

Submission to the Consultation on Tackling the Gender Pay Gap

October 2017



Women in Ireland have made significant strides in Irish society and in the economy over the past two decades. Females outperform males in education and have taken up three out of every five jobs created in the Irish economy since 1998. Yet, there remains a large gap both in terms of pay and employment as women progress through the world of work.

We in SIPTU believe the reasons for this are extensive and deeply rooted. No single action will resolve the issue overnight. Gender specific actions will help but will be inadequate to overcome this deeply rooted inequality in the Irish workplace. We will also need action that will tackle the bigger structural issues that exist in Irish workplaces.

Ireland is not unique in having a gender pay and employment gap. The key lesson from decades of analysis and from those countries where the gender pay gap is smaller is that the pay gap cannot be tackled in isolation from the employment rate. We also know that those countries that have much smaller gaps also tend to have lower levels of wage dispersion, greater levels of support targeted at both parents and a more transparent culture surrounding pay in the workplace. Furthermore, we know that these conditions frequently come about when there is a high level of collective bargaining in an economy.

We need a series of policy actions if the government is serious about tackling this issue. Real and measurable improvement depends on a systemic effort across the Departments of Justice & Equality, Business, Enterprise & Innovation, Employment Affairs & Social Protection and Education & Skills.

We set out a brief overview of the reasons behind the gender pay gap and nine key actions which we believe are critical to closing the gap between men and women in the Irish workplace.

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SIPTU's Proposals to address the gender pay gap

Workplace change

Strengthen Collective bargaining provisions and ensure greater compliance.
Mandatory gender pay reporting by companies.
Commission study on implications of "flexibility by default" in labour market contracts.
Continued increase of the National Minimum Wage (NMW).

Education and skills

Apprenticeship opportunities for older workers re-entering the workforce.
Recognition of prior learning and acquired experience.

Whole of Government Approach

Gender proof fiscal and social policy.
Gender targets for senior level of government.

Parental supports

Enhanced childcare supports & gender neutral parental policies

Understanding why we have a Gender Pay Gap

Women in Ireland have made good progress in the workplace over the past two decades. Female employment increased by almost 60% in the boom years between 1998 and 2008 and the labour market participation rate increased by more than a fifth over the same period.¹

Yet, there is both a gender gap in terms of pay and employment as women progress through the world of work. In the first half of 2017, there was an employment gap of 10.75% between males and females. Eurostat report that Ireland had a gender pay gap in 2014 of 13.9% and was ranked 11th amongst EU member states.²

The gender pay and employment gap imposes both an individual cost to women themselves and a cost to society and to the economy. There are reduced returns to government investment into initial education, higher welfare costs and reduced productivity from the stock of human capital and skills that are available in the economy. For females themselves, lower earnings, little recognition of home based work and insufficient state supports to take up paid work erodes self confidence and reduces well being.

The reasons for this pay and employment gap are extensive; inequalities and discreet discrimination relating to parenthood status, ageism faced by those returning to work after a period out of the labour force, domestic responsibilities in caring for children, older persons and work in the home, difficult transitions from social welfare to work, weak bargaining power for workers in particular sectors, high concentrations of women in particular sectors and wide wage dispersion across workers in the Irish labour market.

The Gender pay gap - what we already know

Successive studies on the gender pay gap problem can only explain between 60% to 80% of the factors determining the gender pay gap that arises in the US and elsewhere. Motherhood, lack of access to childcare supports and disproportionate responsibility for home duties only account for part of the story.

Similarly, gender specific factors such as level of educational attainment among women, length of workplace experience for mothers, occupation and sector do not fully explain the gender pay gap. Factors relating to the structure of the labour market have a significant impact on the gender pay gap across countries. However, somewhere between 20% and 40% of the gap is, as of yet, unexplained.³

In the battle to eliminate the gender pay gap, these findings must not give cause for fatalism. Instead, it reflects that no single magic bullet will resolve the problem. Reducing the gender pay gap will require a series of actions by government, employers, the education system, women and men.

To begin to understand the pay gap in Ireland, we must first understand female employment patterns relative to males. This relates to the sectors females work in, the change in employment across sectors over time and female labour market participation over their working lives relative to males.

In their 2006 seminal study of the US wage differential between men and women, Blau and Kahn find that almost 50% of the wage gap is attributable to the occupation and the sector in which women work. In the context of Ireland, those private sector industries where females make up the majority also tend to be the lowest paid. Annual average wages in catering and hospitality were just 47% of the economy wide average in 2016 and females accounted for 55% of those working in the sector.⁴

¹Source: CSO QNHS.

²Source: Eurostat Labour Force Survey.

³Blau and Kahn (2006) find a wage differential of 20.3%, whereas Weichselbaumer and Winter-Ebmer (2005) in a meta analysis of gender pay gap studies find an average unexplained variable of around 20%.

“The Quiet Revolution”

In her 2006 paper on the change in women’s education, employment and family, Goldin describes a quiet “revolution” taking place among women in the US labour market.⁵ Ireland has not experienced the same transformation in terms of gender share of economic sectors as seen elsewhere. However, since 1998, the female employment rate increased by a quarter and was just over 60% in the first half of 2017. There are now more women in each economic sector except agriculture and industry, but the bulk of the increases since 1998 have been in sectors traditionally dominated by females. More than one quarter of those new jobs (26.5%) between the first half of 1998 and the first half of 2017⁶ have been in the health sector alone.⁷ Public administration, defense and social security has been the one sector which transformed from being male dominated with over 62% as a share of that employment in the first half of 1998 to 48% in the first half of 2017. Conversely, the administrative and support services sector has changed from having a majority female share to majority male share over the same period.

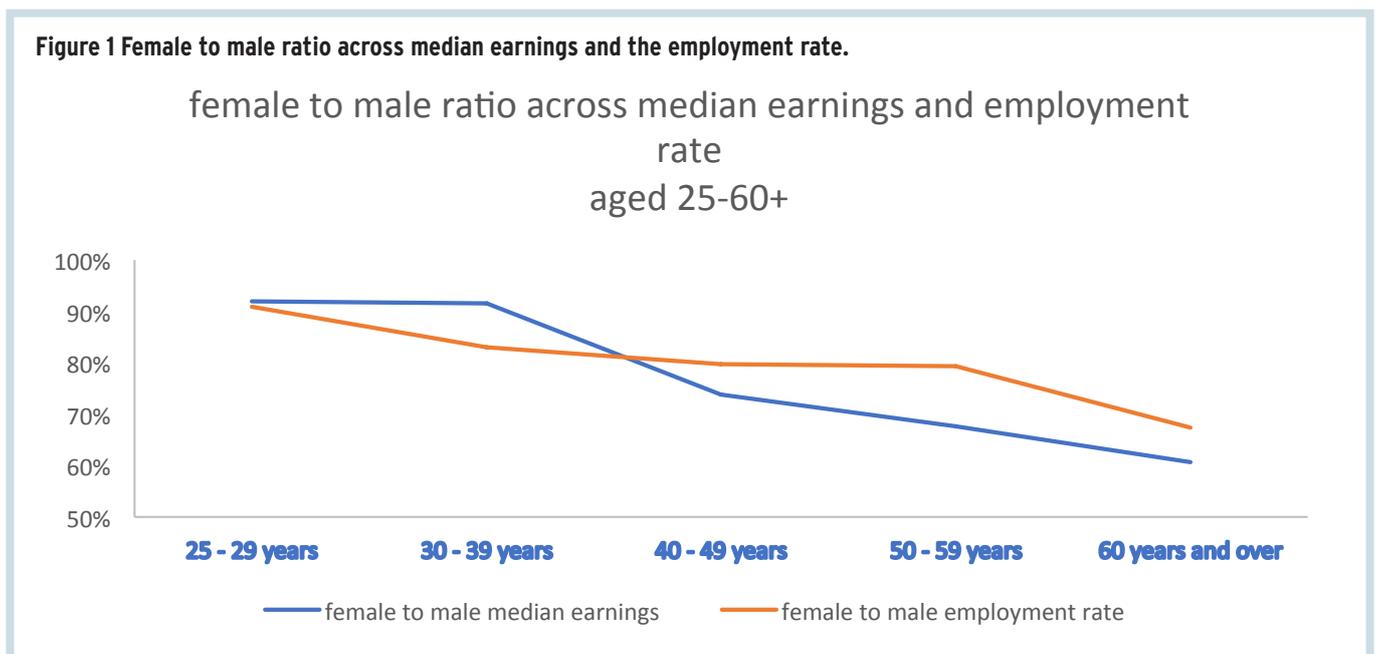
Notwithstanding this progress, female employment and earnings remain hugely inferior to that of Irish men. The median pay gap in the public sector is narrower at 18% (unadjusted for full time and part time work) compared to a much larger (unadjusted) gap of 37% in the private sector in 2014.⁸

It’s not just motherhood

All too often, the gender pay gap is largely attributed the so called “motherhood penalty”. However, figure 1 below highlights that females start their working lives earning less than men. The average age for first births in Ireland is over 30 (31 in Q1 2017), so the so-called “motherhood penalty” should not feature at the start of a female’s careers.

Employment rate and earnings are typically highly correlated so it is no surprise that female median wages are also behind those of men. Of those registering in Irish higher education institutions, men account for 51% but a higher drop out rate means that more women than men graduate each year.⁹ Yet at the age of 25, the female employment rate is almost 10% less relative to males. Some of this is due to higher numbers of females undertaking masters degrees and PhDs, which in turn delays entry into the labour market. However, figure 1 below shows no impact on the pay gap from a flow of higher skilled females into the labour market between the ages of 25-30.

Figure 1 Female to male ratio across median earnings and the employment rate.



Source: CSO Earnings data based on administrative sources, 2014 and QNHS

⁴ Source: CSO Earnings and Labour Costs, QNHS

⁵ Goldin Claudia (2006). The Quiet Revolution that transformed women’s education, employment and family. NPER working paper no. 11953.

⁶ Source: CSO QNHS.

⁷ Ibid

⁸ Source: CSO earnings data using administrative sources.

⁹ HEA (2017). A study of progression in Irish Higher education institutions 2013/2014 and 2014/2015.

The second key feature in Figure 1 is the decline in the employment rate after the age of 30. This coincides with females' peak fertility years and plateaus until the age of early retirement at 50. In contrast, the dip in the female to male earnings ratio takes place at a later stage. It dramatically dips after the age of 40 suggesting that access to promotions, pay increases, job mobility and a drop in full time hours may be at play here.

Francesconi and Frank (2005) in a study on the financial impact of promotions based on data from the British Household Panel Survey (2005) found that women do not do as well financially out of promotions as men do, when all other factors are controlled for. Arulampalam et al (2005) suggest that while the procedures for promotions within organisations tend to be typically well defined, the post- appointment negotiation and use of discretion as to the point on the pay scale may not.¹⁰

It's not just about women

Blau and Kahn (2006) also find that over 10% of the gap was due to labour force experience while 3.5% of the difference was due to union recognition. Countries with higher levels of unionisation and more centralized or co-ordinated bargaining tend to have the lowest wage dispersion (Blau and Kahn, 1992,1996,2003, Boeri, Brugiavini and Calmfors, 2001) and those with the lowest wage dispersion (between the lowest and the highest earners) tend to have less of an earnings gap between men and women in the labour force. These are important structural factors which suggest that narrowing the dispersion of wages between all workers is key to reducing the gap between men and women. The implication is that there is a need for a stronger collective bargaining mechanism across female dominated sectors such as hospitality, childcare and homecare/healthcare.

What to do about it

SIPTU is very clear- the gender pay gap will not be eliminated unless radical action and systemic change is undertaken. Successive studies have shown that gender specific actions to reduce the gap do help, but do not fully resolve the problem. Real and measurable improvement depends on a systemic effort across the Departments of Justice & Equality, Business, Enterprise & Innovation, Employment Affairs & Social Protection and Education & Skills. We believe that the following actions are critical to closing the gap between men and women in the Irish workplace.

Strengthen Collective bargaining provisions and ensure compliance with existing legislation

Well known studies have shown that countries with higher levels of co-ordinated bargaining tend to have lower wage dispersion and those with lower wage dispersion tend to have less of an earnings gap between men and women in the labour force, (Blau and Kahn, 1992,1996,2003, Boeri, Brugiavini and Calmfors, 2001). Government must enforce existing legislation and strengthen collective bargaining provisions so that workers across all sectors and particularly in the low paid sectors can engage in co-ordinated bargaining for the betterment of pay and working conditions for all those in the sector.

A first step must be to support and facilitate the functioning of the wage bargaining systems that were promoted by the last Government and enshrined in legislation by the Oireachtas. As part of the operability of the Industrial Relations (Amendment) Act 2012, government listed six, typically low paid, sectors that were appropriate for establishment of a Joint Labour Committee so that employment regulation orders could be negotiated for the sector.¹¹ To date, the Government has done nothing to support or facilitate the operability of these mechanisms.

If government is serious about addressing the gender pay gap, it must start by ensuring these Joint Labour Committees are established. The hospitality industry in Ireland has the highest concentration of low paid female workers. SIPTU is calling on Government to support the establishment of a JLC to secure and improve the pay and conditions of those working in the sector. Since, 2011, the Government has subsidised the sector by €2.2bn via preferential VAT treatment. SIPTU has repeatedly called on Government to make the reduced VAT rate, applicable in the hospitality industry, subject to a requirement that employers would participate in the Joint Labour Committee for the sector. Preferential tax treatment must entail a degree of obligation, social or otherwise.

¹⁰ Arulampalam et al. (2005). Is there is a glass ceiling over Europe? Exploring the gender pay gap across the wages distribution. ISER Working Paper Series No. 2005-25.

¹¹ The six sectors were Contract Cleaning, Security, Hotels, Contract Catering, Retail Grocery and Hairdressing.

Continued increase of the National Minimum Wage (NMW)

Female workers are disproportionately represented among the low paid in Ireland and in sectors that are typically low paid. Increasing the NMW at a faster pace compared with median wage growth will typically compress wage dispersion between the lowest paid and those on the median wage. SIPTU believes that an increase in the NMW to align it with a “Living Wage” is critical to boosting the pay of the lowest paid female workers and reducing the overall gender pay gap.¹²

Over 10% of all employees in the Irish workforce earned the NMW or less in 2016, with females accounting for over 54% of these workers.¹³ More importantly, females account for an even greater share of employments paying just above the minimum wage in sectors such as the caring and leisure sectors, the secretarial and administrative sectors and sales and customer services. Data from the CSO’s Quarterly National Household Survey shows that women outnumber men by almost 5 to 1 in the caring and leisure occupations. They account for 78% of the administrative and secretarial and 65% of the sales and customer occupations.¹⁴

Introduce a culture of “flexibility by default” into the Irish employment contracts

The UK House of Commons Select Committee on Women and Equalities published a major report in 2016 on the gender pay gap. It argues that the right to flexible working hours is considered as vital to women remaining in the workforce. However, it is clear that the offer of part time work should not be equated with flexible working. It is not a solution in terms of addressing the pay gap, it typically stymies career progression and leads to segmentation of the workforce within the organisation.¹⁵ Instead, the Select Committee proposed measures to bring “flexibility by default” into the labour contracts, thereby moving away from a culture of presenteeism towards a system of where workers are judged by their outcomes and not their attendance.

In the context of Ireland, legislation could be introduced, carefully balancing the right to flexibility with safeguards protecting against exploitation. As a start, SIPTU calls for a study to be commissioned as to how this right might operate in Ireland.

Childcare supports and gender neutral parental policies

The childcare sector features two aspects of the gender pay debate, both as an employer and as a service provider. The issue of additional childcare supports to assist working parents cannot be dealt with in isolation from the issue of childcare workers pay. For this to happen, SIPTU is calling for an increase in State spending to 1% as a share of GDP, in line with best practice among OECD countries.

More specifically, in terms of supports to working parents and to mothers to remain in the workforce on a full time basis, SIPTU believes a number of key changes to parental leave and benefit need to be introduced.

The “motherhood penalty” is only partly to blame for a lower female employment rate. However, the key to resolving this is not to exclusively focus an increase in supports to mothers. Blau (2011) highlights the importance of moving towards gender neutral parental policies and away from so called “mommy” focused policies such as the offer of part time work (which typically institutionalises low pay) and prolonged periods of leave (which after a period of roughly two years will negatively affect future lifetime earnings potential).¹⁶ In the UK, the Select Committee (2016) recommended the introduction of dedicated paternity leave (or second parent) of 3 months at a replacement rate of 90% normal earnings.

SIPTU calls for the introduction of parental leave to be brought beyond the existing maternity leave of 26 weeks to one year and for this to be shared between both mothers and fathers. To ensure a high take up, the rate of State support must be increased and a link must be established with earnings.

Support for re-entry back into the Labour Force

The negative impact of a sustained period out of work on the probabilities of re-entry into the labour market is well understood. Major reforms within the Department of Social Protection during the years of the crisis improved supports for the unemployed to re-enter the workforce. However, supports now need to be targeted at those outside the labour force. As discussed above, there is a significant drop off in female labour market participation after the age of 45.

¹² The Living wage as calculated by the Living Wage Technical Group, Ireland.

¹³ Source: CSO QNHS data based on average of Q2-Q4 2016.

¹⁴ Source: CSO QNHS Q2 2017.

¹⁵ 2016 UK Selection Committee.

¹⁶ Blau Francine D. (2011). The US Gender Pay Gap, Going Going... But Not Gone. Presentation to DIW Berlin, Sept. 2011.

A first step must be to open up apprenticeships to older workers. For these to be attractive to older persons re-entering, there must be a system of recognising prior learning and experience and this must be reflected in the apprenticeship pay rates.

Government needs to lead by example

A change in culture cannot be left to chance. Gender quotas must be introduced within the government. In their submission to the Low Pay Commission on the preponderance of females on the national minimum wage, ICTU highlighted that women are severely underrepresented in senior levels of Irish public service, accounting for just 33% of senior grades.¹⁷ Already, the EU Commission has introduced a target that by 2019, 40% of its middle and senior management will be female.¹⁸ The Irish government must enact this target for its civil and public service.

Mandatory gender pay reporting

In 2014, the European Commission issued a recommendation to member states to enact a number of measures to increase wage transparency. So far, it appears that the Irish government has failed to respond to this.

SIPTU is calling on the government to support the passing of the Irish Human Rights and Equality Commission (Gender Pay Gap Information) Bill 2017 through the Oireachtas. This legislation would mean that companies with a staff of 50 or more must make periodic reports comparing the median and mean wages (basic wage and bonuses) of their female and male employees, along with the distribution of earnings per gender within the organization and share of workers earning a bonus.

Gender proofing government policy

The government must act to implement its commitment in the Programme for Government to gender and equality proofing within the new independent fiscal and budget office. Almost half of all OECD countries undertake some form of gender proofing. Those countries with the most developed gender proofing systems typically employ a number of gender proofing tools.¹⁹

SIPTU believes that if government is to proactively tackle the issues and inequalities facing females in the labour market, in the social welfare system, in the education system and in other areas that are shaped by public funding, then a “needs based” system of gender proofing must be one of a suite of gender proofing initiatives. This goes beyond passive ex-post or ex-ante analysis of the effects of budgetary and fiscal decisions on females. Instead, budgetary allocations are made based on a prior assessment of gender needs.

To date, Norway, Netherlands, Mexico and Austria undertake needs based gender budgeting but any assessment of their impact is limited, as these initiatives are in their infancy. SIPTU calls on the government to commission a report on the international experience of this to consider its possible impact relative to other forms of gender budgeting.

¹⁷ ICTU (2016). Submission to the Low Pay Commission on the preponderance of females on the national minimum wage.

¹⁸ European Commission (2016). Strategic Engagement for gender equality 2016-2019.

¹⁹ OECD (2017). Gender Budgeting in OECD countries.



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