Accounting for gender inequalities in the UK workplace; regulations and corporate disclosures

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Abstract

In virtually all countries, women's pay is seen to lag behind that of men, despite progress over the last 40 years or so in establishing the legal principle of equal pay for work of equal value, and despite rising female educational attainment. This paper reviews some of the historical regulation around gender pay gap and issues in improving corporate disclosures on gender. It argues that the differences in gender pay gap is more complex than pay differences and emphasises the need to carry out further accounting research on the new gender pay gap regulations in the UK.

[Keywords]: Accounting for gender; corporate disclosures; gender inequalities; gender pay gap; regulations

INTRODUCTION

In recent years, the UK has been pursuing a rigorous agenda of closing the gender pay gap (GPG) supported by the introduction of statutory reporting of GPG information [The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 and The Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017]. It made it statutory for organizations with 250 or more employees to report annually on their gender pay gap. Relevant organisations are required to publish all employees mean and median pay gaps, and for its bonus as well. as the proportion of men and women within each pay distribution quarter and that of its bonus. Eurostats (2018:25) reports that the UK has a high GPG of about 21%, compared to other European countries. This paper reviews some of the historical regulations around gender equality, issues and challenges in ensuring equalities between genders, and corporate disclosures on gender.

Historical Context

The equal opportunity laws in UK mainly emanates from European Union (EU) directives and treaties. The fundamental concept on Equal Pay was established in the European Community’s Equal Pay Directive, which states that “each Member State shall ensure that the principle of equal pay for male and female workers for equal work or work of equal value is applied” (Article 141, The EC Treaty). It made it unlawful for females to be paid less than men for the same work and highlighted the need for the criteria of “work of equal value” (Rubenstein, 2000). Since this directive, there have been different statutes and case laws that have modified and emphasised the original law (O’Reilly et al., 2015).

Regulations 2003, The Employment Equality (Age) Regulations 2006, The Equality Act 2006, Part 2 and the Equality Act (Sexual Orientation) Regulations 2007, which have now merged into the Equality Act 2010 (The Equality Act, 2010). Subsequently, the Think, Act Reporting framework was introduced in 2011, while it sought to encourage gender equality in recruitment, retention, promotion and pay and voluntary disclosures of this, however only 250 companies signed up (Think, Act and Report, 2013). However, the UK approach to equal opportunities has been criticised as 'liberal' (Jewson & Mason 1986) or the “short agenda” (Cockburn 1989), as there is increased focus on fairness of employer procedures rather than outcomes.

Other global initiatives are the Global Reporting Initiatives (GRI) Sustainability Reporting Standards, GRI 401 Employment and GRI 405: Diversity and Equal Opportunity, which are some of the global reporting standards initiated to encourage employers to measure their performance in relation to gender issues thus ensuring corporate reporting that is rooted in public interest (Transparency and Gender equality, 2018). In furthering the equality agenda, gender issues are considered to have a significant impact in ensuring sustainable development goals.

Following on these regulations and initiatives, organisations have been seen to adopt formal diversity and equal opportunities policies that promote an enabling work environment for women’s progression (Grimshaw et al, 2002). Flexible working patterns, part time work and legal rights such as ability to take paid paternity leave, unpaid parental leave have also been introduced (Kingsmill, 2001).

**Gender Pay Gap Factors**

Gender Pay Gap have been noted to be caused by individual characteristics such as women’s social status as supplementary income earners, women’s education qualifications (Rubery and Grimshaw, 2015), and “motherhood penalty” (Gender Pay Gap reporting, 2019) which interrupt women’s careers and negatively impact on their earnings due to most mothers re-entry into the workforce as part-timers to help cater to childcare needs (Blackwell, 2001).

Other factors such as the concentration of certain sex in particular occupations (horizontal segregation) or at different levels within the same occupation (vertical segregation) as well as
starting pay inconsistencies (Neathey et al., 2003) have influenced GPG. Internal work practices such as job performance evaluations have been characterised by excessive targets and long working hours requiring women with children or that have caring responsibilities from being unable to commit that amount of time to their employment hence limiting or restricting the occupations or opportunities they can take (Anderson et. al, 2001). Goldin (2014) argues that the gender gap in pay would be considerably reduced and might be wiped out altogether if firms did not have an incentive to unreasonably reward individuals who worked long hours.

As such most theories argue that gender inequality is reduced once the pay gap is ‘adjusted’ for differences in individual characteristics (education, experience, etc.). Thus, GPG differences are currently un-attributable to characteristics other than ‘being female’ (Goldin, 2014), it suggests that direct and indirect discrimination in the organisation of work continues to play a substantial role in impacting the pay gap and causes many women to ‘downgrade’ their employment in order to balance work and caring commitments. As such, GPG is far more complex than the payment of different wages for the work of the same value, that gap was addressed and largely alleviated by the Equal Pay Act 1970.

**Gender Pay Gap Regulations**

The regulation of the labour market is a contentious area of public policy debate as they influence internal work practices in relation to employment contracts, set boundaries for wages and benefits, hours, and working conditions, as it aims to protect workers and redistribute income. These regulations have often been influenced by labour market imperfections: imperfect information, and uneven power between employers and workers (Betcherman, 2015). Thus, there is the need for an “optimal institutional framework” that regulates the labour market (Hayter, 2011).

In the UK a publicly signed statement is now required to demonstrate commitment to gender equality to internal stakeholders and increase credibility and trust amongst external stakeholders. There have been more than 10,000 reports filed in 2019 (Gender Pay Gap reporting, 2019). These GPG regulations, the data published, have by far prompted a lively debate on the gender pay gap and the role of transparency in tackling pay inequalities, with more calls to government to strengthen the regulations (Dromey and Rankin, 2018: BEIS 2018), and to expand pay
transparency to other protected characteristics such as ethnicity and disability gaps (McGregor-Smith, 2017; Adams et al., 2018) and include analysis of part time and full time gaps.

From review of 13th Session GPG 2019 report, the main causes of gender pay gap have been identified as maternity penalty, part time penalty, behavioural issues such as women not confident enough to apply for certain roles. While it encourages businesses to be aware of this as part of the support provided to returners and their promotion policies, studies have revealed that, within organisations, it is generally harder for women to move up the ladder, mainly caused by concentration of women in Admin/HR roles. It was noted that the prevalence of part time roles has been a principal reason for the gap, “motherhood penalty” the term coined for the negligible increase in pay for women returning to work part time and a 7% gap for women returning full time without children. The report also highlighted that the educational gap has been closed with other further studies indicating that this has been reversed, however this is not yet the case for GPG (Gender Pay gap reporting, 2019).

Most organisations have been shocked by their own figures and have now focused their attention to addressing the issue. While issues were noted of flawed and inaccurate data which impedes a reliable analysis, the reputational damage by the publication of figures have been seen to be effective to spur actions in organisations. A case in point was the disclosure of huge pay differences in BBC (BBC, 2018), which was a catalyst for that organisation to address the unfairness in its own practices.

**Accounting for Gender Inequalities**

Following on the gender equality debate and the introduction of the Equal Pay Act, gender begun to gain attention in the accounting literature by the late 1980s (Broadbent and Kirkham, 2008; Haynes, 2008; Parker, 2008; Siboni et al., 2016). Gender as a construct mainly relates to both men and women, however, the body of literature relating to gender research within accounting mainly focuses on the exclusion and oppression of women (Haynes, 2008), while highlighting the history of women’s struggles in modern day organisational practices (Haynes, 2017). Social definitions
surrounding biological differences has been seen to impact gender relations in the organisation and profession (Haynes, 2017).

According to Haynes (2017:110), “women have made strides in developing their presence in the accounting profession, yet inequalities remain. There may be some areas to celebrate, such as the greater inclusion of women in accounting, but at what cost? The need to address gender inequalities across both genders and in all parts of the world, developed and developing, means that the role of accounting and the profession in perpetuating inequalities on gendered lines and on a global scale remains a serious concern”.

**Corporate Disclosures and Gender Pay Gap**

Early research on corporate disclosure practices relative to equal opportunities in relation to women’s employment issues were mainly voluntary (Grosser et al., 2008). The reports produced by corporations have shown significant disparities in their content preventing comparison (Adams et al., 1995). Disclosure were also identified as ideological weapons rather than facts misleading information on gender inequalities (Tinker and Neimark, 1987). Previously, UK has used an entirely voluntary approach to disclose on issues related to women in the workplace in comparison to Australia and the US (Grosser et al., 2008). The recent UK regulation on disclosure on GPG, shows that the UK is keen on addressing pay differences that exist in companies and ensuring its transparency to the outside world or stakeholders. This new regulation has opened the discourse around pay transparency, albeit only limited to companies that fall under the category of more than 250 employees thus limiting the reach of the regulation (Bergmann et. al, 2018). Regulation on disclosure has a potential to influence corporate actions to ameliorate gender inequalities as they serve as prompts or alerts (Grosser et al, 2008; Trotter et. al, 2017). These regulations on pay related transparency enables organisations to perform a self-reflection on any existing gender, racial or ethnic-based pay gap in their organisations, and work towards improving them (Trotter et. al, 2017).

Critics continue to burden big businesses for not being accountable enough or inadequately transparent, and corporate reporting in the UK, in relation to gender disparities reporting have been voluntary in nature (Grosser et al., 2008). It is no doubt that companies now invest heavily in
time and money to comply with increased levels of regulation and expectations of better-quality corporate governance. Yet the drive to make companies more “accountable,” either through legislation or voluntary compliance with guidelines, has been slow to inspire confidence among investors and other stakeholders.

According to Grosser and Moon (2008), the extent to which external reporting by UK best practice companies includes performance information about gender equality in the workplace is minimal, they recognise the importance of government regulation on the disclosure of ‘mainstream’ information including gender; whilst also emphasising low level, non-generalisable improvements in practices of gender reporting, and factors responsible for the non-disclosure of gender information available internally to organisations. They added that there is a need for more disclosure on corporate human capital reporting, emphasizing the performance in relation to flexible working conditions.

**Conclusion**

GPG issues are far complex than just pay differences, it represents a major issue that needs to be investigated more extensively for at least two main interrelated reasons: the seriousness of gender gap issues, and the need for increased transparency and monitoring of actions in this regard. From this perspective, the research into the nature of GPG reporting in companies is essential to reinforce corporate accountability and transparency. There is need for further research on the impact of the new regulation on practices of disclosure on gender equality, particularly, in drawing distinctions and parallels between compulsorily disclosed information and ‘best-practice’ in voluntary reporting.
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