



BANK OF ENGLAND

Diversity and Pay

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2nd Joint Bank of England, Federal Reserve Board and European Central Bank
Conference on Gender and Career Progression

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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

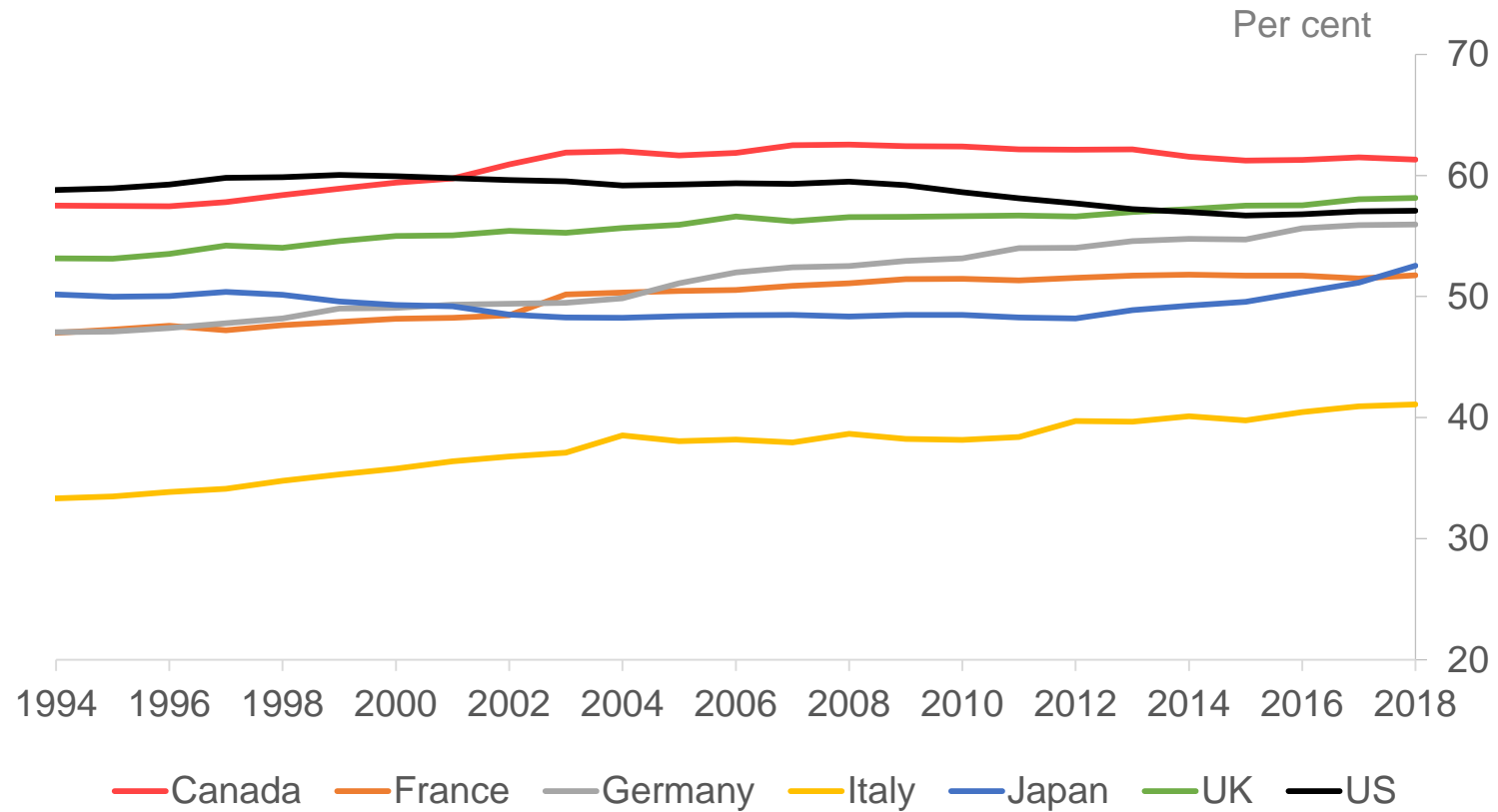


UK Labour Force Survey

- 1997 – 2019
- Around 560,000 observations
- Rich set of individual and job-specific characteristics
- Representative of population trends



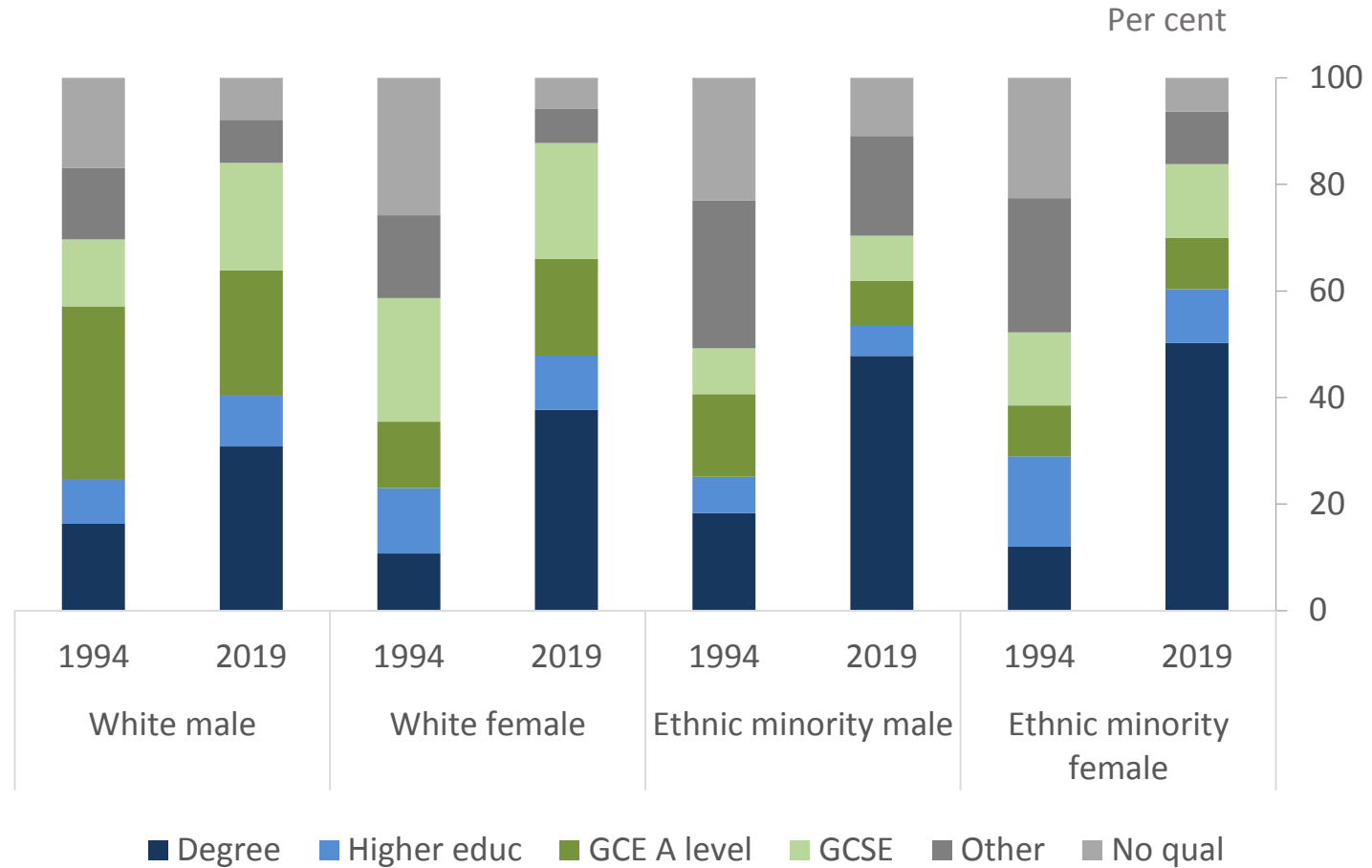
Higher Female Participation



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



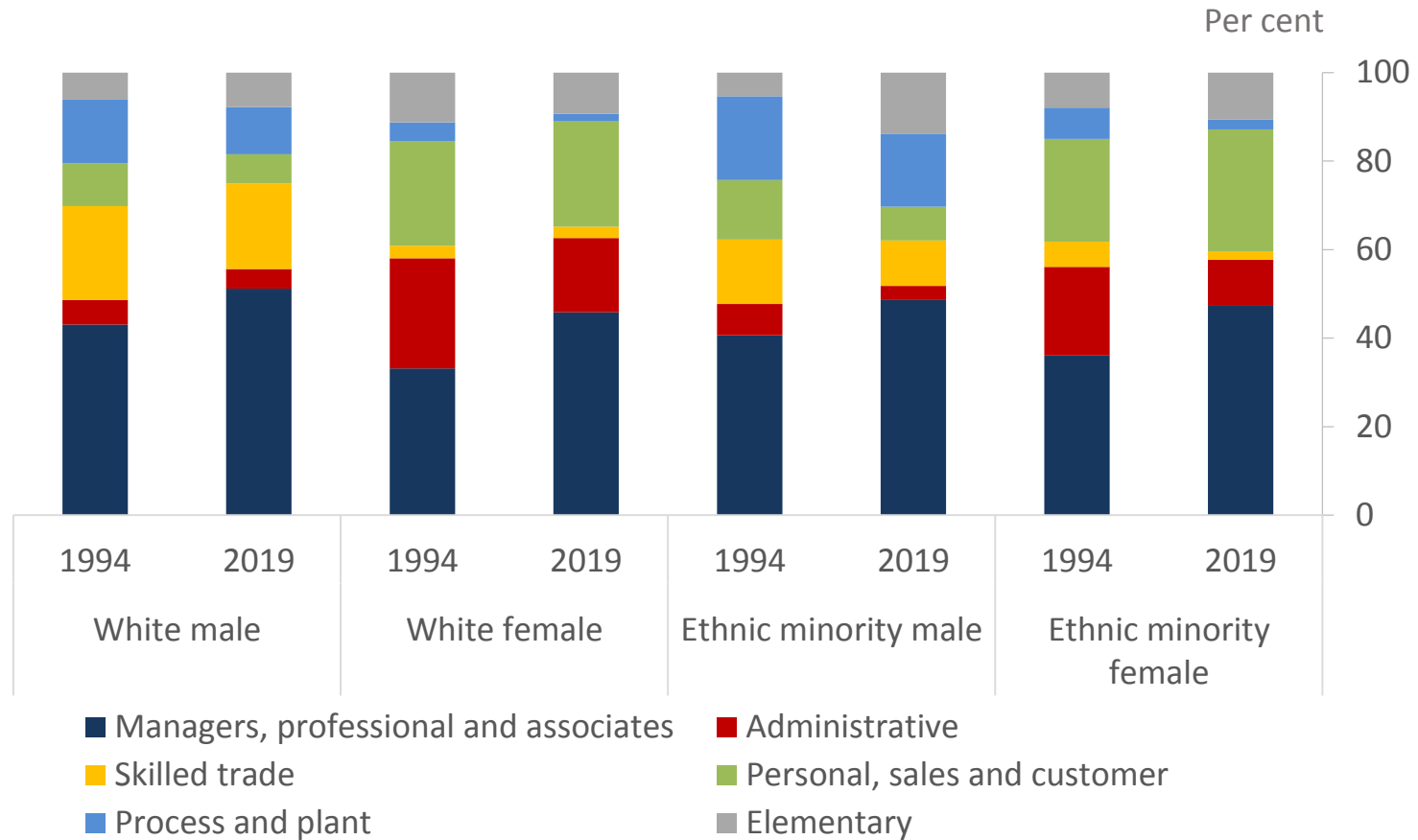
Higher Educational Qualifications



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



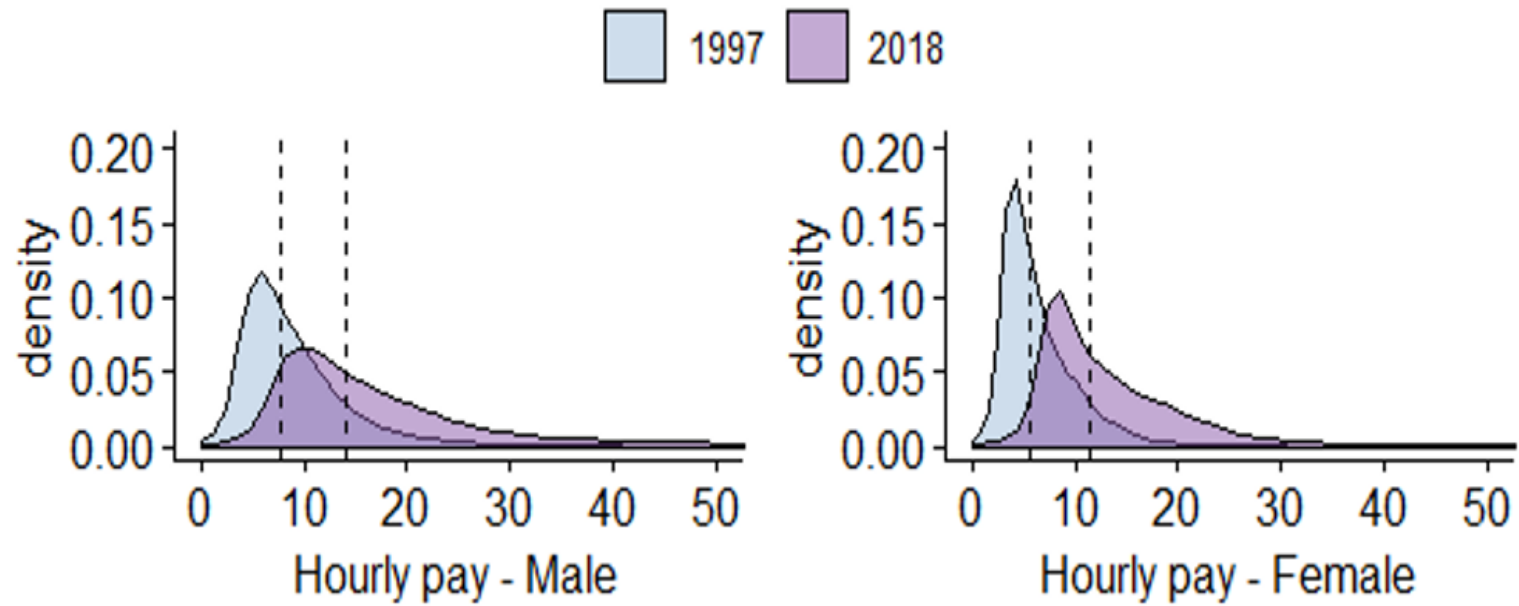
Greater Skilled Work



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



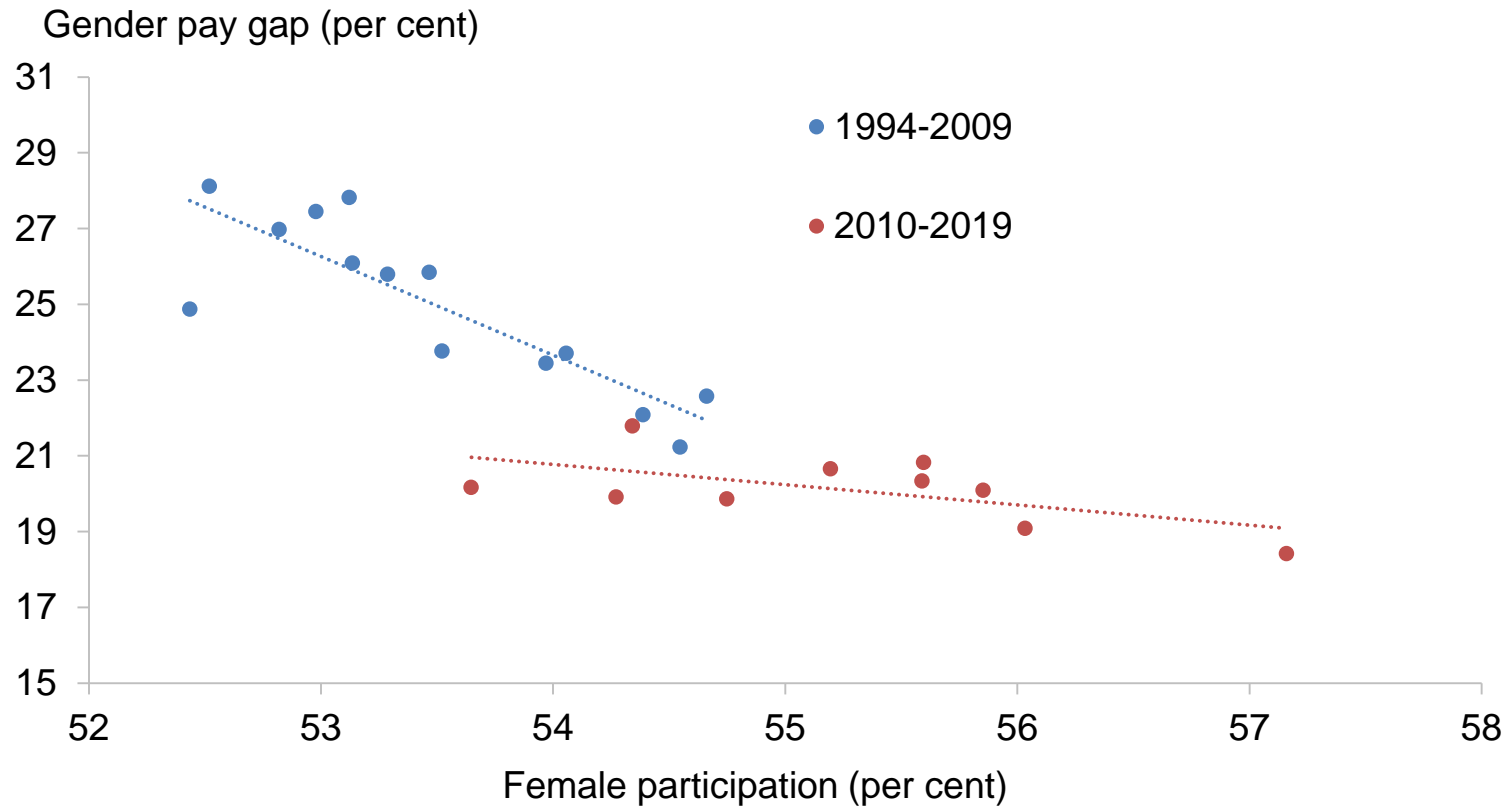
Distribution of Pay by Gender



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



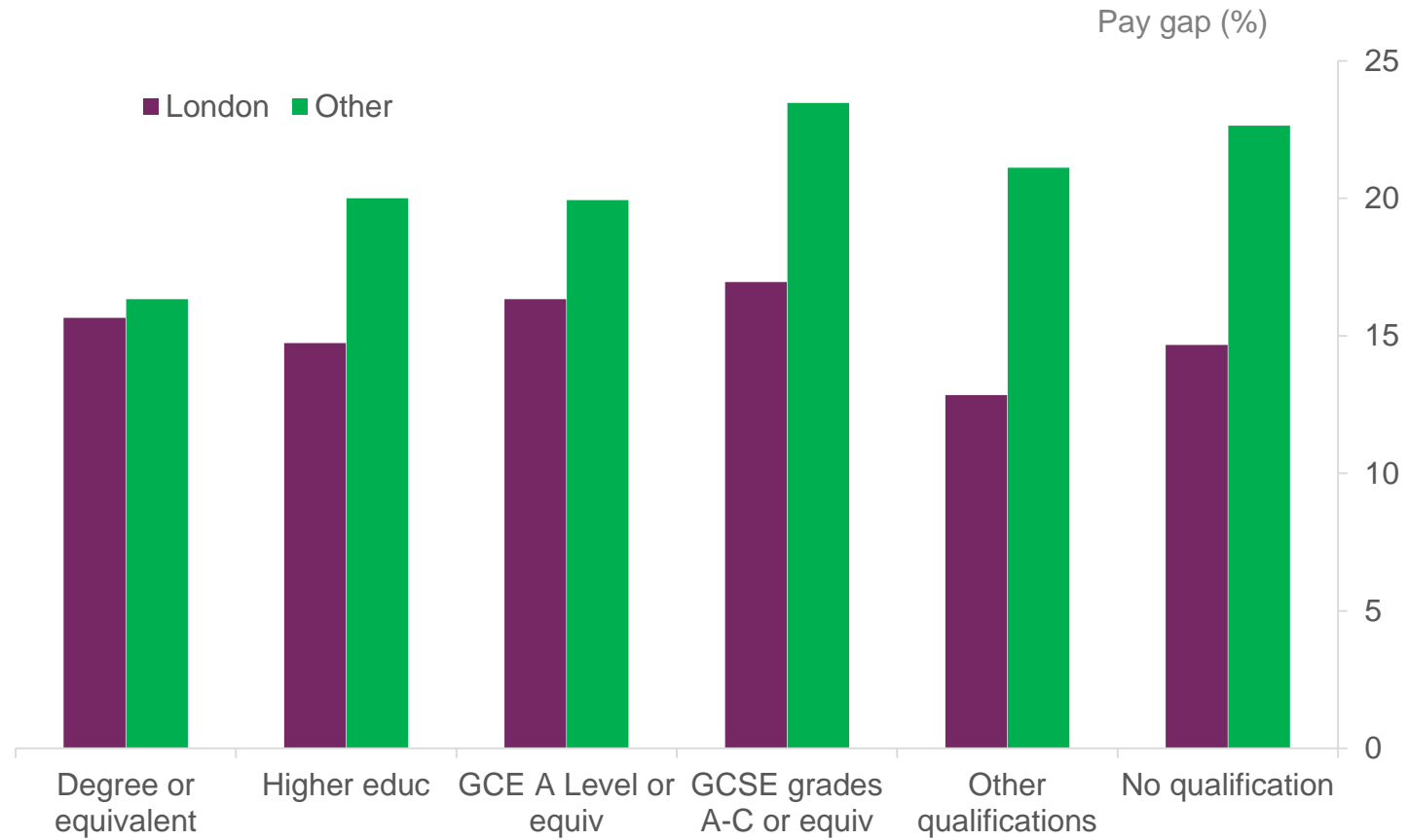
Gender Pay Gap and Participation



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



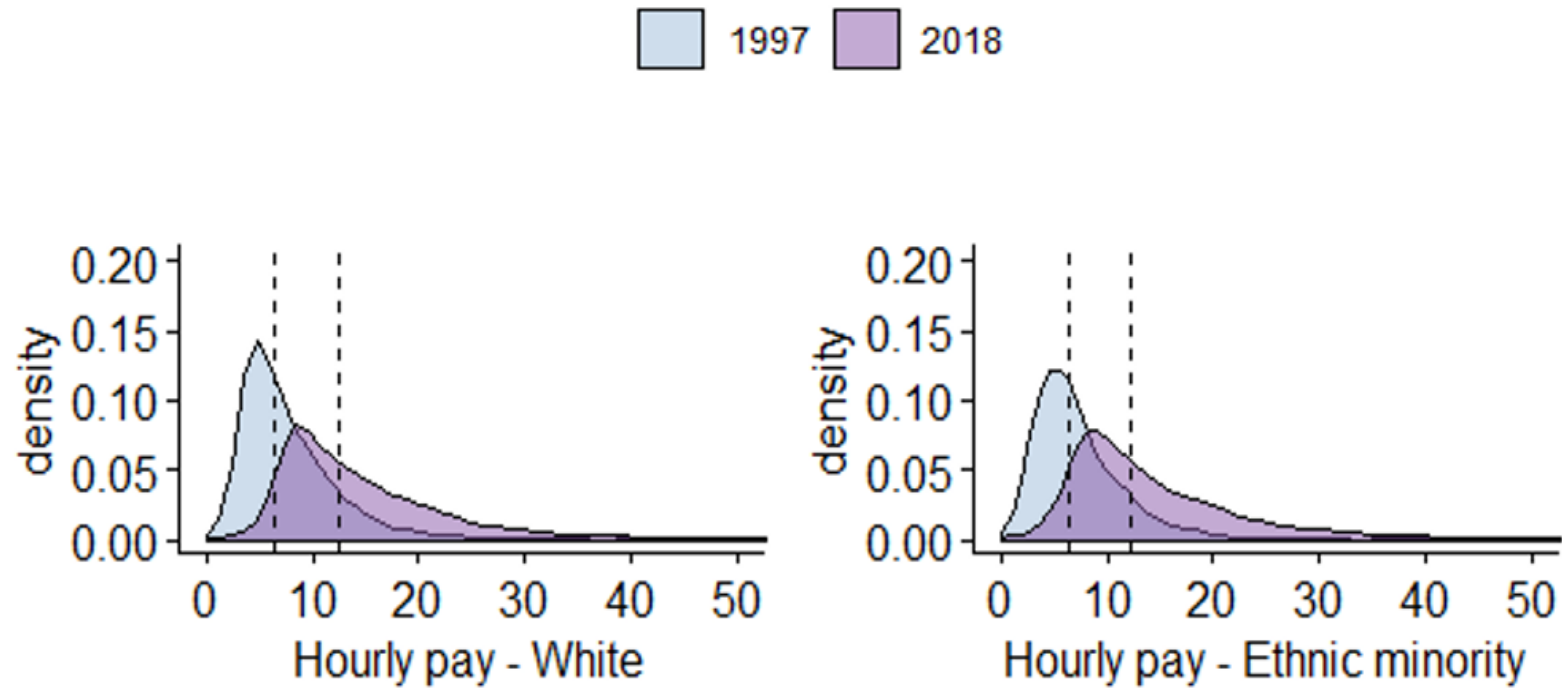
Gender Pay Gap



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



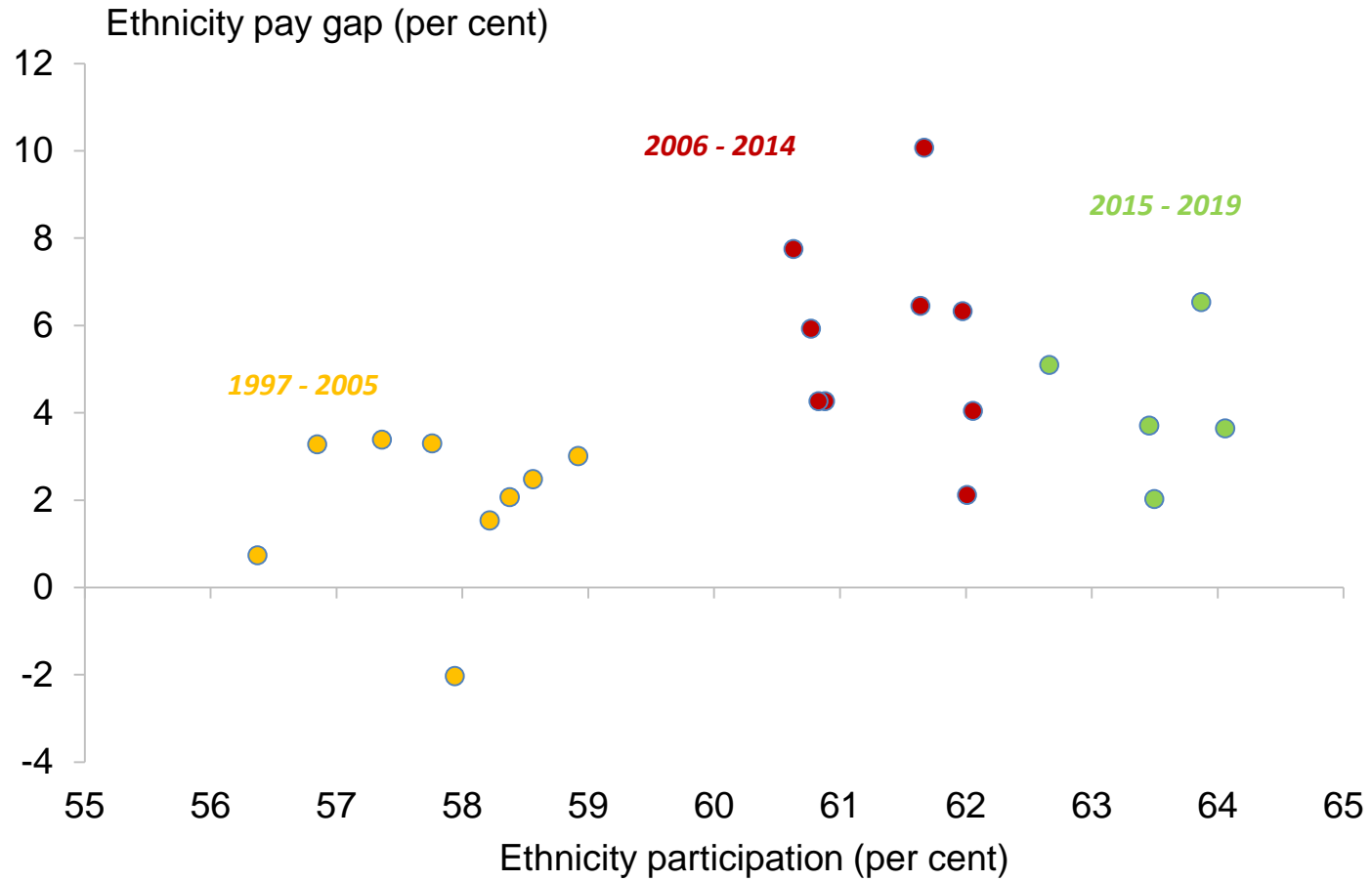
Distribution of Pay by Ethnicity



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



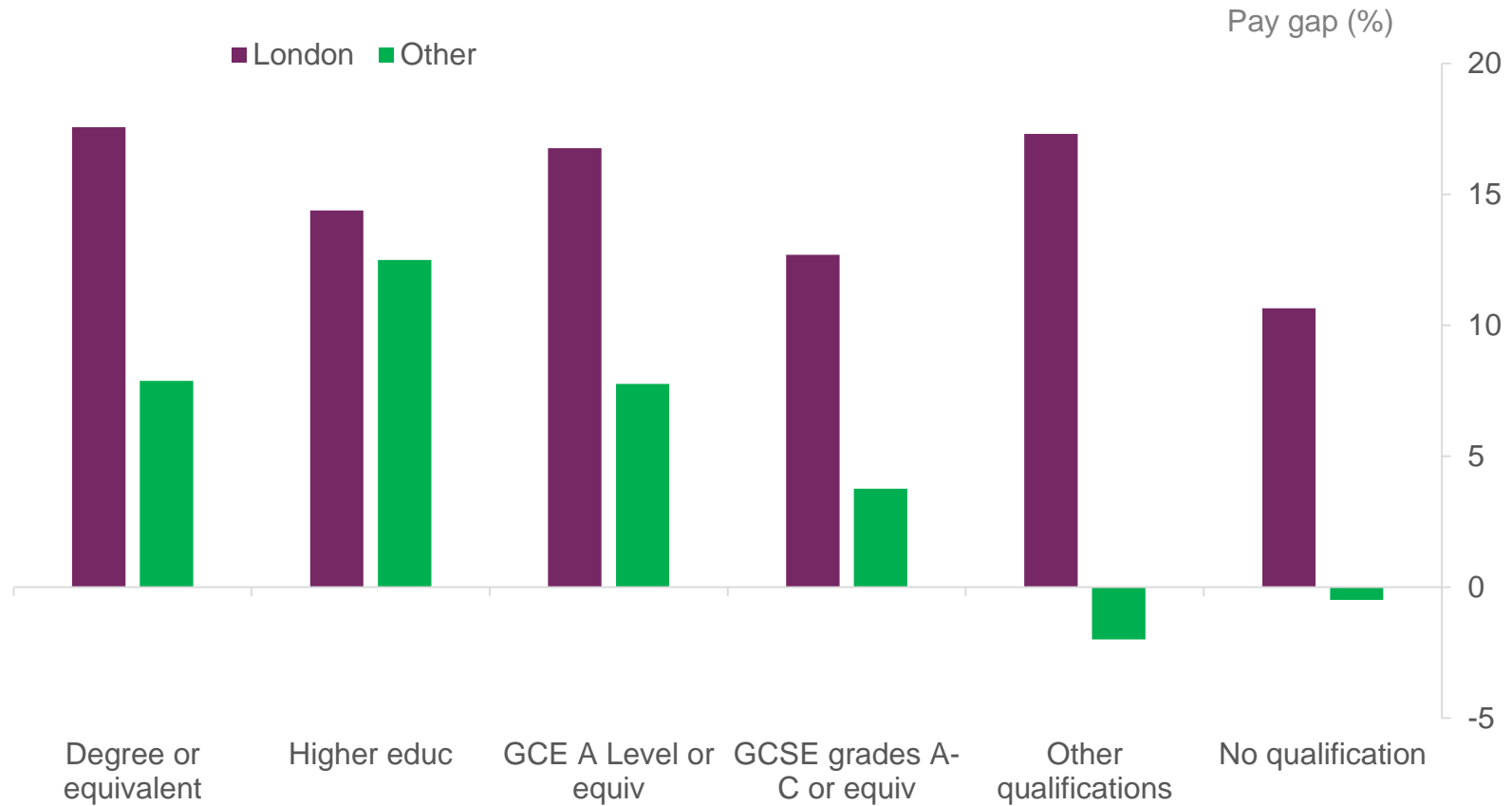
Ethnicity Pay Gap and Participation



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



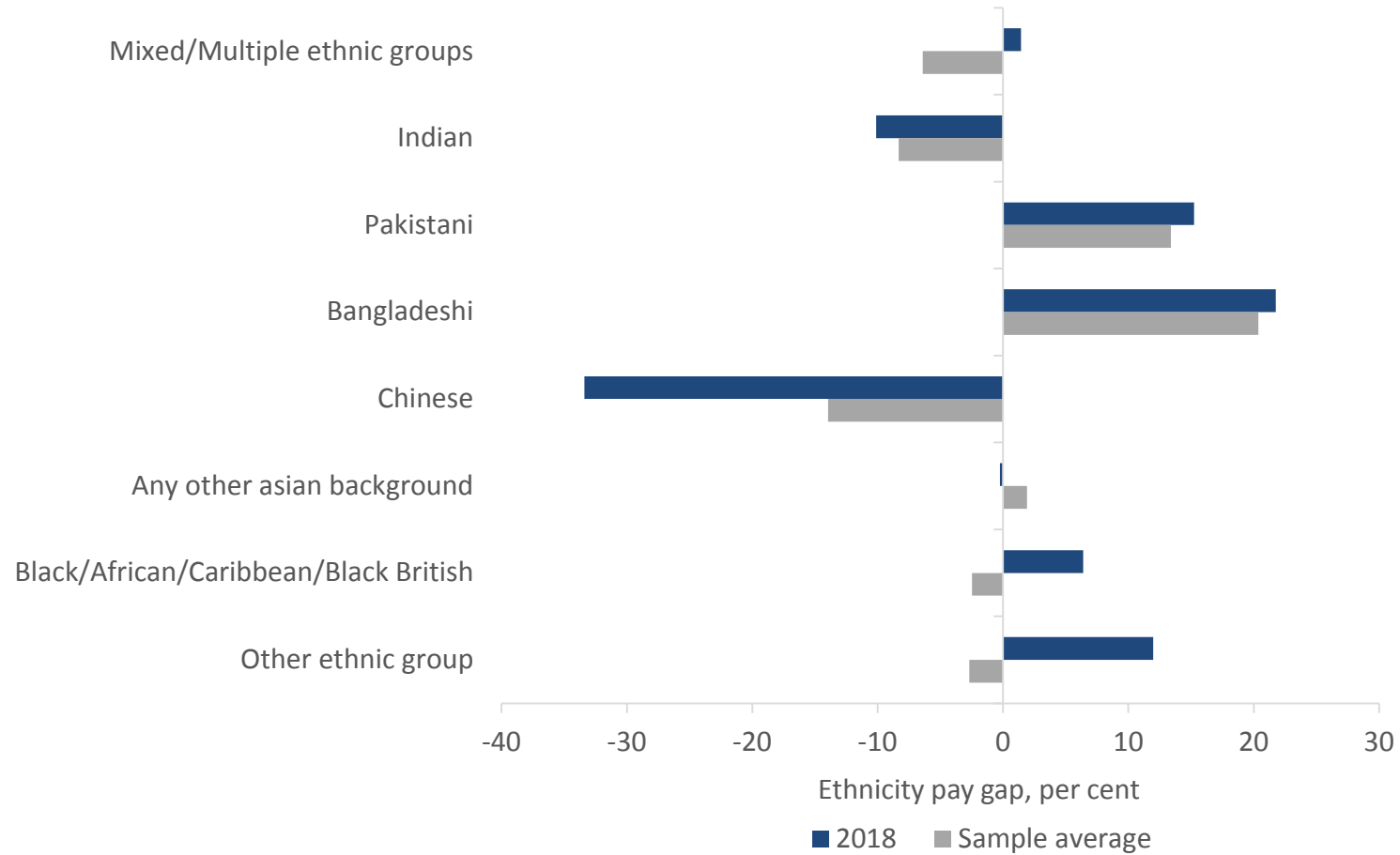
Ethnicity Pay Gap



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



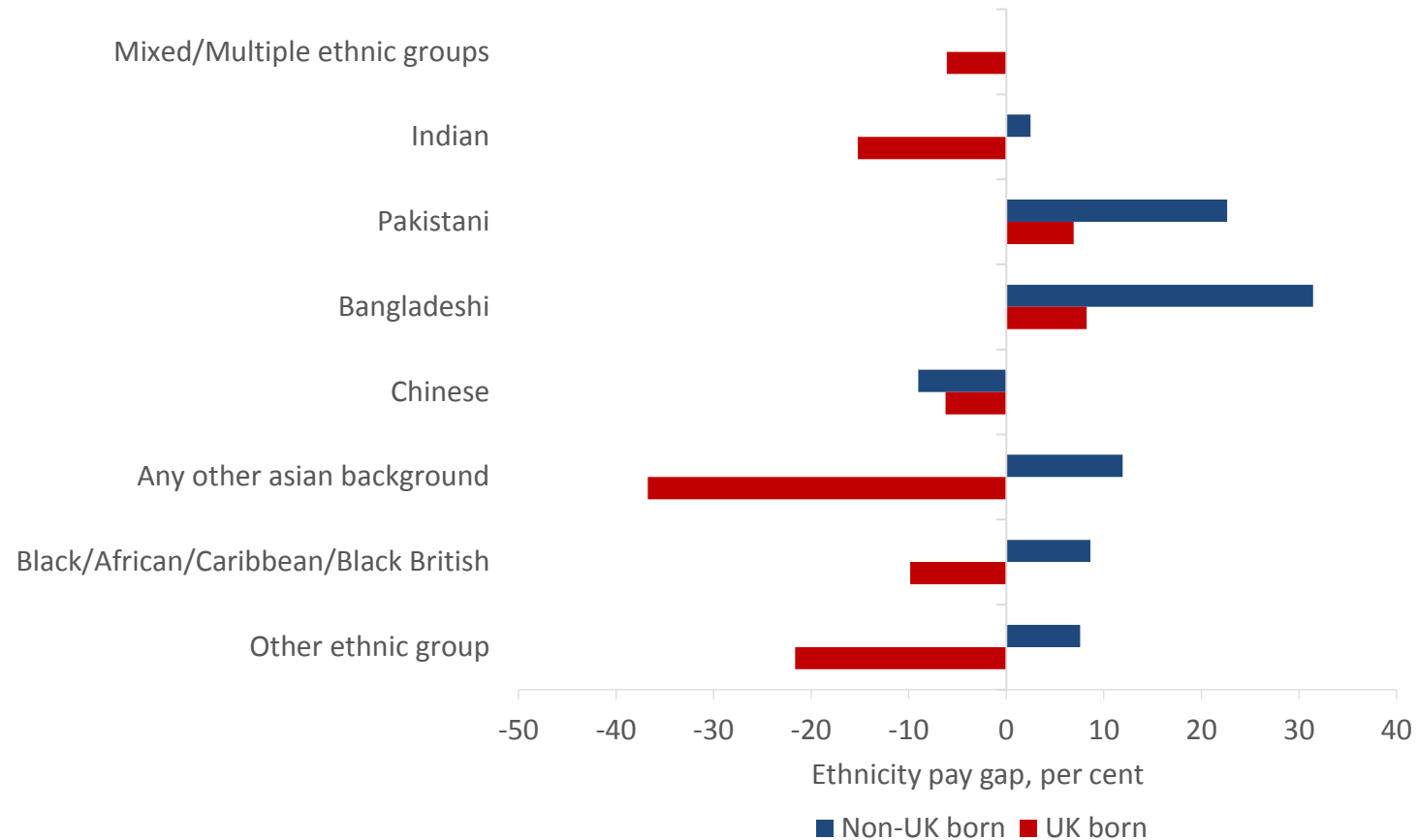
Ethnicity Pay Gaps



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



Ethnicity Pay Gaps by Birthplace



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

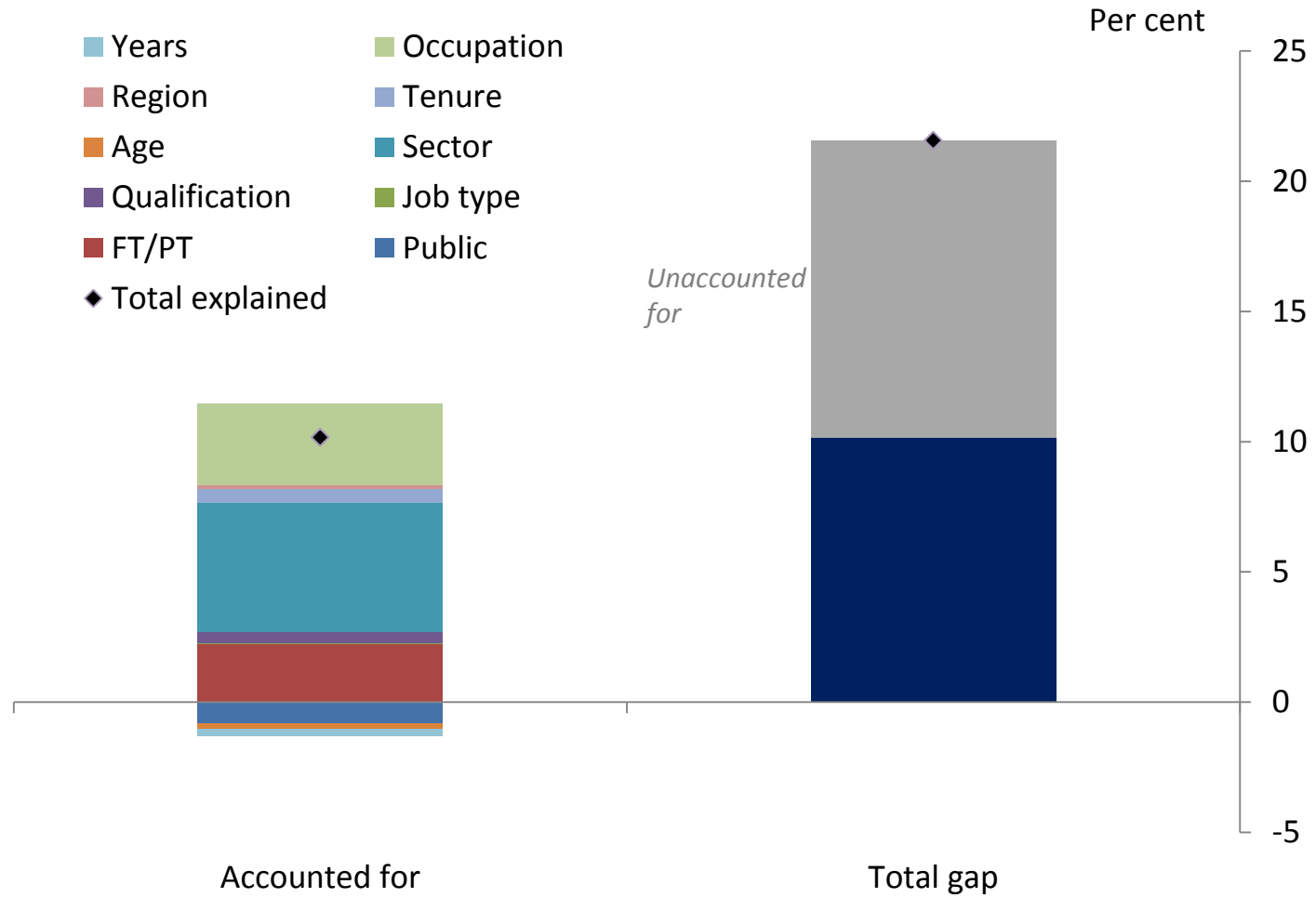


Explaining Pay Gaps

- 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



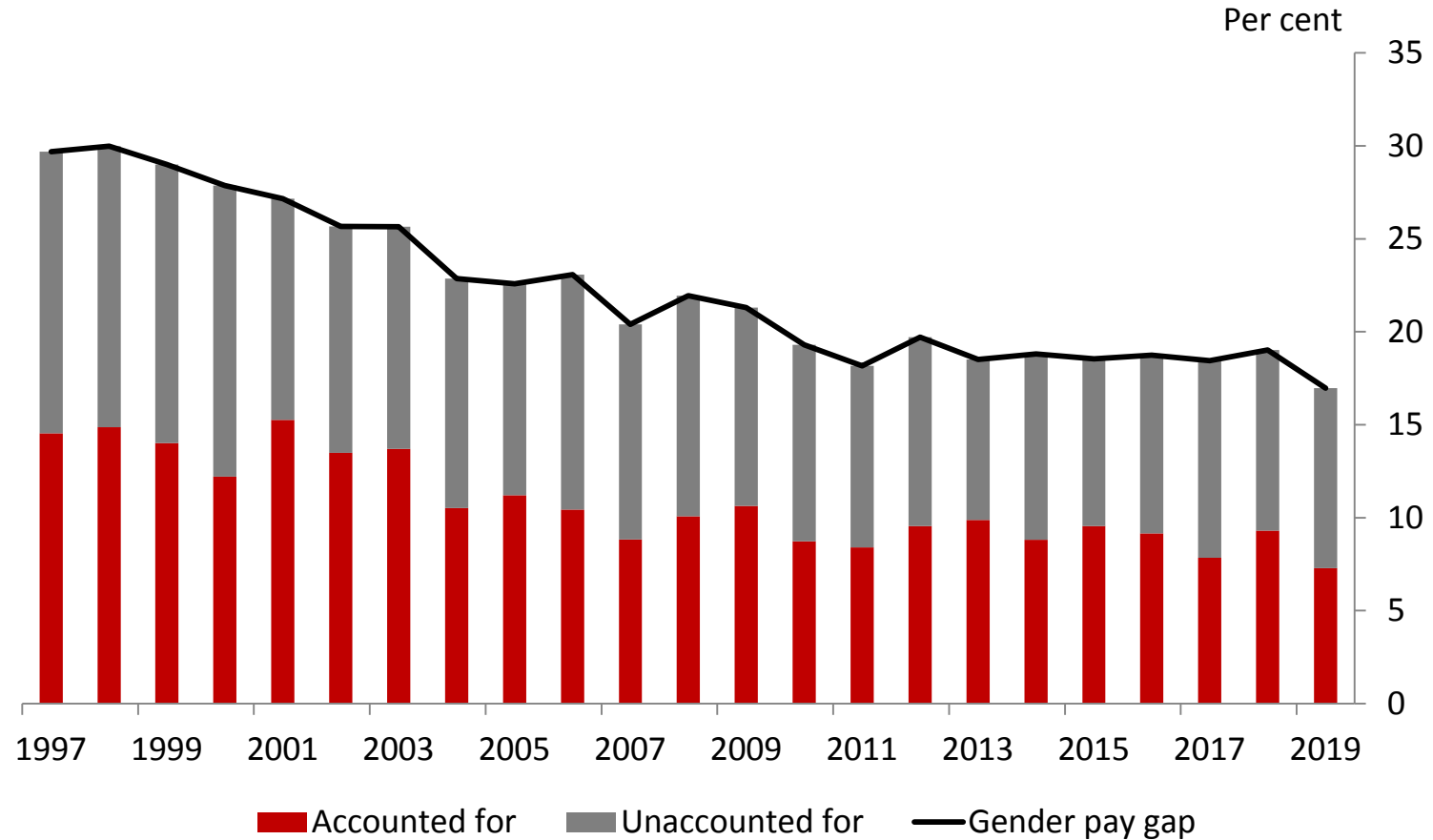
Decomposing the Gender Pay Gap



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



Decomposing the Gender Pay Gap



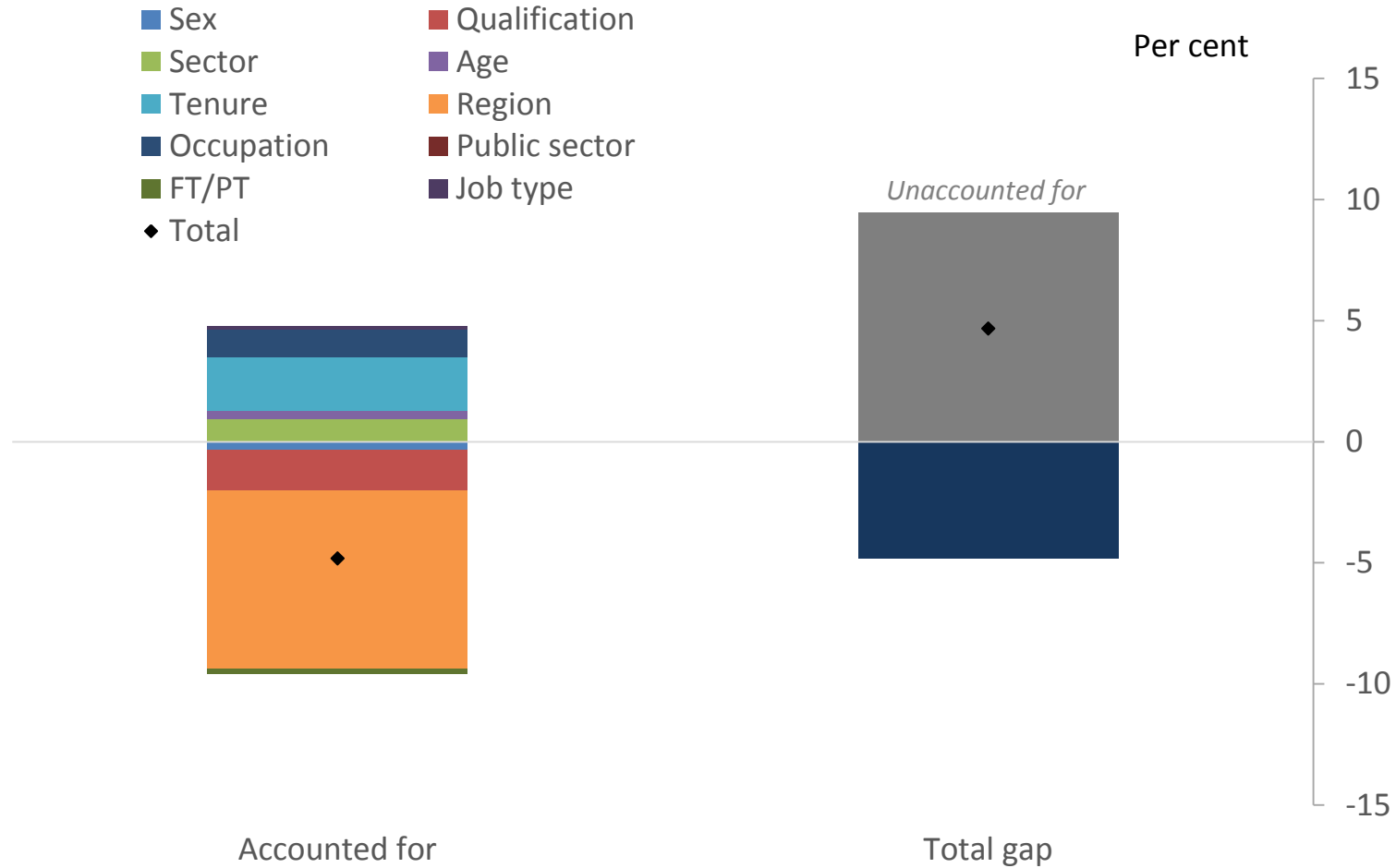
Sources: ONS Labour Force Survey and Bank of England calculations.



Conditional Gender Pay Gap



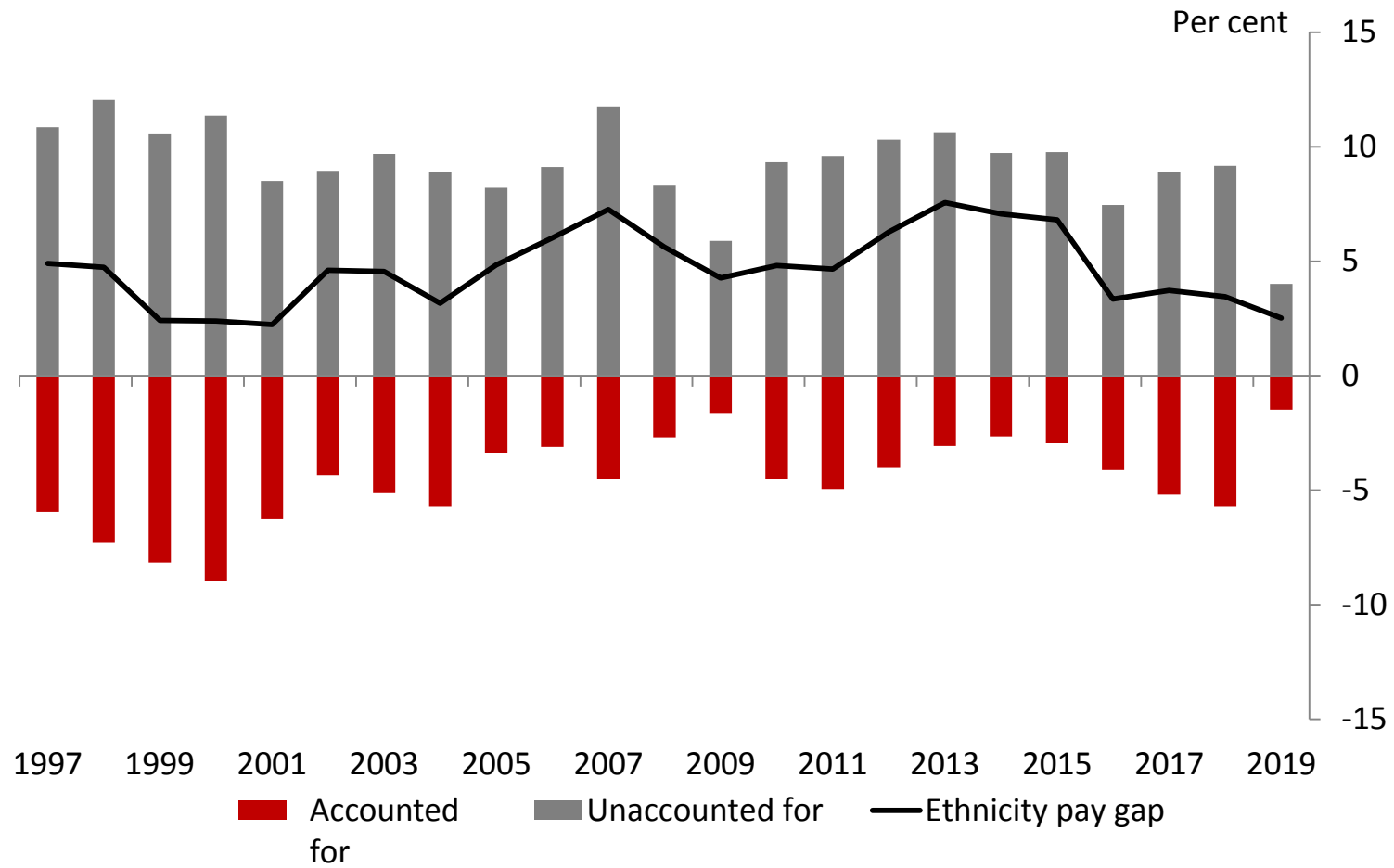
Decomposing the Ethnicity Pay Gap



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



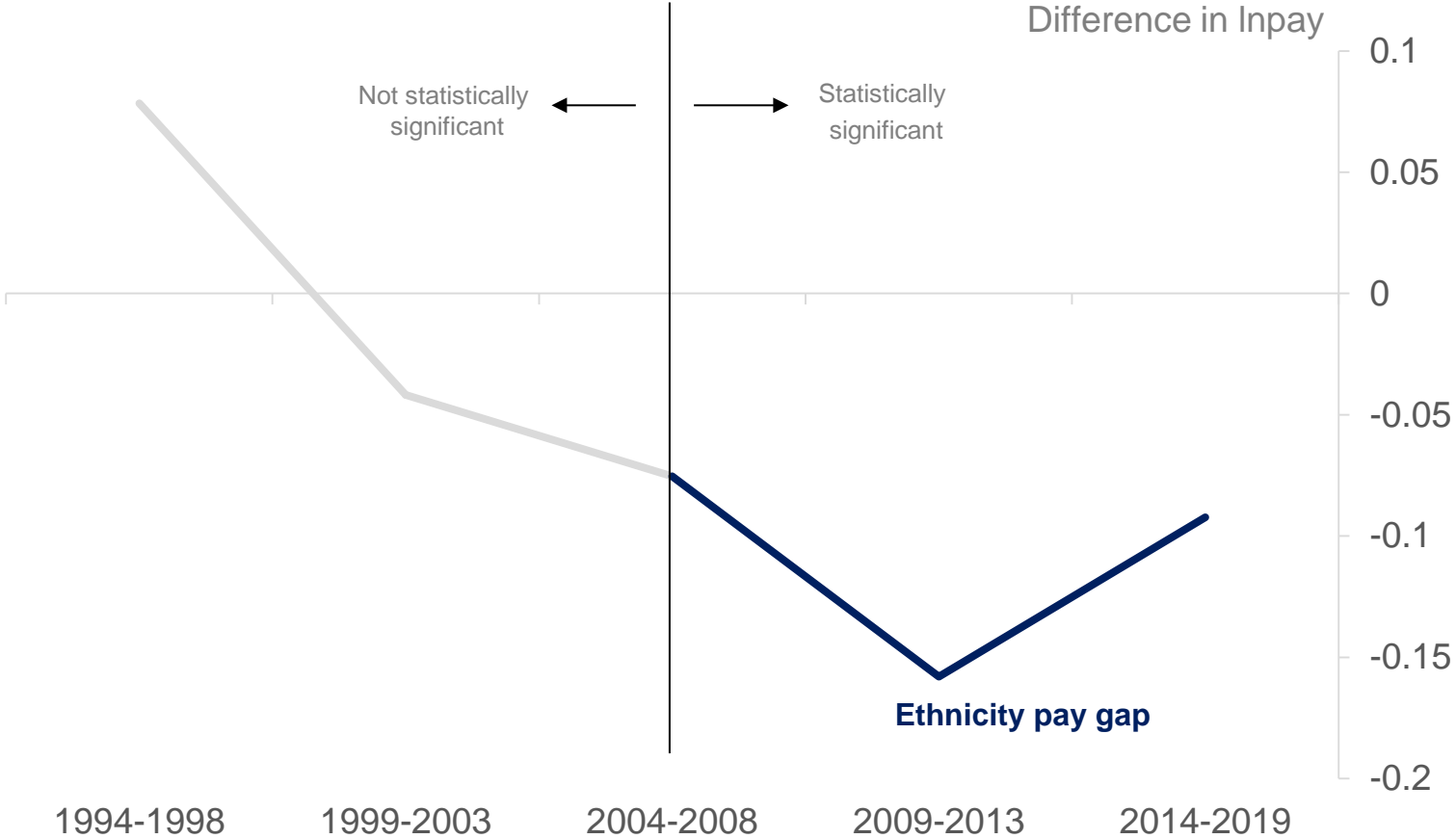
Decomposing the Ethnicity Pay Gap



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



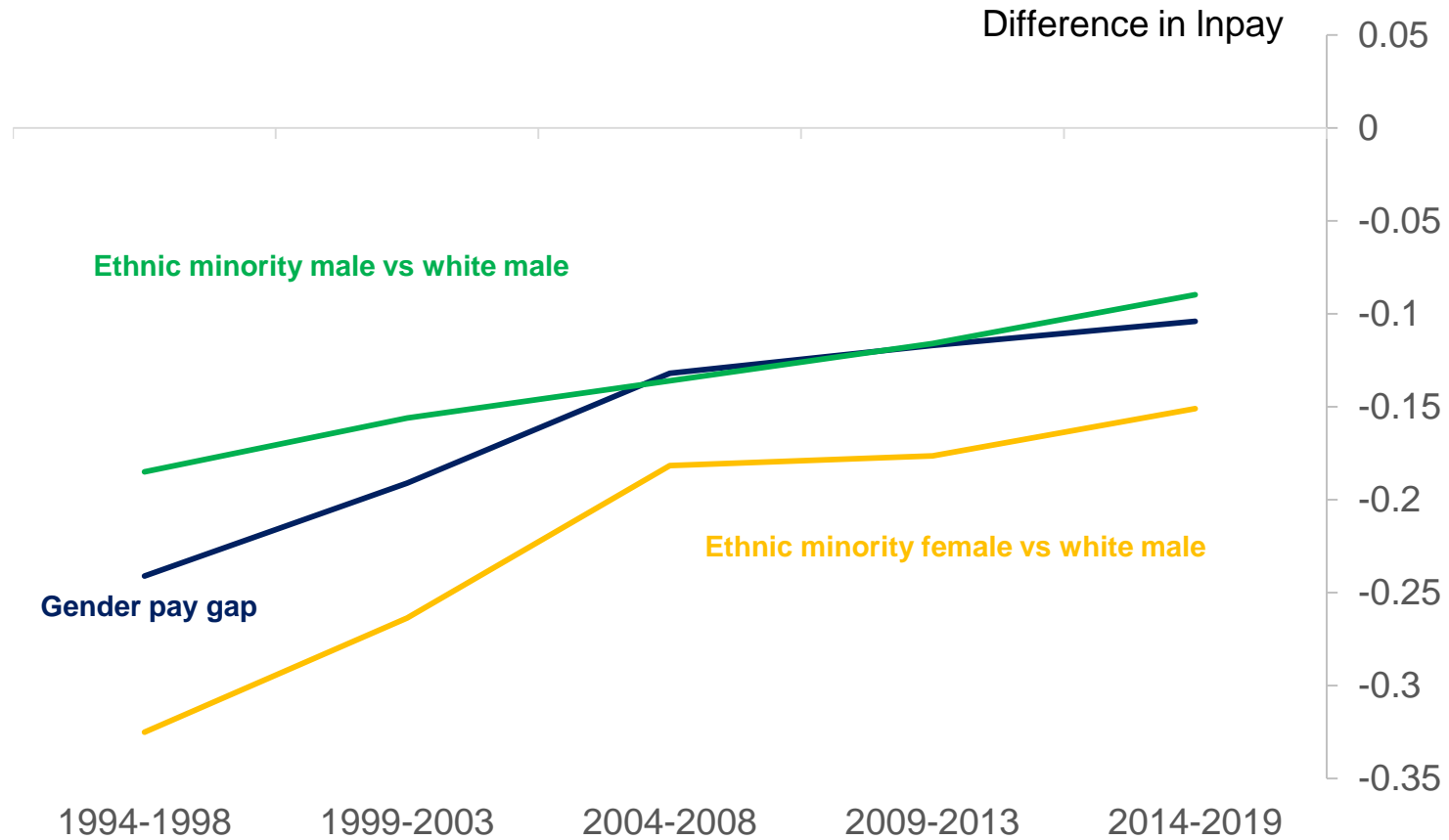
Conditional Ethnicity Pay Gap



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

