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Four big lessons from the UK's new gender pay gap reporting rules and what's next for equality

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The UK is one of the few countries to require employers with over 250 employees to disclose their gender pay gap data. New regulations came into force in April 2017, and 10,527 employers have now submitted their figures. They offer some useful lessons in how to make pay more equal for men and women.

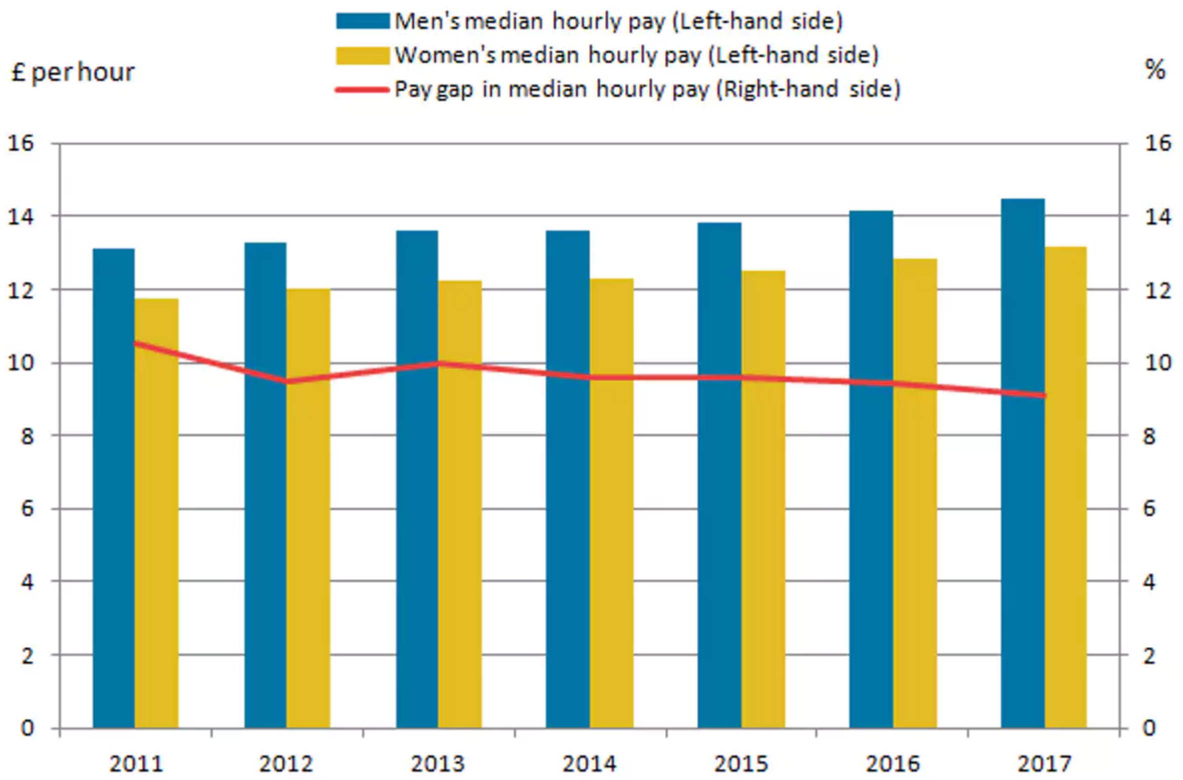
1. There's still confusion

The gender pay gap and pay equity are often conflated. The gender pay gap shows the difference in the average hourly wage of all men and women across a workforce. The gap widens when women do more of the less well-paid jobs within an organisation than men. It is useful in measuring pay equality due to its simple calculation, but it doesn't measure the pay difference between men and women at the same pay grade, doing the same job, with the same working pattern.

More than 200 organisations had to change their data, and over 900 reported an improbable zero pay gap by mean and median. There's an estimate that more than 9% of reports may be wrong. This suggests that many organisations are struggling with gender pay gap reporting.

2. Resistance to change

The scale of the problem is self-evident: women in the UK are concentrated in lower-level, lower-paying roles. While the overall gender pay gap has fallen over the past 40 years, it is stubbornly resistant. ONS data for all full-time employees in 2017 shows that men on average were paid £1.32 more per hour than women, which, as a proportion of men's pay, is a pay gap of 9.1%. For larger companies, the gap is 11.8%.



Median gross hourly earnings (excluding overtime) for full-time employees by sex, UK, 2011-17. ONS

More than 78% of the UK companies required to report under the new law pay male staff more on average. More than half pay men higher bonuses, and over 80% have more women in the lowest paid positions than in the highest paid positions.

There are also newly emerging pay inequalities between and within educational and ethnic groups.

3. The worst offenders

The 2018 reports reveal striking differences between sectors, with financial and insurance services as the standouts with a sizeable gap of 35.6%. 1.5% of employers reported a median gap of over 50%.

Even the female staff at Buckingham Palace are paid a mean of 12% less than the men. This extends to Claire Foy, for her work playing the Queen in Netflix series The Crown, who was paid less than her co-star, Matt Smith, who played Prince Philip.

The issue here is more than one of fairness: for an economy held back by low productivity growth and skill shortages, the under-use of female talent represents a major cost.

4. Reputation making or breaking

No other reporting so far has shone a spotlight as fiercely on organisations nor sparked as much public debate. According to the global communications agency Golin, the gender pay gap was the biggest business story in the

UK in 2018, rivalled only by the royal wedding as the top news story.

The media storm indicates that the gender pay gap can be both reputation-enhancing or have a shaming effect: 84% of business professionals that participated in Golin's gender pay gap research acknowledged the reputational damage of "naming and shaming" on this issue. 77% believed that organisations would lose staff over a sizeable gap and 73% that the worst offenders would find it harder to recruit.

This is the premise of the reporting requirement. Imposing pay transparency on large organisations serves as a direct challenge to change their cultures and prioritise gender equality. Companies can no longer remain anonymous, making both a good incentive for employers to act.

Gender pay gap reporting means a start of a long conversation about gender inequality in the workplace. It represents a big first step, as illustrated by major advertising firm, JWT, whose creative director said the gender pay gap was a "rocket in the arse" to accelerate the diversification of its staff base and lose its "boys club" reputation.

What's next?

The task now is for organisations to show how they will improve their figures. The nature of the gender pay gap means that it is possible for employers to widen the gap while supporting gender equality – if, for example, a company's long-term approach is to recruit more female graduates (to lower-paid junior roles), this may increase the pay gap in the short-term. Conversely, it is possible to narrow the gap by outsourcing the lowest-paid jobs or paying both women and men poorly.

The context of the pay data will therefore become more important. The best reports this year were succinct, honest and authentic; they went beyond figures, recognised the need for change and set clear goals.

The gender pay gap trends reflect broader inequalities at play in society, such as gendered working patterns, bias in recruitment and progression, limited returnship opportunities, occupational segregation, educational choices and care responsibilities. Closing the gap will therefore not be plain sailing. It requires a collective effort across society and will not happen in a single reporting cycle.

Also, closing the gender pay gap within organisations will not eliminate the national pay gap altogether. But employers are key to ensuring that their workplace culture, organisation of work and pay structure support both men and women.

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