Diversity and Pay

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Pay Gaps

• Does the same work pay the same wage?

• Compulsory publication of gender pay gaps in UK since 2017

• Consultation on publishing ethnicity pay gaps in the UK

• A number of other countries publish pay gaps too

➤ Transparency as a disinfectant
Plan

- Trends in the UK labour market
- Unconditional pay gaps
- Conditional pay gaps
  - Oaxaca-Blinder decomposition
  - Goldin-type regressions
- Policy implications
UK Labour Force Survey

• 1997 – 2019

• Around 560,000 observations

• Rich set of individual and job-specific characteristics

• Representative of population trends
Higher Female Participation

Higher Educational Qualifications

Sources: ONS Labour Force Survey and Bank of England calculations.
Greater Skilled Work

![Bar chart showing the percentage of different job categories for White males, White females, Ethnic minority males, and Ethnic minority females in 1994 and 2019. The categories include Managers, professional and associates, Skilled trade, Administrative, Personal, sales and customer, Process and plant, and Elementary.](image)

Sources: ONS Labour Force Survey and Bank of England calculations.
Distribution of Pay by Gender

Sources: ONS Labour Force Survey and Bank of England calculations.
Gender Pay Gap and Participation

Sources: ONS Labour Force Survey and Bank of England calculations.
Gender Pay Gap

Sources: ONS Labour Force Survey and Bank of England calculations.
Distribution of Pay by Ethnicity

Sources: ONS Labour Force Survey and Bank of England calculations.
Ethnicity Pay Gap and Participation

Sources: ONS Labour Force Survey and Bank of England calculations.
Ethnicity Pay Gap

Sources: ONS Labour Force Survey and Bank of England calculations.
Ethnicity Pay Gaps

Sources: ONS Labour Force Survey and Bank of England calculations.

Mixed/Multiple ethnic groups
Indian
pakistani
Bangladeshi
Chinese
Any other asian background
Black/African/Caribbean/Black British
Other ethnic group

Ethnicity pay gap, per cent

Sources: ONS Labour Force Survey and Bank of England calculations.
Ethnicity Pay Gaps by Birthplace

- Mixed/Multiple ethnic groups
- Indian
- Pakistani
- Bangladeshi
- Chinese
- Any other asian background
- Black/African/Caribbean/Black British
- Other ethnic group

Ethnicity pay gap, per cent

Sources: ONS Labour Force Survey and Bank of England calculations.
Explaining Pay Gaps

• Two sets of factors
  
  ➢ Worker-specific (education, age, tenure, child-rearing etc)

  ➢ Job-specific (region, occupation, sector, full/part-time etc)

• Just because pay gaps can be explained doesn’t mean they are justified

• Educational or age differences
Decomposing the Gender Pay Gap

Sources: ONS Labour Force Survey and Bank of England calculations.
Decomposing the Gender Pay Gap

Sources: ONS Labour Force Survey and Bank of England calculations.
Conditional Gender Pay Gap

Difference in Inpay

Gender pay gap

Decomposing the Ethnicity Pay Gap

Sources: ONS Labour Force Survey and Bank of England calculations.
Decomposing the Ethnicity Pay Gap

Sources: ONS Labour Force Survey and Bank of England calculations.
Conditional Ethnicity Pay Gap

Sources: ONS Labour Force Survey and Bank of England calculations.
Conditional Pay Gaps

Sources: ONS Labour Force Survey and Bank of England calculations.
Pay Gaps

• **Education**: “pay premium” lower for women

• **Age**: “pay premium” lower for women

• **Part-time or non-permanent work**: “pay discount” larger for men

• **Children under 2**: pay premium for men, discount for women working full-time

• **Financial sector**: “pay premium” much larger for men (58%) v women (32%)
Summary Findings

- Good progress in closing pay gaps…

- … halving for gender, but less for ethnicity

- But they remain large…

- … double-digits for both ethnicity and gender and persistent

- And “explaining” pay gaps doesn’t mean they are justified

- Eg, educational differences, age differences, part-time/full-time differences, sectoral differences
Pay Gaps at the Bank of England

• 2019 gender pay gap: 23%

• 2019 ethnicity pay gap: 7%

• Why? Inadequate representation at senior levels

• Stretching targets for senior management
  ➢ Female: 35%
  ➢ Ethnicity: 13%
Future Initiatives?

- Extend UK pay gap reporting to include smaller firms
- Make ethnicity pay gap reporting mandatory in UK too
- Internationally-harmonised standards for pay gap disclosure (OECD)
- Co-ordinated central bank action to disclose pay gaps?
- Better longitudinal data to track progress of individuals
- All summary measures are imperfect – like inflation
- But publishing them imposes transparency, accountability – and action