

Mind the pay gap: will Cameron's proposals achieve workplace gender equality?



'Mind the gap' (Credit: [Herr Olsen](#))

David Cameron recently announced plans that will require companies with 250 plus employees to disclose the average pay of women and men amongst their staff, therefore theoretically exposing the extent of their gender pay gap. Øyvind Skorge argues that, whilst this indicates the government is serious about addressing workplace inequalities between women and men, it needs to go a lot further to have a realistic chance of actually closing the gender pay gap any time soon.

For every pound earned by men, women earn 80p. Last Tuesday, David Cameron announced that the government will require companies with 250 or more employees to disclose the gap in average earnings between women and men. He characterised the measure as, “a really big move”, a move, “that will cast sunlight on the discrepancies and create the pressure we need for change, driving women’s wages up”. Yet if this is Cameron’s biggest move to close the gap, then he will not reach far. Exposing the gap will not bridge it.

As Cameron noted, the gender pay gap is diminishing, but at turtle pace. If it narrows at the same speed as during the last fifteen years, it would take another four decades before it vanishes.

Only five companies have previously released information on the pay gap voluntarily. Forcing firms to disclose their pay gap therefore signals that the government is serious about addressing workplace inequalities between women and men. There are, however, several reasons why this cannot be the giant leap Cameron and Nicky Morgan, the Minister for Women and Equalities, want it to be.

Disclosing the pay gap is insufficient

The government will demand companies to disclose differences in median pay at the company level, or alternatively at several echelons within the company. Still, without knowing the percentage of employees who are women, both as a whole and at different levels within a company's structure, we cannot say whether the gap is significant or not.

Let's for example say that a firm hires few women but pay these women equal to men. We would then be led to conclude that this company is doing a good job in addressing gender inequalities when in fact its scarce employment of women may contribute to maintain the overall gender inequalities in the labour market. Disclosing the pay gap, without disclosing the percentage of employees who are women, will therefore not provide an incentive for firms to hire more women. The overall gender pay gap will persist.

The least the government can do therefore, is to also require companies to include numbers on the percentage of women at each echelon within the company.

Excluding overtime and bonuses will disguise, not reveal, the pay gap

In the government's [open consultation paper](#), Morgan claims that it is appropriate to exclude overtime and bonuses, "because men work relatively more overtime than women and are more likely to be awarded larger bonuses."

As Harvard professor Claudia Goldin [shows for the United States](#), it is exactly in occupations where hourly pay increases significantly with the number of hours worked that the pay gap is largest. [Professors Youngjoo Cha and Kim Weeden document](#) that long hours "offset the wage-equalizing effect of the narrowing gender gap in educational attainment". By excluding overtime and bonuses the government effectively gives up on addressing a key source for the pay gap.

Differences in pay will not diminish simply by naming them

Obliging companies to disclose the pay gap may make gender inequalities more visible. Yet seeing a problem does not in itself solve it. We knew about the underrepresentation of women in Parliament for decades before we started to address it. Cameron and Morgan are vague as to how information about the pay gap will be the game changer the government claims it to be.

Cameron and Morgan pay insufficient attention to the motherhood penalty

The gender gap in pay arises with parenthood as, for instance, [LSE's Wendy Sigle-Rushton and Columbia's Jane Waldfogel have found](#). Among single, childless women and men there is no discernible pay gap. Women reduce paid work and increase household work when children are born. Men don't.

Yet making men do more of the childrearing and household work is strikingly absent from Cameron and Morgan's proposals. Cameron writes that, "when women have children, many cannot afford to go back to work full time – or even at all." The assumption is that childrearing is something women do, not men.

If the government indeed minds the pay gap, it should instead take fatherhood seriously and make paternity leave its 'giant leap'. A well of evidence indicate that well-paid paternity leave – that is, reserving a part of the parental leave for fathers – [makes parents more likely to divide the household work equally](#) and [reduces fathers' long-term earnings](#), effectively reducing the gender pay gap. Fathers' increased presence also [improves children's school performance](#). Moreover, in Norway, where fathers have ten weeks of fully paid leave, [business has been a key proponent of the reforms](#), as this policy allows them to tap into women's underutilized skills and competencies. Paternity leave should be the policy Cameron is looking for.

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