



BRIDGING THE GAP

How governments, companies and
investors can tackle gender pay inequality

RESEARCH PAPER
MAY 2018

Equileap is a not-for-profit organisation that aims to accelerate gender equality in the workplace. It sees this as a powerful, but neglected, lever to tackle global poverty and inequality. Equileap has created a global database, ranking over 3,000 public companies on 19 criteria to assess their progress towards gender equality, including gender pay parity. Equileap's Database was created and is regularly updated by collecting publicly available information, as reported by listed companies themselves in their most recent annual reports, sustainability reports, code of conducts, websites and other public filings. Equileap's unique scoring and ranking methodology offers clear and detailed insights on which companies are successfully working towards greater gender parity in their workforce and supply chains.

For more information, please visit www.equileap.org.



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“We have reached one of those incredibly important moments that don’t come often in a lifetime, where you can almost see and feel genuine social change under way.”

Diana van Maasdijk,
Executive Director of Equileap

INTRODUCTION

2017 was a turning point in public and political attitudes towards gender pay inequality. Revelations of huge pay differences between men and women in Hollywood and at the BBC created international media headlines, social media campaigns adopting the hashtag #EqualPay have exposed workplace inequalities around the globe.

Most people now accept that the lack of gender pay equity is, in the words of the UK Prime Minister, 'a burning injustice'. What has been less well understood is that accelerating gender pay equity is a smart strategy to tackle inequality and contribute to the stability and prosperity of families, communities and countries.

This Equileap research paper and its recommendations come as investors, companies and governments are exploring what they can do to promote greater gender pay parity. In particular, governments are beginning to act. Iceland, the UK and Germany all have new laws demanding greater transparency, both France and The Netherlands are embarking on discussions about new legislation, and we expect others to join them this year.

A growing number of major investment funds are now specifically focusing on companies with a gender balanced leadership. According to the Veris Wealth Partners analysis published in the autumn of 2017, the current market for "gender lens investing" - selecting financial products with the expectation of achieving a profit while dismantling gender inequalities- is currently just under 1 billion USD, but is expected to grow strongly over the next decade. Equileap also expects to see strong growth in the practice of shareholder engagement on the topic of gender balance and inequality.

Both these trends are compelling companies to be more transparent around gender balance and gender inequalities in their workplaces. Many of them realise that they will be publicly judged on how well they do in this area.

The aim of the research paper is to help local and national governments, financial organisations, investors, shareholders, companies and employees understand the concepts behind gender pay inequality in the workplace and to help them tackle it effectively. The paper explores the causes of pay inequality and summarises new legislation designed to increase gender pay equity. It looks at information from more than 700 companies researched by Equileap in the past six months, provides examples of how companies measure, monitor and address gender pay differences, and gives an overview of best practices.

In 2017, the World Economic Forum estimated it would take 217 years to achieve gender equality in the workplace at the current rate of change. Given the events of 2017-2018, Equileap believes that if this momentum is maintained, change can come sooner than predicted.



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KEY CONCLUSIONS

The overall conclusion of this research paper is that investors, companies and governments that genuinely want to achieve gender

pay parity, rather than window-dressing, now have significant levers to use that can bring about major improvements.

GENDER PAY INEQUALITY ENCOMPASSES TWO DIFFERENT ISSUES:

1. Gender pay gap, the difference between the average salary for women and for men, which can be caused by factors such as unconscious bias, higher numbers of men in top management and higher numbers of women working part-time.

2. Unequal pay for equal work, the difference in salary between a woman and a man doing the same job or a job requiring the same skills, which can be caused by factors including implicit bias or looking at previous salary history.

COMPANIES

- ▶ Too few companies communicate adequately on gender pay inequality. Transparency is the key to tackling pay inequality and it needs to become the norm rather than the exception.
- ▶ Equileap researched 747 companies from 23 developed countries in detail: only 18% of them (138) publish gender segregated information on pay, and only 4.4% (33) claimed a gender pay gap of 3% or less.
- ▶ Those companies that do report their gender pay figures use a number of different methods. For disclosure to have maximum impact, there needs to be a commonly adopted standard, which includes annual, public reporting of gender-segregated pay in different employee levels, rather than issuing one overall figure, which can be misleading.
- ▶ A number of companies claim that they have achieved gender pay parity, but without providing further detail or evidence to back this up, even when questioned. This makes verification impossible and raises questions about some claims.

INVESTORS

- ▶ Investors have an important role to play in increasing the pressure for gender pay parity by choosing to screen their existing portfolios or to invest in new gender equality products which have been launched recently.
- ▶ They have another powerful tool to bring about change by engaging with companies that have a poor record, through proxy voting or investment stewardship engagements.

GOVERNMENTS

- ▶ There are a wide variety of approaches being taken by governments to tackle this. Governments, such as Australia and the UK, have legislated for greater transparency, requiring companies to report annually. Others, such as Germany, have tackled this by enabling employees to request internal information on colleagues' pay, others have criminalised a failure to provide evidence - such as Iceland. At the other end of the spectrum, the US government has blocked an equal pay initiative which would have taken effect in March 2018.

Equal pay for equal work and the gender pay gap are two very different things, although the former is a contributing factor to the latter.

THE GENDER PAY GAP

This refers to the difference in the average pay of men and women across an organisation.³ This is what the media usually refer to when discussing issues of pay parity.

“At EU level, the gender pay gap is defined as the relative difference in the average gross hourly earnings of women and men within the economy as a whole.”²

The European Commission

EQUAL PAY FOR EQUAL WORK

This consists of ensuring that women are paid the same as men for doing the same work or work of equivalent skill. For example, according to the Equality Act 2010 (UK), it is illegal in the United Kingdom to give different wages to people who do the same work. In this context, equal pay refers not only to wages but also to holiday entitlement, bonuses, pay and reward schemes, pension payments and other benefits.⁴

It is possible, therefore, for a company to give equal pay for equal work throughout the organisation and still have a gender pay gap.



LEGISLATION ADDRESSING PAY INEQUALITY

Legislation designed to combat pay inequality varies widely across developed economies. Many laws are currently too new to form a judgment about their effectiveness

ICELAND: EQUAL PAY CERTIFICATION

A new law aiming to enforce pay equality between genders was introduced in Iceland in January 2018. It

has been described as the world's toughest law in this area and makes unequal pay for equal work a crime.

Interestingly, Iceland has topped the World Economic Forum's Global Gender Gap rankings since 2009.⁵ Iceland has had legislation on equal rights of women and men for decades, but concerns remained that these did not translate into full gender pay equality in the labour market.

The new law requires companies and institutions employing more than 25 employees to acquire an equal pay certification. Organisations have to offer equal pay not only across the same job levels, but also equal pay for work of the same value. Iceland is aiming to eradicate the country's gender gap by 2022.⁶

In the same way that companies must publish annual reports, Icelandic private and public organisations will now be subject to a governmental audit to attain this certification of equal pay. If they fail to obtain this, companies may be subject to fines and reputational damage in a country where 50% of law-makers are female.

In order to obtain the certification, organisations have to fulfil the requirements set by the Equal Pay Standard, “a management requirement standard and an administrative tool designed to establish and maintain gender equality in wages within a workplace”.⁷ The equal pay certification is awarded by “accredited auditors, following an examination, stating that their equal pay management systems and the way they are implemented fulfil the requirements of the Equal Pay Standard”.⁸

Organisations which employ more than 250 employees must acquire the equal pay certification by the end of 2018. More time has been allowed for smaller organisations. Those employing 150-249 workers must obtain the certification by the end of 2019; those with 90-149 employees must comply by the end of 2020; workplaces with 25-89 employees have until the end of 2021. Very small organisations, e.g. those that employ fewer than 25 employees, may also apply to acquire the equal pay certification.⁹ Icelandic government ministries need to receive the certification, for larger companies, no later than 31 December 2018. After obtaining their first equal pay certification, companies will have to renew it every three years.

Companies which fail to obtain or renew the equal pay certification by the deadline can be fined by the Centre for Gender Equality. There is an appeals process¹⁰ and the Ministry of Social Affairs and Equality retains an oversight role. Every two years, the Minister will assess how well the equal pay system is working.¹¹



UNITED KINGDOM: TRANSPARENCY

On 3 March 2017, the UK government brought into force legislation which **required all organisations with 250 or more employees to report annually on their gender pay gap.**¹² Whereas Iceland's law focuses on equal pay and provides a specific way (certification) for companies to evidence this, the UK legislation is essentially an initiative which focuses on transparency and aims to make companies self-report on the gender pay gap. Although it can be assumed that public exposure might pressure companies to address large gender pay gaps, no sanctions are set out at this stage. The present UK law simply demands disclosure of the information.

The current legislation is the "Gender Pay Gap Regulations", building on the Equality Act 2010. According to the legislation, all relevant employers, both in the private and public sector, *"must calculate and publish for 2017 and each subsequent year the following metrics: the difference between the mean¹³ and the median¹⁴ hourly rate of pay of male full-pay relevant employees and that of female full-pay relevant employees, the difference between the mean and the median bonus pay paid to male relevant employees and that paid to female relevant employees, the proportion of male and female relevant employees who were paid bonus pay and the proportions of male and female full-pay relevant employees in the lower, lower middle, upper middle and upper quartile pay bands."*¹⁵

UK organisations are encouraged by the government to calculate the data on their own. There is no obligation for external auditing. The results must be published on the employer's website and on a designated government website.¹⁶ Relevant employers are legally required to publish their gender pay gap report and failure to do so within one year of the snapshot¹⁷ date (5 April 2018) is considered unlawful. The Equality and Human Rights Commission has the authority to enforce¹⁸ *"any failure to adhere to the regulations"*.¹⁹

At the time of writing, over 10,000 companies had published the required information on the government's website.²⁰ According to the Financial Times some companies have, so far, failed to publish a link with the required statement explaining their figures, while others have repeatedly changed their numbers.²¹

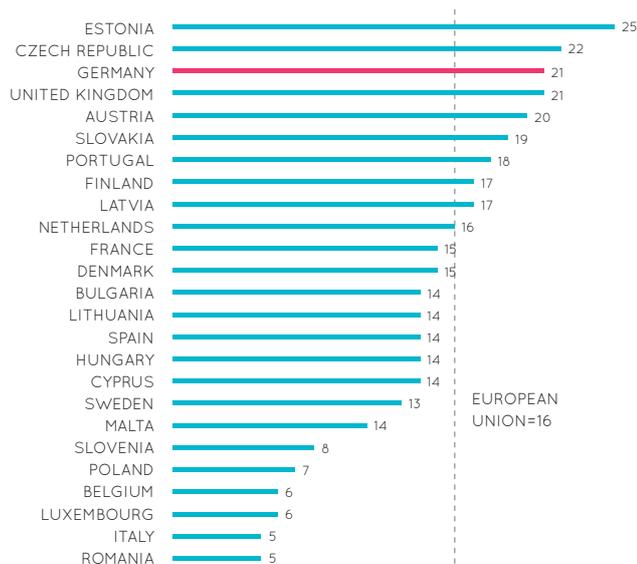
Although this legislation is a step in the right direction and is generating extensive public debate and digital campaigning, it lacks detail and remains a disclosure or transparency initiative. No action is currently required from the companies to close any gap reported. (For data on the UK gender pay gap, [▲ See Appendix](#)).



GERMANY: THE RIGHT TO KNOW

In an effort to tackle its large gender pay gap, Germany brought into force the Transparency of Remuneration Act on 30 June 2017.²² The legislation aims to close the gender pay gap which stood at 21% in 2016.²³

FIGURE 1 / UNADJUSTED GENDER PAY GAP IN EU MEMBER STATES IN %, 2016



Source: Federal Statistical Office of Germany, *Gender Pay Gap 2016: Germany remains among EU states with highest disparity*, accessed 9 March 2018

Germany has one of the worst records in Europe when it comes to pay equity (*Figure 1*) and has made minimal progress in improving it. According to data published by the Federal Statistical Office of Germany, the gender pay gap has closed by only 2% since 2006 and by only 1% since 2015.²⁴ (For more data on the German pay gap, ▲ *See Appendix*).

The German Transparency of Remuneration Act (*Das Entgelttransparenzgesetz*) consists of four main points:²⁵

1. The regulation for paying women and men equally: the law explicitly mentions and clearly requires employers to pay women and men equally for equal and equivalent work.

2. The individual entitlement to information: As of 6 January 2018, all employees, regardless of gender, who work in companies with more than 200 employees, can request information about comparable remuneration, for jobs equal or equivalent to their own.²⁶ Employees can request this information only if there are at least six employees of the opposite gender doing the same or equivalent work in the same company. Similarly, the information provided will not specify the pay of individual colleagues, but rather the median pay of the six employees of the other gender in the same or comparable employment. Employers must provide the requested information within 3 months.²⁷ The law does not mention penalties in cases where gender discrimination in pay does exist within an organisation.²⁸

3. The invitation to private employers to review their pay structures: organisations with more than 500 employees are invited to review their pay structures. This remains at the employers' discretion. There is no enforcement mechanism or no obligation to make the information publicly available.

4. The obligation to report on the status of equality and equal pay: employers with more than 500 employees are required to produce a management report, describing the measures and actions they are taking to achieve equal pay for women and men. If the employers have not taken any action, they must justify it. Companies are also required

to attach gender-segregated information for the last calendar year to the management report. The gender-segregated information should include the number of full-time and part-time workers and should be published in way that ensures it is publicly available.²⁹

The German legislation is a step in the right direction, putting the onus on companies to take measures towards equal pay and on publishing pay information. However, it does place significant responsibility on individual employees to seek out pay information, and it remains unclear whether employees will be able to practice this right in their workplaces, without risking being stigmatised.

FIGURE 2 / AUSTRALIA'S GENDER PAY GAP STATISTICS 2018



Source: *Australia's gender pay gap statistics*, accessed 9 March 2018

The legislation requires all non-public sector organisations in Australia with over 100 employees³³ to provide data to the Workplace Gender Equality Agency (WGEA) on six Gender Equality Indicators.³⁴

The six indicators are:

1. Gender composition of the workplace.
2. Gender composition of governing bodies of employers (e.g. board of directors).
3. Equal remuneration between women and men.
4. Availability and utility of employment terms, conditions and practices relating to flexible working arrangements for employees and to working arrangements supporting employees with family or caring responsibilities.
5. Consultation with employees on issues concerning gender equality in the workplace.
6. Any other matters specified by the Minister: sex-based harassment and discrimination.³⁵

The reports must be signed by the CEO and are published online. Employers are also required to inform their employees and any employee organisations at the time the reports are published and provide information on how to access them. Both employees and employee organisations have the right to make comments on the reports.³⁶



AUSTRALIA: COMPANIES' SYSTEMATIC SELF-REPORTING

Australia has a long tradition of aiming for transparency in company reporting and equal opportunities for women in the workplace, but the national gender pay gap in 2018 still stands at 15.3%.³⁰

Legislation has existed in Australia since the Workplace Gender Equality Act which was approved by Parliament on 22 November 2012. The 2012 Act follows previous legislation, such as the Affirmative Action Act 1986 and the Equal Opportunity for Women in the Workplace Act (1988).³¹ **The focus of the 2012 legislation is gender equality in the workplace, with an explicit emphasis on remuneration parity between women and men and supporting caring responsibilities.³²**

Every two years, the WGEA submits a report to the Minister on the progress achieved in relation to the gender equality indicators. The WGEA does not audit organisations directly, but they follow-up with organisations if their gender equality report displays inconsistencies. As data from organisations is made publicly available on the WGEA website, there is a public accountability mechanism.³⁷

Sanctions also exist if companies refuse to submit a report. In this case, an organisation is deemed to be non-compliant with the Act and would be subsequently named in the Australian parliament, listed on the WGEA website and ineligible from doing business with government.³⁸ An organisation that supplies incorrect or misleading information can also be made non-compliant but, in practice, the first step would be for WGEA to work with organisations to correct their data and to ensure that their available report is accurate.

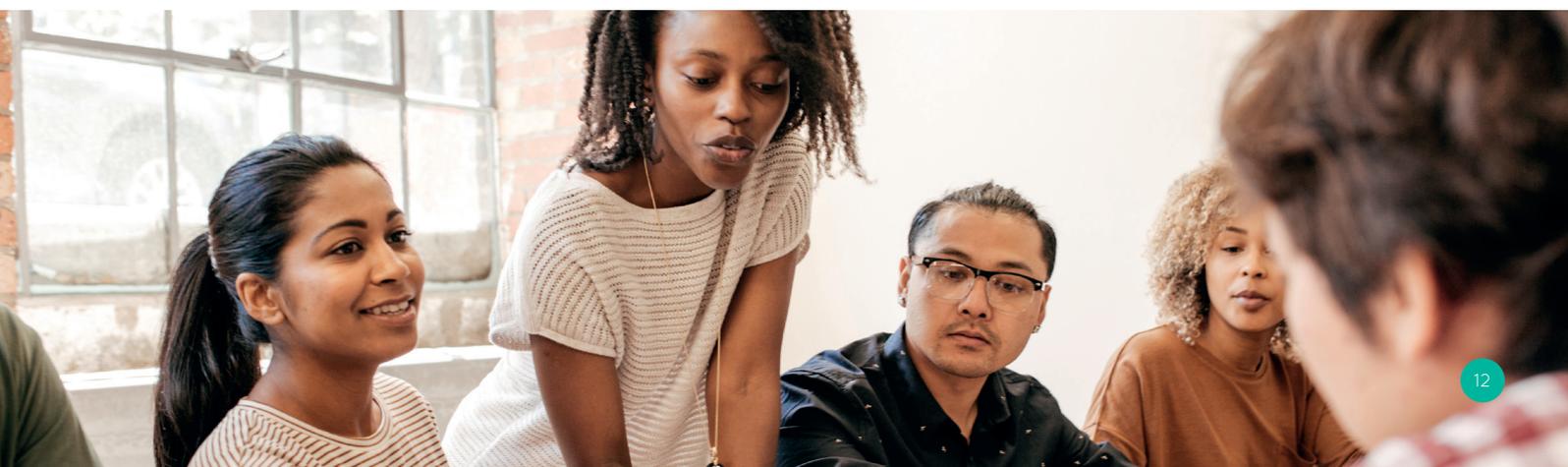


USA: FEDERAL PLANS ON HOLD

Unequal pay has been banned in the US since 1963, but little has been done to implement the legal code. **In August 2017**

Donald Trump halted a Barack Obama-era equal pay initiative which was due to take effect in March 2018.³⁹ The rule would have required employers to categorise employees according to gender, ethnic background and race, to promote increased pay transparency. This initiative has now paused.

However, there have been advances at state level to tackle gender pay disparity. In 2016, Massachusetts enacted a law which prohibits employers from asking job applicants their current salary. California, Puerto Rico and New York City have similar laws banning asking about salary history during hiring processes.⁴⁰ The rationale is that this traditional hiring practice preserves the gender pay gap by leading to women starting out on lower salaries than their male counterparts and that its abolition will be instrumental in narrowing the gap. Some states are considering other legislative initiatives, for example Senate Bill 1284, which would require Californian companies with 100 or more employees to submit a pay data report.⁴¹





EUROPE: ACTION PLAN TO FOLLOW

Equal pay was adopted as a core principle of the European Union (EU) when it was founded as the European Economic Community (EEC) in 1957.

Article 141 of the European Treaty states that ‘each Member State shall ensure that the principle of equal pay for male and female workers for equal work or work of equal value is applied’. Council Directive 75/117/EEC published in 1975 provided that the principle of equal pay in Article 119 of the European Treaty means “*for the same work or for work to which equal value is attributed, the elimination of all discrimination on grounds of sex with regard to all aspects and conditions of remuneration*”.⁴²

The legislation requires member states to ensure that their national laws give effect to this principle and provide a mechanism for redress where the principle has been violated. Under Article 5, member states are required to protect employees from victimisation by employers for taking action to enforce the principle.⁴³

In November 2017, the European Commission adopted an Action Plan to address the gender pay gap. It includes a number of measures to be implemented in 2018-2019, which are focused in eight areas:

1. Improving the application of the equal pay principle.
2. Combating segregation in occupations and sectors.
3. Breaking the ceiling: initiatives to combat vertical segregation.
4. Tackling the care penalty.

5. Better valorizing women’s skills, efforts and responsibilities.
6. Unveiling inequalities and stereotypes.
7. Alerting and informing about the gender pay gap.
8. Enhancing partnerships to tackle the gender pay gap.⁴⁴

In addition, the Commission will focus its efforts on pay transparency, building on the Evaluation Report of the Pay Transparency Recommendation, which was adopted in 2014.⁴⁵

So far, this recommendation has seen limited implementation by EU member states, and in one third of them, measures are entirely absent. According to the European Commission’s estimates, the average hourly pay of women in Europe today is 16.3% lower than that of men.⁴⁶ (For data and statistics on the European pay gap, please [▲ See Appendix](#)).





REASONS BEHIND THE GENDER PAY GAP

The reasons for the existence of the gender pay gap, the relative difference in the average gross hourly earnings of women and men within the economy as a whole, are complex to measure. The literature mentions a number of factors.

A higher percentage of women than men work part-time. This is a large contributing factor to the gender pay gap. Specifically termed the “part-time pay gap”, researchers have found that those in part-time employment, a high percentage being mothers, see almost no wage progression over time.⁴⁷ In particular, the overall gender pay gap widens as women reach their 30s and have children, and increases over time to peak at 30% among degree-holders when their first-born reaches 20 years old.

Unconscious bias also appears to play a major part in the gender pay gap. This occurs where decisions and judgements are unconsciously influenced by bias.⁴⁸ Such biases exist due to a combination of effects including family background, longstanding societal stereotypes, and life experiences. While unequal pay for equal work is direct discrimination, unconscious bias is not directly controlled, as the people who are discriminating tend to not realise they are doing this. An example of such bias is the undervaluation of women’s work with men being considered more competent than women. Several companies are now conducting unconscious bias awareness training in an attempt to mitigate the impact of this.

The gender pay gap varies in size according to professions, industry, age, and level of seniority in an organisation, among other factors.⁴⁹ A noteworthy observation through Equileap’s data analysis is that **the pay gap tends to be much wider in the upper echelons of organisations.** Where a company may exhibit an almost negligible gender pay gap in the lower and mid-ranks of a firm, this can increase exponentially at executive levels.

The gender pay gap is multi-factorial and complex to tackle. Several academic studies have suggested that the gender pay gap in senior management has been shown to reduce as gender diversity increases.⁵⁰

However, this effect may not be as straightforward as one might expect. One of the companies from Equileap’s research, which displayed a significantly higher gap at executive level, informed us that it was directly attributable to their drive to reach gender representation at all organisational levels. This goal had resulted in a proportionately larger number of women being promoted to executive level than men in the past two years. Because the organisation pays equally for role and experience, the pay of newly promoted women executives reflected their lack of experience in comparison with the longer tenured, more experienced men at the same level. The company said that as these newly appointed female executives gain more experience, their pay will increase and the gap will close.⁵¹

REASONS BEHIND UNEQUAL PAY FOR EQUAL WORK

Why do men often get paid more than women for equal work and for doing the same job, even though this is against the law in most developed countries? What are the causes of this “unexplained gap” which remains between men’s and women’s wages after relevant details such as experience, hours worked and are accounted for?

A wealth of academic research has been conducted examining the differing risk preferences of men and women. Some studies have exhibited results which show that women are more risk-averse than men. Academics assert that this has contributed to women being exploited in the salary negotiating process. **Employers often offer women lower starting salaries than men in anticipation that they will not risk negotiations breaking down.**⁵²

What is known as the “graduation pay gap” could be a consequence of this.⁵³ Female graduates with the same degree and experience as male graduates often receive lower initial starting salaries than their male counterparts. This is a prime example of the “unexplained gap” in pay between men and women of equal qualifications in the same job position where only one single factor could contribute to the difference: gender.

Implicit bias is often cited as another reason for unequal pay where even women themselves undervalue their worth. The taboo that surrounds comparing salaries to that of colleagues allows such inequalities to go unnoticed. This “unexplained gap” which remains between men’s and women’s wages after relevant details such as experience, hours worked are accounted for is exactly what Iceland is trying to close.

Another example is the expectation that **women approaching the age of 30 will want to have children and as a result are often downgraded to being second class employees** and sidelined, the so-called ‘motherhood penalty’. On the other hand evidence suggests that men who have children experience increased pay as employers perceive them as having extra responsibilities.

The practice of using salary history as a tool to manage payroll is another factor which adversely affects candidates who experience gender (or ethnic) pay gaps. It also negatively affects those returning to the job market after having taken time off to care for family members. Moreover, there is no way to prove that previous employers paid appropriately or equally, and it can result in a systematic disadvantage in terms of hiring and pay practices.



KEY FINDINGS ON CORPORATE PAY PARITY

Transparency is key to addressing the gender pay gap and identifying the areas companies need to work on. This enables companies to be held accountable, for progress to be tracked over time and for the impact of different strategies to close the gap to be assessed.

According to Equileap's research, only a small number of companies are currently transparent in their reporting and provide gender segregated pay information. (▲ See Table 1).

TABLE 1 / TRANSPARENCY ON EQUAL PAY – COUNTRY BREAKDOWN

	TOTAL NUMBER OF COMPANIES	DID NOT PUBLISH PAY INFORMATION	PUBLISHED GENDER-SEGREGATED INFORMATION	PUBLISHED A GENDER PAY GAP OF 3% OR LESS
TOTAL NUMBER OF COMPANIES	747	642	105	33
Australia	56	35	21	8
Austria	5	5	0	0
Belgium	8	8	0	0
Canada	43	39	4	1
Denmark	13	13	0	0
Finland	12	10	2	1
France	75	64	11	3
Germany	42	38	4	3
Hong Kong	25	23	2	0
Israel	3	1	2	1
Italy	19	6	13	2
Japan	5	5	0	0
Netherlands	16	14	2	0
New Zealand	5	4	1	0
Norway	10	7	3	0
Portugal	1	1	0	0
Singapore	8	4	4	1
Spain	27	15	12	3
Sweden	45	41	4	0
Switzerland	21	20	1	1
UK	130	123	7	1
USA	178	166	12	8

Source: Equileap Database.

Equileap researched 747 public companies. All were publicly listed, with a market capitalisation of USD 2 billion or more. Twenty-two countries were represented in the sample. All the companies were in the highest performing cohort of the Equileap 2017 Global Ranking on Gender Equality, and as such should be seen as amongst the best performers.

US companies were the largest component of the total sample (24%) followed by the UK (17%), France (10%), Australia (7.5%), Sweden (6%), Canada (6%) and Germany (6%).

Out of the total of 747:

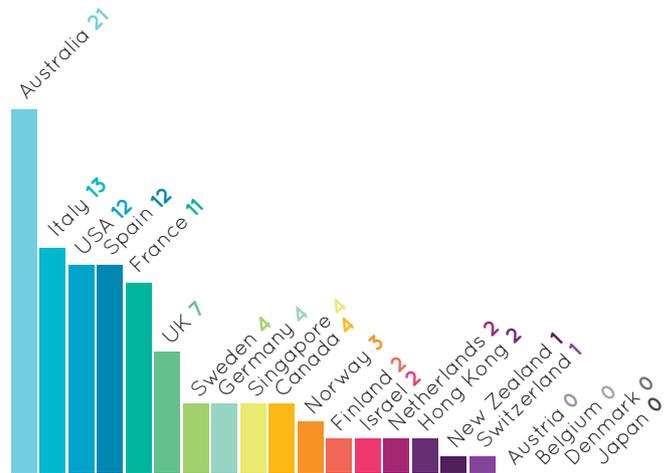
- > **642 (86%) companies did not publish gender-segregated pay data.**
- > **105 (14%) companies provided some gender-segregated information.**
- > **only 33 (4.5%) companies claimed that they had a gender pay gap of 3% or less.**

At the time this research was carried out, 95% of companies incorporated in the UK did not report gender-segregated pay data (nearly all of them have now done this following the introduction of the new gender pay gap reporting provisions). 95% of Swiss companies did not report gender-segregated data, as well as 93% of US companies, 91% of Swedish companies, 90% of Canadian and German companies.

By comparison, 44% of Spanish companies did report gender-segregated pay data and 37% of Australian companies.

In the Netherlands 2 out of the 16 companies in the research sample published some information on gender-segregated pay. But no company claimed a gender pay gap of less than or equal to 3%.

FIGURE 3 / COMPANIES THAT PUBLISHED GENDER-SEGREGATED INFORMATION / BREAKDOWN BY COUNTRY



Source: Equileap Database.

Of the 33 companies that reported an overall pay gap of less than or equal to 3%, the level of proof varied and details of any auditing procedures were usually not publicly available, making it hard to verify claims.

Some companies limit themselves to average numbers or claims (e.g. “We have no gender pay gap”) but offer little or no evidence to substantiate these claims. This leads to difficulties in comparing across organisations.

Below we provide a few examples of the way companies report on the pay gap.

COMMON PRACTICES IN CORPORATE PAY REPORTING

GLOBAL REPORT INITIATIVE STANDARD

A few of the companies researched by Equileap opt to report gender-segregated information using the Global Report Initiative (GRI) standard. GRI is an independent international organisation which helps businesses and governments worldwide to understand and communicate their impact on critical sustainability issues. The GRI has developed and published its G4 sustainability reporting guidelines.⁵⁴

FIGURE 4 / G4-LA13 STANDARD

G4-LA13

Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation

A. Report the ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation.

B. Report the definition used for 'significant locations of operation'.

RELEVANCE

Many countries have introduced legislation to enforce the principle of equal pay for work of equal value. This issue is supported by the ILO Convention 100 'Equal Remuneration Convention' (27). Equality of remuneration is a factor in retaining qualified employees in the workforce. Where imbalances exist, an organization runs a risk to its reputation and legal challenges on the basis of discrimination.

Source: G4 Online, [Equal Remuneration for women and men](#)

Within the G4 guidelines, there is a section referring to equal remuneration for women and men. According to the G4LA13 section, organisations should report the ratio of basic salary⁵⁴ and remuneration⁵⁶ of women to men by employee category and by significant locations of operation.⁵⁷

Employee category is the breakdown of employees by level (such as senior management, middle management) and function (such as technical, administrative, production). This information is derived from an organisation's own human resources system.⁵⁸

There is a new standard which will come into effect on 1 July 2018 – G405-2 which refers to the same guideline (▲ [See Appendix](#)).

BREAKDOWN BY LEVELS

The most accurate and transparent way that companies can report on pay is to offer gender-segregated information, separated out into different employee categories or pay bands. This provides useful data about what is happening at each level of a company, and gives a basis for focused remedial work, if necessary, rather than a single, overall figure. We provide a number of examples below.



EXAMPLE 1 - Standard Life Aberdeen, a British investment company produced a 7-page report on its gender pay.

The calculations and data were compiled by Standard Life Aberdeen. It is clear and easy to understand.

FIGURE 5 / GENDER PAY GAP REPORT 2017, STANDARD LIFE ABERDEEN

	Aberdeen Asset Management employing entities <small>(Aberdeen Asset Management PLC and Aberdeen Asset Managers Ltd)</small>		Standard Life employing entities <small>(Standard Life Employee Services Ltd, Standard Life Investments Ltd, Elevate Portfolio Services Ltd)</small>	
	Median	Mean	Median	Mean
Gender pay gap	31%	34%	31%	42%
Gender bonus gap	59%	70%	53%	70%
The proportion of women and men receiving bonus payment	Female	Male	Female	Male
	92%	90%	94%	93%

This means that as at April 2017, men were paid on average 34% more than women at Aberdeen and on average 42% more than than women in the Standard Life group.

Quartile	Proportion of women and men in each quartile band*					
	Women	Men	Gender pay gap	Women	Men	Gender pay gap
Upper	22%	78%	17%	28%	72%	26%
Upper middle	35%	65%	3%	45%	55%	2%
Lower middle	51%	49%	3%	52%	48%	2%
Lower	52%	48%	2%	64%	36%	-2%

This highlights that our overall gender pay gap is driven mainly from the highest pay quartile, which is heavily male-dominated. Whereas in the other quartiles, which are more evenly gender balanced, pay gaps are 3% or less, or in favour of women. The unequal distribution of men and women through our business is the main driver of our gender pay gap.

Source: Standard Life Aberdeen, *Gender Pay Gap Report 2017*, accessed 27 Feb 2018

EXAMPLE 2 - Air New Zealand, an airline company, has chosen to provide a breakdown by levels.

This method provides a level of detail that avoids creating a misleading impression by conflating figures across the entire organisation. It also makes plain exactly where gaps need to be closed if necessary.

FIGURE 6 / AIR NEW ZEALAND SUSTAINABILITY REPORT 2017

Air New Zealand Career Level	Number of Females	Number of Males	Average Pay Gap
Executives, General Managers and Head of function <small>(where both genders are present in a grade) Designs and drives business strategy for a major business division or Group-wide function</small>	27	46	-0.33%
Senior Managers Develops and implements the strategy and business plan for a division	83	133	0.99%
Operational Managers Inputs into the functional strategic plan, but focus is on operational management	187	276	0.87%
Specialist Formally leads a team or an established specialist in a technical or professional discipline	643	577	0.58%
Technical Focus is on delivering outcomes with short cycle times, generally in a customer interfacing or business support role	224	74	0.39%
Support/Administration Work is routine, in nature, with set patterns	39	37	-5.25%
TOTAL	1,203	1,143	0.44%

Source: Air New Zealand, *Sustainability Report 2017*, accessed 28 Feb 2018

EXAMPLE 3 - Stockland, a diversified Australian property group, targets “a gender pay equity ratio of 100% plus or minus 3% across the company. This means that males and females would be paid the same for performing similar roles, with a small variance to allow for different levels of experience and other factors.”

At first, it appears that the target has been achieved as the gender pay equity ratio is 98.6% for the Financial Year 2017. However, a look at the next paragraph reveals that at the Executive level, the ratio of average female fixed pay to the average male pay is 0.64. As the company itself states, this “does not necessarily measure whether we pay males and females similar rates for the same role [...]. The ratios in part reflect the under-participation rates for females in management.”

FIGURE 7 / STOCKLAND EMPLOYEE DIVERSITY & INCLUSION

	FY17	FY16	FY15	FY14
Stockland	98.6%	97.4%	97.2%	96.9%
JOB BAND	FY17	FY16	FY15	FY14
Executive	0.64	0.59	0.60	NA
Senior Management ⁹	0.86	0.85	0.93	0.89
Management	0.84	0.83	0.85	0.83
Employee/Professional Technical	0.86	0.86	0.86	0.86
Total employees ¹⁰	0.66	0.64	0.66	0.65

Source: Stockland, *Employee Engagement, Development, Diversity and Inclusion*, p.7, accessed 3 Nov 2017

EXAMPLE 4 - Red Electrica, a Spanish company which maintains and operates Spain’s electricity transmission grid.

These figures show a total gender pay gap for 2016 of 1% across the company, however on closer inspection it is clear that at the Management team level men were paid 3% more than women and that at Experts level, women were paid 6% more than men.

FIGURE 8 / RED ELECTRICA CSR REPORT 2016

RATIO OF BASE SALARIES OF MEN COMPARED TO WOMEN (MEN/WOMEN) ^{Spain (1)}			
/ G4-LA13			
	2014	2015	2016
Management team	1.02	1.01	1.03
Experts (G1, G2, G3)	0.94	0.94	0.94
Administrative personnel (G4)	0.98	1.01	1.01
Total	1.02	1.02	1.01

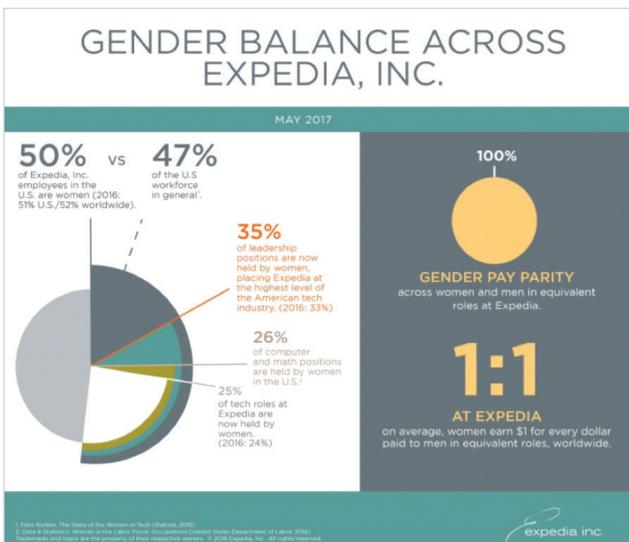
(1) Data for Red Eléctrica de España SAU + REC.

Source: Red Electrica, *Corporate Responsibility Report 2016*, p.143, accessed 5 Dec 2017

CLAIMS WITH LIMITED EVIDENCE

A number of companies make claims about gender parity but provide little evidence to support them. An example is provided below by Expedia, USA, which provides branded online travel services for leisure and small business travellers.

FIGURE 9 / EXPEDIA ADVERTISING



Source: Expedia website, Gender balance page, accessed 25 Feb 2018

This limited way of reporting on the pay gap inevitably raises questions of validation of the claim. While some companies do mention the third-party organisation that undertook the analysis, others do not.

In fact, Equileap accidentally received emails sent in-house from a large US company which showed the lack of reliability and authenticity of such claims and figures. The company in question paid an organisation to “verify” the figures but was unaware of the process involved and was unwilling to disclose

further information. This is a company which proudly states that they have no pay gap. This questions the soundness of published figures across companies, especially where no further detail or evidence is provided.



RECOMMENDATIONS

Equileap believes on the basis of this research that so far **too few companies have published gender-segregated pay statistics that can be easily understood and verified. Even fewer have implemented an effective plan to close their gender pay gaps, or to ensure that they are actually paying equal pay for equal work.**

Leadership from governments in setting the framework and the format in which companies report is in the early stages. There is no agreement about how this should be pursued with each government, so far, taking an ad hoc approach, which means that none of the data demanded by governments will be easily comparable internationally.

Investors also have a powerful role to play by using new data gathered by a number of providers to identify both companies leading the way in achieving gender equality, and those failing to make any progress.

GOVERNMENTS

There are a series of measures Governments can take **to ensure that equal pay for equal work is a reality in the workplace. Iceland's focused approach of introducing compulsory certification, and punitive measures for failing to comply, appears to be the best solution to eliminate this gender discrimination regarding pay.** Importantly, Iceland's law not only requires equal pay across the same job level, but also equal pay for work of the same value. This detail is paramount to achieving pay parity. The recent record equal pay claim brought against Tesco (and other supermarkets) in the UK is an example of this. The predominantly female store staff want pay equality with the predominantly male distribution centre staff, saying their work in the store is of similar skill and value.⁵⁹

To close the gender pay gap, the most effective measures governments can take at present look to be compelling all organisations to publish gender-segregated pay by pay bands or employee levels. This offers vital transparency around the nature of the problem. In this respect the UK's legislation is a step in the right direction, but it fails to demand pay information by employee level, or ask that companies take action to remedy gaps. **A more complete approach would include reporting pay gaps by employee level and a legal obligation to identify actions and a time-line to address any gap.**

Governments should also consider enacting legislation prohibiting employers from asking about current and past salary. The goal is to enable job seekers to negotiate a fair salary based on their skills and output, and to help break the cycle of income inequality which often follows women from job to job, or penalises mothers (and fathers) returning to paid work after taking time off to care for children or other family members.

COMPANIES

Closing the gender pay gap cannot be left to government policy alone. Companies can work in parallel, or even ahead of legislative requirements, in the countries where they are incorporated.

As part of being socially responsible and line with the GRI guidelines, companies should disclose pay information by levels and not stop at the average, which can be a misleading value.

If they want to be seen as pioneers in this area, this should be accompanied by concrete action to address any problems. Company transparency on pay information is central to achieving pay parity.

Ideally, every company should conduct a gender-pay analysis and if a gender pay gap is discovered, take prompt action to remedy it. A notable example is Energy Australia, a private electricity company, which announced it would spend AUS\$1.2 million to boost the pay packets of 350 women who were getting less than their male counterparts. They claimed to have closed the pay gap literally overnight.⁶⁰

INVESTORS

Repeated independent research shows that gender diverse companies tend to produce higher financial returns and have lower risks.⁶¹ Studies suggest that business leaders can improve their bottom line and reduce corporate risks by making best use of the diverse skills and talents of all their workers.⁶²

Ensuring equal pay and equal opportunities at work for men and women helps companies attract and keep the best people, form the most competitive and talented teams, able to develop the best new ideas, balance risk and take advantage of opportunities. This is the so-called gender dividend.

Equileap believes this gender dividend is not yet fully accounted for in market pricing and investment strategies. **Investors who use their funds with a gender equality lens can also help close the gender gap faster by undertaking investment stewardship engagements, proxy voting, as well as positive and negative screening of their investment portfolios.**

CONCLUSION

At present, the World Economic Forum estimates that it will take 217 years to close the global gender pay gap. Equileap believes that governments, companies and investors have a unique opportunity to accelerate that time scale dramatically and tackle one of the most enduring root causes of poverty and inequality within our societies.

Governments can bring in new laws and regulations on both equal pay and the gender pay gap, and ensure they are properly policed. Central governments and local authorities can also introduce gender sensitive procurement rules for contracts.

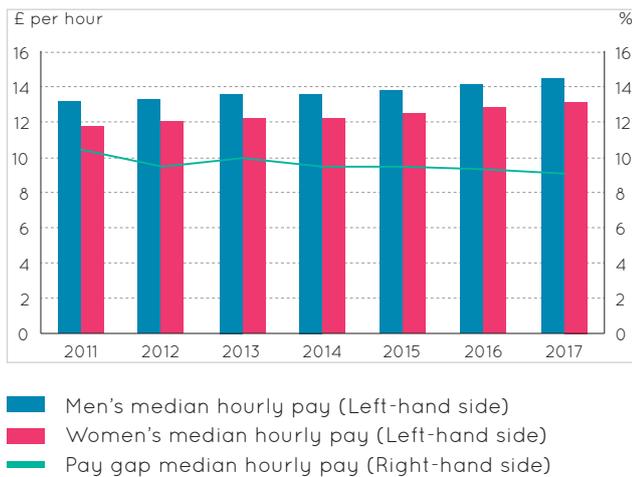
Companies have a leadership role to play in showing what is possible in their sectors and countries, and investors can align their funds with their values and deploy their investments to back those companies leading the way in gender equality.

Taken together, this would be a powerful counterweight to growing pay and pension inequality.



UK GENDER PAY GAP STATISTICS⁶³

FIGURE 10 / MEDIAN GROSS HOURLY EARNINGS (EXCL. OVERTIME) FOR FULL-TIME EMPLOYEES, UK, 2011 TO 2017



Source: Annual Survey of Hours and Earnings (ASHE) - Office for National Statistics

Figure 10 shows the median gross hourly earnings for men and women full-time⁶⁴ employees in the UK. Between 2011 and 2017, men's pay has grown by 10.4% from £13.12 to £14.48 per hour whilst women's pay has grown by 12.0% from £11.75 to £13.16 per hour. According to the Office of National Statistics, men on average were paid £1.32 more per hour than women in 2017, which, as a proportion of men's pay, is a pay gap of 9.1%.

Although the pay gap has fallen from 10.5% in 2011 to 9.1% in 2017, as shown by the red line, it remains positive in value, on average men are paid more than women.⁶⁵ Note that figure 1 on page 9, shows the unadjusted average pay gap (defined as the differentiated between average gross hourly earnings of men and women expressed as a percentage of the average gross hourly earnings of men) which is much larger in the UK (21%).

FIGURE 11 / UNADJUSTED GPG BY AGE (%) FOR 23 EU COUNTRIES IN 2015

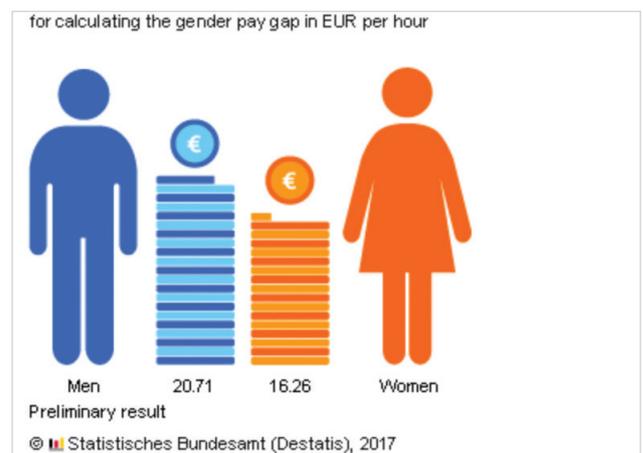
	< 25 years	25 - 34	35 - 44	45 - 54	55 - 64	65 years +
Belgium	-2.3	1.0	5.6	7.5	15.7	14.4
Bulgaria	7.9	14.9	21.0	18.6	7.2	3.1
Czech Republic	12.0	13.3	28.1	24.5	15.9	23.6
Denmark	6.0	11.1	16.5	18.3	16.3	11.3
Spain(*)	5.7	6.6	11.5	19.0	21.1	45.3
France(*)	-3.2	8.7	13.2	19.2	21.7	30.1
Italy	10.7	4.8	5.6	7.4	6.3	:
Cyprus	4.9	-0.8	10.1	24.3	27.1	54.2
Latvia	13.0	15.8	22.8	15.9	14.8	16.8
Lithuania	13.9	16.7	20.3	11.4	11.4	14.2
Hungary	3.3	9.1	19.2	16.2	9.4	19.2
Netherlands	2.9	1.2	10.5	20.9	21.6	17.8
Poland(*)	8.8	9.8	13.1	5.3	6.0	-4.9
Portugal	9.1	8.5	15.1	23.9	23.3	43.4
Romania(*)	-1.1	1.1	6.6	4.9	2.8	17.5
Slovenia	7.8	7.1	10.1	11.8	5.9	0.3
Slovakia	12.1	14.1	24.6	22.1	17.7	21.2
Finland(*)	3.4	11.0	18.6	19.9	22.0	23.4
Sweden	6.1	9.4	15.6	17.2	16.1	16.3
Iceland	2.8	9.8	18.6	26.9	23.0	22.1
Norway	4.1	9.0	14.8	18.0	21.1	17.7
Switzerland	4.1	7.8	16.7	22.8	23.7	31.8

Note: For all the countries except the Czech Republic: data for enterprises employing 10 or more employees, NACE Rev. 2 B to S (-O); for the Czech Republic: enterprises employing 1 or more employees, NACE Rev. B to S; data not available for DE, EE, IE, EL, HR, LU, MT, AT and UK.

: data not available
 (*) Provisional data
 (†) Estimated

GERMAN GENDER PAY GAP STATISTICS

FIGURE 12 / GROSS AVERAGE EARNINGS 2016



Source: Federal Statistical Office of Germany, Equal Pay Day: gender pay gap at 21%, accessed 9 March 2018

FIGURE 13 / GENDER PAY GAP

Year	Germany	Western Germany	Eastern Germany
2016	21	23	7
2015	22	23	8
2014	22	24	9
2013	22	23	8
2012	23	24	8
2011	22	24	7
2010	22	24	7
2009	23	24	6
2008	23	24	6
2007	23	24	6
2006	23	24	6

Source: Federal Statistical Office of Germany, *Gender Pay Gap in % for the years 2006 to 2016 (unadjusted)*, accessed 9 March 2018

Figure 13 shows the progression of the unadjusted gender pay gap in Germany from the years 2006 to 2016.⁶⁶

FIGURE 14 / GENDER PAY GAP⁶⁷

territory	2006	2010	2014
Germany	8	7	6
Western Germany (including Berlin)	8	7	6
Eastern Germany (excluding Berlin)	12	9	7

Source: Federal Statistical Office of Germany, *Gender Pay Gap for the years 2006, 2010 and 2014 (adjusted)*, accessed 9 March 2018

NEW GRI STANDARD

The new GRI standard in the G405-2, to be effective from 1 July 2018.

FIGURE 15

Disclosure 405-2
Ratio of basic salary and remuneration of women to men

Reporting requirements

The reporting organization shall report the following information:
 a. Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation.
 b. The definition used for 'significant locations of operation'.

Reporting recommendations

When compiling the information specified in Disclosure 405-2, the reporting organization should base remuneration on the average pay of each gender grouping within each employee category.

Source: GRI Standards, *GRI 405: Diversity and equal opportunity 2016*



FOOTNOTES & REFERENCES

FOOTNOTES

- ¹ World Economic Forum, [The Global Gender Gap Report 2017](#), 2017
- ² Eurostat, [Gender pay gap statistics](#), 2017
- ³ Equality and Human Rights Commission, [Gender pay gap reporting requirements](#)
- ⁴ Equality and Human Rights Commission, [What is equal pay?](#)
- ⁵ European Commission, [Iceland: Equal pay certification legalised](#), ESPN Flash Report 2017/55, July 2017
- ⁶⁻⁷⁻⁸⁻⁹⁻¹⁰⁻¹¹ Government Office of Iceland, [New Icelandic law on Equal Pay Certification entered into force on January 1, 2018](#)
- ¹² Gov.uk, [DfT's gender pay gap report 2017](#)
- ¹³ ACAS, [Managing gender pay reporting](#), December 2017, "A mean average involves adding up all of the numbers and dividing the result by how many numbers were in the list." p.11
- ¹⁴ ACAS, [Managing gender pay reporting](#), December 2017, "A median average involves listing all of the numbers in numerical order. If there is an odd number of results, the median average is the middle number. If there is an even number of results, the median will be the mean of the two central numbers.", p.11
- ¹⁵ Legislation.gov.uk, [The Equality Act 2010 \(Gender Pay Gap Information\) Regulations 2017](#)
- ¹⁶ HM Government, [Gender Pay Gap reporting](#)
- ¹⁷ ACAS, [Managing gender pay reporting](#), December 2017, "March 31st for public authorities and April 5th for all other employers.", [Managing gender pay reporting](#), p.22
- ¹⁸ Equality and Human Rights Commission, [Closing the gap: Enforcing the gender pay gap regulations](#), "In the first instance, we will aim to resolve non-compliance through informal resolution. Where formal enforcement action is required, we will use the most appropriate action from our range of powers as set out below. In 2018/19, we intend to focus our enforcement work on employers who do not publish the information required by the GPGR. If we have the capacity to do so, we may also take action against employers for publication of inaccurate data, if we consider that it is necessary, proportionate and feasible to do so." p.7
- ¹⁹ ACAS, [Managing gender pay reporting](#), December 2017
- ²⁰ Gov.uk, Gender Pay Gap Service, [Gender Pay Gap Reporting](#)
- ²¹ Financial Times, [UK employers change data on government gender pay gap portal](#), 7 January 2018
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- ²³ Federal Statistical Office of Germany, [Equal Pay Day: gender pay gap at 21%](#)
- ²⁴ Federal Statistical Office of Germany, [Gender Pay Gap in % for the years 2006 to 2016 \(unadjusted\)](#)
- ²⁵ Bundesministerium für Familie, Senioren, Frauen und Jugend, [Das Entgelttransparenzgesetz](#)
- ²⁶ For example, they can ask for the average gross salary and up to two individual salary components - like a benefit bonus or a hardship bonus - for equal or equivalent work.
- ²⁷ Bundesministerium für Familie, Senioren, Frauen und Jugend, [Das Entgelttransparenzgesetz](#)
- ²⁸ TaylorWessing, [Germany New Transparency of Remuneration Act will enter into force shortly](#)
- ²⁹ Bundesministerium für Familie, Senioren, Frauen und Jugend, [Das Entgelttransparenzgesetz](#)
- ³⁰ Australian Government, [What is the gender pay gap?](#)
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- ³³ Australian Government, [FAQ](#), "Even if employees will drop under 100, organisation will still have to report unless, the number of their staff will drop below 80 employees."
- ³⁴ Australian Government, [FAQ](#), Profile
- ³⁵ Australian Government, Department of Families, Housing, Community Services and Indigenous Affairs, [The New Workplace Gender Equality Act 2012, FAQ](#)
- ³⁶ Australian Government, Department of Families, Housing, Community Services and Indigenous Affairs, [Workplace Gender Equality Act 2012](#)
- ³⁷ Australian Government, Workplace Gender Equality Agency, [Public Reports](#)
- ³⁸ Australian Government, Department of Families, Housing, Community Services and Indigenous Affairs, [Workplace Gender Equality Act 2012](#)
- ³⁹ NBC News, [Trump Halted Obama's Equal Pay Rule. What it Means for Working Women](#), 31 August 2017
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- ⁴²⁻⁴³ Eur-Lex, Access to European Union Law, [Official Journal C 326 , 26/10/2012 P. 0001 - 0390](#)
- ⁴⁴ European Commission, [Commission steps up efforts to tackle the gender pay gap](#), 20 November 2017
- ⁴⁵ European Commission, [Equal Pay Day: Gender Pay Gap stagnates at 16.4% across Europe](#), 28 February 2014 / [International Women's Day: Commission takes action to close the gender pay gap](#), 7 March 2014
- ⁴⁶ European Commission, [Friday 3 November is European Equal Pay Day](#), 31 October 2017
- ⁴⁷ Financial Times, [Part-time working plays crucial role in gender pay gap](#), 5 February 2018
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- ⁴⁹ BBC News, [Four ways the gender pay gap isn't all it seems](#), Magazine, 29 August 2016 / [Gender pay gap to remain until 2069, report says](#), 24 September 2016,
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- ⁵¹ Accenture, [Getting to Equal, Closing the Gender pay gap](#), 2017. *"Identifies three particularly important tools which they consider essential to close the gender pay gap: increasing the digital fluency of women, encouraging women to proactively manage their career strategy and acquire greater technology and digital skills."*
- ⁵² Sex differences and statistical stereotyping in attitudes toward financial risk. Evolution and Human Behavior, Eckel, C.C. & Grossman, P.J. 2002. 23(4), pp. 281-295
- ⁵³ SAAUW, [Graduating to a Pay Gap](#)
- ⁵⁴ GRI, [About GRI](#), and [The Purpose of the GRI Sustainability Reporting Guidelines](#), *"The Guidelines are developed through a global multi-stakeholder process involving representatives from business, labour, civil society, and financial markets, as well as auditors and experts in various fields; and in close dialogue with regulators and governmental agencies in several countries. The Guidelines are developed in alignment with internationally recognized reporting related documents, which are referenced throughout the Guidelines."*
- ⁵⁵ GRI, [Glossary, Basic Salary](#), *"A fixed, minimum amount paid to an employee for performing his or her duties. This does not include any additional remuneration, such as payments for overtime working or bonuses"*
- ⁵⁶ GRI, [Glossary, Remuneration](#) *"Basic salary plus additional amounts such as those based on years of service, bonuses including cash and equity such as stocks and shares, benefit payments, overtime, time owed, and any additional allowances (such as transportation, living and childcare allowances)."*
- ⁵⁷ G4-LA13, [Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation](#)
- ⁵⁸ GRI, [Glossary, Basic Salary](#)
- ⁵⁹ Financial Times, [Tesco faces £4bn gender pay claim, lawyers say](#), 7 February 2018
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- ⁶¹ See for example, Petersen Institute for International Economics, [Is Gender Diversity Profitable – Evidence from a Global Survey](#)
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- ⁶⁴ Office for National Statistics, [Understanding the gender pay gap in the UK](#), 17 January 2018 *"Full-time is defined as employees working more than 30 paid hours per week (or 25 or more for the teaching professions)"*
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