

WOMEN IN LONDON'S ECONOMY

Summary Report
February 2008

**‘Women in London are still paid
up to 23 per cent less than men.’**

Contents

Foreword	4
Women in London's Economy 2008 Summary Report, February 2008	6
Chapter 1: Women, employment and the gender pay gap	8
Mothers' employment and the importance of childcare	8
Low paid women in London	9
The gender pay gap in 2007	9
Chapter 2: Equality outcomes for women in London	12
Qualifications	12
Employment patterns	12
Pay	13
Other factors	13
Chapter 3: Employer good practice	14
Recruitment and retention	14
Flexible and remote working	15
Helpful and unhelpful organisational cultures	16
Development opportunities	17
Chapter 4: Equal Pay Reviews	18
Chapter 5: Pregnancy discrimination in London	19
Chapter 6: Legislation and policy	20

Foreword



This year's *Women in London's Economy* report reflects four years of high profile research aimed at removing the barriers to equality that women face in the London economy. It provides the most detailed analysis yet of the inequalities that women face; sets out what my administration is doing to address them; and explains how national legislative and other changes are required to deliver 'equality in our lifetime', not least through the proposed Single Equality Act.

Among the findings of the report, I want to highlight the following:

- The gender pay gap is wider in London than the rest of the UK. There is a 14 per cent gap between male and female full-time workers median hourly earnings. Even where men and women are doing very similar jobs, women are suffering significant pay discrimination: median hourly pay for women working full time in London is £14.06 compared to £16.29 for men;
 - The gender pay gap is wider in the private sector - where most women in London work - than in the public sector, and it is not improving;
 - These pay gaps exist despite women outperforming men in their educational attainments at all levels - and women in London are more qualified than in the rest of the UK;
 - There is a compounded effect of race and gender discrimination. A higher proportion of Black and minority ethnic women are in the lowest weekly wage bracket than white women;
 - London's commuting patterns create an additional demand for childcare; and
 - Finally, there have been some improvements. A growing proportion of London employers have undertaken equal pay audits: 29 per cent, up from 18 per cent in 2005. An accompanying document '*Closing the Gap*' - sets out the good practice that a number of leading employers are adopting to improve the recruitment, pay and retention of women.
- Alongside this research, which I believe is essential not only to highlight the inequalities that women face but also to examine why they have occurred and how they may be addressed, I am taking forward a full programme of action to deliver greater equality to women in London's economy. Among the actions being taken are:
- Using the findings from the WILE research to develop a range of policies, from skills and training through to engagement with the government's Discrimination Law Review;

- Engaging with employers to identify and promote leading practice in supporting employment equality for women;
- Setting up the London Childcare Affordability Programme providing support with childcare costs for 10,000 families;
- Implementing equal pay reviews in the GLA Group; and
- Developing and implementing the Responsible Procurement Programme so that contractors within the GLA take steps to meet women's equality standards.

However, while I will do all I can, women in London's economy require further government action if the barriers to equality that they face are to be broken down.

The Government's intention to bring forward a Single Equality Act provides an excellent opportunity to introduce legislative measures to address many inequalities by:

- Introducing mandatory equal pay audits and creating a level playing field for those employers undertaking action on a voluntary basis.
- Ensuring equal pay law is effective in challenging discrimination - for example, allowing 'hypothetical comparators' in equal pay cases.
- Allowing for representative or 'class' legal actions: although a large group of women workers may be similarly affected by discrimination, the law forces each individual to take their case separately. Class actions would reduce the burden that currently rests on the shoulders

of the individual victims of discrimination and would be more efficient, reducing the existing backlog of cases.

- Enforcing pregnancy discrimination legislation, setting penalties high enough to deter.
- Introducing a mandatory equality duty in procurement so that public bodies can ensure suppliers meet their equality duties.

The Equal Pay and Sex Discrimination laws that were enacted more than 30 years ago were ground-breaking in their time. But they have long since ceased to be effective in rooting out women's inequality. Many of the measures above have already been taken, or are being surpassed, in other countries in Europe and beyond. They are required not only on grounds of equality and justice, but to ensure that London's economy can successfully compete with other world cities. This requires removing the barriers to discrimination and ensuring that women have equality in London's economy.



Ken Livingstone
Mayor of London
 February 2008

Women in London's Economy 2008

Summary Report, February 2008

This is a summary of the fourth report from a dedicated programme of research by the Greater London Authority (GLA) into Women in London's Economy (WILE). The fact that this programme continues to be necessary is an indictment of the discrimination women still face in the workplace and in the employment market, and of the need for firmer public policy measures to eliminate this.

The first two reports on the WILE research programme provided a picture of the position of women in London: a picture that showed women as less likely to work in well-paid jobs than men; a relatively large gender pay gap; and the importance of occupational segregation in contributing to this.

Last year's report looked at household income levels and expenditure patterns. Importantly, it found that children make a large difference to average household income levels. Women in London with children have lower incomes than the Great Britain average. This year's report explores these issues, and updates the analysis of the gender pay gap. It is disappointing that this analysis reveals there has been no improvement in the gender pay gap at the median for London's full time workers, which stands at 14 per cent. Using the mean, the gender pay gap for full time workers is 23 per cent.

The report also explores the differences in equality outcomes between women working in the public and the private sectors in London. Key conclusions include:

- despite being better-qualified educationally than men, women in employment in London achieve less in terms of status and pay;
- women working full time are under-represented in the top pay bands and

over-represented in the lower pay levels, and far higher percentages of women working full time at low rates of pay are employed in the private sector than in the public sector;

- women continue to be employed largely in female-dominated sectors, most notably public administration and health, although the financial services sector is an increasingly important employer of women;
- many more women than men work part-time, which carries significant economic penalties in terms of advancement as well as pay; a much higher proportion of women working part-time in the private sector is found in the two lowest pay bands (up to £100 a week) than in the public sector (34.9 per cent and 19.4 per cent respectively);
- many more women than men have responsibilities caring for adults who are sick, disabled and elderly, and the proportion is higher than in the UK as a whole;
- just under a third of women in London report health problems which limit the type of work they can undertake; disabled women in London are more likely to be in the lowest pay bands.

Interviews conducted with employers and employees reveal examples of actions that employers can easily undertake to improve the representation of women within their workforce.

Research in this report shows that a total of 29 per cent of London employers have conducted an Equal Pay Review or Audit (EPR) and a further five per cent had one planned at the time of the interview. This is up from the 18 per cent recorded in 2005. Only 61 per cent of those who had conducted or were conducting an EPR

stated that their review had included both a check for differences in pay where men and women are doing the same jobs and a check for differences where men and women were doing work of equal value.

Levels of EPR activity were highest among the largest employers. Seventeen per cent of pay reviews conducted had uncovered a pay gap. Of those employers who knew why a gap had developed, the most common reasons given were lower entry salaries for women and the impact of career breaks.

The most common reason given for conducting an EPR was to be seen as a good practice employer. Those who had not conducted and were not planning a pay review gave the most common reason as that they believed their pay system was not discriminatory.

As this report shows, a significant gender pay gap persists in London. The persistence of the gender pay gap is a function of a wide range of different labour market forces. Women remain largely clustered into a relatively narrow range of (often low-paying) occupations. However, there remains evidence that even within the same employers (and sometimes even within the same occupations), women are still being paid less than men for reasons that cannot be explained on grounds other than gender.

An equal pay review (EPR) enables employers to identify if there are any situations within their workforce where men and women receive different levels of pay and/or benefits for performing the same job or ones that can be considered to be of 'equal value'.

The Equal Opportunities Commission found in 2005 that in the UK 30,000 women each year lose their jobs because of their pregnancy.

Research undertaken for this year's report estimates that the cost of pregnancy discrimination in London is at least £18.3 million and possibly as high as £54.3 million per year – equal to between 11 per cent and 16 per cent of the total costs in the UK.

Legislative measures to remove the barriers to women's equality in the economy, and that will more effectively tackle pay discrimination and the causes of unequal pay are clearly a high priority. More than three decades after the Equal Pay and Sex Discrimination Acts, women continue to suffer significant pay discrimination compared to their male counterparts. At UK level the Office for National Statistics' annual pay figures for 2007 showed women working full-time earned 17.2 per cent less than men. In London specifically, research for Women in London's Economy has shown that individual and structural discrimination in employment remain entrenched realities, with women concentrated in a relatively narrow band of lower paid occupations. Many women struggle to balance paid work with domestic demands and when faced with discrimination will receive limited access to justice.

More robust anti-discrimination legislation is essential, because it is far from the fact that all employers are far-sighted or practising equality. Self-regulation clearly has its limits: employers committed to equality will act, in varying ways and sometimes with good intentions but using methods that may be less than effective; those with different standards will fail to act at all. A Single Equality Act can introduce legislative change that will effectively support those employers who are committed to equality by levelling the playing field – requiring all employers to plan for equality and take steps to avoid discrimination. This will be good for women, good for businesses and good for London's economy.

Women, employment and the gender pay gap

Mothers' employment and the importance of childcare

Most households receive their main source of income from working. For most mothers, working requires the use of childcare. Childcare adds to the costs involved in working and for some mothers these costs outweigh the benefits. If this is the case, it doesn't make financial sense to work. Reflecting this, we see that mothers have lower employment rates than women without dependent children. This in turn lowers their household's income.

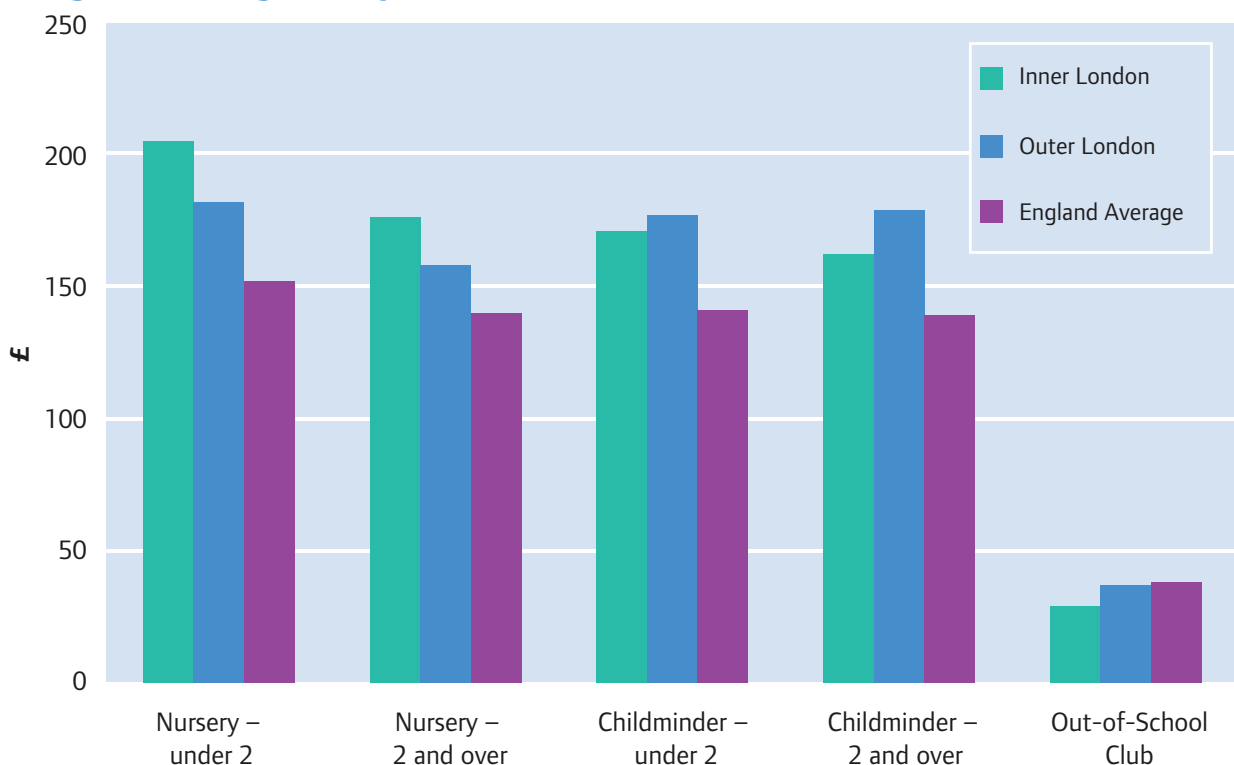
Mothers also consume childcare as a good in its own right because it allows them child-free time and it can directly benefit their child. This source of childcare demand is independent of any desire to work, though it inadvertently makes more time for working available. The highest childcare costs are generally found in London and the South East (Figure 1).

A number of factors influence a mother's employment decisions and her demand for childcare. For example, a higher wage encourages a mother to work by raising the benefits of working. It also influences her demand for childcare (for example, by raising the quality she can afford) independently of the impact on employment. Other relevant factors include the mother's personal characteristics and her family's characteristics, other sources of household income and childcare costs. In addition, the ease with which mothers can access work and childcare is an important issue affecting mothers' work and childcare decisions.

London households spend more on public transport each week (Figure 2), reflecting a combination of their greater reliance on public transport and longer commuting distances.

Mothers in London are less likely to work than mothers in the rest of the UK, and their childcare use patterns differ as well.

Figure 1: Average weekly childcare costs, 2007



In particular, the city’s higher childcare and transport costs, and its occupational mix, make the costs of working in London greater than the benefits for a larger proportion of women. Lone mothers and those with low skills are particularly disadvantaged.

Low paid women in London

Last year’s report provided information on how many women in London earn below the living wage. Around 19 per cent of all London female employees are low paid compared to 12 per cent of male employees.

This year, we build upon these findings by drawing on recent research by the Living Wage Unit. They have quantified the impact of different factors on the likelihood of being low paid in London.

A Londoner’s age, qualifications, ethnicity, occupation, employment sector, hours worked and the size of the workplace affect the likelihood of being low paid. In respect of most of these factors, women are more likely than men to be low paid. Women working

in elementary occupations are 13 times more likely than female managers and senior professionals to be low paid (Figure 3).

However, there are exceptions. Working in the private sector, working part-time or working in a small workplace increases the chances of being low paid relative to working in the public sector, working full-time or working in a large workplace. In each case, the likelihood of being low paid is greater for men than for women.

The gender pay gap in 2007

The mean gender pay gap for full-time workers in London has not changed since last year. London still has a higher pay gap at 23 per cent than the UK as a whole (17 per cent).

Table 1 shows hourly wages by gender for full-time and part-time workers in London and the UK as a whole. In London the mean full-time female wage was £16.21 per hour and the full-time male wage was £21.05, yielding a gender pay gap of 23 per cent.

Figure 2: Weekly household expenditure on public transport, 2004 – 05



Figure 3: Odds ratios of being low paid in London by occupation

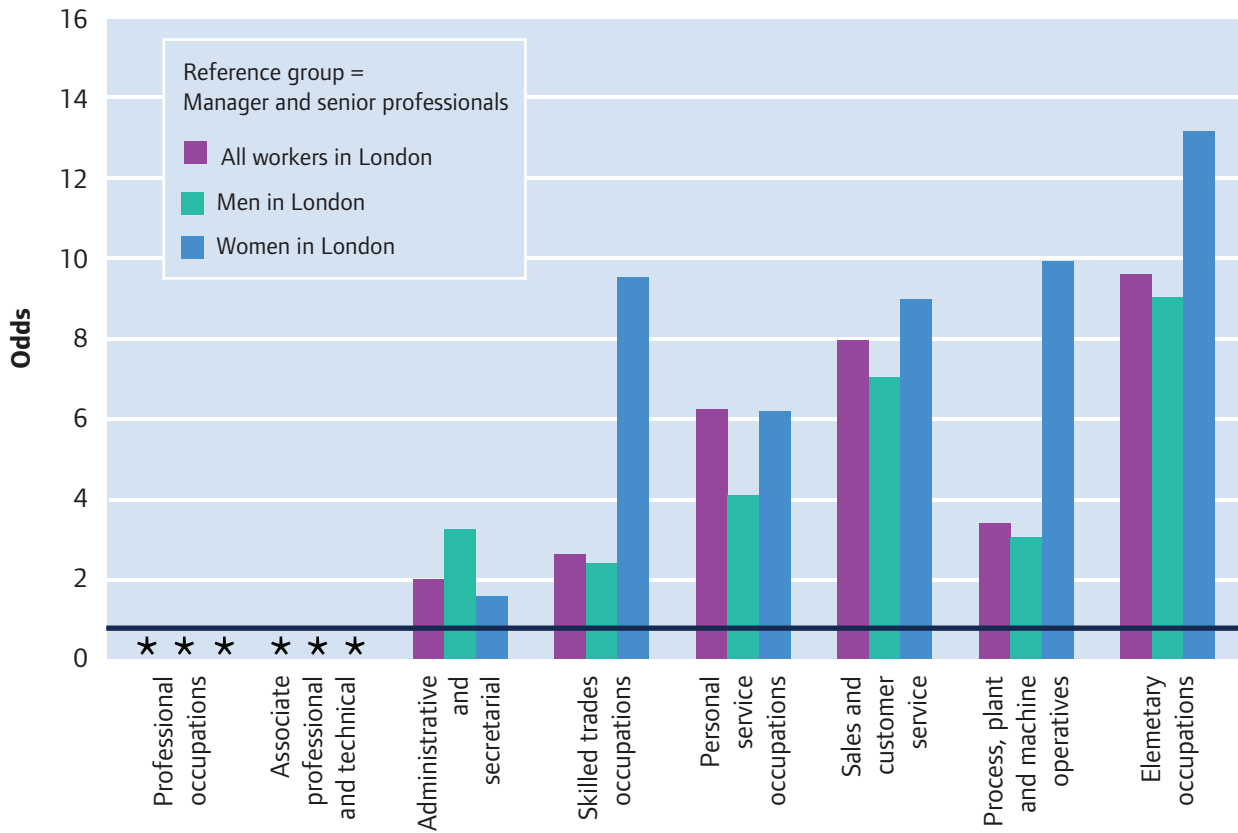


Figure 4: Gender pay gaps in gross annual earnings, full-time workers in the public and private sector

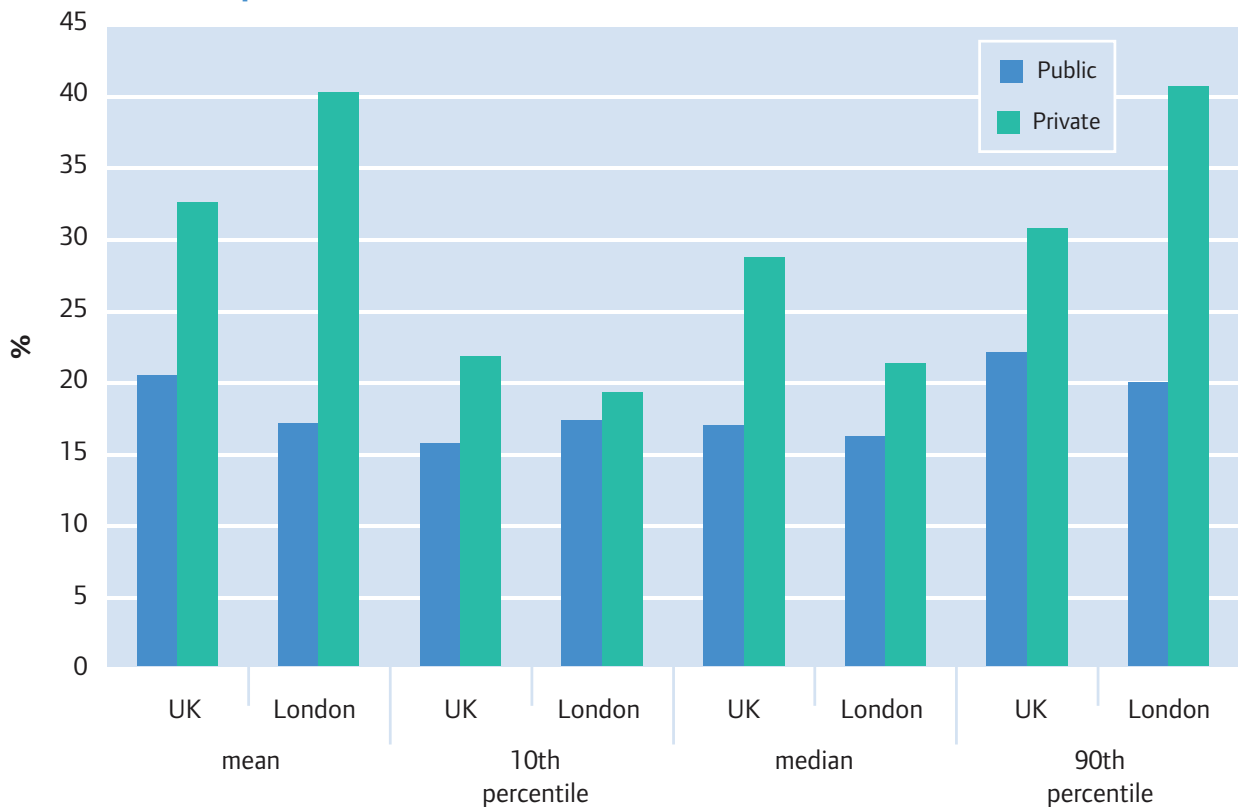


Table 1: Hourly pay (excluding overtime) and gender gap for males and females in London and UK

London	Female		Male	
	Full-time	Part-time	Full-time	Part-time
	£			
Mean	16.21	12.53	21.05	14.23
10th percentile	7.53	5.67	7.95	5.40
50th percentile	14.06	9.05	16.29	8.20
90th percentile	27.36	22.90	40.16	28.57
	90/10 ratio			
	3.6	4.0	5.1	5.3
UK	Females		Males	
	Full-time	Part-time	Full-time	Part-time
	£			
Mean	12.40	9.65	14.98	11.24
10th percentile	6.13	5.37	6.64	5.35
50th percentile	10.46	7.29	11.96	7.18
90th percentile	20.93	17.03	26.46	23.93
	90/10 ratio			
	3.4	3.2	4.0	4.5
Absolute gender pay ratio (female/male)	London		UK	
	Full-time	Part-time	Full-time	Part-time
Mean	77	88	83	86
50th percentile	86	110	87	102
90th percentile	68	80	79	71
Absolute part-time pay ratio (part-time/full-time)	London		UK	
	Female	Male	Female	Male
Mean	77	68	78	75
50th percentile	64	50	70	63
90th percentile	84	71	81	90

Among part-time workers, the mean gender pay gap is slightly smaller in London than in the UK as a whole (12 per cent compared to 14 per cent). At the median, women tend to earn more than men in both London and the UK overall, and the differential is more accentuated in the capital – women earn 10 per cent more in London, but only 2 per cent more in the UK as a whole.

The gender pay gap gets wider as incomes increase. Male and female high income earners in London have a wider pay gap than in the rest of the UK. Low income earners in London have a relatively smaller pay gap than in the rest of the UK.

The gender pay gap is higher in the private sector than the public sector for full-time workers, but lower for part-time workers. Taking incentive pay into account widens the gender pay gap for full-time workers in both sectors. It shows, however, that women in the private sector earn more at higher income deciles than they would in the public sector.

Figure 4 shows the difference between men's and women's gross annual earnings for full-time workers. The highest income earners in the private sector experience a very large pay gap in London at just over 40 per cent – double that of the gap in the public sector.

Equality outcomes for women in London

Qualifications

One of the key factors that determines the relative positions of women and men in work is that of 'human capital', the value of an individual's own knowledge, skills and experience. If women and men have very different qualifications, then it is unsurprising if they subsequently gain entry to different jobs and different pay.

In fact, a higher proportion of females in London gain qualifications than males at ages 16, 19 and 23. By the time they enter the workforce, a larger proportion of women in London have high-level qualifications (qualifications at level 4, degree level or equivalent). Despite this, women are less likely than men to attain supervisory or managerial posts. Women in managerial posts are more likely to have level 4 qualifications than are men in equivalent posts.

Larger proportions of women and men with high-level qualifications are found in the public sector than in the private sector. This is probably largely due to the high representation of women in the professional and associate professional occupations in this sector (primarily health, education and local government administration).

Employment patterns

A slightly lower proportion of women in London are in employment than in the wider UK economy. A majority of women continues to be employed in female-dominated sectors – most notably in public administration, education and health – but in London, the financial services sector is now one of the largest employers of women (and the single largest employer of men). A far greater proportion of women than men work part-time, but a lower proportion of women work part-time in London than in the UK as a whole.

Working part-time carries a penalty in terms of opportunities for advancement as well as reduced pay. A far smaller proportion of women in part-time jobs have supervisory responsibilities than those in full-time jobs. This appears to be particularly acute in the private sector, where more than twice as many women in full-time jobs report having supervisory responsibilities than do those in part-time jobs. While women constitute nearly one in eight employees in managerial and senior official posts in London, nearly twice as many of these posts are in the private sector as in the public sector.

More women and men work long hours in London than in the UK as a whole. In London, of women working full-time, 6.3 per cent work 46 hours or more compared with 4 per cent more widely; for men the figures are 14 per cent in London compared with 11.7 per cent across the UK. A slightly higher proportion of women, and twice as many men, work these very long hours in the private sector compared to the public sector.

Pay

Women who work full-time are under-represented in the top pay bands and over-represented at lower pay levels. Just 14.5 per cent of men working full-time in London receive £325 a week or less, compared with 22.2 per cent of women. Conversely, while 43.9 per cent of men working full-time in London earn £651 or more a week, just 26.1 per cent of women working full-time earn this amount or more.

Far more women working full-time at low rates of pay are employed in the private sector than the public sector: for example, 14.5 per cent of women in the private sector are paid less than £250 a week compared to 6.5 per cent in the public sector. Similarly, more men working full-time on low rates of pay are found in the private sector than the public sector; however, far smaller proportions of men than women are found in these low-paying jobs: just 8.0 per cent of men in the private sector earn less than £250 a week, and 3.4 per cent in the public sector.

Conversely, women who work part-time in London tend to receive better pay than men working part-time. However, since nearly three-quarters of part-timers are women, far greater numbers of women will be affected by low pay: 29.6 per cent of women and 36.7 per cent of men who work part-time earn less than £100 a week. Over a third of women working part-time in London – 34.8 per cent – earn more than £226 a week; only 26.9 per cent of men working part-time in the capital earn that amount or more. Nearly twice the proportion of part-time women workers in the private sector are low paid as in the public sector, while nearly twice the proportion of part-time women workers employed in the public sector than in the private sector are in the higher paid bands.

Other factors

Considerably more women than men in London report having responsibilities for **caring** for adults who are sick, disabled or elderly. A fifth of working women reported having such a responsibility – higher than across the UK as a whole, where the proportion is 12 per cent.

Nearly 29 per cent of women from **ethnic minorities** working full-time in London earn less than £325 a week compared with 18.2 per cent of white women. Only 9.7 per cent of white males in London earn less than £325 a week, but 25.8 per cent of ethnic minority men.

A total of 11.5 per cent of women who work in London are **disabled** according to the current legal definition; disabled women have a significantly lower likelihood of being employed than non-disabled women. Just under a third of women who work in London say that they have a health problem that limits the type of work they can undertake. Disabled women in London are more likely to be in the lowest pay bands – 27.2 per cent of disabled women earn less than £325 a week.

3 Employer good practice

As part of this year's research, we undertook a series of interviews with employers in organisations in the private and public sectors in London and a selection of interviews with their women employees. This revealed a number of aspects of good practice which could valuably be emulated by other employers.

Recruitment and retention

Many of our case study employers emphasised the fact that business success will increasingly depend on being able to recruit a more diverse group of employees.

"It is a business imperative. As we go forward the talent gap will get bigger, we will need to attract and retain across all groups in society.... We have looked at the statistics regarding the ageing population profile, what will happen is that the proportion of 35-44 year olds will decrease as the population ages. That means that it is not just childcare issues that people will have to deal with but also ageing parents. We need to put policies in place that will appeal to those with kids but also help us appeal to people with elder care responsibilities..."
Nikki Walker, Director of Strategic Planning and Execution Emerging Markets, Cisco.

Increasingly it is likely that offering family-friendly and flexible working arrangements will be essential if the organisation is to be seen as an attractive employer. Once in place, such policies can be invaluable in helping an organisation to retain staff.

"The Guardian has identified us as one of the top organisations where parents want to work. We face little challenge with recruiting staff so over the last five years our policies have been more focused on retention. Some of the many areas where we have taken action include parenting and progression. We recognise that there is a huge talent pool out there and if we are not in a position to offer such effective policies and practices then we will not hold onto these populations."

Susie Mullan, HR Director for Human Capital and Diversity, Accenture

Offering such policies may make an organisation attractive to what might be considered to be 'traditional' applicants, or in sectors that are not seen as strongly gender stereotyped. However, in sectors such as engineering it can be difficult to attract women into areas perceived as 'tough' or 'masculine'. Some companies have been taking steps to attract more women. Carole Willsher of British Gas's Engineering Academy suggested one way in which organisations can increase the numbers of women: take a more proactive role at careers fairs.

"It's important to encourage women to apply for roles in areas that have traditionally been male-dominated. Whenever we hold any recruitment events, we challenge the perception that engineering jobs are just for men."

Carole Willsher, Recruitment and Diversity Specialist, British Gas Engineering Academy

Carefully designed publicity that clearly challenge stereotypes of the sector and emphasises the benefits of working for the company can also help maximise the company's opportunities to catch the attention of potential women recruits. However, recruiting externally through graduate fairs and other routes aimed at young people may bring only limited benefits.

If organisations offer women in the organisation the opportunity to move into atypical areas, some of which are often also 'hard to recruit to' areas, and then recruit to the posts vacated by those women who have moved sideways, then this can have several benefits: first, it may serve to reduce the recruitment challenge, as often such posts in more traditional female areas of work are easier to recruit to than for example, engineering; second, it increases women's progression opportunities; and third, potentially the organisation will gain a reputation as one that is prepared to take risks, trust in its employees and offer them real choice in development pathways.

One way of encouraging women in traditional areas to consider moving into atypical areas such as engineering might be to offer 'taster days' in which potential applicants try out some of the activities a newly-recruited engineering trainee might be trained to undertake.

Flexible and remote working

Several of the employers we spoke to made flexible and remote working available to all employees. Although the technology to enable flexible and remote working has been available for several years, it is arguably the employer's attitude that has most impact on its uptake and use to support more family-friendly ways of working.

"We offer our employees a range of flexible working options and do not look at flexible working arrangements as being for 'just women'... I know from my own team that you get real benefits back from offering such working options. We tend to think about flexible working in terms of younger people with childcare responsibilities, but with the change in the profile of the population it will soon be needed to help people to cope with the demands of elder care."

Beverley Ashby, HR Director, IS & Group, BUPA

At Ernst & Young there has been a large programme to ensure that people can work where and when they need to. If an employee needs to work outside normal office hours, or from a place other than the main office, then this is possible with the technology provided by the company, provided of course that this fits with their co-workers and client commitments.

"I have been able to carry on with my senior management post by taking advantage of the remote working opportunities available within the organisation. Remote and flexible working has been available for many years but it is just in recent years that people have really started to take up this option."

Pearl Cash, Senior Account Manager and Head of the Business Relationships Team, Ernst & Young

Helpful and unhelpful organisational cultures

In thinking about the actions that employers can take to increase the representation of women, it is important not to overlook some of the 'softer' factors that influence gender equity in the workplace. Many of the women and the employers interviewed said that a key factor in making their organisation attractive to women was the simple fact that it was perceived as a friendly and welcoming place for women to work.

"The main thing is to make the work good. Our approach is not to have a 'scheme for women'. Our approach is from the point of view of being a welcoming place for all people in the community."

Andreas Ghosh, Head of Personnel and Development at London Borough of Lewisham

Another example of the importance of the attitude that an employer adopts is from Standard Chartered Bank, which operates across 58 countries. The company has had a flexible working policy (in terms of hours) in place for several years. Natasha Davydova spoke of the changes that were being made to the company's policy on flexible working, to provide opportunities for home-working as well:

"For the financial services sector home-working is still a relatively new phenomenon. But we are making good advances from the technology perspective and are working closely with HR to ensure people have the technology needed to support home-working."

Natasha Davydova, Group Head, Technology Production Services, Standard Chartered Bank.

It is not sufficient to just have a policy – it is important that all managers and employees understand the policy and that managers are committed to implementing it. One way in which organisations can aid understanding is to produce guidance for managers and employees. Quite simple policies relating to flexible working arrangements can help, and often are of use to the wider group of employees.

Akua Agyepong, HR Advisor for Diversity, London Borough of Camden Akua emphasised the business case for taking such measures:

"It is very much a case of this being 'just good working practice' rather than something introduced 'just for women'. We have reviewed our approach to flexible working and it is more about 'working smartly' – it just makes good business sense."

It is important to ensure that these types of policies are open to all employees, not just women, as this will promote a more flexible culture in general. Hopefully all employees who work flexibly will benefit and be able to advance if they want to.

Development opportunities

Some of the employers told us of actions they were taking to improve development opportunities – and hence the opportunities for progression – available to women.

Lewisham and Camden borough councils had both introduced e-learning arrangements.

“We have quite a lot of e-learning tools developed as alternatives to going on a course, this can be helpful for part-time people in particular, as for them, taking a whole day out of the office may be quite a challenge.”

Lesley Lee, Head of Strategy and Performance in the Regeneration Directorate, London Borough of Lewisham

The Metropolitan Police Service has been striving to improve the position of women within the organisation. They explain that they have taken a holistic approach, focusing on the importance of work/life balance, support, development opportunities, women-friendly policies and awareness-raising. One example of their work is the provision of development aimed at attracting more women into specialist roles:

“In order to attract more women to our Specialist Firearms Unit, women-only ‘Insight Days’ were set up by women firearms officers with the aim of providing an accurate picture of what it was like to work in the unit. The officers supported the applicants by mentoring them throughout the process. Concurrently, applicants were offered coaching and training to enable them to submit an application form which met the national competencies for the role requirement (many women had previously played down their strengths and abilities, viewing it as ‘boasting’, and there was a lack of knowledge on how the national competencies worked).”

Heather Court, Metropolitan Police Service

Clifford Chance, a global law firm, introduced an innovative initiative focusing on providing support to female employees taking maternity leave.

“We undertook some research which revealed that some of our pregnant employees would appreciate support regarding their arrangements for maternity leave. In particular, dealing with issues of handover prior to going on maternity leave; adjusting to their new role as a mother and the time away from the firm; and finally, preparation for their return to work, re-building their confidence and for lawyers, their client contacts.”

Sarah Twite, Diversity Manager, Clifford Chance

Equal Pay Reviews

The continued persistence of a pay gap between men and women may result in part from the fact that establishing whether or not unfair treatment is taking place in an individual organisation involves a thorough review of job roles and remuneration: an equal pay review (EPR) or pay audit. Research on the extent and quality of pay audits being undertaken by London employers reveals persistent shortcomings.

A total of 29 per cent of London businesses have conducted an EPR and a further 5 per cent had one planned at the time of interview. This would seem to show an increase in the level of EPR activity since 2005 (when the Equal Opportunities Commission (EOC) Equal Pay Review Study of 2005 indicated that 18 per cent of London employers were either conducting or had conducted an EPR). At that time pay review activity also appeared to be higher in London than at UK level, where a total of 15 per cent of employers had completed or were in the process of conducting an EPR.

Levels of EPR activity are highest among the largest employers (with 41 per cent of those with 500 or more staff conducting or having conducted an EPR). Levels of activity are almost twice as high among service sector employers (both public and private services) than they are among those in the primary/manufacturing/construction sector (with around a third of service sector employers conducting or having conducted an EPR compared with 14 per cent of those in the primary/manufacturing/construction sector).

That said, only 61 per cent of those who had conducted or were conducting an EPR stated that their review had involved both a check for differences in pay where men and women are doing the same jobs and a check for differences where men and women are doing

jobs of equal value. Without these checks, a review does not meet the former EOC's definition of an Equal Pay Review.

Most commonly employers had used their own review process as the main method for conducting an EPR – although 19 per cent stated that their main approach had been to rely on the advice of consultants. Equal Pay Review kits produced by the EOC have a relatively low penetration.

One in six pay reviews conducted (17 per cent) had uncovered a pay gap. A large proportion of employers were unsure why the pay gap had developed. Of those who knew why the pay gap had developed, the most common reasons given were lower entry salaries for women and the impact of career breaks (particularly for maternity leave).

For the most part, those employers who have previously conducted an EPR are committed to repeating them.

The most common motivation for conducting an EPR is to be seen to be a good employer (mentioned as the key reason for 72 per cent of EPRs). Smaller numbers stated specifically that they saw it as good business sense (this was the main reason for 20 per cent of EPRs).

When those employers who had not conducted an EPR and did not have one planned were asked why they had not conducted a review, the reason most commonly given was simply that they believed that their pay systems were not discriminatory (92 per cent stated that this was the case). Such employers may need to be persuaded by communications that reference the fact that bias can be 'inadvertently' introduced into pay systems, particularly in cases where individuals are conducting different work of equal value.

Pregnancy discrimination in London

Research by the Equal Opportunities Commission in 2005 found that 30,000 women each year lose their jobs because of their pregnancy and that 'more than seven in ten pregnant women treated unfairly at work are suffering in silence'. Research for this report estimates that upwards of 13,000 women in London each year are affected by this discrimination.

In estimating the costs of such discrimination, we have concentrated on two key areas:

- Dismissal – where a woman reports that she was made redundant, dismissed, or treated so poorly that she had to leave work;
- Financial loss – where a woman reports that she has experienced a financial loss because of her pregnancy through not being considered for a promotion, having her salary reduced, receiving lower pay rises than colleagues, or not receiving non-salary benefits while pregnant, on maternity leave or on the return to work.

We estimate that the cost of pregnancy discrimination in London is at least £18.3 million and possibly as high as £54.3 million per year – equal to between 11 per cent and 16 per cent of the total costs in the UK. Owing to sample size limitations for London

alone, analysis of London and the South East as well as the whole UK was also undertaken. This showed that 25,000 women in London and the South East were affected by one of these two types of pregnancy discrimination, with a total cost of between £70 million and £118.3 million.

Both pregnant women and their employers suffer financial penalties from pregnancy discrimination:

- Included in the estimated cost to employees of pregnancy discrimination are the costs of loss of earnings due to job loss, losses of relative earnings after returning to work and costs associated with taking a discrimination case to an Employment Tribunal (ET).
- The most readily identifiable costs to employers relate to: costs resulting from increased labour turnover and recruitment; redundancy costs (where applicable); costs related to ETs (where applicable) and legal advice.

Table 2 summarises the overall estimated costs of pregnancy discrimination. Adding up the costs to both employees and employers results in the overall cost of pregnancy discrimination in London being between £18.3 million and £54.3 million per year.

Table 2: Estimated overall cost to employees and employers

	London	London & South East	United Kingdom
Costs to Employees	£0.25m	£39.3m	£79.7m
Costs to Employers (lower estimate)	£18.0m	£30.7m	£89.9m
Costs to Employers (higher estimate)	£54.0m	£79.0m	£260.3m
Total Cost – lower	£18.3m	£70.0m	£169.5m
Total Cost – higher	£54.3m	£118.3m	£339.9m

6 Legislation and policy

In considering legislation and policy issues this year, we concentrate mostly on solutions at the level of legislation. This is because of the focus that there has been in the last year on the Discrimination Law Review and the potential for proposals for a Single Equality Act to come forward in the next year. Now is an important moment to address the barriers to women's equality in the economy and deliver on the government's commitment, through the Discrimination Law Review, to improve anti-discrimination law and its outcomes. Firmer measures to tackle the gender pay gap and the factors that contribute to it could include mandatory pay audits, equality provisions to be embedded in procurement, steps to help reduce occupational segregation, positive action and other measures to help break the glass ceiling and reduce the pay divide.

Private sector employers are not currently required to scrutinise recruitment, employment and promotion structures to see what patterns of discrimination they may contain, much less address them. This contrasts with the obligations that cover the public sector: as a result of the Gender Equality Duty (GED), which came into force in April 2007, public authorities in England, Wales and Scotland must demonstrate that they are promoting gender equality for women. It is ironic therefore that, as research earlier in this report shows, the gender pay gap is wider in the private sector than in the public sector in London. Looking at whether and how to improve and level up equality requirements across sectors is clearly an issue. We discuss the possible shape of a proactive private sector duty below.

Promoting positive role models and challenging gender stereotypes is also vital. Qualitative research for the 2006 WILE report showed that employers, lecturers, local Learning and Skills Councils, the CBI, the TUC and trade unions all believe that much more needs to be done to prevent young people developing gender-stereotyped views about occupations. The research highlighted the fact that the negative impact of bad careers advice and other factors is often disproportionately larger for females than males because young women are channelled into female dominated occupations and 'female low paid jobs are often even lower paid than male low paid jobs'. Taking this on board, the draft strategy of the London Skills and Employment Board includes a proposal to 'develop an effective London careers advice service' providing 'comprehensive information, advice and guidance' including 'intensive support for particular groups such as those who regularly move between welfare and work' and to 'build on best practice from elsewhere such as ... the "Careers Voyages" website'.

However, the pay gap cannot be addressed solely by reducing the barriers to women occupying a more diverse range of jobs. The persistence of pay inequality at different income levels is also clear. This is evident in the persistence of a significant pay gap between full-time male and female median hourly earnings, or within other income bands: among London's top 10 per cent of earners there is a 32 per cent gap between women and men, for example. This gap is much wider than at UK level. This calls for measures such as monitoring of workforces to reveal what is happening in pay structures, highlight patterns of inequality and address the factors that may be contributing to them.

Only 29 per cent of London businesses have conducted an Equal Pay Review.

A modern, productive, successful economy goes hand in hand with equality. London's economic present and future depend on access to the widest range of talent and a strong skills base. The most far-sighted employers understand this and support the business case for equality.

This report puts forward the case for more robust anti-discrimination legislation because it is far from the fact that all employers are far-sighted or practising equality. At a time when the gender pay gap is wider in London than at UK level and when women remain under-represented in London's most remunerative jobs to the degree that it distorts the average pay gap, fewer than one third of London employers have undertaken an equal pay review – and of these many would fail the EOC's standard for what a review should measure. The relatively new public sector gender equality duty creates the potential for employers to plan for equality. The wider pay gap in the private sector compared to the public sector suggests that pay and anti-discrimination law improvement is an issue for the private sector. Billions are spent each year by public authorities in procuring services from private sector providers, and while it is possible for the public sector to ask contractors to uphold equal opportunities it is neither mandatory nor straightforward. The fact that 25,000 women in London and the South East are dismissed or suffer direct financial loss each year as a result of pregnancy discrimination is a significant loss to London's economy and a massive cost to the women concerned, one which current law and the penalties for breaching it are doing too little to curb.

Self-regulation clearly has its limits: employers committed to equality will act, in varying ways and sometimes with good intentions but using methods that may be less than effective; those with different standards will fail to act at all.

A Single Equality Act can introduce legislative change requiring all employers to plan for equality and take steps to avoid discrimination. This will be good for women, good for businesses and good for London's economy.

Commitment to introduce such legislation was a manifesto pledge by the present government because the weaknesses of the law at present are crystal clear. Progress towards the sort of comprehensive, levelling-up, change-focused, law that is required has been painfully slow. With further proposals and discussion anticipated in the next year, to help remove the barriers to women's equality in the economy, a Single Equality Act is the opportunity to:

- introduce mandatory equal pay audits which trigger remedial action;
- ensure law reflect the realities of discrimination in women's lives – 'hypothetical comparators' should be possible in equal pay cases, as pay inequality is often the result of women's jobs being valued less;
- allow for representative legal actions;
- introduce a mandatory equality duty in public sector procurement;
- look at how the private sector can benefit from appropriate proactive, positive legal equality duties that encourage employers and service providers to anticipate and plan for women's equality;
- support and strengthen the public sector gender equality duty by ensuring it is

properly enforced – for example, by creating a statutory duty on the public sector inspectorates to monitor public authorities for their compliance with these laws;

- strengthen the law on positive action that can help smash the glass ceiling, learning from experience in other countries;
- ensure pregnancy discrimination law is fully enforced;
- strengthen the powers of tribunals to take and enforce action against discrimination;
- help families balance work and home life by extending flexible working rights to all with children and all carers and provide carers with protection against discrimination.

Overall the law must be levelled upwards, based on concepts that reflect the realities of women's lives at work and in wider society and using tools shown to be effective in other areas of UK discrimination law and in other countries.

As has been well argued, a Single Equality Act must tackle 'the major deficiency of existing UK anti-discrimination law: its primary focus is on remedying acts of discrimination suffered by individuals after the event ... it is much less effective in ensuring that employers, public authorities and service providers take positive and active steps to ensure equality of opportunity before discrimination cases arise.

The legislation is reactive, rather than proactive in how it regulates behaviour. This lessens its effectiveness. It also can make life unnecessarily difficult for employers and service providers, who are frequently left unsure as to what they should be doing to avoid discrimination claims. A new pre-emptive focus is needed to complement the existing focus on ex post facto remedies.'

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Greater London Authority
February 2008

ISBN 978 1 84781 140 0

Published by

Greater London Authority
City Hall
The Queen's Walk
London SE1 2AA

www.london.gov.uk

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minicom **020 7983 4458**

This publication is printed
on recycled paper.