

One step back: ONS data shows gender pay gap widening

The gap between male and female earnings has widened after a long period in which differentials shrank, according to the most recent data from the Office for National Statistics (ONS). In this article we look at how the gender pay gap varies for different types of work, where it has grown and what might be influencing the trend.

After a long period in which pay differentials between men and women have been shrinking, the gender pay gap grew on both of the main recognised measures in 2013. On the ONS' preferred measure, the gender pay gap grew from 9.5 per cent in 2012 to 10 per cent in 2013, based on median hourly pay for full-time employees excluding overtime. This reverses the long-term trend for a narrowing gap, and it is the only time since the Annual Survey of Hours and Earnings (ASHE) was first used to collect the data in 1998 that the gender pay gap has risen by more than 0.1 percentage points.

The median is the ONS' preferred figure for the gender pay gap, and perhaps provides a useful picture of earnings for a 'typical' employee in the middle of a range. However, the mean (average) provides a more accurate picture of the difference in earnings between men and women, since it is more affected by extremely high wages at the top of the earnings scale, in positions in which men predominate. The gender pay gap at the mean is wider than at the median and has shown an even larger year-on-year increase, up from 14.8 per cent in 2012 to 15.7 per cent in 2013. As with the median measure, this represents the largest increase in the gender pay gap this century.

Part-time and full-time working

The picture on the gender pay gap is inextricably linked to the pay differentials between part-time and full-time employees. Although the total UK workforce is almost evenly split between men and women, figures from the Labour Force Survey

(LFS) suggest that some 42 per cent of women work part-time, compared to just 12 per cent of men.

This difference in working patterns is highly relevant to the gender pay gap. Part-time work pays significantly less than working full-time, even as an hourly wage – the median hourly rate for all part-time employees is £8.29, less than two-thirds of the median full-time rate of £13.03 an hour. Interpreted one way, the fact that so many women work part-time (mainly due to childcare commitments) means that a large proportion of the female workforce cannot reach the hourly earnings potential of their full-time counterparts. Interpreted another way, part-time wages are low overall precisely because so much of the part-time workforce is comprised of women on low wages.

At the median, women actually earn 5.7 per cent more than men for part-time work, perhaps due to the fact that such a wide range of women work part-time, including a significant number of professionals towards the middle of the earnings distribution, particularly in the public sector. Male part-time workers, on the other hand, are less likely to be in middle-earning professional roles, and are likely to be lower down the earnings scale. However the mean, which is more affected by extreme outliers, shows a 5.2 per cent pay gap in favour of men, albeit that this has fallen heavily since 2012. This disparity between the median and the mean reflects the fact that even among part-time workers, the very highest earners on wages that can skew the average are still much more likely to be men.

Hourly earnings with gender pay differences 2013				
	Men £ph	Women £ph	Pay gap %	Increase in gender pay gap 2012–13 (% points)
Full-time median	13.60	12.24	10.0	0.5
Full-time mean	16.91	14.25	15.7	0.9
Part-time median	7.95	8.40	-5.7	-0.2
Part-time mean	11.73	11.12	5.2	-1.7
All employees median	12.86	10.33	19.7	0.1
All employees mean	16.58	13.42	19.1	0.5

Source: ONS/ASHE

One other point worth considering when looking at the full-time and part-time gender pay gap is that the ONS defines full-time work as ‘more than 30 paid hours’ a week. So this could well mean that someone working a four-day week would be classified as ‘full-time.’ A four-day working pattern is a popular option for parents (predominantly women) juggling work and childcare, so it could well be that the rate of part-time working is underreported.

Gender gap at percentiles

A gender pay gap exists across the earnings range, but the largest gap is of 20.4 per cent at the 90th percentile. This means that a woman 90 per cent of the way up the full-time female earnings distribution earns less than four-fifths of what a man earns at the same point on the male earnings range. By contrast, at the bottom of the distribution, at the tenth percentile, the gender pay gap is only 6.7 per cent.

The fact that the pay gap is much wider at the top than at the bottom of the range is not new: it has long been the case that men are disproportionately represented in higher-paid jobs at the top of the earnings range. However, the 90th percentile also saw the largest increase year-on-year in the gender pay gap, rising from 18.9 to 20.4 per cent. This means that not only is the gender pay gap highest among the top earners, but it is growing fastest there too.

This increase in inequality at the top of the earnings distribution is caused by a mixture of sluggish growth in female earnings at the 90th percentile and comparatively high growth in male earnings. Mean hourly earnings for men in full-time work at this level

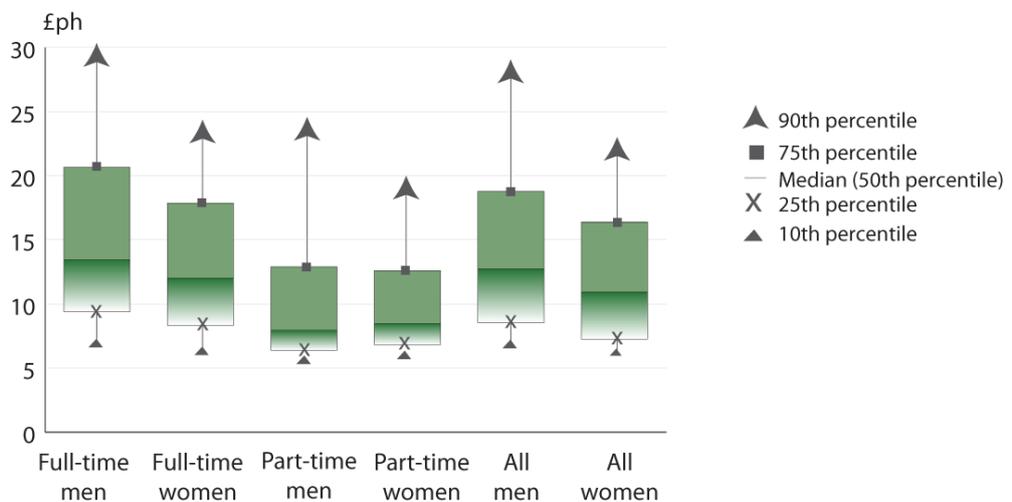
rose by 2.5 per cent from 2012 to 2013, according to ASHE, a larger increase than most other points of the distribution. By comparison, earnings for women at the 90th percentile rose by just 0.6 per cent, much lower than any other point on the distribution. It is unclear what has caused this slowdown in women’s earnings at the top, but with high-earning men suffering no similar trend, it seems to be a factor in explaining the overall increase in the gender pay gap.

It should also be borne in mind that the ASHE data is based on a sample of employee jobs, drawn from PAYE records. It therefore does not cover the self-employed or very senior professional and management roles, which are not paid through the PAYE system, roles which are likely to be heavily dominated by men. Furthermore, the fact that ASHE is a snapshot of earnings in April, after the main bonus season has finished, means the effect of bonuses tends to be underestimated in ASHE. Bonus figures are dominated by the finance sector, where the gender pay gap is highest (see below), so the likely effect of uncounted bonuses would be to expand the gender pay gap further. Taking everything into account, the exclusion of some top earners and bonuses from the count means that if anything, the overall level of the gender pay gap is very likely underestimated.

Public sector pay policy

The fact that pay in the private sector has risen faster than in the public sector in the recent period (2.3 per cent over the year compared to 1.6 per cent on the ONS’ headline figure from ASHE) partly helps to explain the rise in the gender pay gap. The majority of the public sector workforce

Distribution of hourly earnings excluding overtime, 2013



Source: ONS/ASHE

is female, meaning that public sector pay restraint disproportionately affects women's wages.

The gender pay gap in the private sector is significantly higher than in the public sector, as it has been over the past few years. Looking at mean wages for full-time employees, women earn 21 per cent less an hour than men across the private sector, compared to a gap of 13.3 per cent in the public sector. This difference partly reflects the higher concentration of women in professional and skilled vocational roles in the middle of the earnings scale in the public sector. On the other hand, it also reflects the fact that in the private sector earnings at the top of the scale are much higher, and that these roles are more likely to be filled by men.

Pay gap by sector

The gender pay gap in the finance and insurance sector remains the largest of any major industrial sector, almost double the pay gap anywhere else in the economy. At the mean, the gender pay gap in finance is 38.4 per cent. This is an increase from a figure of 36 per cent in 2012, meaning that the gender pay gap in the UK's highest-paying sector is growing.

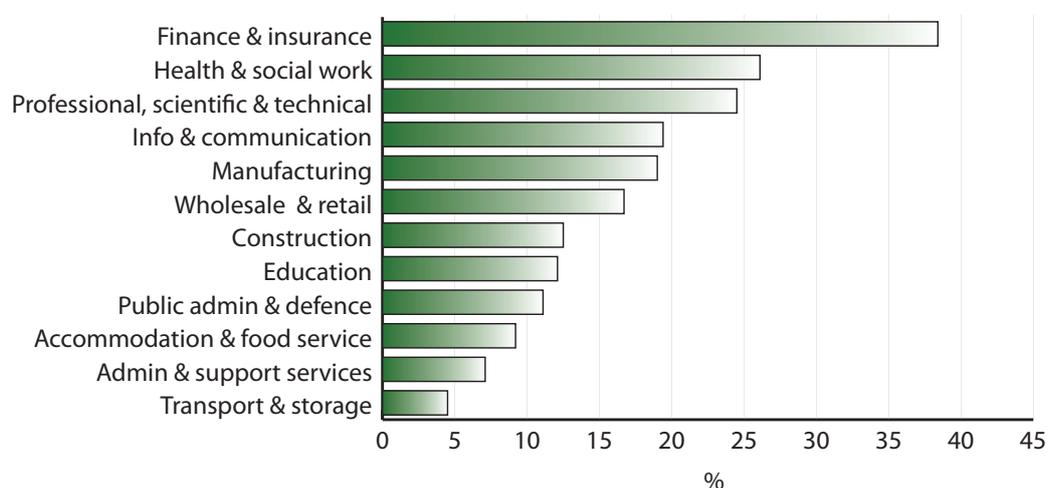
Because finance is the highest-paying sector overall, female earnings are actually higher than elsewhere in pure cash terms, despite being behind male earnings by the largest margin. Women working full-time in finance earn £14.35 an hour at the median and £18.79 at the mean, comfortably above the whole-economy averages. However, men working full-time in finance and insurance earn £23.08 an hour at the median and £30.48 at the mean, figures which rose across the year by 6.1 per cent and 7.1

per cent respectively. This means that the pay gap in finance is not driven so much by low-waged female work as by very high and growing rewards for male employees, coupled with the fact that men dominate in the top-earning jobs, where rewards are greater than almost any other area of the economy.

Broadly speaking, the largest wage gaps are found in industries paying the highest wages, particularly at the male-dominated top end of the scale. For example, the gender pay gap in the professional, scientific and technical industries is 24.5 per cent, driven by a pay gap of over 30 per cent in the legal and accounting activities subsector. The correlation between high average earnings and gender pay gap is generally strong, apart from in the example of health and social work. Here, a broad earnings range creates a large wage gap between large numbers of low-paid, female-dominated roles such as entry-level social work and residential care, and large numbers of well-paid medical professionals, among which men are much more strongly represented.

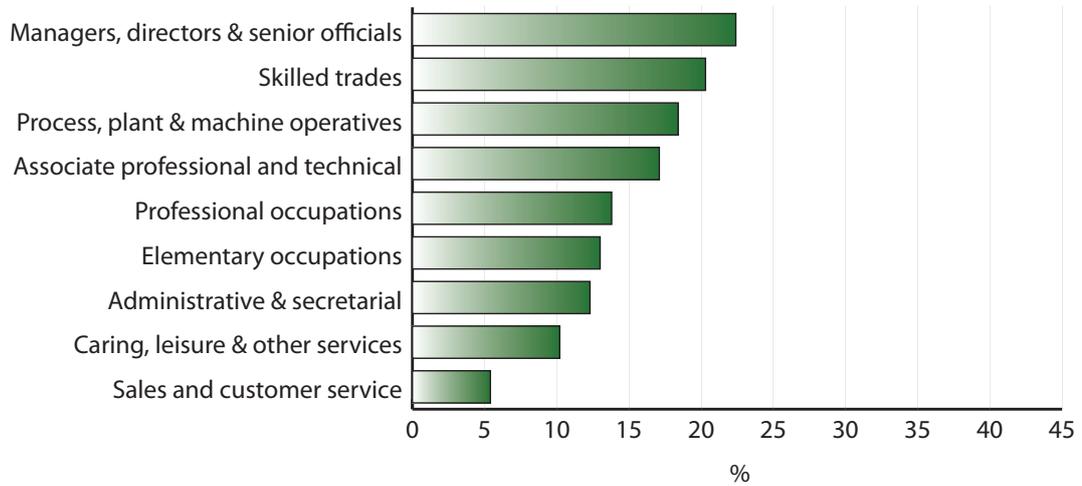
Conversely, the sectors with the lowest gender pay inequalities tend to be lower-paying overall, such as administration and support, or accommodation and food services. The exception to this trend is the transportation and storage sector, where mean earnings are only moderately below the all-employee average, but the pay gap is the smallest among the major sectors. This is driven by the land transport subsector, where women actually earn 3.7 per cent more per hour on average than men. The continued preponderance of collective bargaining in this sector may be part of the reason for this.

Gender pay gap by industry – mean full-time hourly earnings excluding overtime



Source: ONS/ASHE

Gender pay gap by occupation – mean full-time hourly earnings excluding overtime



Source: ONS/ASHE

Pay gap by occupation

Looking at the gender pay gap by occupation, the gender pay gap at the mean is typically highest in the highest-paying occupational groups. So in 2013, the mean gender pay gap for managers, directors and senior officials was 22.4 per cent, almost unchanged from the figure recorded in 2012. Other occupational groups with high gender pay gaps include the heavily male-dominated areas of skilled trades and operative work.

At the other end of the scale, the lowest gender pay gaps were recorded in low-paid occupations with a majority female workforce. These include the roles known as the five ‘c’s – catering, cleaning, caring, cashiering (retail) and clerical. Even in these jobs, however, there are significant pay gaps in favour of men when looking at full-time work – women earn more than 5 per cent less for sales and customer service roles, and more than 10 per cent less for administrative and secretarial work and for roles in caring, leisure and other services.

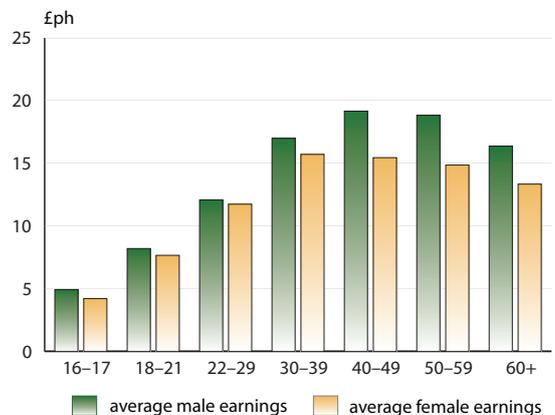
Gender pay gap by age

Looking only at full-time employees, the gender pay gap at the mean is 15 per cent for 16-17 year-olds, then shrinks below 10 per cent between 18 and 40 years old. For full-time employees aged between 22 and 29 the gender pay gap at the mean is only 3 per cent, and at the median it is slightly tilted in favour of women. However, from the

age of 40 onwards, the gender pay gap increases rapidly to around 20 per cent for all employees.

Although the pay gap is much smaller for employees aged under 40, it still favours men in every age band, at least when considering mean pay. At ages before which women typically take time out of the labour force to have children, the gap is smaller, but the fact that the mean measures a higher gap than the median is again indicative of the presence of a small number of very high earners in the workforce. At the top of the earnings scale, even before childbearing is taken into account, men are likely to make up the bulk of the highest earners.

Hourly earnings, excluding overtime, by age group for full-time men and women



Source: ONS/ASHE