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The Gender Pay Gap

How does Northern Ireland compare?

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SUMMARY

“Equal pay for equal work” has become the expected norm in most western economies over the last 40 years. However in many economies women on average continue to earn less than men. While legislation may have eradicated the most obvious forms of gender discrimination, unobserved factors may still inhibit real pay equality amongst men and women in work.

Northern Ireland performs well on measures of the gender pay gap, better than the UK as a whole. Much research has focussed on the international differences in the gender pay gap and this *Research InBrief* seeks to understand why Northern Ireland performs well and what can be learnt from that.

KEY POINTS

- The overall Gender Pay Gap in Northern Ireland is 12.5%. Women on average earn 12.5% less than men.
- The Gender Pay Gap in Northern Ireland for full-time employees is zero.
- On average a woman working part-time earns more than the equivalent man.
- On average women working full-time in the private sector earn over 17% less than equivalent men.
- In the public sector, women working full-time earn on average 16% more than equivalent men.
- Over 51% of female employees work in the three industries that largely make up the public sector.
- Without such substantial female employment in the public sector it is possible the gender pay gap in Northern Ireland would be significantly wider.

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Introduction

Legislation for equal pay between men and women has been in existence for over 50 years, beginning with the US in 1963, the UK in 1970, France in 1972 and cemented by a European council directive in 1975. While legislation in every country is different, the basic principles of these acts outlaw gender based wage discrimination and mandate equal pay for equal work. However the gender pay gap, or the difference between average earnings for males and females, persists in many countries. While legislation may have eradicated the most obvious forms of gender discrimination, unobserved factors may still inhibit real pay equality amongst men and women in work.

What is the Gender Pay Gap?

The gender pay gap is the difference between the median hourly earnings of men and women. An hourly figure is used to account for differences in the number of hours worked. Even so an hourly figure still shows a significant and persistent gap because there are significantly more females working part-time than males and hourly pay for part-time positions is significantly less in most cases. Therefore most official measures of the gender pay gap differentiate between full-time and part-time. However in many countries, average full-time hourly earnings for females are still less than those for equivalent males. The most recent figure for the UK put the gap at 10%. Most research finds that this gap remains because women are on average still less likely than men to be in higher paid positions.

There have been many reasons posited as to why women do not reach the same levels of gainful employment as men; societal, environmental and even psychological. The most obvious and often cited of these is that women are more likely to opt for lower paying work, such as part-time, for family reasons. Family commitments, especially maternity leave, can also account for gaps in experience and up skilling between men and women that evolve over time and which

impinge on career advancement. However nearly all the international literature concludes that there is a significant part of the gender pay gap that remains unexplained by family factors.

Manning & Swaffield (2005) for instance focus on the UK wage gap in younger age groups, when factors such as family commitments and career breaks are likely to have least impact. Controlling for many characteristics such as education, hours worked and on the job experience, they find that after 10 years a women in continuous full time employment with no children is still likely to be 12% behind in pay compared to an equivalent man. There is no pay gap upon entering the labour market and the researchers found no plausible explanation as to why such a chasm could open up in the first 10 years. The research examined whether human capital accumulation among women was affected by their or their employers anticipation of future familial commitments. This could also affect the ability to move between jobs mid-career, a key determinant of career advancement. The paper also examined the possibility that women are less likely to push for increased wages due to psychological factors. Accounting and controlling for all these factors however still produced the 12% residual difference.

Individual characteristics are perhaps not capable of explaining this remaining gap, and international comparisons do shed some light on this. Arulampalam, Booth & Bryan (2006) look at a cross section of European gender wage gaps. They find a wide variance in gender pay gaps across countries and they put this down to institutional differences among EU countries. Childcare provision was a factor but more importantly the wage setting environment and collective bargaining in particular has a substantial effect on wage gaps. This builds on earlier work by Blau & Kahn (2001) which finds that lower gender pay gaps are generally associated with lower wage inequality among men and the extent of collective bargaining in a particular country. Specifically they find that the relatively large gender pay gap in

the US compared to Sweden is almost entirely explained by higher wage inequality and the structure of pay bargaining.

Northern Ireland

The Equal Pay Act 1970 (Northern Ireland) makes it unlawful for employers to discriminate between men and women in terms of their pay and conditions if the work they carry out is similar, equivalent or of equal value. The most recent Northern Ireland data shows that the overall gender gap has increased almost 2% in the last year (see table 1). However importantly in both full-time wages and part-time employment wages are actually better for females than for males. For full-time positions a gap of close to 4% in 2009 has now been completely reversed. In part-time, though there is quite a lot of volatility in the figures, the trend has been toward a negative gap in pay between male and female.

Table 1 Gender gap in Median Full Time Hourly Earnings by Industry

Year	Overall	FT	PT
2006	16.3	1.7	4.4
2007	12.0	2.6	-9.2
2008	10.6	2.7	-4.1
2009	14.1	3.8	-4.7
2010	9.6	-0.5	2.8
2011	9.7	-1.0	-5.1
2012	10.4	0.0	-9.7
2013	12.5	-0.7	-6.9

Source: ASHE 2013

The overall gap persists because while women working part-time may on average earn more than men, part-time jobs pay significantly less per hour depressing the overall median female wage. However the figures for Northern Ireland are substantially better than those for the rest of the UK. While more women remain in part-time, at least in Northern Ireland when women do reach full-time positions they will on average earn the same amount as men. The question does remain as to how Northern Ireland performs better than the

rest of the UK on these measures. To investigate this we can look at median full time hourly rates for the broad industrial sectors of the economy to see if there is a global equality or whether certain sectors make the difference in Northern Ireland.

Due to the small sample size in Northern Ireland, it is not possible to show full-time hourly rates for all broad sectors, but table 2 shows the gap in 12 sectors. As we can see Education has the only negative gap. Other interesting results are the small gap in Accommodation & Food, and the substantial gap in Financial & Insurance.

Table 2 Gender gap in Median Full-Time Hourly Earnings by Industry

Sector	NI	UK
Manufacturing	18.1	20.8
Electricity & Gas	51.2	30.2
Water & Waste	7.9	0.2
Wholesale & Retail	10.7	13.0
Accommodation & Food	0.3	5.2
Financial & Insurance	26.0	37.8
Real Estate	4.0	14.1
Professional	21.7	20.8
Administrative	14.2	2.9
Public Administration	11.5	13.1
Education	-4.6	10.9
Health & Social Work	7.5	17.5
Overall	-0.7	11.1

Source: ASHE 2013

The industrial breakdown does not explain why the full time gap in Northern Ireland is significantly below that of the UK. There are some sectors where the gap is smaller, larger or roughly the same, but the overall gender pay gap will reflect relative female employment in these sectors. The latest Labour Force Survey data indicate that 51% of females are employed in the combined three sectors of Health, Education and Public Administration. While these three sectors do not equate to the 'Public Sector', analysing the pay gap in terms of public and private gives some interesting results.

As table 3 shows the hourly rate for full-time in Northern Ireland in the private sector shows a gap of 17.3%, not that

dissimilar to the gap of 19.3% in the UK private sector. However while the public sector gap in the UK is considerably smaller at 9.3%, in Northern Ireland the gap is -16.2% which means that on average females working full-time in the public sector in Northern Ireland earn 16% more than the average equivalent male.

Table 3 Gender gap in Median Full-Time Hourly Earnings by Sector

	Private	Public
NI	17.3	-16.2
UK	19.3	9.3

Source: ASHE 2013

What we can say from the available data is that the reasons for Northern Ireland's success in closing the gender pay gap have been twofold. Firstly, the successful advancement of women to higher paid positions in the public sector, (to a much larger extent than at UK level) and secondly the fact that relatively more females are employed in the public sector and can take advantage of the possibility of advancement.

It is more than likely that there could be reverse causation between these two factors. The possibility of advancement in the public sector may have attracted more females into the public sector. Equally a greater proportion of females in the public sector may have given rise to the advancement and promotion of more women.

The case in Northern Ireland does reflect what some of the international literature has found. As Arulampalam, Booth & Bryan and Blau & Khan pointed out the wage setting environment is an important determinant of the gender pay gap. Pay in the public sector is almost always determined through collective bargaining which may have led to more equitable outcomes.

Whilst wages in the public sector in the UK are also largely determined through collective bargaining, the total share of public sector employment in Northern

Ireland magnifies this effect. If Northern Ireland had a public sector employment rate equivalent to that of the UK, the overall gender pay gap would be significantly wider than it is now.

Conclusion

The gender pay gap in Northern Ireland as measured by full-time hourly wages has been largely closed. While it remains in many industries, the performance of female pay in the public sector and that sectors share of total employment greatly determine the overall gender pay gap.

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