

The Women in Scotland’s Economy Research Centre, established in October 2011, takes an innovative, multidisciplinary approach to gender analysis of economic and public policy both in Scotland and internationally. Using a feminist economics lens WiSE highlights women’s visible and invisible economic contribution by challenging established norms and models. Through high quality, high impact research and knowledge transfer WiSE engages widely with policymakers, equality practitioners, the business community and gender equality activists. It focuses on gender and equality analysis of poverty, income inequality, financial exclusion, living standards within households, gender budgeting, labour market and occupational segregation, employability and skills, European employment and gender equality policies, and comparative gender equality policy. WiSE contributes to creating a more gender equal society, where women’s contribution to the paid and unpaid economy are recognized, in the belief that recast gender relations make for greater equality in the family, household, economy and society.

**Gender Pay Gap Data Issues**

The gender pay gap is an important socio-economic indicator allowing governments and industries to track progress on a key aspect of gender equality in labour markets. As such, the merits of different approaches to measuring the gender pay gap have been considered by academic and government researchers alike. The gender pay gap measures the difference between male and female earnings, expressed as a percentage of male earnings (JNCHES 2011). It is usually measured in terms of hourly earnings based on responses to the Annual Survey of Hours and Earnings produced by the Office for National Statistics. The Scottish Government currently uses *median* measurement rather than the *mean* (average) point of the data; the median represents the midway point in the distribution of earnings. It is often thought to be more representative as it limits the impact of statistical ‘outliers’ (a relatively small number of very high earners) in the labour market. However, use of the median can underestimate the true extent of gender pay disparity as due to structural inequalities in labour markets the high earning ‘outliers’ tend to be male, and the lowest earners female. Therefore the mean gender pay gap figure tends to be higher (*Ibid*). Similarly, the convention of expressing the ‘headline’ gender pay gap as a comparison of full time hourly earnings excluding overtime and bonus pay further belies the gendered structure of the labour market as women (Campbell and Thomson 2016) are much more likely to be working part-time than men: 41% of women compared to 12% of men work part-time (ONS 2017) and men are more likely to have access to over-time pay and bonuses. The concentration of women in part-time work, and related lack of access to over-time and bonus pay are important issues in explaining the gender pay gap and, as such, should be reflected in statistical reporting where possible for example, using both the mean and the median figures and/or comparing men’s full time to women’s part-time earnings. Current data gathering in this area could be improved upon in that gender disaggregated statistics for Scotland (regional data) is based on a relatively small sample size in many cases and cannot be further broken down by other characteristics such as age and ethnicity, which limits an intersectional analysis of the gender pay gap. Similarly, there is evidence to suggest that women tend to be over-represented among the ‘under-employed’ where they are in employment that is below their skills level in order to access part-time or flexible employment, particularly given labour market restructuring since the recent recession (Thomson et al 2014). There is currently no available gender disaggregated data available to assess the extent of skills-related under-employment and the data available for hours-constrained underemployment is not reported regularly.

It is also important to gain greater understanding of the gender pay gap at different stages in the working life. Eurostat (2017) data confirm the impact the financial crisis and recession has had on young workers. The headline statistics show a narrowing of the employment gap between young men and women across Europe. However, this has been driven by the falling employment rate of young men rather than improvement to youth female employment. A particular area of focus for the further analysis should be on the changing gendered patterns among young people not in education, employment or training (NEETs). Eurofound (2016) show that over a third of young women in Europe are NEET due to family responsibilities whereas this affects only 3.6% of young men.

**Explanations of the Gender Pay Gap**

The reasons for the existence and persistence of the gender pay gap are many and varied. ‘Human capital’ explanations (Becker 1964) assert a causal link between education and skills levels and skills levels and earnings. Women are assumed to invest less in their own individual human capital in anticipation of lower returns on that investment due to career breaks for child-rearing and/or employer discrimination. Gender earnings gaps therefore are products of women’s free, rational choices and reflect differing human capital investment patterns. However, the limits of human capital models in explaining the gender pay gap have been widely pointed out by feminist research (see for example Lips 2013) as has the notion of ‘rational choice’ which underpins the approach (Folbre 1994). Gender theories maintain that the individual choices of men and women are effectively determined by a given set of structurally determined roles, responsibilities, and expectations or “structures of constraint” (*Ibid*). The combined effect of these gendered social and cultural norms is that men and women occupy very different positions in the paid labour market. These structural inequalities, including horizontal and vertical occupational segregation, have been shown to explain much of the gender pay gap. Horizontal segregation occurs where stereotyped assumptions about male and female capabilities and preferences concentrate women into predominantly ‘female’ occupations (and men into ‘male’ occupations) particularly prevalent in Scottish Modern Apprenticeships (Thomson 2016). Vertical segregation occurs where women are over-represented towards the bottom of organisational hierarchies where jobs are lower paid and have little chances of progression (so-called ‘sticky floors’) and men tend to dominate promoted, managerial posts (sometimes referred to as the ‘glass ceiling’). Feminist research has pointed out that the market tends to systematically undervalue jobs that are done by women (see for example Perrons 2005).

Again as a result of socio-cultural expectations of gender roles, women tend to be the main unpaid care givers in society and are therefore more likely to be in part-time employment for its compatibility with child or elder care (Miranda 2011). It has been convincingly argued that women’s uneven position in the paid labour market is intrinsically linked to their over-representation among those undertaking unpaid, reproductive work in the home (Ferrant et al 2014, Hirway 2015). Unpaid work in the form of care or domestic (re)production is not formally recognised in official statistics but rather is classified as economic inactivity. Current available data is inadequate for effective analysis of the gendered dimension of unpaid work as there is no regional time-use data for Scotland and the recent ONS publication of the household satellite accounts offers no regional analysis (ONS 2016).

**Gender Pay Gap as a Business Performance Issue**

It is a moral and legal imperative that organisations recruit their workforce in a non-discriminatory way and that women have equal access to employment, promotion opportunities and equal pay for equal work. However, gender equality in the workplace is more than just a social justice issue. In its Economic Strategy the Scottish Government is committed to tackling inequality and boosting competitiveness. Central to these twin objectives is the elimination of the gender pay gap which clearly can be characterised as a significant inequality, as set out in its National Performance Framework. Inequality has been recognised as a drag on economic growth, and the gender pay gap is an example of a deeply entrenched attitudinal, structural, and economic inequality. There is ample international evidence and analysis to suggest that closing gender gaps in pay and employment could boost economic growth and productivity, as measured in terms of GDP (see for example Olsen and Walby 2002, IMF 2013). However, GDP is an inadequate measurement of the economic ‘health’ of any economy and tells us little about the distribution of the costs and benefits of paid and, particularly, unpaid work between men and women or any other groups in society.

For individual businesses, there are also clear economic and business benefits from increasing the gender diversity of the workforce and ensuring that women are fairly represented at all levels in the organisation. There is evidence to suggest that inequality and discrimination result in higher costs and impact negatively on company performance. Exclusionary and discriminatory practices have been shown to diminish the competitiveness of enterprises, not least in terms of the recruitment of the most talented employees. Inequality and disadvantaging practices have furthermore been connected to higher rates of absenteeism and turnover of staff. Promoting (gender) equality may thus reduce the costs of discriminatory practices, stimulate productivity and thereby be economically beneficial to the company. By increasing the gender balance of the workforce firms may be better able to compete in labour and product markets by increasing the talent pool available to them and have greater proximity to markets where products are aimed at women (for further review of the literature in this area please see Thomson and Hakeem 2016).

**References**

Becker, G S, 1964. *Human Capital: A Theoretical and Empirical Analysis*, New York: National Bureau of Economic Analysis

Campbell, J and E Thomson (2016) WiSE working paper no. 3 available at [http://www.gcu.ac.uk/wise/media/gcalwebv2/theuniversity/centresprojects/wise/Wise%20Working%20Paper,%20Series%203,%20March%202016.pdf](http://www.gcu.ac.uk/wise/media/gcalwebv2/theuniversity/centresprojects/wise/Wise%20Working%20Paper%2C%20Series%203%2C%20March%202016.pdf)

Eurostat (2017): Employment and activity by sex and age available at http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfsi\_emp\_a&lang=en, Accessed 03 March 2017

Eurofound (2016), The gender employment gap: Challenges and solutions, Publications Office of the European Union, Luxembourg

Ferrant, G, Pesando, LM, and Nawacka, K (2014)Unpaid care work: The missing link in the analysis of gender gaps in labour market outcomes. available at<http://www.oecd.org/dev/development-gender/Unpaid_care_work.pdf>

Folbre, N, (1994) *Who Pays for the Kids? Gender and the Structures of Constraint* London: Routledge

Hirway, I (2015) Unpaid Work and the Economy: Linkages and Their Implications Working Paper No. 838 *New York: Levy Economics Institute of Bard College* available at <http://www.levyinstitute.org/pubs/wp_838.pdf>

International Monetary Fund (2013) Women, Work, and the Economy: Macroeconomic Gains from Gender Equity available at <https://www.imf.org/external/pubs/ft/sdn/2013/sdn1310.pdf>

JNCHES (2011) The Gender Pay Gap: A Literature Review available at <http://www.ucea.ac.uk/en/publications/index.cfm/njgpygap>

Lips, H.(2013) The Gender Pay Gap: Challenging the Rationalizations. Perceived Equity, Discrimination, and the Limits of Human Capital Theory. *Sex Roles*, Vol 68 pp169-185

Miranda, V (2011) Cooking, Caring and Volunteering: Unpaid Work Around the World. Paris: Organisation for Economic Co-operation and Development

ONS (2016) Household Satellite Accounts 2005-2014 available at <https://www.ons.gov.uk/economy/nationalaccounts/satelliteaccounts/compendium/householdsatelliteaccounts/2005to2014>

ONS (2017) UK Labour Market February 2017 available at https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/feb2017

Olsen, W. and Walby, S. (2002) The impact of women’s position in the labour market on pay and implications for UK Productivity Report to Women and Equality Unit November 2002

Perrons, D (2005) Gender mainstreaming and gender equality in the new (market) economy: An analysis of contradictions *Social Politics: International Studies in Gender, State and Society*, 12 (3) pp389-411

Thomson, E, S Ross and J Campbell (2014) WiSE Briefing Sheet June 2014 available at <http://www.gcu.ac.uk/wise/media/gcalwebv2/theuniversity/centresprojects/wise/WiSE%20Briefing%20Sheet%20June%2014.pdf>

Thomson, E (2016) ‘Occupational segregation and MAs in Scotland’ in Campbell, J., and Gillespie, M. (eds.) *Feminist Economics and Public Policy*. Abington: Routledge.

Thomson, E and N Hakeem (2016) *Gender Equality Pays: the Economics Case for Addressing Women’s Labour Market Inequality* available at <https://www.closethegap.org.uk/content/resources/Gender-Equality-Pays.pdf>