

Public Relations and Communications Association's (PRCA) response to the Scottish Parliament's Economy, Jobs, and Fair Work Committee Gender Pay Gap Inquiry

Executive Summary

- The gender pay gap can be defined as the difference in average earnings between men and women. Importantly, the gender pay gap is not the difference in pay between men and women for the same job as this practice is prohibited under the *Equal Pay Act 2010*. The following ONS formula to calculate the gender pay gap is the most comprehensive: $100 - [(median\ female\ hourly\ pay / median\ male\ hourly\ pay) * 100]$
- There are several reasons for why the gender pay gap exists but the following factors are the most common causes: part-time work, type of occupation, and having and caring for children. Organisations can break down their gender pay gap by job level and age to develop a greater understanding of where the gender pay gap lies as it tends to manifest itself in senior occupations. The PR and communications industry is an interesting example as women represent 64% of the industry yet there is also a £9,111 pay disparity by gender. In addition to this, women only make up 36% of partners and 41% of managing directors in the industry.

Introduction

- The PRCA is the UK professional body representing PR and communications practitioners. Our membership includes consultancies (including around 75% of the "PR Week Top 150"), in-house teams (including banks, charities, and the entire Government Communications Service), and also individual practitioners. We represent around 380 consultancies and 280 in-house teams. We are the largest association of our type in Europe with over 20,000 members.
- The PRCA published the *PRCA Gender Pay Gap Report* in September 2016. In this report, we published our gender pay for the very first time and have committed to annual gender pay gap reporting. This report also provides a step-by-step explanation of how the gender pay gap can be calculated. The PRCA's work on the gender pay gap started in August 2015 with the launch of our joint survey with PRWeek to gauge the industry's views on voluntary disclosure. The industry overwhelmingly agreed that the publication of gender pay gap information would encourage employers to take positive action on the issue. Moreover, nearly 80% said that the industry should voluntarily adopt a lower limit than the 250 employee limited proposed by the Government. Following this, we submitted a joint consultation to the Government Equalities Office on closing the gender pay gap¹ in September 2015.

1. What are the strengths and limitations of the different definitions of the gender pay gap?

When discussing the gender pay gap, it is important to clearly state what the gender pay gap does not represent. There is a common misconception among the public and the media that the gender pay gap represents a difference in pay between men and women for the same job. This is simply incorrect as the *Equal Pay Act 2010* prohibits employers from paying women less than men for the same job. Rather, the gender pay gap represents the difference in average earnings between men and women which can be caused by a number of factors discussed elsewhere in this response.

¹Published September 2015 by PRCA. Accessed here: <http://www.prca.org.uk/sites/default/files/Consultation%20Response%20-%20Closing%20the%20Gender%20Pay%20Gap.pdf>

The PRCA uses the ONS definition of the gender pay gap, which is the difference between the hourly earnings of men and women as a percentage of men's earnings. In the PRCA's gender pay gap report², we opted to use the following ONS formula to calculate our gender pay gap: $100 - [(median\ female\ hourly\ pay / median\ male\ hourly\ pay) * 100]^3$.

The median single figure pay gap is more comprehensive than the mean single figure pay gap. The median figure, which is the midpoint in all employees' hourly rates of pay, tends to better capture the inequalities experienced by the majority of women within an organisation. In contrast the mean single figure pay gap is usually skewed by very high earners or low earners which obscures the reality of the inequalities experienced by women.

It is worth mentioning that the mean does a better job of highlighting the difference between high earners which tend to be male and low earners which tend to be female, especially in the higher job quartiles. The median tends to obscure these differences but we still maintain that the median is more comprehensive than the mean.

Organisations may find it useful to use both measures as a source of comparison. *The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017* stipulate that all organisations must report the average gender pay gap as a mean average and as a median average.

2. Are current Scottish Government and Office for National Statistics (ONS) statistics adequate for policy making and scrutiny in this area?

The ONS statistics on the gender pay gap are relatively comprehensive. Their figures for the gender pay gap in the UK are based on a formula which uses median figures, the benefits of this measure have been discussed earlier in this response. The gender pay gap is also calculated for full-time employees and part-time employees, which is particularly helpful given that women are more likely to work part-time due to childcare responsibilities. The *ONS Annual Survey of Hours and Earnings 2016* report showed that the gender pay gap for part-time employees was 9.9% in 2016 compared to 9.4% for full-time employees⁴. Alongside this, the ONS also estimated that 41% of women worked part-time in 2016, compared to 12% of men working part-time. In addition, since 1997 the gender pay gap has narrowed for full-time workers but widened for part-time workers. The ONS data also reveals that the pay gap widens for women aged over 40. This data is incredibly helpful for policy making as it suggests that women drop out of the labour market in order to care for children, which suggests that employers need to ensure that women are fully supported in their return to the workforce after childcare. Given this data, the Government and employers must consider implementing flexible working policies.

In the Scottish Government's report *New Perspectives on the Gender Pay Gap: Trends and Drivers*⁵, there was a breakdown of figures by the full-time pay gap, overall pay gap, and the part-time pay gap, which as discussed earlier is incredibly informative.

² Published September 2016 by PRCA. Accessed here:

<http://www.prca.org.uk/sites/default/files/PRCA%20Gender%20Pay%20Gap%20Report%202016.pdf>

³ Published November 2015 by ONS. Accessed here:

http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/dcp171778_424052.pdf

⁴ Published October 2016 by ONS. Accessed here:

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2016provisionalresults#introduction>

⁵ Published June 2016 by the Scottish Government, accessed here: <http://www.gov.scot/Resource/0050/00502056.pdf>

This report also helpfully distributes gender pay gap information by age, sector, and occupation. The breakdown of the gender pay gap by age reaffirms the notion that women aged over 40 face a significant pay gap in contrast to their younger counterparts. This data is complemented by the figures on the gender pay gap by occupation which shows that there is a “stubbornly high pay gap” among managing directors and senior officials. Finally, the breakdown of the gender pay gap by sector shows that scientific and technical activities, financial and insurance, and manufacturing have the highest pay gap. All of this data can help the Government target the specific areas in which the gender pay gap is particularly high.

3. What reasons are there for the existence of the gender pay gap?

To assess the reasons for the existence of the gender pay gap, it is important to find out where the gender pay gap lies. This will certainly vary from organisation to organisation but general conclusions can be made. The *PRCA Gender Pay Gap Report 2016* revealed that the PRCA does have a gender pay gap in favour of men, with the median single figure pay gap standing at 9.1%.

However, when the pay gap is broken down by job level (junior, manager, director) the gender pay gap is in favour of women at a junior and managerial level. The gender pay gap is most persistent at the director level at 38.2%. It is worth bearing in mind that this figure is skewed by the Director General’s salary, removing his salary would reduce the pay gap to 18.2%.

The lack of female representation in senior management roles is also an issue for the wider PR and communications industry. According to the PR Census 2016⁶ women represent 64% of the industry yet there is also a £9,111 pay disparity by gender. The PRCA also has a similar structure to the wider industry as it generally has employed more women than men. The PRCA has employed 30 women and 12 men since the start of the 2013/14 financial year. At the start of the 2016/17 financial year, the PRCA employed 15 women and 8 men. However, women only make up 36% of partners and 41% of managing directors in the industry. This can be explained by the fact that the average age band for a director in the industry is 35-44. At this age, women start becoming responsible for childcare and start going on maternity leave. Therefore, it is possible that they are often overlooked for promotions and start working part-time. The ONS lists the following reasons as the main factors for the gender pay gap: part-time work, type of occupation, and having and caring for children. According to ONS figures the gender pay becomes wider from 40 upwards, which is likely to be connected to women taking time out of the labour market to have children.

However, the industry is making important strides in catering to women with childcare responsibilities. The annual *PRCA Consultancy Benchmarking survey* showed that only 1% of parents did not return from maternity or paternity leave. This is not surprising given that the same survey highlighted that 48% of respondents adopted maternity leave policies in excess of current minimum allowances and 74% of respondents offered enhanced maternity leave. This seems to form part of a broader staff retention strategy as 50% of agencies responding offered staff flexible working opportunities.

A useful way of examining whether a gender pay gap exists at different job levels is by dividing existing employees into the ONS Standard Occupation Classification (SOC) Hierarchy. When looking at the PR and communications industry, most organisations will contain staff from Major Group 1 (Managers, Directors and Senior Officials) and public relations professionals are by Major Group 2 (Professional Occupations) sub-group 2472 (Public Relations Professionals). This break down should be able to show

⁶ Published June 2016 by the PRCA, accessed here: <http://news.prca.org.uk/pr-census-2016-reveals-that-the-pr-industry-is-worth-129bn>

whether one aspect of the organisation is more or less equal than the other. As discussed earlier, there seems to be a more pronounced gender pay gap higher up in the hierarchy where female employees are less represented. This type of analysis allows organisations to look at their process and systems and address why the gender pay gap might be expressed differently across various groups.

Another useful point of comparison for larger organisations is the existence of the gender pay gap for each unit and region. There is the potential that different offices, structures, and management can lead to a difference in gender pay gap.

Finally, looking at the difference between starting salaries can often negate various measures to tackle the gap. A lower starting salary for women can still result in a gender pay gap. Beyond this, it is also useful to look at pay rises and bonuses that are offered to different employees. Research from Carnegie Mellon University and Harvard Kennedy School found that “when women do ask for higher compensation they make smaller requests than equally qualified men. Women tend to think that asking for what they perceive as a ‘realistic’ target is a good idea”⁷. It is important for hiring managers to be conscious of this behaviour and implement policies to combat this.

4. What are the wider economic and social benefits of closing the gender pay gap?

There are several economic and social benefits of closing the gender pay gap. There is a strong business case for closing the gender pay gap. The UK Government estimated that equalising women’s productivity could add £600bn to the economy⁸. Similarly, research from McKinsey and Company showed that companies which were delivering gender diversity at a leadership position were 15% more likely to have financial returns that were above their national industry median⁹.

Closing the gender pay gap is also strongly linked to staff retention in many ways. Employees are increasingly concerned with issues such as the gender pay gap therefore are looking to work for employers that are committed to closing the gender pay gap and offering opportunities for flexible working. Our joint survey with Women in PR and PRWeek in August 2015 revealed that 83% of respondents agreed that the publication of the gender pay gap would encourage employers to take actions to help close the pay gap¹⁰. The survey was predominantly completed by millennials (70%) in the group aged 18 – 34 years old. Finally, when asked whether the PR industry should voluntarily adopt a lower employee threshold than 250 when it comes to publishing difference in gender pay gap: 79% of all respondents said the industry should.

⁷ Contti, Giuseppe. "How Women Can Demand A Higher Salary". FT 2016: accessed online 19th May 2016: <https://next.ft.com/content/03108ea4-eab0-11e5-bb79-2303682345c8>.

⁸ Published July 2015 by the Women’s Business Council, accessed here: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/456420/DfE_WBC_Two_years_on_report_update_AW_CC.pdf

⁹ Published July 2015 by the Women’s Business Council, accessed here: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/456420/DfE_WBC_Two_years_on_report_update_AW_CC.pdf

¹⁰ PRCA, PRWeek and Women in PR survey conducted in August 2015. Accessed here: <http://www.prweek.com/article/1363965/prcapledges-action-gender-pay-gap-survey-calls-voluntary-reporting>