

CLOSING GENDER PAY GAPS TO ACHIEVE GENDER EQUALITY AT WORK

THE ISSUE

Women globally are paid on average 22 per cent less than men.¹ Some company level data shows a mean gender pay gap of 20 per cent.² The largest gender pay gaps are usually found at the top of the wage distribution—the ‘glass ceiling’ for highly skilled women workers—and at the bottom—the ‘sticky floor’ for women working in the lowest paid jobs.³

Gender pay gaps among women show wide variations across countries and between different groups of women, depending on their age, race, ethnicity, migration status and other categories of disadvantage. Women cannot be treated as one homogenous group. For example, the gap between mothers and non-mothers, known as the “motherhood pay gap,” ranges from one to as much as 30 per cent.⁴ Women from ethnic minorities face multiple barriers and even wider gaps in pay and advancement in the workplace.⁵ There are also increasing indications of a pay gap between lesbian, gay, bisexual, transgender and intersex (LGBTI) and non-LGBTI workers.⁶

Part of gender pay gaps can be explained by factors such as education and training, care responsibilities, work experience, enterprise size and union density. Yet much of the pay gap remains unexplained, which reflect discrimination, implicit biases and social norms in society, further replicated at the company level. These gaps lead to huge disparities in earnings over lifetimes, that continuously reinforce women’s unequal position in the labour market and the workplace.

While the gender pay gap is slowly narrowing, at the current rate of progress it will take more than 70 years to close it completely.⁷ Bold action is therefore needed to both prevent widening of gender pay gaps, and close existing gaps.⁸ Companies play an important role in addressing gender pay gaps and are increasingly taking action to remove discrimination in the workplace. Some actions emanate from stronger government regulations to neutralize gender pay gaps, requiring companies to track and report wages of their employees. Still, many organizations do not yet uphold the principle of “equal pay for work of equal value”.

Box. 1 Partnerships for change

This guidance note forms part of a tool kit to help signatory companies implement the Women’s Empowerment Principles (WEPs) (see Box 2).

It shows how closing the gender pay gap makes business sense and benefits both employers and employees.

It specifically aims to support WEPs signatories in prioritizing, establishing and implementing equal pay policies and practices to ensure that all women and men are treated fairly at work (Principle 2).

Companies are offered guidance on how to implement the principle of equal pay for work of equal value, including through UN Women’s new self-assessment tool.

EQUAL PAY FOR WORK OF EQUAL VALUE

The principle of equal pay for work of equal value is set out in the International Labour Organization's (ILO) Equal Remuneration Convention, 1951 (N°100), ratified by 173 countries.⁹ Article 1 defines equal remuneration for women and men workers for work of equal value in terms of rates of remuneration established without discrimination based on sex.¹⁰ Relatedly, Goal 8 of the Sustainable Development Goals aims to achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value by 2030.

Equal pay for work of equal value means that women and men receive the same pay when they do identical or similar jobs, and also when their roles are different but have similar working conditions or demand the same level of skill, training, effort or responsibility. This means that when women and men perform work that differs in content but is determined to be of equal value based on objective criteria (qualifications, effort, responsibility and working conditions) they should receive equal remuneration.¹¹ Applying the principle of equal pay for work of equal value is critical to address the conscious and unconscious biases in determining the value of work and eliminating gender-based discrimination towards the achievement of gender equality.¹²

Box. 2 Women's Empowerment Principles



High-level corporate leadership



Employee well-being and safety



Supplier diversity & marketing practices



Workplace HR



Measurement and reporting



Education and training for women



Community engagement

The Women's Empowerment Principles (WEPs) offer guidance to companies on how to promote gender equality and women's empowerment in the workplace, marketplace and community. Jointly established by UN Women and UN Global Compact, the WEPs are grounded in international labour and human rights standards and the recognition that businesses have a stake in, and a responsibility for, gender equality and women's empowerment.

The WEPs bring together different stakeholders to raise awareness and implement business practices that empower women, including in the context of the 2030 Agenda for Sustainable Development and the Sustainable Development Goals. Goal 8 promotes sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

THE BUSINESS CASE

Closing the gender pay gap is not only the right thing to do but it also has positive multiplier effects for companies.

Companies increasingly recognize that it is a win-win business strategy as closing gender gaps helps attract and retain staff and increases performance, retention and productivity of the workforce. It also contributes to increased growth and sustainability for companies and the economy at large.

Respecting gender equality principles and actively putting in place policies and practices to close the gender pay gap allows organizations to:

- **Increase satisfaction, commitment, and motivation of employees:** When workers feel that they are valued and their pay is fair, it can foster a higher level of commitment to an employer associated with better job performance and increased productivity.¹³ In contrast, when employees think they are underpaid or undervalued it can lead to staff turnover, which is costly for the company.
- **Enhance company reputation internally and externally:** Companies that actively address gender pay gaps tend to have a reputation for being more innovative and a great place to work. Now more than ever, this is key as shareholders and stakeholders, including millennials and Gen Z's express heightened expectations of the companies they work for, buy from, and invest in.¹⁴
- **Attract and retain the best talent:** Workers are choosing to align themselves with organizations that have values that match theirs. Companies that value fairness for all workers and address the gender pay gap can help attract and retain the best talent. Whereas companies with larger pay gaps than their competitors are at risk of losing out on the best talent. The gender pay gap has been shown to influence women's choice of employers, and its existence reduces their job motivation and commitment to their employer, which can lead to increased staff turnover.¹⁵

- **Improve human resource management practices:** Greater efficiency in staffing practices, reduced time spent on pay management, improved pay policy and harmonized pay structures based on the value of jobs can increase human resource management's effectiveness and productivity.¹⁶
- **Increase a company's sustainability and attractiveness to investors:** Companies that are more productive, more profitable and maintain a positive reputation tend to be more sustainable. Investors are interested in eliminating uncertainty and increasing confidence in their investments, which means holding companies to more rigorous standards and choosing to invest in companies with "purpose and profit" that are sustainably productive over the long-term.¹⁷

Box. 3 Closing the gender pay gap in France

Similar to other countries who have passed legislation requiring companies to address the gender pay gap, France unveiled an action plan for gender equality in the workplace that contains ten measures to reduce the gender pay gap¹⁸ in March 2018. The measures include effectively applying the principle of "equal pay for equal work."

The creation of an equal pay index is one of the most ambitious measures as it sets up an obligation to achieve results in closing the gender pay gap. Companies are now required to publish and report gender pay gap information, and, if necessary, put in place corrective measures. Companies failing to do so will be given three years to close any unexplained pay gaps, or face a financial penalty by their administrative authority up to 1% of the total remunerations paid during the periods in which the company has not complied with its obligations.

Of the major French companies that published results as of 1 March 2019, a fifth had scores of less than 75 out of 100 and could be subject to the fine if they fail to improve within three years. The average score of the companies that have reported is 80. Some reports from French companies express that the new law has created positive competition between employers keen to improve their reputations and attract the best staff.¹⁹

WHAT CAN COMPANIES DO?

PROMOTE PAY TRANSPARENCY

Closing the gender pay gap is dependent on greater pay transparency. Pay transparency refers to the disclosure of the earnings of employees and any gender pay gaps. Setting and sharing publicly the criteria used to determine pay structures can help employers and employees ensure transparent, fair and non-discriminatory processes.²⁰ In some cases, pay transparency itself lowers the gender pay gap as pay for all employees increases, while that of men at a slower rate than that of women so that gaps narrow over time.²¹

Pay transparency gives employees confidence that their pay is fair and non-discriminatory, which has been shown to be a motivation for greater productivity and team collaboration.²² Pay transparency helps both employers and employees obtain the information necessary to assess gender discrimination and rectify pay gaps as well as negotiate fair remuneration that can reduce the risk of an unequal pay claim against companies.²³ Conversely, not disclosing pay can reinforce gender discrimination in business practices and create suspicion and a lack of trust among colleagues or between employees and employers.

DETERMINE WORK OF EQUAL VALUE AND REVIEW REGULARLY

To identify gender pay gaps and establish work of equal value it is necessary to gather comprehensive pay data and perform pay equity analyses of compensation practices.

This means determining the numerical value of jobs based on a range of gender-neutral criteria, such as skills, qualifications, responsibilities, effort and working conditions, and ensuring that the evaluation is free from gender bias.²⁴ Through this assessment, companies can make sure that female-dominated jobs are not undervalued or underpaid. In fact, female-dominated occupations tend to have lower wages, even after controlling for some other characteristics.²⁵ This may be linked to the overall undervaluing of women's work, meaning that skill and experience in female-dominated occupations tend to be rewarded unfairly.²⁶

Assessing the value of different jobs on the basis of common and objective criteria contributes to more transparent and efficient systems to determine the pay structure for jobs, while improving recruitment and selection procedures.²⁷ Companies can take the following actions to perform thorough pay equity analyses.

Identify female-dominated and male-dominated jobs to be compared: Since female-dominated jobs are likely to be subject to wage discrimination, it is important to identify which jobs in the company are female-dominated and identify male-dominated jobs to be compared in order to assess pay gaps:²⁸

- Collect pay data on these jobs;
- Determine the value of jobs using the established common and objective criteria;
- Estimate pay gaps between jobs that have been determined to be of equal value;
- Make necessary pay adjustments to close gender pay gaps;
- Conduct regular pay equity reviews.

Regular reviews and analysis of pay structures offer critical insights to help companies develop informed solutions that tackle the causes of pay discrimination.

Based on the ILO's step by step guide on gender-neutral job evaluation for equal pay,²⁹ UN Women developed the Diagnosis for Equal Remuneration tool to help companies and other organizations assess whether their pay scales

Box. 4 EPIC

EPIC is the Equal Pay International Coalition. Led by the ILO, UN Women, and the OECD. The Coalition's goal is to achieve equal pay for women and men everywhere. By bringing together a diverse set of actors with different areas of focus and expertise, EPIC supports governments, employers, workers, and their organizations to make concrete and coordinated progress towards this goal. EPIC is currently the only multi-stakeholder partnership working to reduce the gender pay gap at the global, regional and national levels. For more information see www.equalpayinternationalcoalition.org

recognize work of equal value and measure the possible existence of gender pay gaps (see Box 5).

STOP REQUESTING PAY HISTORY

Basing current wages on previous wages perpetuates the existing gender pay gap. This means that a woman's (or man's) pay history or past salaries should not determine the level of the present or prospective salary, but rather the value of the job itself (as outlined in the preceding section). Governments are increasingly adopting laws and regulations that prohibit employers from requesting salary history information from job applicants.

ESTABLISH AN EQUITABLE REWARD SYSTEM

The current systems to determine raises, bonuses, promotions and other rewards for performance tend to further enlarge the pay gaps between women and men. To establish and enforce equitable, merit-based reward distribution among women and men, companies first need to develop and disclose objective and transparent criteria for raises, bonuses, promotions and other rewards.³⁰ Transparency means being open about processes, policies and criteria for decision-making and communicating this clearly to all employees. This also requires that managers understand that their decisions need to be evidence-based and reviewed by others.³¹

OFFER PAID MATERNITY, PATERNITY AND PARENTAL LEAVE

Offering paid maternity, paternity and parental leave, and encouraging men to take time off for care responsibilities, can help reduce gender pay gaps. This can also help eliminate, or at least reduce, the motherhood penalty by rebalancing the expectations that women should be the caregivers thereby supporting a greater sharing of unpaid care and domestic work.³²

Mothers tend to be penalized in terms of pay, bonuses or promotions for taking maternity leave, working reduced hours or adopting flexible work schedules, a consequence of their disproportionate responsibility for unpaid care and family responsibilities.³³

After returning from work after prolonged parental leave, a good practice is to grant pay increases similar to possible increases paid to employees during the time of their parental leave.³⁴ Providing or subsidizing childcare and elderly care services are examples of family-friendly policies that can support women's retention in employment and help reduce gender pay gaps.

SUPPORT FLEXIBILITY

Flexible work arrangements can support work-life balance, which is important for employees to remain productive and manage their work and family responsibilities. However, there is still widespread perception that presence in the office or at the worksite is more valuable and is thus more often rewarded. This adversely affects women given their disproportionate responsibility for unpaid care and domestic work and their greater reliance than men on flexible working arrangements to manage their paid and unpaid work.³⁵

Workplace culture that supports, rather than penalizes, flexible work for both women and men will not only help reduce gender pay gaps, but it can also support a greater sharing of work and family responsibilities between women and men.

Box. 5 UN Women's Diagnosis for Equal

UN Women's Diagnosis for Equal Remuneration tool, developed under the EU-funded Win-Win programme, is a new self-assessment tool to support companies and organizations grappling with the challenges of eliminating gender pay gaps. It helps assess whether a company's pay structure recognizes work of equal value. The tool can be applied by any organization - whether private company, public entity, association or foundation - with paid employees.

The tool has been designed to be accessible and simple to use, and to accurately identify and estimate the magnitude of gender pay gaps. The company enters the requested data in an Excel table that then automatically performs calculations and generates charts. Because it is a self-assessment tool, the confidentiality of the information and results is guaranteed.

The tool will also help companies align their business practice with the WEPs. For more information and to download UN Women's Diagnosis for Equal Remuneration tool in English, Portuguese and Spanish, please see www.weps.org/resources.

Box. 6 Additional Tools and Resources

The ILO's **Promoting Equity: Gender-neutral job evaluation for equal pay** is a foundational step-by-step guide for workers' and employers' organizations, officers of Equal Opportunity Bodies and human resource managers, gender specialists and pay equity practitioners to promote equal pay for work of equal value. Available at www.ilo.org.

The **Women's Empowerment Principles Gap Analysis Tool** (WEPs Tool) helps companies identify strengths, gaps, and opportunities to improve their performance on gender equality. Available at: weps-gapanalysis.org/

SUPPORT COLLECTIVE BARGAINING

Collective bargaining arrangements are associated with less wage inequality and can help reduce gender pay gaps.³⁶ For example, collective bargaining promotes transparent and fair

systems of pay, and can put in place grievance procedures for workers who have been discriminated against.

Collective bargaining often helps raise wages for workers and secure paid leave policies, which can help reduce pay discrimination, ensure living wages for all employees and close gender pay gaps.

ALLOCATE A DEDICATED BUDGET

Companies should allocate a special (temporary) budget to eliminate the differences in wages between women and men. To adjust pay in cases where pay gaps explained by gender discrimination are found, a portion of the budget should go to one-off individual adjustments.³⁷ Holding a portion of the budget to be applied at the end of the annual salary review will help further reduce any possible gender pay gaps.

ENDNOTES

- 1 Gender pay gap of 22% is obtained when using median monthly wages. International Labour Organization (ILO). 2018. Global Wage Report 2018/2019: What lies behind gender pay gaps. ILO, Geneva.
- 2 2019 Bloomberg Gender Equality Index, evaluating 230 companies from 36 countries. Media gender pay gap is 17 per cent. For more information see the Index Factsheet, data.bloomberglp.com/company/sites/46/2019/04/2019_GEI-Index_factsheet1.pdf
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- 5 Data show that, compared with Caucasian men, Caucasian women on average earned 15 per cent less, Asian women earned 22 per cent less and black women earned 39 per cent less according to ILO. 2019. A Quantum Leap for Gender Equality: For a Better Future of Work for All. ILO, Geneva. www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_674831.pdf
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- 16 ILO. 2009.
- 17 See for example, Larry Fink, CEO of BlackRock, Inc., 2019 Letter to CEOs, "Purpose & Profit."
- 18 Other countries include: Canada, Germany, Iceland, Ireland, Spain and the United Kingdom.
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- 21 Bennedsen, M, Simintzi, E et al. "Do firms respond to gender pay gap transparency?", 5 November 2018.
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- 24 For more detailed guidance, see: ILO. 2009.
- 25 ILO. 2018. Global Wage Report 2018/19.
- 26 Grimshaw, D.; Rubery, J. 2015. The motherhood pay gap: A review of the issues, theory and international evidence, Conditions of Work and Employment Series No. 57, Inclusive Labour Markets, Labour Relations and Working Conditions Branch (Geneva, ILO).
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Promoting Economic Empowerment of Women at Work through Responsible Business Conduct in G7 Countries (WE EMPOWER—G7 Programme) is funded by the European Union (EU) and jointly implemented with the International Labour Organization (ILO). The Programme (2018-2020) will convene stakeholder dialogues in the EU, Canada, Japan and the US to exchange knowledge, experiences, good practices and lessons learned in the context of the changing world of work. Under the Women's Empowerment Principles (WEPs), WE EMPOWER is working to equip companies to go beyond making commitments on gender equality and women's empowerment, to strengthening their implementation, data collection and reporting on the WEPs.

Win-Win Programme: Gender Equality means Good Business (Win-Win Programme) is funded by the European Union (EU) and jointly implemented with the International Labour Organization (ILO), runs from 2018 to 2020 in six Latin American and Caribbean (LAC) countries: Argentina, Brazil, Chile, Costa Rica, Jamaica and Uruguay, in partnership with the EU countries. Win-Win Programme promotes women's economic empowerment of women, recognising them as beneficiaries and partners of growth and development, increasing the commitment of private sector-companies, entrepreneurs and employers' organizations to gender equality.

Promoting Economic Empowerment of Women at Work in Asia (WeEmpower—Asia Programme) is a collaborative effort between UN Women and the European Union (EU) over a three year period (2019-2021) in China, India, Indonesia, Malaysia, Philippines, Thailand and Vietnam to enable more women to lead, participate and have access to enhanced business opportunities and leadership within the private sector to advance sustainable and inclusive growth.

ACKNOWLEDGEMENTS:

This guidance note was prepared by the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) under the WE EMPOWER – G7 programme funded by the European Union and jointly implemented with the International Labour Organization. The brief was led by Carla Kraft with substantive contributions from Anna Falth, Seemin Qayum, Raquel Coello-Cremades, Esther Senso Ruiz, Marianne Olesen, Meral Guzel and Mariko Saito of UN Women; Laura Addati, Emanuela Pozzan, and Lisa Wong of the International Labour Organization (ILO); Aude Coquatrix of United Nations Global Compact (UNGC); and Ariane Hegewisch of Institute for Women's Policy Research (IWPR).

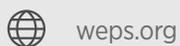
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Edit: Proseworks

Design: Blossom

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