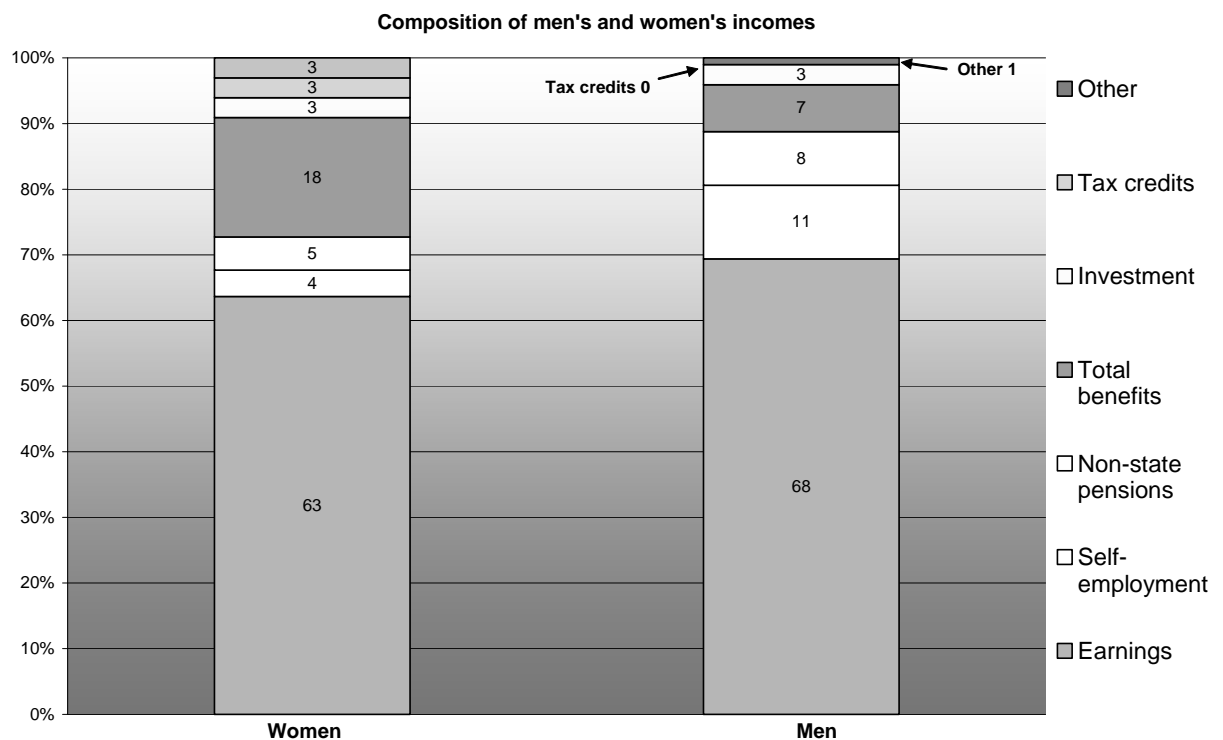
1 Source: Individual Income 1996/97 - 2004/05, Women and Equality Unit, 2006, table 1.1, downloaded from [http://www.womenandequalityunit.gov.uk/indiv\\_incomes/report2006.pdf](http://www.womenandequalityunit.gov.uk/indiv_incomes/report2006.pdf) on 21/02/2008 11:13. This invaluable series presents data on men's and women's income that accrues to individuals; we have here used median incomes (the income in the middle of the distribution, where 50% are higher and 50% are lower) and confined the table to disposable income – gross income plus tax credits, less income tax and NI contributions and after deducting/adding housing costs and benefits. Unfortunately, due to DWP staff cuts, no new edition was produced in 2007, so the data for 2004/5 are the most recent we have.

2 Source: Individual Income 1996/97 - 2004/05, Women and Equality Unit, 2006, table 1.4, downloaded from [http://www.womenandequalityunit.gov.uk/indiv\\_incomes/report2006.pdf](http://www.womenandequalityunit.gov.uk/indiv_incomes/report2006.pdf) on 21/02/2008 11:28.

3 The most recent Households Below Average Income statistics show that 19% of adult women live in households in the bottom quintile, compared with 17% of men, while 21% of

In a money economy, one's chances of living a good life (both in terms of satisfying needs and of realising potential) depend in large measure on income. It is unfair that women should have a poorer chance of a good life solely because of their gender.

In this paper we have concentrated on pay inequality. The main reason for doing so is that it is women's and men's most important source of income. If we look at men's and women's average incomes, we can see that earnings from employment or self-employment account for over two-thirds of the average woman's independent income, and over three quarter's of the average man's:<sup>4</sup>



If we are concerned about unequal incomes it is clear that we are going to have to look at paid work.<sup>5</sup>

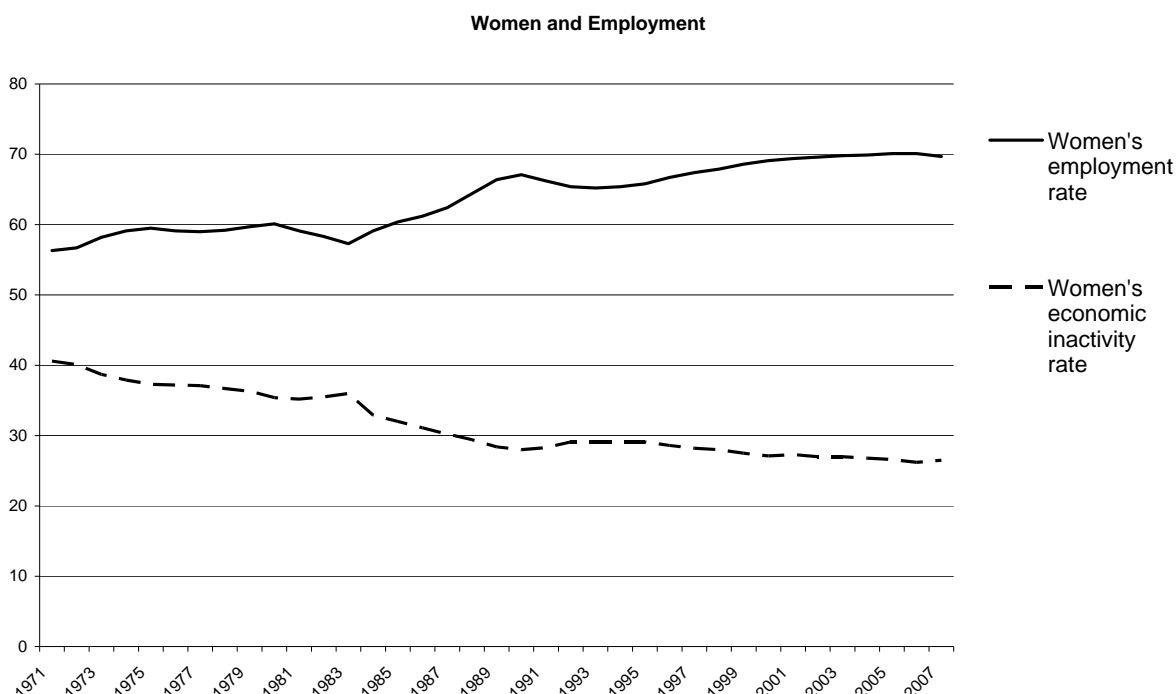
women and 24% of men live in the top quintile. (Households Below Average Income (HBAI) 1994/95-2005/06, DWP, 2007, table 3.1 AHC, downloaded from [http://www.dwp.gov.uk/asd/hbai/hbai2006/excel\\_files/chapters/chapter\\_3\\_excel\\_hbai07.xls#3.1 BHC!A1](http://www.dwp.gov.uk/asd/hbai/hbai2006/excel_files/chapters/chapter_3_excel_hbai07.xls#3.1 BHC!A1) on 21/02/2008 11:48.)

<sup>4</sup> Data taken from Individual Income 1996/97 - 2004/05, Women and Equality Unit, 2006, tables 2.1 and 2.2, downloaded from [http://www.womenandequalityunit.gov.uk/indiv\\_incomes/report2006.pdf](http://www.womenandequalityunit.gov.uk/indiv_incomes/report2006.pdf) on 21/02/2008 12:09. In this chart we have used data for mean incomes (the arithmetical average).

<sup>5</sup> Another implication of this chart is that attempts to reduce benefits and tax credits and use the proceeds to cut taxes in earnings amount to an attempt to switch resources from women as a group to men as a group.

## Women's paid work

At the end of 2007, 70.2 percent of working age women were in employment, 5.1 percent were unemployed and 26.0 percent were economically inactive (people who are neither employed nor unemployed, such as students, disabled people and people looking after their family or home). 12,674,000 working age women were in employment; if we include the growing number of workers over state pension age, women accounted for 46 percent of those in employment.<sup>6</sup> In the course of a generation the proportion of working age women who are in employment has risen by nearly a quarter and the proportion that are economically inactive has fallen by more than a third:<sup>7</sup>



Women and men have different patterns of employment, women being more likely to work in service occupations and men more likely to work in management and skilled trades.<sup>8</sup>

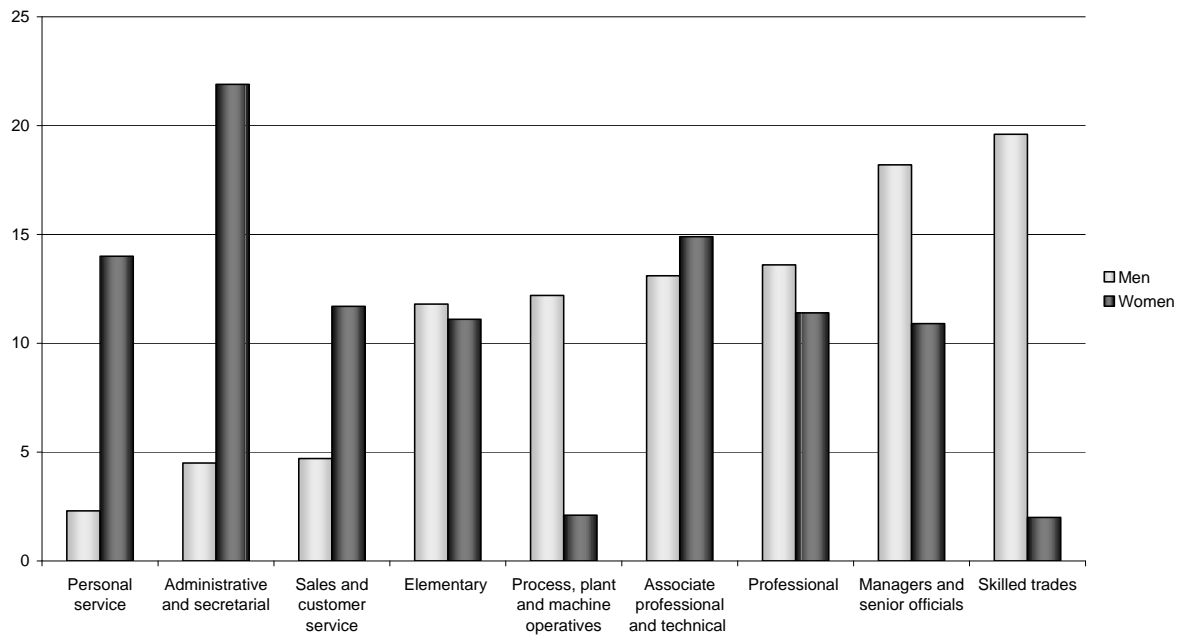
<sup>6</sup> Labour Market Statistics, ONS, February 2008, table 1, figures for Oct – Dec 2007.

<sup>7</sup> Chart calculated from LFS summary data from Statbase, ONS, downloaded from <http://www.statistics.gov.uk/STATBASE/tsdataset.asp?vlnk=429&More=N&All=Y> on 27/02/2008 11:23.

<sup>8</sup> Labour Force Survey data from Focus on Gender, ONS, 2006. Figures for Spring 2005, people aged 16 and over; data are not seasonally adjusted and have been adjusted in line with population estimates published in autumn 2005.



The Occupations in which Men and Women Work, 2005

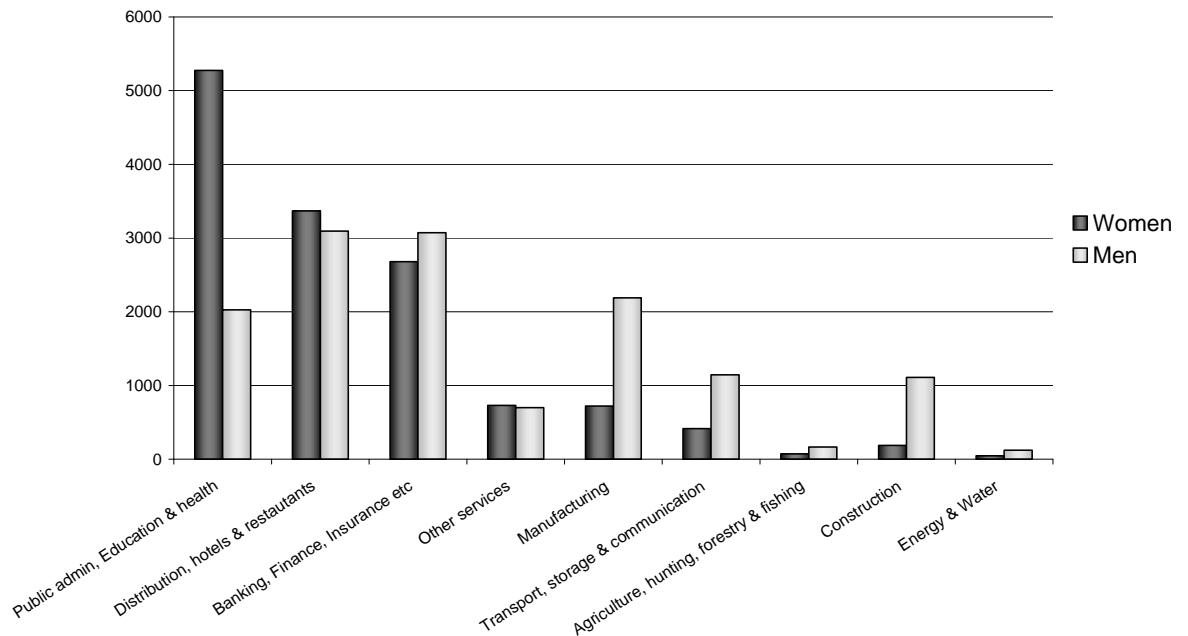


Similarly, men and women have different industrial patterns of employment.

Women are far more likely than men to work in public administration, education and health but men are much more likely than women to work in manufacturing:<sup>9</sup>

<sup>9</sup> Chart calculated from LFS data for employee jobs by industry, 2007 third quarter, from Statbase, ONS, downloaded from <http://www.statistics.gov.uk/statbase/tsdataset.asp?vlnk=341&More=Y> on 27/02/2008 15:25.

Industries that Women and Men are Employed In



Women are less likely than men to be self-employed. There are just over one million women who are self-employed, and they account for 27.3 percent of all self-employed people. 7.8 percent of women in employment are self-employed, compared with 17.6 percent of men.<sup>10</sup>

The most significant difference between men's and women's patterns of employment is the fact that women are four times as likely than men to work in part-time jobs and more than three quarters of all workers in part-time jobs are women.

#### Women in part-time and full-time employment, end of 2007

	Full-time jobs	Part-time jobs	Part-time jobs as a percentage of all men's/women's jobs
<b>Women in employment</b>	7,796,000	5,727,000	42.4%
<b>Men in employment</b>	14,089,000	1,786,000	11.3%
<b>Women's jobs as a percentage of all full-time/part-time jobs</b>	35.6%	76.2%	

<sup>10</sup> Labour Market Statistics, ONS, February 2008, table 3, figures for Oct – Dec 2007.

## Part-time work in the UK and other countries

By international standards a fairly high proportion of UK women workers have part-time jobs:<sup>11</sup>

- On average, 26.4% of women workers in OECD member states work in part-time jobs;
- In the 15 Western EU member states 31.7% of women workers work in part-time jobs;
- In the UK the figure is 38.8%.

We also know that the UK has the third highest gap in the EU between average men's and average women's weekly working hours.<sup>12</sup>

Most part-time workers in the UK are women, but this is not unusual by international standards – part-time jobs tend to be “women's work” across the developed world:<sup>13</sup>

### Women's share of part-time employment, 2006

Country	Proportion of part-time jobs filled by women
Denmark	66.2%
France	79.4%
Germany	81.1%
Ireland	78.7%
Netherlands	75.5%
Sweden	67.3%
UK	77.6%
USA	67.8%
OECD average	72.1%
G7 average	72.7%
EU15 average	78.1%

Where the UK stands out is that a very high proportion of overall employment is in part-time jobs, among rich industrialised countries, only Switzerland and the Netherlands have higher figures:<sup>14</sup>

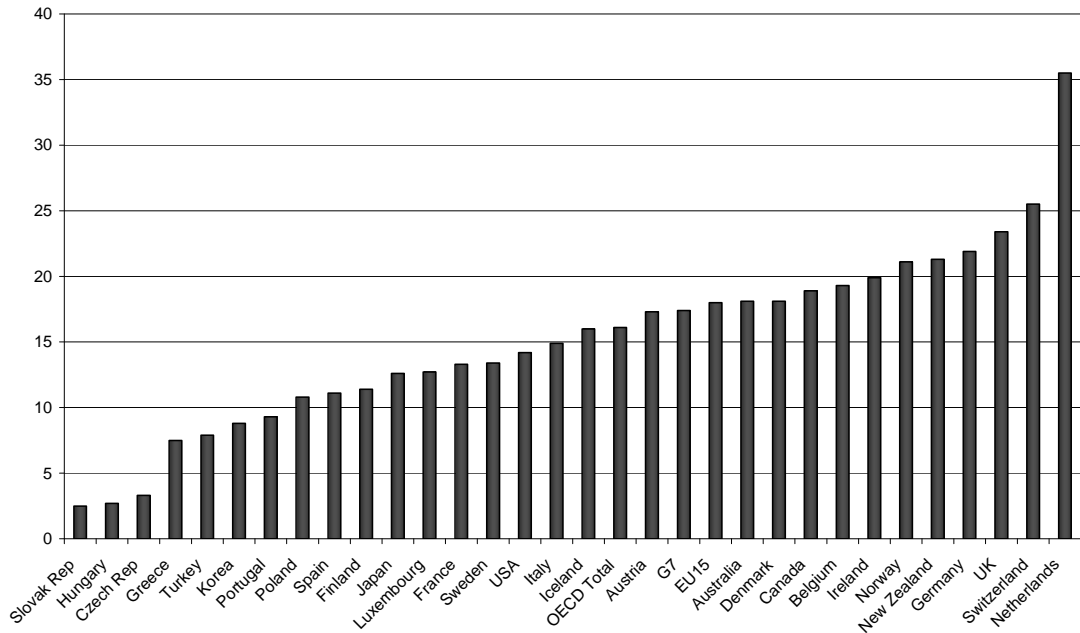
<sup>11</sup> Labour Force Statistics, OECD, 2007, p 39.

<sup>12</sup> On average, men in the UK work 40 hours a week, women 29. This 11 hour gap is only surpassed by Ireland and the Netherlands. (Working Conditions in the European Union: the gender perspective, B Burchell, C Fagan, C O'Brien & M Smith, European Foundation for the Improvement of Living and Working Conditions, 2007, p 36.)

<sup>13</sup> Labour Force Statistics, OECD, 2007, p 37.

<sup>14</sup> Labour Force Statistics, OECD, 2007, p 35.

Part-time as a Percentage of Employment, 2006



### Pay in part-time jobs

We have seen that women in the UK are particularly likely to work in part-time jobs because of a combination of an international trend for part-time work to be dominated by women and the UK trend for a high proportion of jobs to be part-time. This is a problem for women’s pay, as part-time jobs tend to be lower paid in this country.

This is not a matter of different weekly pay packets – it may not be surprising that workers who work fewer hours tend to earn less than those who work more, but it is much harder to explain the large difference between the hourly rate for full- and part-time jobs:

### Hourly rates, full- and part-time jobs, 2007<sup>15</sup>

	Full-time	Part-time	Difference
Mean	£13.96	£9.89	£4.07

<sup>15</sup> Annual Survey of Hours and Earnings, ONS, 2007, table 1.5a. The difference is also apparent for mean earnings:

Median full-time and part-time hourly rates, 2007

	Full-time	Part-time	Difference
Median	£11.45	£7.28	£4.17

(Ibid)

That is why, when we look at the gender pay gap between men's and women's earnings we need to look at women's part-time pay as a separate issue from women's pay overall.

It is also worth remembering that part-time workers are more likely to be paid below the national minimum wage: 2.1% of part-time workers are paid below the minimum wage, compared with 0.8% of full-time workers – which explains why women are fifty percent more likely to be paid below the national minimum wage than men.<sup>16</sup>

## What is the gender pay gap?

The gender pay gap is the best way to measure pay inequality between men and women. Usually it is worked out for gross hourly earnings excluding overtime, using the Government's Annual Survey of Hours and Earnings (ASHE).<sup>17</sup> It is expressed as a percentage – we calculate mean<sup>18</sup> women's pay as a percentage of mean men's pay, and the gap is the difference between this and 100 percent. Throughout this report we quote figures for two gaps: the full-time gender pay gap and the part-time gender pay gap. The part-time gender pay gap is calculated in the same way as above, but the two sets of figures are for men working full-time and women working part-time (under 30 hours a week).<sup>19</sup>

In 2007 the full-time gender pay gap was 17.2%, while the part-time gender pay gap was 35.6%.

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<sup>16</sup> Figures for Spring 2007, Low Pay Estimates, ONS, November 2007.

<sup>17</sup> Readers with longer memories may remember that statistics about earnings used to be based on the New Earnings Survey (NES), which was published from 1970 to 2003. There are no ASHE data before 1998, and there is an overlap between ASHE and the NES between 1998 and 2003. ASHE is a better survey, because the data are weighted to make the results more representative of the population as a whole, but the different ways they are calculated mean that they produce different figures for the gender pay gap, which is a bit more than one percentage point higher under ASHE than it was under NES.

<sup>18</sup> The Office for National Statistics recommend the use of the median when calculating the gender pay gap because it avoids distortions caused by extreme values that afflict calculations using the mean. The difficulty with this approach is that part of the story about pay inequality is that women are over-represented at one extreme of the distribution and men are over-represented at the other extreme; this means that gaps calculated using the median under-state the size of the problem.

<sup>19</sup> The Office for National Statistics recommends against including part-time employees in calculations of the gap, because women are far more likely to work part-time than men. But, as we shall see, lower pay in part-time jobs is an important part of the story of unequal pay for men and women, so we quote a part-time gender pay gap figure to supplement the full-time figure.

### Gender pay gaps, 2007<sup>20</sup>

Full-time pay for men	Full-time pay for women	Part-time pay for women	Full-time Gender Pay Gap	Part-time Gender Pay Gap
£14.98	£12.40	£9.65	17.2%	35.6%

The Equal Opportunities Commission calculated that, over the course of her working life, the gender pay gap would lose an average woman working full-time a grand total of £330,000, or £210,000 after income tax and National Insurance Contributions.<sup>21</sup>

### European comparisons

The UK has a large gender pay gap by European standards – a third higher than the EU average, twice that of Ireland. Of the larger Member States, only Germany has a bigger gap.<sup>22</sup>

20 Calculated from Annual Survey of Hours and Earnings, ONS, 2007, table 1.6a.

21 “Pay Gap Translates Into a Loss of Around £330,000 over a Woman’s Working Life”, EOC press release, 26-10-06.

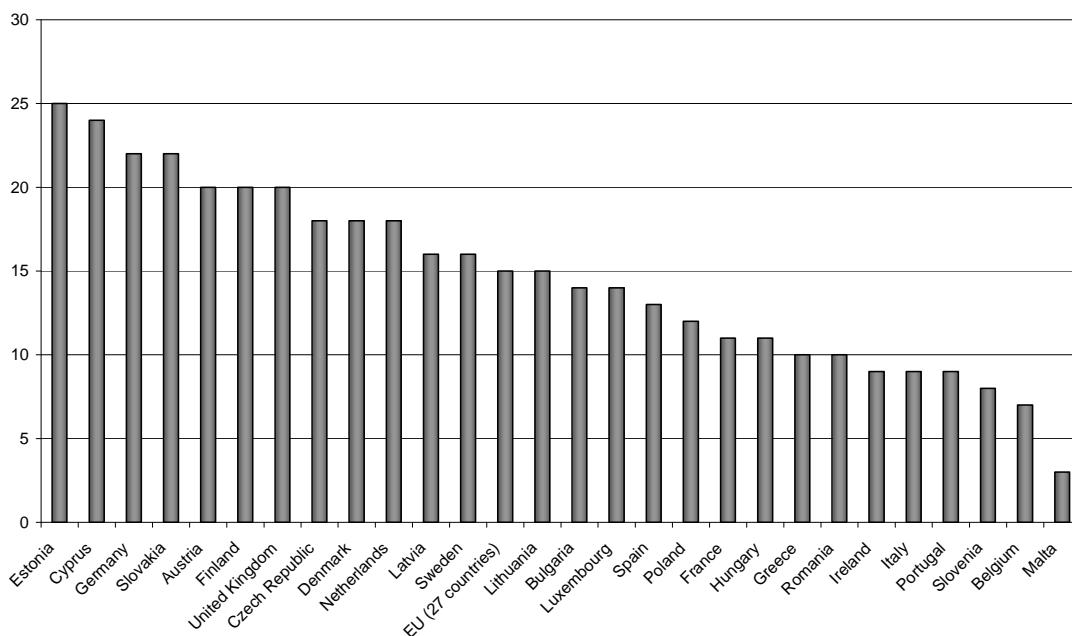
22 Calculated from Equality Between Women and Men – 2008, European Commission, 2008,

p 23. NB the Commission presents European pay gaps in ‘unadjusted form’ – the difference between men’s and women’s average gross hourly earnings as a percentage of men’s average gross hourly earnings. The EU27 figure is a population-weighted average of the latest figures.

The actual figures are:

Country	Gender pay gap (%)
Estonia	25
Cyprus	24
Germany	22
Slovakia	22
Austria	20
Finland	20
United Kingdom	20
Czech Republic	18
Denmark	18
Netherlands	18
Latvia	16
Sweden	16
EU (27 countries)	15
Lithuania	15
Bulgaria	14
Luxembourg	14
Spain	13
Poland	12
France	11
Hungary	11
Greece	10
Romania	10

Gender Pay Gaps in Europe, 2006



Ireland	9
Italy	9
Portugal	9
Slovenia	8
Belgium	7
Malta	3

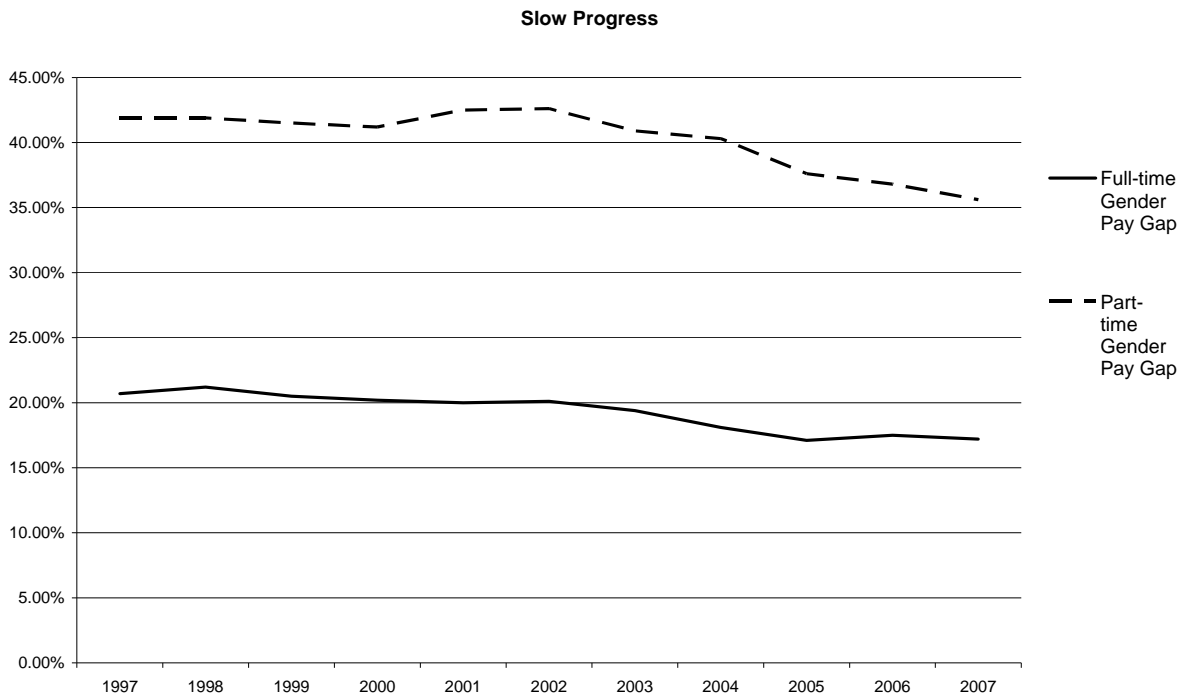
(Eurostat data.)

## Are things changing?

The full-time gap has been falling slowly for some time, progress on the part-time gap has been more erratic, though the picture is somewhat obscured by changes to the way ASHE is calculated:

Mean gender pay gaps, 1997 - 2007<sup>23</sup>

Year	Full-time pay for men	Full-time pay for women	Part-time pay for women	Full-time Gender Pay Gap	Part-time Gender Pay Gap
1997	£10.10	£8.01	£5.87	20.7%	41.9%
1998	£10.65	£8.39	£6.19	21.2%	41.9%
1999	£11.10	£8.83	£6.49	20.5%	41.5%
2000	£11.53	£9.20	£6.78	20.2%	41.2%
2001	£12.24	£9.79	£7.04	20.0%	42.5%
2002	£12.92	£10.32	£7.42	20.1%	42.6%
2003	£13.28	£10.70	£7.85	19.4%	40.9%
2004	£13.76	£11.27	£8.21	18.1%	40.3%
2005	£14.05	£11.65	£8.77	17.1%	37.6%
2006	£14.58	£12.02	£9.21	17.5%	36.8%
2007	£14.98	£12.40	£9.65	17.2%	35.6%



<sup>23</sup> Calculated from Annual Survey of Hours and Earnings, ONS, 1997 - 2007, table 1.6a.



## Who is affected by the gender pay gap?

With the exception of 16 and 17 year olds the gender pay gap can be observed for all age groups. For full-time and part-time workers the gender pay gap peaks in the 40s:<sup>24</sup>

Mean gender pay gaps for different age groups, 2007

	Full-time pay for men	Full-time pay for women	Part-time pay for women	Full-time Gender Pay Gap	Part-time Gender Pay Gap
16 – 17	£4.75	£5.21*	£5.14	- 9.7%	- 8.2%
18 – 21	£7.28	£6.96	£6.44	4.4%	11.54%
22 – 29	£11.08	£10.72	£8.49	3.3%	23.4%
30 – 39	£15.64	£13.89	£10.70	11.2%	31.6%
40 – 49	£17.35	£13.39	£10.21	22.8%	41.2%
50 – 59	£16.22	£12.88	£9.89	20.6%	39.0%
60+	£13.36	£11.45	£8.90	14.3%	33.4%

The full- and part-time gender pay gaps are repeated in each region of the country, but with an interesting pattern – the gaps show a clear tendency to be higher in the Southern regions. The biggest gaps are in London, and the smallest in Northern Ireland:

Mean gender pay gaps in different regions<sup>25</sup>

	Full-time pay for men	Full-time pay for women	Part-time pay for women	Full-time gender pay gap	Part-time gender pay gap
UK	14.98	12.40	9.65	17.2%	35.6%
N East	12.58	11.11	8.85	11.7%	29.7%
N West	13.98	11.76	9.41	15.9%	32.7%
Yorks	13.13	11.22	9.08	14.6%	30.9%
E Midlands	13.24	10.99	8.48	17.0%	36.0%
W Midlands	13.43	11.26	9.16	16.2%	31.8%
East	14.50	11.83	9.66	18.4%	33.4%
London	21.05	16.21	12.53	23.0%	40.5%
S East	16.04	12.82	9.97	20.1%	37.8%
S West	13.66	11.29	9.71	17.4%	28.9%
Wales	12.54	11.25	8.88	10.3%	29.2%
Scotland	14.02	11.93	9.21	14.9%	34.3%
N Ireland	12.25	11.37	9.52	7.2%	22.3%

The full-time gender pay gap is very similar in manufacturing and service industries, while the part-time gender pay gap is substantially worse in services.<sup>26</sup>

24 Calculated from Annual Survey of Hours and Earnings, ONS, 2007, table 6.6a. The figure for full-time wages for 16 – 17 year old women is affected by small sample size; the coefficient of variation is 5 – 10%, as opposed to <5% in the rest of the table.

25 Calculated from Annual Survey of Hours and Earnings, ONS, 2007, table 3.6a.

### Mean gender pay gaps in manufacturing and services, 2007

	Full-Time Pay For Men	Full-Time Pay For Women	Part-Time Pay For Women	Full-Time Gender Pay Gap	Part-Time Gender Pay Gap
<b>All Employees</b>	14.98	12.40	9.65	17.2%	35.6%
<b>All Manufacturing</b>	13.72	10.99	9.21	19.9%	16.2%
<b>All Service Industries</b>	15.56	12.55	9.67	19.3%	37.9%

## Women's pay and poverty

Earlier, in the discussion of income inequality, we mentioned the injustice of women having lower incomes than men. There are at least two further reasons why the gender pay gap should be a focus for action. These are the links between women's low pay and poverty and the economic inefficiency of undervaluing women's work.

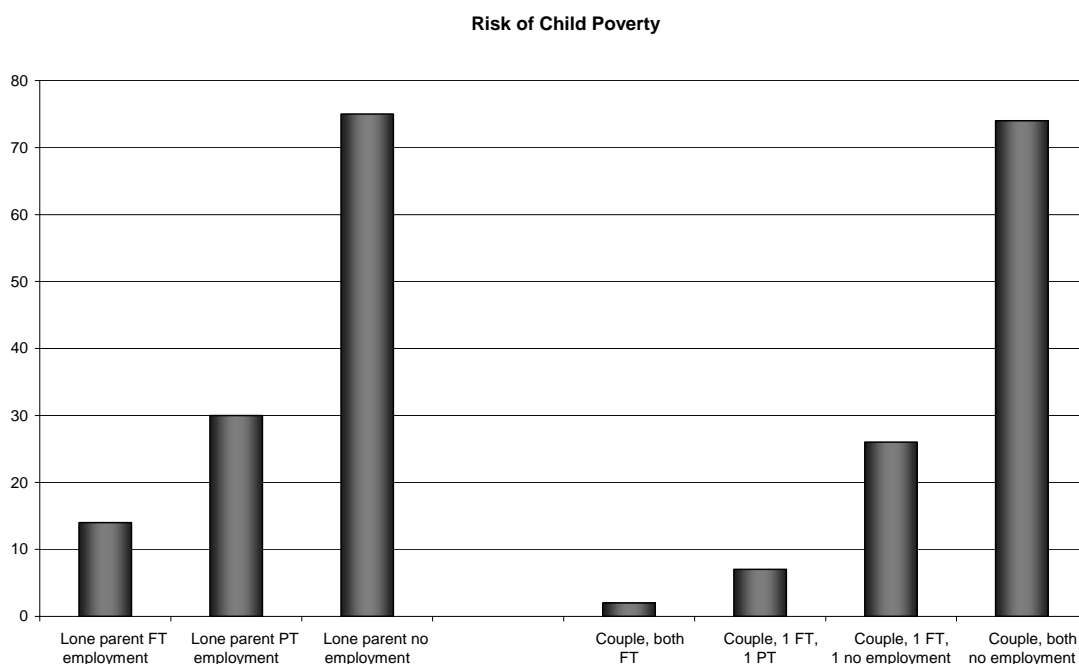
In an important recent paper on low pay, the Institute for Public Policy Research noted that, in 2006, 16.1 percent of men in work were low paid, compared with 29 percent of women workers. 45.7 percent of part-time workers were low paid, compared with 14.2 percent of full-time workers. There are 1.4 million children in working households living in poverty - half of all poor children.<sup>27</sup>

Low pay is an important cause of women's poverty, which is important because of its effects on women themselves and because of the effects on their children. The Government has a profile commitment to ending child poverty by 2020, and the poverty of children is inextricable from the poverty of their mothers. Paid work is the key element of the Government's anti-poverty strategy, and this has increasingly focused on the importance of employment for lone parents and for both members of couple families. The higher risk of poverty for children whose mothers do not have jobs is now well established:<sup>28</sup>

26 Calculated from Annual Survey of Hours and Earnings, ONS, 2007, table 16.6a.

27 Working Our Of Poverty, Graham Cooke and Kayte Lawton, IPPR, 2008, cap 2. Cooke and Lawton define low pay as 60% of full-time median hourly pay, excluding overtime.

28 Calculated from Households Below Average Income 1994/5 – 2005/6, DWP, 2007, table 4.5. Poverty here is living in a household with an income below 60% of the equivalised median after housing costs are taken into account.



Up till now, the Government’s strategy has focused on getting jobs for mothers and paid less attention to the question of how well-paid those jobs are, but this may well change. An influential study of *What Will it Take to End Child Poverty?* called for

*“measures to improve pay. The National Minimum Wage has been seen as an obvious means to this end, but only affects people near the very bottom of the labour market. Perhaps just as important a tool would be equal pay for women, since the great majority of low-paid parents are mothers. The work of the Equalities Review is highlighting this issue, which will be an important part of the future anti-poverty agenda.”*<sup>29</sup>

Researchers and politicians concerned about child poverty are increasingly focusing on in-work poverty (over half of all poor children live in a household where at least one of the adults has a job)<sup>30</sup> so it seems likely that the Government will be increasingly concerned about the implications of women’s low pay.

<sup>29</sup> *What Will It Take to End Child Poverty? Firing on All Cylinders*, Donald Hirsch, JRF, 2006, p 48.

<sup>30</sup> 57% - Households Below Average Income 1994/5 – 2005/6, DWP, 2007, table 4.3.

## Women's pay and inefficiency

The other reason why everyone should be concerned about gender pay gaps is that they are economically inefficient. Many women, especially mothers, find themselves with no effective alternative to part-time jobs. Women continue to bear a disproportionate responsibility within families for looking after children, frail elderly and disabled relatives; at the same time, childcare and social service support are usually inadequate for anyone who wants to combine caring with full-time employment. For very many women the conflicting stresses of families that rely on their pay packets and dependants who rely on their time can only be resolved by taking up part-time jobs.<sup>31</sup>

But the fact that part-time work is dominated by low paid and low-skilled jobs means that women's skills and experience are not being used in their current jobs. The Gender and Employment in Local Labour Markets project found that 54 percent of women working part-time were 'employed below their potential' – 2.8 million women.<sup>32</sup> What this means is that previously they had worked in jobs that demanded higher qualifications/skills or more responsibility than the jobs they now did; if employers offered more high status and better-paid jobs on a part-time basis or with other flexible arrangements these women would be able to apply for these opportunities. The GELLM project also pointed to the lack of opportunities for promotion in part-time jobs and the long hours and intensity of senior positions as factors trapping women in this below-potential employment.

The UK has a serious skills shortage and a continuing problem of a 'low skills equilibrium' – "*a situation where an economy becomes trapped in a vicious circle of low value added, low skills and low wages.*"<sup>33</sup> The phenomenon of 2.8 million women working below their potential suggests how it is possible for us to have a situation where, at the same time, we have skills shortages and insufficient demand for higher skills. If we make some reasonable assumptions,<sup>34</sup> the cost to the economy of this under-utilisation of women's skills could be in excess of **£11 billion a year**.

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31 These stresses may affect men as well, but in a different way: there is anecdotal evidence that employers who will accept that it is 'natural' for women workers to need jobs that fit in with family responsibilities are not happy when male employees request part-time working or other flexibilities.

32 Local Labour Markets and the Gender Pay Gap, Sue Yeandle, paper to the European Sociological Association Interim Conference, Lisbon, 6 – 8 September 2006, p 8.

33 Tackling the Low Skills Equilibrium: A Review of Issues and Some New Evidence, R Wilson & T Hogarth (ed.s), DTI, 2003, p vii.

34 If part-time jobs paying £4 an hour more (the gap between hourly wages in full-time and part-time work) were available, and these women worked on average 20 hours a week, they would be about £4,000 a year better off. If all 2.8 million benefited the total boost to GDP would be £11.2 bn.

## Explaining the gender pay gap

There have been a number of studies that have used statistical modelling techniques to explain why we have a gender pay gap. A comparatively recent and very thorough study, using data from the British Household Panel Survey (a large up-to-date survey, that looks at how people's lives change over time) explained the gap in terms of four explanations:<sup>35</sup>

- 36 percent of the gender pay gap could be explained by gender differences in lifetime working patterns, including the fact that women, on average, spend less of their careers than men in full-time jobs, more in part-time jobs and have more interruptions to their careers for childcare and other family responsibilities.
- 18 percent is caused by labour market rigidities, including gender segregation and the fact that women are more likely work for small firms and less likely to work in unionised firms.
- 38 percent is caused by direct discrimination and women and men's different career preferences and motives (some of which are in turn the result of discrimination).
- 8 percent is the result of the fact that older women had poorer educational attainment.

Another way of explaining the gaps is to analyse the problem in terms of three broad themes:

- Under-valuing of women's work
- An employment penalty for mothers
- Gender segregation

### Under-valuing women's work

Grimshaw and Rubery have identified<sup>36</sup> two facets of undervaluation: women tend to be paid less than men for the same performance in the same job and the jobs that they do tend to attract lower wages than men's jobs. Gender segregation, which we consider below, plays a role, because it is harder to challenge (or even to notice) the differentials between men's and women's

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<sup>35</sup> Modelling Gender Pay Gaps, W Olsen & S Walby, EOC, 2004.

<sup>36</sup> This section is heavily indebted to Undervaluing Women's Work, D Grimshaw & J Rubery, EOC, 2007.

work when the two are separated. Grimshaw and Rubery identify “five V’s” that are involved in creating lower pay:

- **Visibility;** women’s skills are not recognised by “large and undifferentiated” pay and grading bands that conceal differences in skills and experience. These large bands also result in there being little room for promotion.
- **Valuation;** even when skills are recognised, there is a long tradition in our culture of not giving a high value to women’s skills. Pay and grading systems are still likely to be based on a male skills model and undervalue communications and other ‘soft’ skills.
- **Vocation;** it is assumed that women’s skills are ‘natural’, which underlies their low valuation.
- **Value added;** the fact that men’s jobs are more likely to involve high value added processes or services leads to their being more highly rated, even when there is little difference between the actual skills involved.
- **Variance;** the existence of women’s caring responsibilities underscores the idea that women’s work is in a separate sphere. “Part-time work is often seen as synonymous with unskilled work by both employers and women themselves.”<sup>37</sup>

### **The employment penalty for mothers**

In addition to a lower wage for part-time workers, women may also be affected by lower pay specifically for mothers. Research for the Equalities Review found that three groups of people face massive disadvantages in getting jobs: disabled people, Pakistani and Bangladeshi women and mothers. Although the position of mothers has improved over the last thirty years, they still face massive disadvantages, worse than other women.

#### **Personal employment penalties in the early 2000s<sup>38</sup>**

<b>Disabled</b>	<b>29%</b>
Single man	13%
Single woman	14%
Women as a group	23%
Partnered woman	18%
Partnered mother (children >11)	25%
Lone parent (children >11)	29%
Partnered mother (children <11)	45%
Lone parent (children <11)	49%
Pakistani and Bangladeshi men	12%
Pakistani and Bangladeshi women	30%

37 Op cit, pp 59 – 63.

38 Persistent Employment Disadvantage, R Berthoud & M Blekesaune, DWP research report 416, 2007, p 35. The figures are the disadvantage of each group when compared with partnered men.

Other research has looked at the ‘family pay gap’ the difference in hourly wages between women with and without children a study of seven industrialised countries found that there were “sizeable negative effects of children on women’s wages in all four Anglo-American countries” and that the highest wage penalties were in the UK: 8 percent for one child, 24 percent for two children and 31 percent for three children. As we might expect from the other research we have considered, one of the reasons for the UK’s worse performance was that mothers were more likely to work in low paid part-time jobs, but even amongst full-time workers the gap between women with children and other women was bigger in the UK.<sup>39</sup>

### Gender segregation

Gender segregation – the fact that some occupations (and, to a lesser extent, industries) are dominated by women and that the jobs tend to be lower paid is one of the foundations of the gender pay gap. The 2001 Kingsmill report noted that more than 60 percent of women worked in just 10 occupations (out of 77) and that three-fifths of women part-time workers worked in industries where 70 percent or more of the employees were women.<sup>40</sup> A similar exercise using the most recent data shows some improvement, but there is still a high degree of concentration – 53.6% of women workers work in the top 10 female dominated occupations.

#### Women’s top ten occupations, second quarter 2007<sup>41</sup>

	<b>Standard Occupational Classification</b>	<b>Total in employment (000s)</b>
1	Sales Assistants and Retail Cashiers	1,094
2	Teaching Professionals	873
3	Healthcare & Related Personal Services	801
4	Secretarial and Related Occupations	793
5	Childcare & Related Personal Services	721
6	Administrative Occupations: Finance	600
7	Health Associate Professionals	586
8	Elementary Personal Service Occupations	567
9	Administrative Occupations: General	556
10	Elementary Cleaning Occupations	483
	Total of these 10 occupations	7,074
	Total women in employment	13,196

Olsen and Walby noted that “on average, the occupation a man is employed in is 68% male, while that for a woman is 32% male. Men are more likely than

39 The Family Gap in Pay: evidence from seven industrialised countries, S Harkness and J Waldfogel, CASEpaper 29, 1999.

40 Women’s Employment and Pay, (report of the Kingsmill Review), 2001, p 82.

41 Calculated from LFS data on Statbase, (SOC 2000 3-digit occupations).

women to work in a large firm. Thus 32% of men work in a firm of 50-499 workers, compared with only 23% of women; and 15% of men work in a firm of 500 or more workers, compared with only 12% of women. Women are much more likely to work in the public sector.”<sup>42</sup>

They pointed out that, if the 77 main occupations in the Labour Force Survey’s Standard Occupational Classification are set out in order of the proportion of men in the workforce, for every 10 percentage point increase in the share of men among the workforce, there is a 1.3 percent increase in the wage rate.<sup>43</sup> There was a similar increase in the average hours worked per week in an occupation and the proportion of men – part-time jobs will tend to have large numbers of women workers and jobs with full-time average hours (or longer) are increasingly male-dominated.<sup>44</sup>

The Women and Work Commission’s report in 2006 linked gender segregation to broad features of our society and the DCLG’s report on implementing the Commission’s recommendations acknowledged that *“the seeds of occupational segregation can often be sown during the early years of an individual’s life.”*<sup>45</sup> The influences of gender-stereotyped early environments, limited choices for girls at school, the attitudes of parents, teachers and careers advisers and the images of women and work in the media and popular culture. These influences are sometimes under-estimated, because they are hard to measure.

In addition to gender segregation, there is also occupational segregation for full-time and part-time work - we have already seen how moving into part-time employment restricts women’s opportunities. Research by Alan Manning and Barbara Petrongolo for the Women and Equality Unit<sup>46</sup> concluded that occupational segregation can explain most of the part-time pay penalty; *“in particular, women who move from FT to PT work are much more likely to change employer and/or occupation than those who maintain their hours status. And, when making this transition, they tend to make a downward occupational move, evidence that many women working PT are not making full use of their skills and experience.”*

The authors have pointed out that, significantly, that there is a life-cycle element to gender segregation. Gender segregation is quite high as soon as men and women enter the labour market, but it rises quickly until the age of 35, after which it stays the same.<sup>47</sup> In a more recent paper, Manning and Petrongolo continued this line of research, concluding that women’s worsening ‘part-time pay penalty’ owes a lot to the fact that it is increasingly the case that “women who want to move from F.T. to P.T. work are often forced to change employer and/or occupation and, on average, make a downward occupational

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42 Modelling Gender Pay Gaps, W Olsen & S Walby, EOC, 2004, p 7.

43 Modelling Gender Pay Gaps, W Olsen & S Walby, EOC, 2004, p 19.

44 Modelling Gender Pay Gaps, W Olsen & S Walby, EOC, 2004, p 20.

45 Towards a Fairer Future, Women and Work Commission for DCLG, 2007, para 2.2.

46 The Part-time Pay Penalty, A Manning & B Petrongolo, CEP Discussion Paper 679, 2005.

47 “The gender pay gap”, Alan Manning, Centrepiece, Summer 2006, p 15.



move. This seems to occur even when they have the necessary skills and experience to do the higher-level job.”<sup>48</sup>

Other recent research has found that a quarter of women switching from full-time to part-time work experience occupational downgrading and that 44 percent of professional women who downgrade move into jobs where the average employee lacks even A levels. A third of corporate managers downgrade after having a child, with two thirds of this number moving into clerical work.<sup>49</sup>

These studies strongly suggest the inter-connectedness of part-time work, gender segregation and the onset of family responsibilities.

Gender segregation does not explain everything – even when we look at men and women in very similar circumstances we find gender pay gaps persist. A good illustration of this can be found in research into graduate pay, undertaken for the Equal Opportunities Commission.<sup>50</sup> The researchers found that, of full-time employed 1995 graduates when surveyed in 1998:

- Whatever subject they had graduated in, men were earning more than women with degrees in the same subject;
- Women with firsts earned less than men with firsts, women with 2.1s earned less than men with 2.1s, and so on;
- Whatever industry they worked in, male graduates earned more than women in the same industry;
- Whatever occupation they worked in, male graduates earned more than women in the same occupation.

These differences had emerged just three years after graduation. But, at the same time, we should not read this research as overturning the concept of gender segregation. An equally important finding was that although men were earning more than women however the job was classified, overall earnings were lowest in occupations mainly held by women and highest in occupations mainly held by men. Occupations where neither sex predominated fell somewhere in between these two extremes.

There is a similar result if we analyse jobs by industry instead of occupation. Here we concentrate on industries where a majority of employees are women,<sup>51</sup>

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48 “The Part-Time Pay Penalty for Women in Britain”, A Manning & B Petrolongo, *The Economic Journal*, 118 (Feb 2008), p F49.

49 “Moving Down: Women’s Part-Time Work and Occupational Change in Britain 1991 - 2001”, S Connolly & M Gregory, *The Economic Journal*, 118 (Feb 2008), pp F52 - 76.

50 Qualifications and Careers, Kate Purcell, Equal Opportunities Commission, 2002.

51 Taken from *Economic and Labour Market Review*, ONS, Feb 2008, table 6.05.

and we find that finance and health and social work have majorities of women workers but very large gender pay gaps indeed. But it is important also to bear in mind the fact that there are industries with large numbers of women workers where gender pay gaps are lower than the average.

Mean gender pay gaps in industries with a majority of women workers, 2007<sup>52</sup>

	Full-Time Pay For Men	Full-Time Pay For Women	Part-Time Pay For Women	Full-Time Gender Pay Gap	Part-Time Gender Pay Gap
<b>All Employees</b>	14.98	12.40	9.65	17.2%	35.6%
<b>Hotels And Restaurants</b>	9.11	7.77	5.93	14.7%	34.9%
<b>Financial Intermediation</b>	25.63	15.30	12.07	40.3%	52.9%
<b>Public Administration And Defence; Compulsory Social Security</b>				18.6%	14.1%
<b>Education</b>	15.24	12.40	10.65	12.5%	33.6%
<b>Health And Social Work</b>	16.55	14.48	10.99	31.3%	13.1%
<b>Other Community, Social And Personal Service Activities</b>	17.78	12.22	10.62	21.5%	40.1%
	14.17	11.13	8.49		

Gender segregation is part of the gender pay gap story, but it plays a role alongside the under-valuation of women's work and the employment penalty for mothers.

## Discussion

By now we have a remarkably distinctive picture of the gender pay gap in this country. Working women face a 'multiple-whammy' – women's skills and women's work are under-valued, and women tend to work in occupations where pay is lower. Mothers and other women with family responsibilities often find that their only practicable option is to take up part-time employment where the problem of under-valuation is at its most extreme.

<sup>52</sup> Calculated from Annual Survey of Hours and Earnings, ONS, 2007, table 16.6a.

There are hopeful aspects to this story. One is that the situation has been improving. Improvements in the gender pay gap are painfully slow, but overall the direction of change is the right one. Another is the relative success of the public sector.

The gender pay gap is significantly larger in the private sector for both full-time and part-time work. The part-time gender pay gap is thirteen percentage points wider in the private sector than in the public sector.<sup>53</sup>

### Mean gender pay gaps in the public and private sectors, 2007

	Full-time pay for men	Full-time pay for women	Part-time pay for women	Full-time Gender Pay Gap	Part-time Gender Pay Gap
Public sector	£16.06	£13.87	£11.30	13.6%	29.6%
Private sector	£14.65	£11.39	£8.37	22.3%	42.9%

The public sector's lower gender pay gap may be because more employees work part-time: in 2006 29.3 percent of public sector workers worked full-time, compared with 24.5 percent of those in the private sector.<sup>54</sup> The public sector is rather better at making good jobs available on a part-time basis:

### Average pay in top and bottom women's part-time jobs, 2007<sup>55</sup>

	Top decile	Bottom decile
Public sector	£20.05	£5.90
Private sector	£12.85	£5.35

The strong trade union presence in the public sector and the prevalence of national pay bargaining probably go a long way towards explaining the sector's superior performance, and suggest the positive role that could be played by a strengthened trade union movement and expanded collective bargaining.

## Conclusion

TUC Congress first passed a resolution on equal pay between men and women in 1888. Since that first resolution, great strides have been made by women both in the labour market and in society. However, the persistence of a significant gender pay gap points not only to women's continuing experience of discrimination within the workplace, but to other trends that have a serious

<sup>53</sup> Calculated from *Annual Survey of Hours and Earnings*, ONS, 2007, table 13.6a.

<sup>54</sup> "Characteristics of public sector workers", Bryce Millard and Andrew Machin, *Economic & Labour Market Review*, May 2007, table 7.

<sup>55</sup> *Diversity at Work*, IDS, Jan 2008, p 23.

impact on women's lives, such as occupational segregation, a disproportionate share of caring responsibilities, lack of well-paid, high quality part time work and the undervaluation of work done by women. The TUC welcomes positive developments in reducing the pay gap and increasing women's opportunities within the labour market, but believes that much more remains to be done.

The TUC is particularly concerned that women in the Labour market are still concentrated in a narrow group of occupations. In 2001 the Kingsmill report found that more than 60% of women worked in just 10 occupations (out of 77). In 2007, this figure is down to 53.6%. The strong links between women's caring responsibilities and the large numbers of women who undertake part-time work as an attempt to balance their responsibilities means that they experience the 'triple-whammy': women's work is undervalued and underpaid – and part-time work especially so. The lack of flexible working and high quality fairly paid part-time work means that women work below their skill level and experience a considerable part-time pay penalty. The intersection of low pay and inflexible working patterns has had a dramatic impact on women's opportunities within the workplace, at home and in wider society. Women take on a disproportionate share of caring responsibilities due to unequal pay and limited opportunities within the workplace and this in turn increases their chances of taking up employment where the problem of undervaluation and low pay is at its most extreme. This has serious consequences for women and the life chances of their families – there are 1.4 million children in working households living in poverty – half of all poor children. The TUC believes that action on undervaluation of women's work, occupational segregation, greater support and options for mothers and carers, and greater availability of high quality, part time work is urgently needed.

The TUC believes that increasing support for all workers to take on caring responsibilities is crucial in tackling the disproportionate share taken by women at home as well as extending their opportunities and choices in the labour market. The right to request to work flexibly should first be extended to all workers and then should become more than simply a 'right to request'. Increased investment in childcare provision provided by the state would also be critical in making more high quality provision available to greater numbers of women. The increased availability of high quality, well paid part time work would significantly assist women in finding employment that matches their skills and experience.

This report also underlines the significant role that discrimination continues to play in restricting women's pay and progression within the workplace. Mandatory equal pay audits would help increase transparency in pay systems in the private sector where the pay gap remains high, with a full time gender pay gap of 22.3% and a part time pay gap of 42.9%. The extension of the Gender Equality Duty into the private and voluntary sector, increased use of

public procurement as a lever to improve women's employment in different areas of the labour market and greater support (through finance and time) for those women in clustered in low paid jobs to gain qualifications at NVQ Level 3 and beyond would all be important measures in promoting greater equality and opportunity for women in the workplace. The TUC also believes that the crucial role played by trade unions in promoting equality in the workplace would be enhanced by placing Equality Reps on a statutory basis, enabling them to encourage the use of collective bargaining in tackling inflexible working patterns, discriminatory treatment and unequal pay.







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