

Should We Mind the Gap?

Gender Pay Differentials and Public Policy

SUMMARY

- There is a sizeable gap between the average hourly earnings of UK men and women working full time: this is the gender pay gap. The gap has, however, declined over time and is expected to decline further given demographic trends and changes in women's qualifications. It could even go into reverse.
- The view that the UK has a particularly large gender pay gap by international standards is misleading. The gap is anyway only one indicator of women's economic status. Its size is not necessarily related to other indicators of sex discrimination and it can increase or decrease for reasons that have nothing to do with employers' behaviour.
- The pay gap may partly reflect compensating differentials: men's jobs may typically have disadvantages that are reflected in higher pay. Women report greater job satisfaction than men.
- There is little evidence of direct discrimination by employers against women. Discrimination is often inferred from the unexplained residual in econometric analyses of the causes of the gender pay gap.
- When attitudes and preferences, as well as objective characteristics such as work experience and qualifications, are brought into the picture, however, most of the pay gap can be explained without reference to discrimination.

- There is a larger gender pay gap for women working part time. These women tend to work in a narrow range of occupations; when this is taken into account the ‘part-time penalty’ shrinks to small proportions.
- Policies to reduce the gender pay gap seem unlikely to have much impact. The most significant policy, enforcing pay audits and equal pay reviews across the economy, could cause damage to the economic position of many men *and* women, and increase costs to business.
- There are other pay gaps which can be defined, by ethnicity, religious belief and disability, for example. Changes in the size of these gaps, and in more general measures of social inequality, may be in conflict with changes in the gender pay gap.
- Following from this, there is now so much variation in lifestyles and economic behaviour within the male and female populations that simple comparisons of average male and female pay are increasingly irrelevant.
- The conditions that would have to be met for a pay gap between men and women not to exist are impossible to achieve, although the gap can in principle be positive or negative.