Closing Gender Pay Gaps
Identifying roles for government and the private sector

Megan O'Donnell, Ugonma Nwankwo, Ania Calderon, and Callie Strickland

PROBLEM STATEMENT

Though progress has been made in improving women's health and girls' access to education, economic gender gaps have been much slower to close, with an estimated 250+ years until the world reaches economic gender parity (World Economic Forum, 2020). Globally, women are less likely to participate in the labor force, and the positions they do hold are more likely to be informal, part-time, and low-paid. Where data is available, it tells us that women continue to lag behind men in what they earn (ILO, 2018). Gender pay gaps are the symptom of larger inequalities and discrimination—with gaps worsening along the lines of race, ethnicity, and other demographic characteristics.

Closing the gender pay gap will benefit women, and may also bolster business performance, strengthening the global economy (Noland, Moran, and Kotschwar, 2016). Women's lower earnings perpetuate gender inequality, decreasing their independence and bargaining power (Wodon and De le Briere, 2018). Evidence from a range of countries shows that increasing the share of household income controlled by women and increasing their ability to earn income independently also benefits women's families, especially their children, by increasing investment in education, health, nutrition, and housing (World Bank, 2012).

What we know about the gender pay gap and its detrimental effects substantiates the need to develop effective solutions to address this form of inequality. The COVID-19 health crisis and economic fallout also threaten to exacerbate gender gaps, making women's advancement in the workforce more important than ever before. We believe that there is a need for better understanding across government and business actors about the underlying drivers of pay gaps, particularly for intersectional groups that will be hit hardest. Engagement and collaboration with civil society organizations and labour unions, through multi-stakeholder forums such as the Open Government Partnership (OGP) and the Equal Pay International Coalition (EPIC), can play a key role in finding mutually beneficial policy solutions that work at scale.

Acknowledging these realities, we convened a virtual roundtable to discuss how public and private sector actors can better understand and work together to narrow gender gaps in pay. To operationalize recommendations raised during the discussion, here we present 6 actions for governments that draw on principles of openness and 6 actions for businesses to champion.

SOLUTIONS FOR GOVERNMENTS

1. Lead by example: Adopt and model best practice through the public sector workforce

Public sector employment accounts for about 45 percent of all formal employment in low-income countries, and between 20 and 40 percent in middle-income countries (World Bank, 2018). Across 26 African countries, from 2009 to 2015, 36 percent of working women were located in the public sector (compared with 31 percent of working men). In Latin America and the Caribbean, women made up anywhere from 40 to 60 percent of the public sector workforce, and in the Southeast Asian context, in the Philippines, Malaysia, and Thailand, women make up over 50 percent of the public sector work-force (ILOSTAT, 2015). It follows that eliminating gender pay gaps in the public sector would go a long way toward narrowing overall gender pay gaps, both directly and through modelling to private sector firms how to take effective actions in this regard.

2. Raise the floor: Legislate a minimum living wage

Women, particularly women from minority groups, comprise a large portion of low-wage workers compared to men. Governments that set a minimum living wage—one that allows workers to ade-quately cover living costs (including food, clothing, housing, and other essential needs)—have been shown to compress the earnings distribution and reduce earnings differences across demographic groups, as demonstrated in Brazil and Costa Rica (World Bank, 2015).

From street traders to domestic workers, women make up a disproportionate percentage of workers in the informal sector. Although minimum wage legislation is rarely enforced in this sector, evidence suggests that the existence of such legislation improves wage levels through: (1) the "lighthouse ef-fect," and (2) offering a set of standards for unions to aim for when advocating for improved condi-tions for informal workers (UN Women, 2016).

3. Promote pay transparency standards: Legislate to mandate data publication on wages and overall compensation

Research shows how gender pay gaps shrink when companies are required to disclose them. A re-cent report on pay transparency legislation in Denmark found that the gender pay gap declined by approximately two percentage points (Bennedsen et al, 2019). At least ten countries have instituted some sort of gender pay transparency regulations (Gapsquare, 2019). In 2017, the UK government mandated all employers with at least 250 staff to report specific figures on the difference between what they pay men and what they pay women, though this mandate has unfortunately been put on hold in light of COVID-19 (UK Government Equalities Office, 2020). Similar mandates exist in other countries around the world, including Canada, Switzerland, France, and Sweden—and will need to be both sustained and replicated in other countries to promote equal pay across genders.

However, these efforts, and the research and evidence supporting them, have been largely concen-trated in high-income contexts. As these efforts expand, there is also a need to take a more inter-sectional approach, one that acknowledges and addresses the occurrence of pay gaps based on both gender and intersecting demographic characteristics including race, age, employment type, and sec-tor—and identify the right mix of remedies.

There are no internationally-recognized standards for measuring the gender pay gap even though the

principle of equal pay for work of equal value is addressed as part of the Sustainable Development Goals under Goal 8 ("Decent Work and Economic Growth"). The lack of transparency and inconsistency in the information available on gender pay gaps across sectors and regions combine to inhibit the understanding of its causes and effects (ILO, 2016). This slows progress in promoting gender equality in the workforce, and leaves particular groups of workers vulnerable or even invisible in published statistics.

Fortunately, given that a number of national and sub-national governments have already passed laws mandating that private firms publish data on gender pay gaps, others have the opportunity to follow suit and should prioritize an approach that reveals intersectional gaps, fits the country context, and encourages policymakers, company directors, and workers to use that data to underpin workforce equality initiatives.

4. Break the mold: Legislate to prevent companies from requesting data on salary histories

Though data transparency as it relates to wages, salaries, and overall compensation can help public and private sector actors better understand and address gender pay gaps, some data can also hinder women's ability to enter salary negotiations on an even playing field. With historically lower wages comes a disadvantage in being able to negotiate for more compensation. Recognizing this reality, some governments have made efforts to remove this gendered obstacle. USAID has committed to regulatory changes that would allow contracting officers to deemphasize the use of salary history in determining pay rates for contractors (Devex, 2019). U.S. state and city governments are also prohibiting the practice of inquiring about an applicant's salary history (Baker McKenzie, 2019), and the government of Ontario passed the Pay Transparency Act, preventing employers from asking about candidates' past compensation (Ontario, 2018). Instead, to ensure that job candidates have the information they need to assess whether a role fits their skills, experience, and financial compensation needs, firms should provide a transparent salary range for positions they seek to fill.

5. Diversify roles: Invest in policies and programs that address occupational sex segregation

Gender pay gaps within the same jobs, driven by the "motherhood penalty" women face in seeking to re-enter the workforce after caring for children, as well as unconscious bias women encounter in negotiating compensation, are important. But the largest gaps in pay do not exist between women and men working in the same types of jobs. Global gender pay gaps are in large part driven by occupational sex segregation: the fact that women and men are concentrated in different sectors and positions (Blau and Kahn, 2017). Women are more likely to be nurses, and men doctors. Women are more likely to be domestic workers and childcare providers, while men increase in numbers as (often better-compensated) teachers and professors for older students.

Governments can consider setting targets or providing incentives for firms that hire more women in men-dominated sectors and vice versa. In parallel, government investments can prioritize breaking down these barriers drawing upon evidence that pinpoints effective approaches, including the provision of male mentors, and job training and placement, allowing women to "crossover" into men-dominated fields (World Bank, 2019 & World Bank, 2018).

It is equally important to rethink how society values the work women typically perform. For individuals who want to remain in fields where women currently predominate such as childcare and nursing, efforts should be made to ensure these types of work are fairly compensated, including, as mentioned above, through the legislation of a minimum living wage.

6. See the full picture: Invest in social protection, parental leave, and public services

Globally, women assume 75 percent of all unpaid care work and spend 2.5 times more time on these tasks than men (International Trade Union Confederation, 2019). Consequently, women interrupt their careers and work shorter hours, resulting in them spending 11 hours a week less on paid work than men. These factors contribute to the gender pay gap. Governments should improve social protection schemes to account for the financial penalties that women encounter in taking on unpaid care tasks. Low-cost or free childcare services, those for older people, and people with disabilities should be prioritized and expanded. Such investments will be key in redistributing the unpaid care work that keeps many women out of the labour market, in part-time positions, or in precarious work.

Some studies also suggest that legislating for a proportion of parental leave to be taken by men may promote gender equality and reduce the pay gap by enabling mothers to return to work earlier, thereby reducing the amount of time their work is interrupted (Patnaik, 2018). Such legislation offers an opportunity for less strain to be placed on public services and social protection schemes while also increasing the participation of men in childcare. Since several countries have found that men do not take advantage of parental leave due to factors such as cultural norms and reduced compensation during leave, this legislation should operate on a "use it or lose it" basis to encourage more men to seize the opportunity (Janna van Belle, 2016).

Expanding social protection and public services is particularly important for women who work in unsafe environments. Domestic workers—who are 80 percent women—experience labour market discrimination, driven by a lack of social protection (International Labour Organization, 2016). Women in this area have more reported cases of sexual abuse and gender violence (D'Souza, 2010). The unchecked conditions in this field result in workers receiving wages significantly below the minimum, having their wages withheld arbitrarily, and are rarely paid overtime, among other problems.

SOLUTIONS FOR BUSINESS

Businesses should view pay equity and gender balance not only as moral imperatives, but as economic opportunities. Below are some suggested actions companies can take to address and eradicate gender pay gaps.

1. Ensure equal pay: Commit to and ensure equal pay for equal work

Even in the absence of a legislative mandate, businesses should voluntarily track pay across gender, race, parental status, and other demographic characteristics. Efforts to close pay gaps should include an annual audit of pay that is disaggregated by gender and other demographic characteristics. Companies might also want to consider using advanced technology platforms like Pipeline to report on equitable decision making across hiring, pay, performance, potential, and promotion. The results of these efforts should be made publicly available in order to measure progress over time and bolster trust from employees and the public.

Going a step further, businesses should explore working with governments and platforms like OGP to advocate for strong and binding legislation to ensure equal pay for equal work - as Fujitsu and Mercer did when they provided support for and guidance related to the 2017 UK Gender Pay Gap legislation.

Many companies have elevated gender parity as a core business value, like Salesforce, which in 2015

was one of the first companies to take a public stance on pay equity (Salesforce, 2017). As of April 2020, Salesforce has spent more than $12 million to address unexplained pay differences between genders, as well as between race and ethnicity in the U.S. Ingka Group (IKEA) is one of a few global companies to be a member of EPIC, an initiative led by the International Labour Organization which aims to make equal pay a reality across all countries and sectors by 2030. IKEA's goal is to achieve gender-equal pay for work of equal value by the end of 2021 (Ingka Group, 2019).

2. Overcome bias: Address bias in the system to permanently close pay gaps

The recruitment processes in many men-dominated sectors (such as financial services) are either gender-biased or rely heavily on networks, placing women at a disadvantage. A study of British recruitment advertisements found that the use of gender-biased wording in ads makes women less likely to apply. Of the 77,000 advertisements reviewed, over 475,000 words were thought to carry a gender bias, with ads for senior level positions skewed towards male applicants (Totaljobs, 2017).

Companies must be cognizant of bias in hiring processes and seek to mitigate bias wherever possible while integrating gender and diversity-intentional practices.

When using algorithms or advanced hiring platforms like Applied, companies should consider whether these tools actually result in more equitable, diverse or gender balanced hiring outcomes. Without intention and oversight, hiring algorithms and tech platforms can often introduce and reinforce gender and racial stereotypes. Software that enables gender and race-blind hiring processes can be difficult to navigate because they prevent gender and race-conscious hiring. Outcomes from these platforms can sometimes be promising but there must still be a human in the driver's seat - someone who understands equity and the differing barriers to entry for certain groups (Chan, 2020).

3. Support mothers and families: Update and establish new policies that are gender-neutral and family friendly

In order to support the growth and development of all employees—including mothers, fathers and caregivers—businesses should establish progressive, gender-neutral paid parental leave policies that extend beyond legal requirements. This is especially important in countries like the US where there is no legal requirement for paid parental leave. Businesses should take steps to confront the notion that childcare (and other care work) is "women's work" and actively encourage men to take advantage of paid parental leave policies. Evidence suggests that a positive relationship exists between paid parental leave and employee retention for both high and low-wage jobs (Nandi et al., 2018). When Google and Accenture enhanced their paid parental leave policies, attrition among mothers decreased significantly (Boston Consulting Group, 2017). Increased retention and the ability for parents to return to work after their leave contributes to household income and savings, and saves businesses time and money given they do not need to train new employees (Nandi et al., 2018).

Businesses should also institute flexible work policies and endeavor to ensure the workplace culture supports flexible and remote work. In the context of COVID-19, working parents who have the privilege of being remote are discovering the challenges of balancing childcare and work responsibilities. Businesses should recognize the additional strain remote working during times of crises can cause and cultivate a culture that encourages all employees to take paid time off without fear of repercussions, thereby not only singling out parents. Businesses should also take proactive steps to avoid the "motherhood penalty" (the disadvantages in pay and opportunities that mothers experience in the workplace), a phenomenon that accounts for a significant portion of the gender pay gap.

4. Change who to change how: Commit to gender balance in leadership and the broader workforce

There is a stark lack of diversity and gender balance in business leadership which leads to group-think; lack of diversity in background, leadership styles and ideas; lack of innovation; heightened risk; limited ability to problem solve and more. Lack of gender balance in the highest paid positions also perpetuates economic gender gaps. The lack of women in leadership roles makes it challenging for women to access informal peer networks for advice and support, and to navigate unwritten company rules and norms. Consequently, women feel less of a sense of belonging in more men-dominated workplaces—particularly in STEM—and feel more isolated, which leads to high attrition rates (National Center for Women & Information Technology, 2016).

Businesses must recognize the importance of gender balance in leadership and the workforce as a means for increasing profitability and innovation. One study found that going from 0 to 30 percent women in leadership resulted in an average 15 percent increase in profitability (Peterson Institution for International Economics, 2016).

Setting targets and making public commitments to gender balance are an important way for companies to make progress. Safaricom has set a target to reach 50/50 gender balance in senior management by 2021 and in 2019 began researching gender pay differentials. IKEA has pledged to achieve complete gender balance in the leadership of all functions, locations, boards and committees by 2022 (Cann, 2020).

While increasing the number of women in leadership is critical, it is equally important for companies to establish a gender-responsive and inclusive culture throughout the company, including among low-wage and underrepresented workers who may face additional forms of discrimination. When developing and revising company policies, gender-responsive considerations may involve conducting gender analyses in each line of business to measure and understand how women and men are impacted (European Institute for Gender Equality, 2019). A thorough gender analysis will bring to light the needs and problems women experience, equipping companies with the data necessary to create and implement the solutions. A gender analysis in human resources in particular may uncover the need for a company to restructure recruitment processes and revise compensation policies to attract and retain more women (or women of particular racial, ethnic, geographic, etc. backgrounds).

5. Transparency is transformative: Provide salary ranges for new positions

Providing salary ranges in job postings will help ensure that women and other candidates who have traditionally faced discrimination are better equipped to negotiate, or better yet, avoid basing compensation on the effectiveness of a candidate's salary negotiations rather than their skills and experience, as well as the responsibilities of the position. While women are negotiating their salaries now more than ever, studies show that men are more likely than women to negotiate when there is no transparency around salary ranges or negotiation policies (Leibbrandt & List, 2012). This gap diminishes and sometimes reverses when this information is made transparent (Stevens & Whelan, 2019).

Salary negotiations are especially challenging for those who are new to or underrepresented in the corporate world. In order to lift up the most vulnerable and underrepresented groups, businesses must remember that showcasing salary ranges up front and providing the space to have conversations about pay will save time for both parties and foster trust through transparency.

6. Facilitate the path to the top: Provide development and network-building opportunities

On average, women and people of color do more "office housework" (note taking, getting food and coffee, setting up meetings, etc.) and have less access than white men do to the development and network-building opportunities they need to advance in their careers (Williams & Multhaup, 2018). Companies should be aware of this and establish rotations in office duties and proper performance evaluation on a variety of tasks to give everyone the opportunity for upskilling and to share the load on time-intensive and low reward administrative tasks.

Businesses should also consider establishing mentorship and sponsorship schemes in order to support all employees, with a special focus on women and people of color. Mentorships can provide informal support systems while sponsorships provide access to high profile tasks, projects, promotion, external networking opportunities, and connections to senior management. Deeper still is the lack of accessibility women and people of color have to networking circles, especially those that result in successful job referrals. White women are 12 percent less likely to receive job referrals than white men—and women of color are 35 less likely (Wilkie, 2018).

Successful sponsorships for women will lead to higher employee retention rates, innovation, and further advancement—eventually leading to more diverse leadership (Center for Creative Leadership, 2019). Furthermore, women who receive sponsorship will want to give back to the program that pushed them forward—creating a cycle of success and investment (Forbes, 2018). Successful sponsorship programs are not transactional; they are transparent, measurable, and goal-oriented. They remind participants that they are valued because they are worth investing in.

CONCLUSION

The recommendations we outline can help accelerate progress in eliminating gender pay gaps and promoting gender equality in the workforce, both especially important in light of the risks COVID-19 is likely to pose for women's employment and economic security. As reflected above, governments and businesses each have their comparative advantages in taking action. Yet we acknowledge that these sets of actors should not solve this problem alone. Notably, labor unions and civil society organizations focused on advancing workers' rights have their own critical role to play by pushing both public and private sector actors to make reforms. By bringing together a diverse set of actors with varying areas of focus and expertise, EPIC serves as an ideal platform for engaging these groups.

To actualize the recommendations, the OGP serves as a potential platform for action. Their flagship Action Plans are an opportunity for member countries and localities to advance the policy agenda by collecting, analyzing, and disseminating data on gender pay disparities and connecting multi stakeholders from open government, private sector, open data and gender equality research and advocacy communities to inform concrete and measurable commitments. For example, governments like Germany have used their action to conduct regular monitoring on the status of women and men in leadership positions in the private and public sectors as part of the implementation of an equal participation policy. Providing more granular and higher quality data on various aspects of the gender pay gap—and harnessing its use—would strengthen the shared private- and public-sector efforts required to address the gender pay gap in a long-term, sustainable, and inclusive way and drive strategic commitments.

Recently, OGP placed a priority on promoting gender equality. In partnership with the International Development Research Center, Global Affairs Canada, Open Data for Development, and Results for

Development, OGP established the Feminist Open Government (FOGO) initiative. It also launched the Break the Roles campaign by issuing a call to action to its 99 members to take meaningful steps on gender and inclusion in 2019. Currently, 29 members are implementing a total of 82 gender commitments in action plans.

We hope that this memo facilitates constructive and detailed conversations about context-specific opportunities for progress, as well as concrete commitments by government officials, business leaders, and civil society organizations that result in meaningful change.

ACKNOWLEDGEMENTS

Center for Global Development

Ideas to Action: Independent research for global prosperity

WWW.CGDEV.ORG

MEGAN O'DONNELL is assistant director of the gender program and senior policy analyst at the Center for Global Development.

UGONMA NWANKWO is a research assistant at the Center for Global Development.

ANIA CALDERON is executive director of the Open Data Charter.

CALLIE STRICKLAND is cause strategist for gender equality at The B Team.