Fair opportunities for all
A strategy to reduce pay gaps in Britain
About this publication

What is the aim of this publication?

‘Fair opportunities for all – A strategy to reduce pay gaps in Britain’ sets out what needs to change and who needs to take action to reduce gender, ethnicity and disability pay gaps. The recommendations within the strategy are based on substantial new evidence from research by the Equality and Human Rights Commission into the size and causes of these pay gaps, and whether interventions so far have been successful. The Commission is calling on UK, Scottish and Welsh Governments and employers to address pay gaps in a comprehensive and coordinated way.

Who is it for?

This report is primarily intended for UK, Scottish and Welsh Governments and employers, but will also be useful to anyone working towards improving equality in relation to gender, ethnicity and disability.

What is inside?

We have divided our strategy into six main recommendations, which are:
1. Unlock the earning potential of education by addressing differences in subject and career choices, educational attainment and access to apprenticeships
2. Improve work opportunities for everyone, no matter who they are or where they live
3. Make jobs at all levels available on a flexible basis
4. Encourage men and women to share childcare responsibilities
5. Reduce prejudice and bias in recruitment, promotion and pay decisions
6. Report on progress in reducing pay gaps

Why has the Commission produced this?

The Equality and Human Rights Commission promotes and enforces the laws that protect our rights to fairness, dignity and respect. As part of its duties, the Commission enables and encourages improvement by bringing people and organisations together to help them enact change.
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Introduction

This strategy sets out what needs to change and who needs to take action to reduce gender, ethnicity and disability pay gaps. It is based on substantial new evidence from research by the Equality and Human Rights Commission into the size and causes of these pay gaps, and whether interventions so far have been successful.

Pay gaps are a measure of the difference in average hourly pay between different groups and are a good indicator of inequalities in access to work, progression and rewards. Our research finds that pay gaps are substantial.1

Across Great Britain in 2016 the gender pay gap stood at 18.1% (ONS, 2016), the ethnicity pay gap at 5.7% (Longhi and Brynin, 2017),2 and the disability pay gap at 13.6% (EHRC, 2017).3,4 These average figures disguise wide differences, with some groups experiencing far greater pay gaps than others (Brynin, 2017). However, at their root are some common causes such as poorer educational attainment, different educational choices and the concentration of these groups in lower paid, lower skilled and part-time jobs.

Our research shows that the pay gaps experienced by women, people from ethnic minorities and disabled people arise largely from the barriers they face getting into and progressing at work. Some elements of pay gaps result from the choices people make about balancing work with other aspects of their lives, though these choices may be dictated or constrained by stereotypes about the roles people, particularly women, are expected to play in society. Part-time work is predominantly low-paid work and therefore the choice to work flexibly inevitably leads to lower pay.

The aim of this strategy is therefore to break down the barriers people face, tackle the stereotypes that might influence some of their choices and to change employment practice to make flexible working available in more senior roles, so that a choice to work flexibly does not mean a choice to work at a low rate of pay. There are huge economic benefits to decreasing pay gaps. Estimates suggest closing the gender pay gap in the UK would add £600 million to additional annual GDP by 2025 (GEO and Deloitte, 2016). Improving the participation and progression of ethnic minorities at work would add £24 billion a year to the economy (BEIS, 2016). Taking action to get disabled people into work will go some way towards reducing the £100 billion the UK loses each year from people being out of work. Supporting disabled people at work will also help to reduce the amount employers spend each year on sickness absence pay and associated costs – currently £9 billion (DWP and DH, 2016).5
Already UK, Scottish and Welsh Governments have taken positive steps to reduce pay gaps. The Welsh Government has set clear equality objectives to identify and reduce the causes of employment, skills and pay inequalities. In April 2017, the UK Government introduced gender pay gap reporting for private companies across Great Britain and for public bodies in England; the Scottish and Welsh Governments already required pay gap reporting by public bodies. All three governments have been encouraging companies to achieve a more representative gender and ethnic balance on their boards and in their senior management teams. They have also been taking action to support disabled people at work (DWP and DH, 2016).

However, we think more needs to be done if the UK, Scottish and Welsh Governments are to achieve their aims to reduce the gender pay gap in a generation and to make Britain a place where everyone can fulfil their full potential and be rewarded fairly for their efforts.

Based on our evidence, we are recommending that the UK, Scottish and Welsh Governments, their agencies, and employers need to take action to:

1. Unlock the earning potential of education by addressing differences in career choices, educational attainment and access to apprenticeships
2. Improve work opportunities for everyone, no matter who they are or where they live
3. Make jobs at all levels available on a flexible basis
4. Encourage men and women to share childcare responsibilities
5. Reduce prejudice and bias in recruitment, promotion and pay
6. Report on progress in reducing pay gaps

This strategy looks at each of these recommendations in more detail. It clarifies what needs to change and who needs to take action to reduce gender, disability and ethnicity pay gaps.
1. Unlock the earning potential of education by addressing differences in subject and career choices, educational attainment and access to apprenticeships

What needs to change:

• The barriers impeding educational potential
• Traditional stereotypes and subject choices that lead to occupational segregation
• The lack of diversity in apprenticeships
Subject and career choices

Subject choice affects the gender pay gap. Recent research finds that from an early age and throughout school, girls and boys are socialised to have conventionally stereotypical and limiting views about jobs for men and women (Ofsted, 2011), and that girls do not get the same range of choices over potential professions as boys (Girlguiding, 2016; Panel on Fair Access to Professions, 2009; Social Mobility Commission, 2016a). Science, technology, engineering and mathematics (STEM) subject choice has an impact on careers and pay. Achieving two or more A levels in STEM subjects increases future earnings for everyone. But women’s wages are disproportionately increased by gaining qualifications in these subjects, as their earnings are boosted by a third (London Economics, 2015).10

We welcome the steps being taken by governments to promote STEM careers and efforts to increase gender diversity within these careers.11 The Welsh Government has a STEM Delivery Plan and the Scottish Government has consulted on a STEM strategy for education. The UK Government’s (2017) Industrial Strategy Green Paper sets out how it will address the shortfall in STEM skills, highlighting the disparities between girls and boys studying STEM subjects. Promoting STEM subject choices in schools, with better careers advice and work experience opportunities, will help to challenge gender stereotypes and encourage girls to choose STEM careers.

Boys should also be encouraged to consider qualifications and careers in occupations stereotypically viewed as ‘female’, such as childcare and caring. The Scottish Government is supporting a drive to increase the numbers of men working in childcare in Scotland.12 Reducing gender stereotyping opens up a wider range of careers to men and women, and research suggests that improving gender diversity also improves wages in female-dominated roles (Levanon et al., 2009).

Attainment

Our research found that the lower levels of attainment of some groups were contributing to their pay gaps.

Disabled people have, on average, lower levels of educational attainment than non-disabled people. This particularly affects the pay gaps for men with physical impairments13 and men with the most severe mental impairments (Longhi, 2017).14

The Department for Education (DfE) acknowledged in 2016 that more needs to be done to improve the educational outcomes for children with a special educational need or disability (SEND), as outcomes are ‘generally poor across measures of attainment, progress, absence, exclusions and destinations’ (p. 35).
The Welsh Government has proposed a new bill to improve support for children with additional learning needs (ALN) through the introduction of individual development plans. The Scottish Government has also extended the rights of children with additional support needs (ASN). The UK Government introduced new Education, Health and Care plans to support better provision for young people with SEND. These plans are only for those with more serious support needs. From 2015 to 2016 the numbers of young people recorded as having a special educational need reduced because of declining numbers of children qualifying for lower level support (DfE, 2016a). This raises concerns about unmet support needs for some pupils with SEND (EHRC, 2017).

Under the Equality Act 2010, disabled pupils are entitled to reasonable adjustments to remove barriers to learning. But evidence suggests that many schools do not meet the requirements of this duty and teachers lack confidence in supporting disabled pupils, with the result that many young people are not able to fulfil their potential.

These barriers to learning are compounded by high rates of exclusions and bullying. Young people with SEND, particularly a learning disability, are most at risk of being bullied (EHRC, 2015). The exclusion rate in 2014/15 for pupils with SEND or ASN was more than four times higher than that for pupils with no identified ASN in Scotland, over five times higher in England and seven times higher in Wales (EHRC, 2017).

Most ethnic minority men and women have higher qualifications than White British people; the only exceptions are Pakistani immigrants, Bangladeshi immigrants and Black Caribbean people (both British-born and immigrants). Good qualifications reduce the pay gap for British-born Black African, Indian and Chinese men but many don’t benefit as fully as they should from their qualifications. Lower qualifications contribute to the pay gap for Black African immigrant men, British-born and immigrant Black Caribbean men. Qualifications contribute to a pay advantage for most ethnic minority women compared to White British women (EHRC, 2017).

Better educational qualifications have helped to reduce the gender pay gap; 30% more women than men qualified with first degrees in 2013/14. However, women coming out of university better qualified still face a pay gap almost immediately.

### Apprenticeships

Apprenticeships offer a work-based alternative to university education. Ensuring all groups are fairly represented across apprenticeships in different sectors and at different levels will also help address the inequalities that create pay gaps and so ultimately reduce pay gaps.

The UK, Scottish and Welsh Governments all have plans to increase the number of apprenticeships. While broadly equal numbers of women and men take up apprenticeships, women are under-represented in sectors such as construction and
engineering that tend to have better pay and prospects than predominantly female sectors such as hairdressing and early years care.

Ethnic minorities and disabled people are under-represented in intermediate, advanced and higher level apprenticeships. However, governments are taking steps to increase the numbers of under-represented groups in apprenticeships. The UK Government has sought to address barriers to participation experienced by ethnic minorities and people with SEND, and to attract more women into STEM apprenticeships. The Welsh Government plans to increase participation of protected groups in apprenticeships. In addition, Skills Development Scotland has published a five-year Equalities Action Plan (2015) outlining what it and its partners will do to improve under-represented groups’ participation in Modern Apprenticeships. We welcome these commitments and in particular highlight the duty to make reasonable adjustments for disabled people to enable their access to and successful completion of an apprenticeship.21

Summary

Educational opportunities and attainment are important determinants of careers and earnings. Removing the barriers to fulfilling educational potential; tackling traditional stereotypes and subject choices from primary school onwards that lead to occupational segregation; and increasing diversity in apprenticeships will contribute to reducing pay gaps.

Recommendations

UK, Scottish and Welsh Governments and inspectorates should:

• Take steps to improve the provision of education and attainment outcomes for pupils with a disability and/or special educational or additional learning needs, including reducing exclusions from school

• Hold schools (in England) and local authorities (in Scotland and Wales) that fail to make reasonable adjustments to account

UK, Scottish and Welsh Governments and their agencies should:

• Ensure that careers guidance and work experience opportunities tackle stereotypes and encourage wider subject and career choices for women, ethnic minority and disabled students from primary school onwards

• Consider ways to improve the participation and progression rates of under-represented groups in apprenticeships

• Set targets in England and Wales to improve participation and progression where appropriate, and report on progress against plans already in place
2. Improve work opportunities for everyone, no matter who they are or where they live

What needs to change:

- The over-representation of women, most ethnic minority groups and disabled people in low-paid, elementary occupations
- The uneven distribution of economic activity and job opportunities across Great Britain
Women are most likely to be over-represented in jobs in retail, hospitality and social care – low pay sectors that account for about a quarter of all employment in the UK economy (Skills for Care, 2016). Ethnic minority workers are likely to be in low-paid, insecure or agency work and in elementary occupations, caring and leisure sectors (Longhi and Brynin, 2017). Disabled people work predominantly in elementary occupations, with men with physical impairments more likely to work in process, plant and machine operative occupations, and women with mental impairments more likely to work in sales and customer service occupations.

Working in low-paid sectors may be due to barriers limiting access to higher level roles, such as lack of flexible work or childcare, or may be as a result of having low level skills. It also reflects the changing nature of work with increasing numbers of workers on agency or zero-hours contracts or those in the ‘gig economy’ (ONS, 2017a; Judge and Tomlinson, 2016; TUC, 2016).

The ‘London effect’

Our research shows that where people live also affects pay gaps and individuals’ chances of being in low-paid work. Living in London reduces pay gaps for women and ethnic minorities significantly – we have called this the ‘London effect’. In London, the number of top-end occupational jobs has increased by 700,000 in the last 10 years compared with, for example, an increase of just under 56,000 jobs in the North East. Britain also has fewer intermediate jobs than comparable countries, meaning fewer jobs for low-paid workers to aspire to and get promoted into. The number of these jobs is shrinking, and they are poorly distributed throughout the country (Social Mobility Commission, 2016).

These factors suggest that opportunities to benefit from economic activity and to progress to higher level jobs are not available equally across Britain (Social Mobility Commission, 2016). Research shows that many workers are unable to escape from low-paid work, despite their aspiration to do so, with part-time workers, single parents, older workers and disabled people finding it especially difficult (D’Arcy and Hurrell, 2014).

The ‘London effect’ and its potential to reduce pay gaps could be expanded through a fairer distribution of economic activity and job opportunities across Great Britain. ‘Building our Industrial Strategy’ (BEIS, 2017) recognises this and highlights that ‘while parts of every nation of the UK are thriving… a number of city regions within each country [are] falling behind the national average’ (p. 108). It sets out the UK Government’s commitment to ensuring wealth and opportunity is spread fairly across the UK, not just limited to London and the South East. It recognises that improving education and skills, with more opportunities being available regionally, is one of the nine pillars to help drive growth across the UK. We welcome this focus and continuing close links with regional and city partnerships and agencies that are best placed to understand where action is most needed.
Summary

Concentration in low-paid jobs is a key cause of pay gaps. Women, disabled people and some ethnic minorities may find themselves stuck at the bottom of the pay ladder with no way up because of where they live, and/or a lack of more senior roles to progress into. The benefits and rewards that come from higher level work need to be made available across the UK.

Recommendations

UK, Scottish and Welsh Governments should continue to invest in:

• Regional economies, in order to improve economic opportunities for everyone
• Training in sectors and industries that promote growth, in order to offer skills and opportunities to groups that predominate in low-paid, low-skilled jobs

Enterprise agencies and business support programmes in England, Scotland and Wales should:

• Develop regionally-based labour market strategies that include specific actions to tackle the most significant gender, ethnicity and disability employment gaps and pay gaps in their areas
3. Make jobs at all levels available on a flexible basis

What needs to change:

- The over-representation of women, ethnic minorities and disabled people in low-paid part-time work
- The lack of employer recognition of flexibility as a reasonable adjustment
- The lack of flexible working in senior roles
Part-time and flexible working are important ways of enabling some people to participate in the labour market, for example those with caring responsibilities and disabled people. However, part-time work is predominantly only available for low paid low skilled jobs. Women, disabled people and ethnic minorities are over-represented in part-time work, which is a key causal factor in gender, disability and some ethnicity pay gaps (Longhi and Brynin, 2017; Brynin, 2017; Longhi, 2017). The number of part-time jobs increased from 7 million in 2002 to 8.5 million in 2016 (ONS, 2016b). Around 40% of women work part time compared with only 12% of men (ONS, 2017). However, the number of men in low-paid part-time work has increased fourfold over the past 20 years with one in five men aged 25 to 55 with low-paid jobs now working part time (Belfield et al., 2017). Thirty-six per cent of disabled people work part time compared with 24% of non-disabled people (DWP and DH, 2016a).

Some people actively choose part-time work. It allows parents to balance work and family needs, and can allow disabled people to manage their disability and stay in work (Meager and Higgins, 2011). Flexible working can also be a reasonable adjustment for disabled employees. Research found that disabled people believed they could have stayed in their jobs if offered appropriate support or adaptations, particularly opportunities for flexible working (Meager and Higgins, 2011). Longer job tenure supports better pay, particularly for men with physical disabilities or with work-limiting mental impairments (Longhi, 2017). The Women’s Business Council (2013) found that 76% of employers reported that flexible working improved staff retention and 73% reported that it improved staff motivation.

Employees currently have the right to request flexible working after 26 weeks of service. Requests to work flexibly must be considered objectively and an employer can only refuse them if there are business reasons for doing so. However, some employers do not offer flexible ways of working for full-time roles (such as job-share, home-working, compressed or annualised hours), or do not offer part-time working in senior roles. A 2013 survey showed that over one third of employers restricted part-time work and, of these, half did not allow it for ‘managerial employees’. This is compared with only 4% who did not permit this for non-managerial employees (BEIS, 2014). The Commission’s Working Forward campaign encourages employers to offer flexible working practices in senior and higher paid roles.
Summary

Part time, job-share and other types of flexible working should be available at all levels of organisations, even for the highest paid roles. Flexible and part-time working should not be an obstacle to career development and promotion. Employers should also recognise that flexible working can be a reasonable adjustment that supports disabled people to stay in work and access development opportunities. Increasing the opportunities for flexible or part-time work at higher job levels will contribute to reducing pay gaps.

Recommendations

The UK Government should:

• Legislate to extend the right to request flexible working to apply from day one in all jobs unless there is a genuine business reason that means this isn’t possible

Employers should:

• Offer all jobs, including the most senior, on a flexible and part-time basis unless there is a genuine business reason that means this isn’t possible
4. Encourage men and women to share childcare responsibilities

What needs to change:

• The uneven distribution of parenting and caring responsibilities – these are mainly taken on by women
• The low numbers of fathers taking paternity leave and the lack of strong incentives for fathers to take parental leave
• The limited access to flexible, high quality, affordable childcare
Women still play the lead role in looking after children, so are more likely to work part time and take time out of the labour market – two factors contributing to the gender pay gap (Brynin, 2017). ‘Sandwich caring’, looking after young children at the same time as caring for elderly or disabled relatives, also has a disproportionate impact on women’s employment and pay. Women are four times more likely than men to give up work because of multiple caring responsibilities (House of Commons Women and Equalities Committee, 2016).

Paternity leave and shared parental leave

Men want to play a larger and more active role in bringing up their children (EHRC, 2009). Sharing parenting and childcare responsibilities would enable fairer participation for women and men at home and work, ensuring that the impact on careers and pay doesn’t fall on women, and that fathers have the opportunity to involve themselves more in day-to-day child rearing (House of Commons Women and Equalities Committee, 2016a). In principle, recently introduced rights to paternity pay, shared parental leave and to request flexible working means this is possible. However, the UK Government has estimated that just 2% to 8% of fathers would take up shared parental leave (BIS, 2012). A recent survey (My Family Care and Women’s Business Council, 2016) of parents and businesses found that just 1% of men had taken it thus far, and that parents looked at their relative earning potential and the financial impact when deciding who should care for their children.

Statutory pay for fathers during paternity or shared parental leave is lower than that for mothers.25 However, some employers do offer more generous terms than the statutory requirements, and are choosing to ensure their paternity and shared parental leave offers match their maternity offers as a way of supporting male employees to care for their children and to change the culture of their organisations.

There is no statutory requirement on employers to enhance statutory shared parental pay. However, unequal pay terms for shared parental leave may be discriminatory. A recent legal ruling 26 means that employers who offer enhanced contractual shared parental pay should offer the same terms to men and women to avoid a potential discrimination claim.

Two factors seem to encourage men’s involvement in childcare and reduce the impact on women’s careers of being the sole carer: more generous paternity leave, and more affordable childcare. Evidence shows that in Europe, countries with the highest take-up of fathers’ leave:

- replace at least 60% to 80% of fathers’ lost income
- offer a non-transferable allocation of leave for fathers with a ‘use it or lose it’ condition
- offer fathers’ leave as an add-on to mothers’ leave, providing additional support for the family rather than eating into the mothers’ entitlement (EHRC, 2009a).
Access to childcare

The high cost of childcare means that many women decide to work part time in order to care for their children themselves. As part-time work is less likely to be offered for better paid, more senior roles, women often take on lower paid, less skilled work that does not reflect their skills and experience. This contributes to the gender pay gap (Grant et al., 2006).

The childcare costs in Great Britain are among the highest in Europe at over one-quarter of average family income – only the childcare in Switzerland is more expensive (OECD, 2011). One study suggested that extending the provision of good quality, flexible, subsidised childcare across the working year would be the biggest single contributor to reducing income inequality. It showed that women would be more likely to work, to work increased hours, or to work in roles requiring a higher level of skill and more responsibility for more hours (Bramley et al., 2016). A study by IFS (2014) found that newly introduced free part-time early education places for three-year-olds had a positive impact on mothers’ employment, with around six more mothers in work for every additional 100 funded places.

The UK, Scottish and Welsh Governments are extending their free childcare offers to three and four-year-olds to 30 hours per week. The availability and implementation of this is different in each country. From January 2017, Scotland has been trialling different delivery models including extended days and cover over holiday periods to test ways of delivering flexible, high quality childcare (Scottish Government, 2017). Research conducted in 2016 suggests that access to free full-time care has more impact on mothers’ decision to work than free part-time care, and that greater flexibility in using this care could have even more impact (IFS, 2016).
Summary

Government and employers need to introduce policies that encourage men to share childcare more equally and reduce workplace bias towards mothers as the primary carer. Improving paternity and shared parental leave entitlements and extending free childcare should have a positive impact on women’s engagement in the labour market. To ensure this impact is fully understood, an evaluation of the effect of the changes to free childcare should be undertaken.

Recommendations

UK Government should:

- Introduce dedicated non-transferable, ring-fenced ‘use it or lose it’ parental leave for fathers with a pay rate that acts as a real incentive to take-up

UK, Scottish and Welsh Governments should:

- Continue to assess the impact of statutory childcare provision and different models of provision on women’s labour market participation, and adjust accordingly
5. Reduce prejudice and bias in recruitment, promotion and pay

What needs to change:

- Decisions about recruitment, promotion and pay rewards based on prejudiced attitudes or bias
- The lack of diversity in senior roles
Prejudice and bias

The Commission’s research on pay gaps shows that factors such as part-time work and low pay are only partly responsible for gender, ethnicity and disability pay gaps. We found that discrimination and bias may also play a significant role (Brown et al., 2017). Employers are often influenced by the personal characteristics of individuals when deciding on recruitment, promotion and pay rewards, rather than basing their decisions on individuals’ experience and skills.

A review found that employers and recruiters held a negative bias against women being evaluated for positions traditionally or predominantly held by men. Fewer women were offered interviews or recommended for recruitment, and were consistently recommended for lower salaries (Isaac et al., 2009). The Commission’s research found evidence of employer bias against higher earning mothers on maternity leave, which was reflected in offers of lower pay rises or bonuses (BIS and EHRC, 2015).

Our study of the financial services sector (EHRC, 2009b) revealed gender bias in the distribution of bonuses and performance-related pay.

Job applicants with exactly the same CVs received 29% fewer expressions of employer interest when they had supposedly ‘foreign’ or ‘ethnic’ rather than ‘British’-sounding names (Wood et al., 2009). The Royal Academy of Engineering found that 71% of White engineering graduates find full-time jobs after six months compared with just 51% of Black and ethnic minority students (Royal Academy of Engineering, 2016).

In addition, applicants for accountancy jobs who stated a disability received 26% fewer expressions of employer interest than those without a stated disability (Ameri et al., 2015).

The Confederation of British Industry has recommended that businesses should consider using name-blind recruitment and competency-based assessments to challenge unconscious bias (CBI, 2016). This approach is being used increasingly in both public and private sector recruitment.

Looking at how roles are categorised or described can also help overcome perceptions of ‘men’s work’ or ‘women’s work’. For example, Swansea University’s Bay Campus tackled occupational segregation, undervaluation of women’s work and the lack of career development opportunities for its facilities and operational staff by replacing all operational roles with just two – team member and team leader. By removing traditional role names, job applicants were evenly balanced between men and women, and the number of women in traditionally male-dominated functions increased (Godwin, 2016).
Lack of diversity in senior roles

Women, ethnic minorities and disabled people are under-represented in better paid senior roles and this contributes to their pay gaps. In the FTSE 350, women now make up 23% of board directors (BEIS, 2016) but are outnumbered by men in senior management roles by 4:1 (EHRC, 2016a). Although ethnic minorities make up 14% of the general population, in the UK they represent just 8% of FTSE 100 board directors (Parker, 2016). Only 4% of people holding public appointments in 2015/16 and 4.7% of employees at the Senior Civil Service level in 2016 are disabled (Commissioner for Public Appointments, 2016; ONS, 2016c). Creating a pipeline of women, ethnic minorities and disabled people into senior roles is a way to reduce each of the pay gaps.

The UK Government had already recognised the need to take action. To deal with the lack of women and ethnic minorities in the talent pipeline, the Hampton Alexander review has called for women to make up 33% of boards and senior management roles in FTSE 100 companies (GEO et al., 2016). The Commission and the Women and Equalities Committee have called for this target to be increased to 50% of all new executive level roles. In addition, the Parker review is calling on FTSE 100 firms to appoint at least one ethnic minority director by 2021. The ‘Race in the workplace’ report (BEIS, 2017a) has called on companies with more than 50 employees to publish a breakdown of their workforce by race and pay band and set five-year aspirational diversity targets, with a board member responsible for delivery, to tackle barriers to ethnic minority progression. To help achieve these targets, some companies are introducing training, development and leadership programmes and mentoring as a form of positive action.

The Scottish Government is encouraging public, private and third sector organisations to set a voluntary commitment for a 50/50 gender balance on their boards by 2020, and is currently consulting on gender balancing measures for public sector boards (Scottish Government, 2017a). The Welsh Government’s Equality Objectives 2016-20 include a commitment to ‘deliver a more diverse pool of decision-makers in public life and public appointments by identifying and addressing barriers to engagement and participation for people from diverse backgrounds’ (p. 6). It outlines a number of actions towards this goal. The Wales Act 2017 devolved powers to Wales to consider diversity in decision-making when appointing to public bodies. The Welsh Government also supports the 50/50 by 2020 project (IWA, 2014).

The Commission’s inquiry into FTSE 350 companies’ board appointment processes found that there was more to be done to ensure recruitment practices were transparent, fair and resulted in selection based on merit – findings which are relevant to efforts to improve all aspects of diversity. Our guidance ‘How to improve board diversity: a six-step guide to good practice’ (2016) sets out actions employers can take. We recommend that employers use transparent competencies for roles,
advertise senior and board roles widely rather than relying on personal networks, and use positive action to the full extent permitted to develop a more diverse pipeline for senior appointments, encourage individuals from under-represented groups to apply and address under-representation at the appointment stage where candidates are equally qualified. They should also train all involved in making appointments in the requirements of equality law and fair decision-making. To increase diversity in their talent pipelines, employers should set targets for board and senior level appointments with action plans that include making career paths more flexible so that those who want to can progress, even if more slowly, or through alternative routes.

Summary

Bias and prejudice in recruitment, development and promotion decisions mean that women, ethnic minorities and disabled people often face barriers to progression into senior roles, contributing to gender, ethnicity and disability pay gaps. Employers’ failure to provide reasonable adjustments is a barrier to the success of disabled people at work. Employers need to improve their approach to recruitment, promotion and pay to get the best talent available and to reward people fairly.

Recommendations

UK Government should:

• Support a new national target for half of all new appointments to senior and executive level positions in the FTSE 350 and all listed companies to be women
• Consult with employers and relevant organisations on extending the statutory requirement to report on gender pay gaps to disability and ethnicity to encourage employers to consider the scale and causes of all their pay gaps

Employers should:

• Tackle prejudice and bias in recruitment, performance, evaluation and reward decisions
• Use fair, transparent processes with positive action and talent pipeline development for appointment to senior and board roles
6. Report on progress in reducing pay gaps

What needs to change:

- The lack of uniform pay gap reporting covering gender, ethnicity and disability
- The lack of annual official statistics on ethnicity and disability pay gaps
The Office for National Statistics (ONS) publishes an annual report on the size of the gender pay gap. This has helped to highlight the slow pace of change and informed the need to move from voluntary to statutory gender pay gap reporting by employers.

From April 2017, private and public organisations in the UK with more than 250 employees will be required to report on their gender pay gaps. Pay gap reporting requirements for public bodies already go much further in Wales and Scotland. Wales has a Public Sector Equality Duty (PSED) specific duty requiring listed bodies, when drawing up equality objectives, to have due regard to the need to have objectives that address the causes of any difference in pay between employees who have a protected characteristic and those who do not. If there is a difference in pay between men and women, they should consider publishing an equality objective and an action plan to tackle the causes of this. Scotland also has PSED specific duties requiring listed bodies with at least 20 employees to publish gender pay gap information and an equal pay statement. This statement must contain the authority’s policy on equal pay, as well as information on occupational segregation for race, gender and disability.

Reporting will go some way to revealing the size and causes of gender pay gaps within organisations. This should encourage employers to consider whether their recruitment, promotion and reward policies and approaches to flexible working are contributing to their pay gaps, and then develop an action plan to address this if needed. In addition, when considering and awarding public contracts, public bodies may consider compliance with gender pay gap reporting as part of their overall due diligence when selecting qualified providers.

However, there is no similar drive to encourage governments or employers to consider ethnicity and disability pay gaps. The ONS does not measure the size of or trends in ethnicity and disability pay gaps, and there is no requirement on employers in England to report on them, unlike in Wales and Scotland in the public sector.
Summary

Our research has identified significant ethnicity and disability pay gaps that are not yet widely recognised. UK, Scottish and Welsh Governments need to focus on the size and causes of these pay gaps and set out steps to close them. Some employers are already choosing to report on their disability and ethnicity pay gaps alongside their gender pay gaps, recognising the value of full transparency to their organisation and employee relations. However, their numbers are small.

Recommendations

The UK Government should:

• Monitor the effectiveness of mandatory gender pay gap reporting on closing gender pay gaps and consult with employers on the most effective way of extending the reporting requirement to ethnicity and disability pay gaps
• Publish statistical information on the scale of and trends in disability and ethnicity pay gaps for full-time and part-time workers (in addition to gender)

The UK, Scottish and Welsh Governments should:

• Develop national action plans to close gender, disability and ethnicity pay gaps, and report regularly on progress

Employers should:

• Report on their gender pay gaps even if not currently required to do so
• Voluntarily report on their ethnicity and disability pay gaps and action plans to close these gaps
Conclusion

We welcome the recent gender pay gap reporting requirements, but recognise that reporting alone won’t lead to a sustained reduction in the size of pay gaps. Our recommendations should go some way to closing gender, disability and ethnicity pay gaps, tackling the barriers, constrained choices, discrimination and outmoded stereotypes that drive them. By doing so, we can make Britain a fairer place.
References


My Family Care and Women’s Business Council (2016), ‘Shared Parental Leave - One Year On - Where Are We Now? A survey of over 1000 parents and 200 businesses’. Available at: https://www.myfamilycare.co.uk/resources/white-papers/shared-parental-leave-where-are-we-now/ [accessed: 22 June 2017]


Endnotes

1. The following figures are from different source data and not directly comparable.


4. The calculations to generate the gender pay gaps, ethnicity pay gaps and disability pay gaps here follow different methodologies and use different data sources and are therefore not directly comparable. Please see endnotes one to three for information on sources.

5. The data sources and methodologies used to calculate the economic benefits referenced here for gender, ethnicity and disability are different and therefore not directly comparable.

6. The Welsh Government has an equality objective to identify and reduce the causes of employment, skills and pay inequalities related to gender, ethnicity, age and disability including closing the attainment gaps in education and reducing the number of people not in education, employment or training (NEET). See: http://gov.wales/docs/dsjlg/publications/equality/161214-strategic-equality-plan-en.pdf [accessed: 22 June 2017]

7. The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 and the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 introduced gender pay gap reporting for private and public sector organisations with 250 or more employees. In Wales, an existing public sector equality duty (PSED) specific duty requires listed bodies, when drawing up equality objectives, to have due regard to the need to address the causes of any difference in pay between employees who have a protected characteristic and those who do not, if it is reasonably likely that the difference is related to the protected characteristic. Listed bodies must collect information about the differences in pay between employees who have a protected characteristic and those who do not, and the causes of such differences. Where there is a gender pay difference, listed bodies must publish an equality objective to address the causes and an action plan to address this, plus a gender pay equality objective. In Scotland, an existing PSED specific duty requires listed bodies with at least 20 employees to publish gender pay gap information, and an equal pay statement which must contain the authority’s policy on equal pay, as well as information on occupational segregation for race, gender and disability.

9. ‘A Fairer Scotland for Disabled People’ is the Scottish Government’s delivery plan for the UN Convention on the Rights of Persons with Disabilities. It has five long-term ambitions aimed at changing the lives of disabled people including halving the employment gap for disabled people; increasing the percentage of disabled people in the public sector workforce; and increasing the supply of wheelchair-accessible housing.

10. Research shows that achieving two or more A levels in science, technology, engineering or maths (STEM) subjects adds 7.8% to a man’s earnings when compared with just gaining GCSE-level qualifications. The returns for women are much higher, with earnings boosted by 33.1%.

11. A specific UK STEM gender initiative is the Athena SWAN Charter which was established in 2005 ‘to encourage and recognise commitment to advancing the careers of women in science, technology, engineering, maths and medicine (STEMM) employment in higher education and research’. See: http://www.ecu.ac.uk/equality-charters/athena-swan/. The Welsh Government has a STEM Delivery Plan, ‘Science, Technology, Engineering and Mathematics: A delivery plan for Wales’, which includes increasing interest and participation in STEM learning particularly among girls, and equipping young people with career management skills and knowledge of the options available to them in the STEM sector. See: http://www.gov.wales/topics/educationandskills/allsectorpolicies/stem-delivery-plan/?lang=en. As part of ‘Developing the Young Workforce – Scotland’s youth employment strategy’, the Institute of Physics is supporting two Project Officers who are working with Education Scotland on a project to improve gender balance in STEM. See: http://iopscotland.org/news/15/page_66704.html. The Scottish Government is also delivering the CareerWISE programme through Equate Scotland so that female undergraduates have the opportunity to take part in STEM work experience placements. See: http://www.equatescotland.org.uk/projects/careerwise/. The Scottish Government are consulting on a STEM strategy for education/learning/skills. See: http://www.gov.scot/Topics/Education/Schools/curriculum/STEM/STEMStrategy.

12. See: http://www.meninchildcare.co.uk.

13. ‘Impairment’ is used by the Labour Force Survey which informed our research reports. This is not, however, an accepted Commission term for referring to physical disabilities, learning disabilities or difficulties, or mental health conditions.

14. In England and Wales, lack of qualifications equivalent to A level or above contributes 4% to a 23% gap for men with work and activity-limiting physical impairments, 3% of a 40% gap for women with work and activity-limiting mental impairments, and 4% to a 14% gap for women with work and activity-limiting physical impairments.

15. The Welsh Government introduced the Additional Learning Needs and Education Tribunal (Wales) Bill in December 2016. This will create the legislative framework to
improve the planning and delivery of additional learning provision through a person-centred approach to identifying needs early, putting in place effective support, and monitoring and adapting interventions to ensure they deliver desired outcomes. There will be a mandatory code defining the requirements and parameters within which those responsible for the delivery of services for children and young people with Additional Learning Needs (ALN) must act. ALN includes learning difficulties and disabilities.

16. The Education (Additional Support for Learning) (Scotland) Act 2004 as amended was introduced to provide greater assistance to children in need of support. It established the concept of Additional Support Needs (ASN), placed new duties on local authorities and other agencies and established the Additional Support Needs Tribunal Scotland. The Education (Scotland) Act 2016 further extended the rights of children with ASN.

17. A 2016 survey of 585 members of the Association of Teachers and Lecturers found that children and young people with special educational needs and disabilities (SEND) are not getting the support they need. Eighty-three per cent of respondents did not believe the current system in England enables all children with SEND to be supported appropriately and 73% did not agree that the system enables all such children to be identified in a timely fashion. See: https://www.atl.org.uk/latest/press-release/lack-funding-means-send-pupils-arent-adequatelysupported-atl.

18. SEN is known as ASN in Scotland.


21. The Apprenticeship Diversity Champions Network is made up of 23 employers and has been established to promote apprenticeships and diversity among employers, and encourage more people from under-represented groups, including disabled people, women and ethnic minorities, to consider apprenticeships. See: https://www.gov.uk/government/groups/apprenticeship-diversity-champions-network.

22. To encourage uptake by disabled students the UK Government allows British Sign Language as an alternative to English Functional Skills for those for whom it is their first language. It is also looking at ways to adjust the English and maths minimum requirements to enable apprentices with a learning difficulty or disability to access apprenticeships. See: https://www.gov.uk/government/news/equal-opportunities-for-people-who-use-british-sign-language.
23. Our research shows that around half of the ethnicity pay gap can be explained by occupational segregation. Occupational segregation is the single largest contributory factor for Black African and Black Caribbean immigrant men. Over-representation in elementary occupations explains as much as six to eight percentage points of pay gaps for non-British born ethnic minorities (where pay gaps range from 11% through to 48%). Over-representation in low-paid sales and administrative work among British-born Pakistani and Bangladeshi men explains around a quarter of the pay gap, adding four percentage points to their ethnic pay gap of around 15-16%.


25. Mothers are paid 90% of actual salary (with no cap) for the first six weeks of maternity leave, compared with paternity pay and shared parental pay of £139.58 a week or 90% of average weekly earnings (whichever is lower). See Acas website for more details on paternity (http://www.acas.org.uk/index.aspx?articleid=1806) and maternity (http://www.acas.org.uk/index.aspx?articleid=1753) pay.

26. In Snell v Network Rail ETS/4100178/2016, sex discrimination was found with a £28,321 award over Network Rail’s policy on enhanced shared parental pay.

27. In Wales, parents can access 30 hours of free childcare for 48 weeks of the year; in England, 30 hours free childcare for 38 weeks of the year; and in Scotland, 1,140 hours per year, the equivalent of around 30 hours per week during term time. Family and Childcare Trust. 2017. Help with my childcare costs [ONLINE]. Available at: https://www.familyandchildcaretrust.org/help-my-childcare-costs?gclid=CJjk08jiodMCFe0Q0wod7v8AyA [accessed: 23 June 2017]

28. The unexplained part of the pay gap may also reflect limitations of the dataset used for our statistical analysis. For example, the Labour Force Survey does not include information about work histories that may also play a role in explaining the factors leading to pay gaps.


30. The Equality Act 2010 allows employers to take positive action to enable or encourage people with particular protected characteristics to apply for roles, so that they can compete on merit on an equal footing with others. Positive action is voluntary and can cover any activity outside recruitment or promotion, provided it is reasonable to think that people with particular protected characteristics are under-represented and that the activity is proportionate, when balanced against its impact on other people. The Equality Act 2010 also contains a ‘tie-break provision’ which can be used, where proportionate, in recruitment or promotion decisions to select a person from an under-represented group when two or more candidates are equally qualified.
Contacts

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