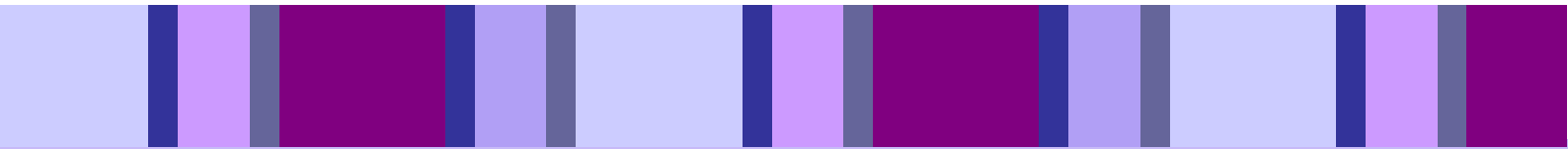


**Working Paper Series
No. 53**

Undervaluing women's work



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European Work and Employment Research Centre

University of Manchester



Women. Men. Different. Equal.
Equal Opportunities Commission



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First published Spring 2007

ISBN 1 84206 187 9

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ACKNOWLEDGEMENTS

Two colleagues assisted in the preparation of this report. Mark Smith undertook some of the statistical analysis presented in Chapter 6 and Nirit Shimron assisted in extensive literature searches and summaries and compiled the bibliography. We are grateful for their help and also for the assistance and helpful comments of members of the EOC, including Sheila Wild, David Darton and in particular David Perfect, who undertook a large amount of detailed editing work on the whole manuscript.

EXECUTIVE SUMMARY

The undervaluation of women's work is a thread which links together the three causes of the gender pay gap: occupational segregation, discrimination and women's unequal share of family responsibilities. Undervaluation, which is defined in the report as a *higher quality of labour for a given wage*, is nevertheless being overlooked within current policy debates and proposals. For this reason, the Equal Opportunities Commission (EOC) commissioned a literature review to examine the available research evidence on undervaluation. The review drew on a range of differing perspectives on this issue, within the fields of economics, sociology and industrial relations and management. Some new analysis of the changing patterns of segregation and pay was also undertaken.

Definitional issues

Women face two main risks of undervaluation - that they will be paid less than men for the same efficiency within the same job and that they will be employed in jobs or occupations which are themselves undervalued.

The consequence of undervaluation is that employers have access to a *higher quality of labour for a given wage*. The employee may offer a higher level of effort, skill or commitment for a given wage level, or the job itself may require a higher level of effort or skill than might be reasonably expected at that wage level. In addition, women's potential may be underutilised.

MAIN FINDINGS

Understanding how pay is determined

Economic perspectives

For economists, pay is primarily related to productivity. Evidence of lower returns to women's productive characteristics suggests undervaluation. *In practical terms, this means that women will receive lower rewards from investing in education or from their own work experience.* But despite such evidence, some studies claim that women must in fact be less committed workers or be willing to trade off pay for higher job satisfaction.

Some economic theories do allow for unequal outcomes in labour markets under the following conditions.

- Trade unions push up wages in protected segments and thereby crowd displaced workers (mainly women) into unprotected segments and lower wages.
- Social norms divide jobs into those appropriate for men and those appropriate for women, again pushing women into a smaller, more overcrowded, lower paid and technologically stagnant segment.
- Wages are held down by too powerful employers; again, women may be affected to a greater extent than men.
- Some employers, or even other workers, exercise a 'taste for discrimination'.
- Gender is used as a screening device in recruitment and pay decisions on the grounds that it is too costly to acquire accurate information on the potential productivity of employees.

Sociological, psychological, industrial relations and management perspectives

Five main dimensions to undervaluation are discussed within the literature.

- *Low valuation of the productive activity* - women are concentrated in lower paying firms in the secondary labour market.
- *Low valuation and visibility of skill and status* - women's work is often constructed as low skilled and their skills are not recognised in classification or grading schemes.
- *Low valuation associated with high job satisfaction* - women are low paid because they are expected to derive greater satisfaction from their work or to have lower expectations of rewards from work.
- *Low valuation of women's work associated with perceptions of women as second income earners* - women are expected to work for 'pin money' or 'extras'.
- *Low valuation embedded in payment systems* - low valuation occurs through the construction of pay hierarchies, the choice of wage comparators, the structure, design and implementation of payment systems.

A dynamic and integrated approach

Pay serves multiple roles and functions. It reflects compromises between competing pressures, with different outcomes in different institutional, social and economic contexts. Pay is not simply to be explained by productivity. A corollary of this approach is that these institutional arrangements and their impact will change over time and context.

Undervaluation from an individual and group perspective

Individual productive characteristics

Economists 'decompose' the gender pay gap into the share that can be explained by gaps in productive characteristics and the share that reflects either lower returns to productive characteristics or other factors not captured by the wage equations. It is the indication of lower returns that provides indirect evidence of undervaluation.

Most recent UK studies show that gender differences in human capital, or personal characteristics (such as age, education and work experience), explain a shrinking portion of the overall gender pay gap. The closing of the gender gap in education has not done more to reduce the gender pay gap because men's and women's education are differently rewarded. This is also indicated by international evidence.

The gender pay gap also widens as experience increases. Part-time work increases the likelihood of undervaluation and discrimination. Not only does it fail to give access to higher earnings, but it also has a sustained negative impact on future pay levels. Compared to other countries, the UK imposes a particularly high pay penalty on part-time workers.

Income needs

The stereotypical role of women as the second income earner in the household may still be influencing pay structures. Not only do many jobs still not provide sufficient income to support an independent adult, but also employers of low paid women workers justify their pay policies on the grounds that women are still willing to work for pin money.

Labour force groups

Women who have a degree, even in the same subject and at the same grade as that of a male comparator, may still be paid less. Moreover, the earnings gap tends to widen with experience, even before family formation or childcare affect the graduates' careers.

Mothers and women returners are particularly at risk from undervaluation, both because of childcare constraints and because of interruptions to their careers. This is not associated with motherhood per se, but with the low pay and status of the part-time jobs that they may be forced into accepting.

Undervaluation applies throughout the occupational structure, but its impact may be greatest for low wage workers who can least afford any pay penalties. Those at the bottom of the labour market may also be particularly undervalued because they are 'working below their potential'.

Undervaluation and the workplace

Undervaluation is associated with where one works, with how jobs or occupations are valued and with how payment systems are designed and implemented. These workplace factors - including gender concentration - are increasingly found to explain more of the gender pay gap than characteristics of individual employees.

Employer characteristics

Women may be low paid because they are concentrated in employing organisations that have a low ability to pay. In some cases, they may be located in organisations that have low 'willingness to pay'. That is, they may be unable to secure a fair share of economic rents in organisations with a medium or high ability to pay. For example, small establishments that are part of large chains may be particularly likely to pay low wages. These organisational forms are common in retail and catering where many women are employed.

Some employers enjoy a degree of monopsonistic power in the labour market, which in part explains women's lower wage levels. This means that these employers have power over the purchase of labour and find advantage in keeping both wages and employment below the level that might be found in a freely operating labour market. This may particularly affect some public sector jobs where the state is the primary, or even the sole, employer of that type of labour.

Gender segregation at the workplace

Both personal and workplace-related characteristics account for the gender pay gap. Indeed, the degree of gender segregation at the workplace has as large an impact on pay as the sex of the individual employee, after adjusting for human capital variables and occupational and industrial job characteristics. The concentration of part-time work within the establishment is also found to be an important explanatory factor.

The social construction of value

Segregation makes it much more difficult to compare the relative skills or contributions of women and men directly. Segregation may disguise the influence of gender on wage differentials between sectors and organisations and on pay and grading hierarchies within firms. These influences can be summarised as follows.

- *Visibility* - women's skills are often simply not visible, as their jobs tend to be aggregated into large and undifferentiated pay and grading bands.
- *Valuation* - women's skills may not be valued, since pay and grading structures are still often based on male-type skills.
- *Vocation* - women's skills are often treated as 'natural', deriving from women's essence as mothers and carers, and are considered to provide opportunities for high levels of job satisfaction that justify the provision of low pay.
- *Value added* - women are more likely than men to be found in low value added or labour intensive occupations.
- *Variance* - women's lives follow different patterns to men's. This variance from a male norm promotes the notion that women's work (e.g. part-time work) occupies a separate sphere that is non commensurate with that of men's.

Payment systems

Women's pay may be lower than men's if there is no job grading system in place; if there are separate systems related to different kinds of jobs; and if the system does not reflect the kind of skills found in women's as well as in men's jobs.

Starting salaries and individualised pay increments tend to be lower for women than for men. Men appear both more able or willing to engage in individual bargaining and to use external pay offers to boost pay.

Some women are less able than men to gain access to higher level jobs, as they face higher progression bars or are less able to meet them. Even if promoted, they may receive lower initial or continued pay rises.

Performance pay acts to maintain or exaggerate undervaluation by being more common in, and providing higher rewards in, male-dominated occupations; by being based on discretion; and by being based on variable, subjective, or male-biased, criteria of assessment.

Non-pay elements of the reward package tend to be higher, the higher the pay, and do not provide compensation for lower pay.

Pay systems are often based on rewarding the male model of continuity of employment and long hours of work.

Dynamics of undervaluation

Research shows that undervaluation of women's work is an ongoing process, which is shaped by the actions of employers, governments, trade unions and other social actors. Six key challenges are identified: some reinforce longstanding patterns of undervaluation, while others generate new opportunities for undervaluation.

Outsourcing of work formerly undertaken in-house creates new risks, especially for the lower paid and more vulnerable groups of workers. Cost competition among suppliers exerts downward pressures on pay; reduces job security; increases the use of temporary contracts; and flattens and fragments job ladders. This is because outsourcing may weaken collective representation; lead to a worsening of employment policy and practice; and result in an intensification of work to meet performance targets specified in contracts for services.

New organisational forms bring new inequalities. 'Networked' organisations may exploit women's capacities for 'relational work', while delayed structures may constrain women's career development by removing rungs from traditional job ladders. Multi-employer coordination of activities may make legal comparisons of pay between colleagues impossible because they are tied to different employers.

Trade unions' power in shaping labour market conditions has weakened considerably and, in key sectors of women's employment, weak unionisation has failed to halt a steady decline in relative average pay.

New technologies have multiple effects on the valuation of jobs, with managerial discretion having an important influence on the impact they make. Studies of new call centre workplaces suggest that traditional sex typing of jobs continues in new ways, while low skill jobs are created through unbundling of job tasks following the adoption of new technologies.

Both part-time work and part-time workers are often undervalued. This is because:

- part-time work is often vulnerable work;

- many part-time workers enjoy little control over their working hours;
- women in part-time work experience a persistently large pay gap;
- work for many part-time workers has intensified, often through the manipulation of scheduling by employers to avoid paid breaks; and
- female part-time workers have weak career opportunities and face constraints in transferring to full-time jobs.

Women have been the main beneficiaries of the National Minimum Wage since its introduction in 1999, but it has not transformed the conditions underpinning the undervaluation of their work. There has been a major clustering of women workers around the minimum wage and few employers have introduced new training provision, or redesigned jobs.

Feminisation and undervaluation

The conditions that underpin the undervaluation of women's work are not only restricted to traditional areas of 'women's work', but may follow women as they move into new job areas traditionally sex typed as 'men's work'.

An analysis of Labour Force Survey data for the UK for 1991-2005 shows that women made significant inroads into many occupations in which men accounted for the majority of employment at the start of this period. These tended to be clustered among the high skill and professional end of the occupational structure. In some cases, women accounted for the majority of employment at the end of the period, but many more occupations remained the preserve of men and registered negligible change in the female share. A majority of occupations where the female share of employment increased significantly did experience above-average job growth during the 1990s, with women taking the vast bulk of new jobs. In some occupations, women increased their numbers despite a substantial decline in the numbers of men.

In line with earlier research for the US, there is evidence that in the UK, feminisation was linked with pay decline. Men's relative pay declined significantly in 10 of the 18 feminising occupations where men had been in the majority; especially large falls in pay were recorded for banking sector managers and personnel managers. These are particularly notable given the general labour market trend of an increase in relative pay among managerial and administrative occupations during the 1990-2005 period. Women's relative pay also fell in a majority of these occupations, relative to the median for all female employees. Thus, although women have been making inroads into male-dominated occupations, the pay incentives to do so have been decreasing.

Lifting pay to match the quality of work

A positive re-alignment between incremental changes in pay and work quality is possible (and desirable), but depends upon a combination of supporting conditions. The evidence suggests that one or more of the four factors noted below are necessary in the campaign to reverse the undervaluation of women's work.

Developing and accrediting skills

Employers may be persuaded to increase pay for undervalued work, if training provision can be increased to align pay with performance. Three enabling conditions are: a reorientation out of price-led markets towards expanding sales in a quality niche product market; using improved training provision and skill accreditation to strengthen employer reputation in the labour market; and the impact of statutory regulation in particular sectors that control skill-mix, but also provide incentives to match training and skill development with pay progression.

Reducing staff turnover

Many employers and managers face a shortage of good quality job applicants but, rather than increase pay, they opt for a combination of low pay with high rates of staff turnover. However, as US evidence shows, raising pay can be associated with a virtuous cycle of lower staff turnover, reduced demands on workers' time and decreased likelihood of quits. Also, in the care sector, continuity of employment is strongly related to higher patient care outcomes.

Improving job design

Undervaluation can be reduced by either increasing opportunities to use employee skills, or enhancing the transparency of skill use. New technologies can play a strong role in job design, while survey research suggests a quality enhancing approach to job design, as part of a 'high involvement management' approach, is associated with high organisational performance and a wage premium for affected employees.

Cooperative outsourcing contracts

The East London living wage movement shows how significant increases in the wage floor for workers in subcontracting firms hired to provide cleaning, catering and security services can be achieved. It has focused both on shifting the debate to think about what level of pay is needed to meet basic living conditions and on targeting the powerful client organisations that contract for business services, such as banks, hospitals, universities and municipalities. The US has a very extensive network of living wage 'ordinances' and research has revealed the benefits that have resulted.

Statutory provisions in local government and the National Health Service oblige contracting firms to provide all workers with terms and conditions which are 'no less favourable' than the collectively bargained structure for comparable public sector workers. But such efforts have been undermined by the continued market testing of low paid services. Nevertheless, public sector employers remain under continuous pressure to reduce labour costs that makes the improvement of employment conditions difficult to achieve or maintain.

POLICY OPTIONS TO REDUCE UNDERVALUATION

This report has found diverse, but strong, evidence that women's work is undervalued. Policies to reduce undervaluation and to protect against the emergence of new forms of undervaluation need to address the status and pay attached to work done by women; and the position of women within the current job and pay structure. Both these elements of undervaluation need to be addressed at a number of different levels: the labour market; the occupation; the organisation; and the workplace or job level.

Improving the pay and status of work done by women

The labour market level

Policies are needed to reduce the penalties attached to being placed at a low position within the pay and job hierarchy. These may include policies to raise the floor to the labour market, by for example establishing a living wage as the minimum pay level, or taking action to counter trends towards widening inequality at the top end of the labour market. Promoting greater transparency and accountability in remuneration decisions could help to turn the tide.

The integration of payment systems between organisations and sectors should provide mechanisms to link pay in female-dominated jobs to pay in male-dominated jobs. Current policies of outsourcing should not be allowed to fragment the systems of wage-fixing in the public sector. Change to equal pay laws to allow comparisons across employers could also promote greater integration of pay systems.

The occupational level

Promoting and professionalising the general status of an occupation through skill and career development may help to change perceptions of its value and the pay it commands. Failure to do so may result in costs for employers, employees and society through high turnover and loss of valuable skills.

The organisational level

Policies to reduce undervaluation associated with low ability to pay depend on where the problem lies. Where, for example, it is powerful clients who are pushing down wages in subcontracted sectors, living wage campaigns may be effective. Trade unions are currently trying to protect pay for outsourced services in the public sector, for example by agreeing a minimum wage for all contractors in the NHS. Where it is not possible to increase productivity, but the service provided is essential and valuable, the removal of undervaluation depends on society's willingness to pay, through taxation of both enterprises and individuals.

If equal pay laws are to be effective, they must begin to allow for comparisons across organisational borders to reduce incentives to outsource in order to pay low wages in gender segregated areas. Another strategy could be to require all large organisations, that is including those organised around chains of small workplaces, to conduct and publish equal pay reviews.

The workplace and job level

Equal pay legislation currently applies only within the workplace of a single employer. Even here, the equal value element to the legislation only applies if the jobs are of equal value, so that a woman's job that is 'worth' 80% of a man's job, may be legally paid at 50% of the wage. The adoption of a general and proportionate equal pay for work of equal value principle would be a first step to tackle undervaluation at the workplace.

In addition, organisations should adopt the policies to counter the problems of lack of visibility of skills, low valuation of skills, low pay on grounds of vocation, exclusion from high value-added employment and pay penalties because of variance in work patterns.

Improving the position of women within the current job and pay structure*The labour market level*

Policies to reduce women's vulnerability to undervaluation need to extend women's career choices at the point of childbirth and re-entry to the labour market.

The right to work flexibly should be both strengthened and extended to include other carers, not just parents of young children. More positive incentives for men to participate in care on an equal basis with women are required. And consideration should be given to establishing a parallel right to request a return to full-time work when care responsibilities change to prevent the crowding of women on to 'mommy tracks' at work.

Perhaps most importantly, there needs to be a move away from the long hours culture that often leaves mothers with few options other than to go down the part-time route. This culture change has to be effected at the organisation and workplace level, but the change could be assisted symbolically and in practice, by the abolition of the opt out from the maximum 48 hour week.

Finally, there should be policies to recognise that becoming a parent is a positive contribution to society. This could include giving rights to reduce hours, with earnings compensation during periods of responsibility for young children.

The occupational level

Promoting women's position within occupational structures may involve two quite separate strategies. In male-dominated occupations, policies are needed to ensure that women are able to move off the lowest rungs of the ladder, that they are not so discouraged by the dominant male culture that they leave the occupation, and that they avoid being confined to a specific and low paid job segment. In female-dominated occupations, the main tasks may be to create more promotion opportunities and to ensure those opportunities do not become monopolised by a minority of male employees.

The organisational level

Women need to gain access to higher paying organisations that provide better career opportunities. Organisations can be encouraged or required to report on their equal opportunity policies and practices through specific equality or equal pay reviews, as required in many Nordic countries, or to include information on equality within a general reporting framework such as an addendum to a company report.

The workplace and job level

Countering undervaluation requires attention to be paid to where men and women are placed initially within a pay and grading structure and how their pay progresses over time. A set of principles that may help ensure that the pay system promotes gender equality include commitments to:

- equal pay for work of equal value for all staff, not just between men and women;
- transparency of pay and reward structures;
- the reward of actual performance *at* work, not presumed commitment *to* work, such as willingness to work extra and long hours; and

- the reward of contribution/performance in the job and not the market power of the employee.

Key principles to reducing undervaluation

Combating undervaluation requires a multi-dimensional policy approach. It involves both changes to the valuation of women's work and changes to the position of women within any given pay and job grading hierarchy. The key principles or approaches include policies to:

- reduce the pay penalty for undervaluation at the bottom of the job hierarchy;
- promote integration, not fragmentation, of the system of wage determination and indeed the production system;
- make women's skills visible and, where appropriate, take steps to professionalize women's work;
- allow for comparisons across organisational borders, including up and down supply chains, in equal pay cases and in collective bargaining;
- develop gender sensitive pay and job grading systems and ensure payment systems match the needs/demands of the job;
- promote continuity of careers through policies to tackle the long hours culture and strengthened rights to request flexible working and rights to request a return to full-time work;
- desegregate occupations, but address vertical segregation within both male- and female-dominated occupations;
- require organisations to report on their equal opportunities and equal pay policies through equal pay reviews;
- promote transparency of reward at the workplace;
- commit to a general principle of equal pay for work of equal value for all employees;
- reward job demands, not the productivity of the job; and
- reward commitment at work, not commitment to work.

1. INTRODUCTION

The need to address the continuing pay gap between women and men has been on the agenda since the Equal Opportunities Commission (EOC) set up its Equal Pay Taskforce in 1999. Reporting in February 2001, this Taskforce concluded that there were three main causes of the gender pay gap - occupational segregation, discrimination and women's unequal burden of family responsibilities (Equal Pay Taskforce, 2001). Since then there have been at least two more major reports for the government on the gender pay gap - the Kingsmill report in 2001 (Kingsmill, 2001) and the most recent Women and Work Commission's report in February 2006 (Women and Work Commission, 2006). Five years later and the diagnosis of the main causes remains the same, but the debate about how to reduce the pay gap continues.

A major problem is the unwillingness of policymakers to address one factor associated with all three causes of the gender pay gap and that is undervaluation of women's work. As discussed below (pp. 6-10), undervaluation is defined in the report as a *higher quality of labour for a given wage*. Not only is undervaluation a consequence of discrimination, but it is also associated with processes of occupational segregation, as jobs primarily associated with female labour may be undervalued and underpaid. The consequence of women's unequal family burden is also that they become concentrated in undervalued jobs, often in segregated areas of the labour market. Undervaluation thus is a thread that links together all three contributory factors, but is in danger of being overlooked within current policy debates and proposals.

The Women and Work Commission's report did acknowledge the likelihood of undervaluation of the traditional areas of women's employment - in caring, cashiering, catering, cleaning and clerical work. However, it chose to focus the majority of its recommendations on policies to encourage women to move out of these occupations, rather than on policies to remedy undervaluation within these jobs. Not only is it unlikely that all or most women will be able to move into better paid male jobs areas, but this approach begs the question of who is to undertake these tasks in the future if they are not to be done by women. Writing in *The Guardian* (28.02.06), Polly Toynbee summed up the problem:

No one asks who, if women are going to move on and up, will look after children, clean offices and sit at supermarket tills? Presumably yet more waves of the new slave class - ever more immigrants. But the question remains: people are needed to do these vital jobs, and if they are low paid, they will be mainly women. Thirty years of failure is long enough to know

the pay gap is only partly a 'promoting women' problem: essentially it is the result of a far deeper structural pay disorder. If you want to pay women more, then value their vital work fairly and pay them more. Nordic countries show pay can be more equal.

Much of the expansion of employment over recent years has been in jobs dominated by women. It is thus, at the very least, highly impractical to expect these job areas to decline or disappear and that all women currently employed in retail or care work are going to become plumbers. Without policies to address the undervaluation of jobs that women currently do, the gender pay gap will either remain or be replaced by new inequalities between migrant and non-migrant labour.

Undervaluation does not, however, only apply to those doing the jobs currently placed at the bottom of the wage hierarchy. It can also apply to women in higher level jobs, including those breaking into areas dominated by men. Desegregation is not necessarily in itself the answer. Many of the occupations now associated with women's work - bank cashiers, clerical workers, teachers - were once male preserves. Entry of women into these occupational areas has often been associated with a lowering over time of their pay and status. The argument that is made here is that, if there is a real political will and commitment to reduce and even eliminate the gender pay gap, then attention has to be paid to how jobs are valued. It is not sufficient simply to consider where women end up within the current pay structure, although actions to improve women's position can also of course be helpful.

One reason for the relative neglect of undervaluation is that policymakers are reluctant to engage with policies to change the valuation of jobs. Some regard the valuation of jobs as the appropriate domain of employers or at most an issue for bargaining between employers and trade unions.¹ This reluctance is reinforced by an economics profession that asserts that wages do reflect the productivity of jobs and that the market ensures an appropriate allocation of workers to jobs, taking into account their preferences and their potential productivity. This approach, in our view, oversimplifies the factors shaping pay and gives the market the benefit of the doubt unless there is strong evidence to prove otherwise.

The argument we make here is that wages are not simply determined by the market or by productivity, but are the outcome of complex and often competing logics. These competing logics mean that the setting of wages is far from a precise science and in

¹ A clear example is found in the European Commission in its latest draft of its strategy to make Europe a competitive, but socially inclusive, economy (its 'Lisbon' strategy, as it is called), since it reaffirms a commitment to closing the gender pay gap, but firmly identifies the task as one for social partners.

practice reflects a compromise between a range of influences. Labour market and production cost factors are clearly one set of influences, but wages are also fixed in relation to long established social norms and with regard to internal organisational hierarchies. Moreover, it is employers not the market that fix wages - in economics terms, they are wage fixers not wage takers - and the wage bargain forms one element of the employment relationship between employers and workers; some employers may opt to pay higher wages to generate motivation and commitment, while others favour a cost minimising strategy.

Under this approach to wage determination, there is no assumption that wage fixing is some form of exact science relating pay to productive potential; instead there is scope for indeterminacy and a range of outcomes. As such, undervaluation of women's work can be both embedded in pay structures and may also emerge in new forms and new areas. Evidence in support of this view can be found in the fact that comparisons across organisations and across countries reveal variations in the levels of pay attached to jobs that make similar demands on the employees, in respect of skill, work intensity or responsibilities. And while pay does tend to be higher for those who invest in education, the rates of return on the investment are highly variable between societies and of course are different for women and men.

Productivity is in any case not an easy concept to measure and has limited meaning in many service occupations, particularly in the public sector. If we are serious in our efforts to close the gender pay gap, then the issue of the valuation of jobs needs to be addressed directly, not simply acknowledged and then ignored. We may need to consider changes to the legal framework, to the collective bargaining framework and to our finance of public services in order to achieve this objective, but we cannot simply assume that women through changing their behaviour - as implied by the Women and Work Commission recommendations - can resolve the issue.

1.1 The gender pay gap: how serious is the problem?

The seriousness of efforts to reduce the gender pay gap will of course be dependent on the extent and persistence of the problem. In part, the problem of undervaluation can be judged by reference to what is happening to the gender pay gap. There are four factors that suggest that there is a particularly strong need to address the issues of undervaluation in the UK.

The first factor is that the expectation that the gender pay gap would rapidly disappear once women invested to a similar degree in their education and committed themselves to long and fairly continuous employment careers has not been fulfilled. The gender pay gap has narrowed (see Table 1.1), but most of the decline has

occurred among full-time employees and even then the decline is stronger if median earnings are considered, not mean earnings (see Table 1.2).

Table 1.1 Female median earnings as a ratio of male median full-time hourly earnings, United Kingdom, 1982-2006

	Female full-timers		Female part-timers	
	NES	Per cent: ASHE	NES	ASHE
1982	72.0		56.8	
1983	72.3		57.0	
1984	73.4		57.5	
1985	73.8		57.4	
1986	74.1		56.7	
1987	73.7		56.2	
1988	75.2		56.1	
1989	76.5		57.2	
1990	77.1		57.4	
1991	78.3		58.3	
1992	79.3		58.7	
1993	79.4		58.8	
1994	80.0		59.0	
1995	80.2		60.0	
1996	80.4		58.2	
1997	80.9	81.9*	59.2	56.5*
1998	80.7	81.6*	59.2	55.9*
1999	81.6	82.8*	60.4	56.2*
2000	81.5	82.5*	60.2	56.3*
2001	82.1	82.9*	59.0	55.9*
2002		83.7*		55.7*
2003		84.4*		57.5*
2004		85.2* / 84.9**		57.2* / 57.7*
2005		86.3**		59.6**
2006		86.7**		59.8**

Notes: Overtime included for female full-timers/male full-timers percentages; overtime excluded for female part-timers/male full-timers percentages.

* NES data reworked using ASHE methodology.

** ASHE method only.

Sources: Annual Survey of Hours and Earnings and New Earnings Survey.

Table 1.2 Comparison of mean and median gender pay ratios for full-time employees in hourly earnings, United Kingdom, 1997-2006

	Mean hourly earnings	Median hourly earnings
	Per cent:	
1997	79.3	82.6
1998	78.8	82.6
1999	79.5	83.6
2000	79.8	83.7
2001	80.0	83.6
2002	79.9	84.5
2003	80.6	85.4
2004 ¹	82.2	85.5
2005	82.9	87.0
2006	82.8	87.4

Notes: Earnings data exclude overtime hours and pay and so median figures differ from those in Table 1.1; data are for full-time employees on adult rates, whose pay for the survey pay-period was not affected by absence.

¹ Changes in the methodology underpinning the collection of data for the ASHE mean that there is discontinuity in the data from 2004 (see Dobbs, 2006: 2).

Sources: Annual Survey of Hours and Earnings (Dobbs, 2006: Table 1) - available at: <http://www.statistics.gov.uk/statbase/product.asp?vlnk=14123>

The narrowing of the gender pay gap has followed the narrowing of the gender gap in educational investment and experience, but has not been as rapid as might be anticipated. Recent research on graduates (Purcell and Elias, 2004) indeed reveals evidence of significant and widening gender pay gaps even before women begin to take breaks to have children. This evidence of persistent lower returns to education and experience suggests that attention needs to be paid to factors other than differences in productive characteristics between men and women and that undervaluation must be recognised as a possible contributor to gender pay inequalities.

The second factor is the continued concentration of women in relatively low paid occupations and occupations that are predicted to remain important and potentially expand over future years. This problem is manifest in the much wider gender pay gap for part-timers: at 41% compared to 13.8% for full-timers (using median hourly earnings as the basis for comparison - see Table 1.1). There are significant labour shortages in areas such as care work. Women's jobs are going to continue to be significant both for employment opportunities and for delivering services in both the

public and private sectors. How these jobs are valued is thus an important and continuing issue.

The third factor is the evidence that the UK imposes a relatively high penalty on those located on the lower rungs of the pay hierarchy. Women pay a high penalty for employment in low grade jobs in the UK and if part of the explanation for this level of pay is undervaluation, it may be that the UK undervalues women's jobs more than is the case in comparable countries. Indirect evidence of this is found in the very high penalty paid for working part-time in the UK compared to elsewhere in Europe (see Commission of the European Communities (CEC), 2002; Organisation for Economic Co-operation and Development (OECD), 1998).

The fourth factor is that undervaluation may affect women over their whole lifecycle. The result is that measuring gender pay inequality at any one point in time may underestimate the impact of undervaluation on women over their lives taken as a whole. For example, taking a low paid part-time job not only affects women when they are holding that job, but also affects their lifetime career opportunities and their pensions. Persistent undervaluation limits the options for individuals and households to vary the domestic division of labour; women are the ones to give up employment or opt for part-time jobs, at least in part because the option of earning a high wage and being the main breadwinner is not always open to them. In most couples, the male partner has the best labour market opportunities, a factor that may confine women to more discontinuous and part-time working, and to cumulative problems of undervaluation. Not only are potential lifetime earnings affected, but so also are pensions entitlements (Warren et al., 2001). Here we are regarding undervaluation as one cause, among many, of women's continued shouldering of family responsibilities. This approach contrasts with much of the policy debate that regards women's family responsibilities as a potential explanation of, or even justification for, undervaluation of women's work.

1.2 Undervaluation of women's work: some definitional issues

The potential for *undervaluation* of women's work has been formally recognised in the passing of equal pay legislation. There is a national and international consensus, evident in ILO labour standards and EU and UK employment law that women should receive equal pay for the same work as men and that women should receive equal pay for work of equal value. It is important to note that the legislative framework presumes that where the equal pay principle fails to hold, the problem is taken to be *undervaluation related to discrimination* and not, for example, overvaluation of men's work.

The first principle of equal pay for the same work implies that women are at risk of undervaluation within a given job or occupation; that is, they are at risk of being paid less for the same level of efficiency within the same job. Examples of how this can occur include different starting salaries for men and women; differential access to pay increments or bonuses; and the use of additional payments that are weighted towards rewarding characteristics most likely to be found among men. These cases would include where rewards are weighted towards overtime working, or the need for high levels of strength. In contrast, extra payments may not be available to compensate for dealing with human waste or for working on jobs requiring high tolerance of repetitive, but demanding, work.

The second principle of equal pay for work of equal value implies that women are at risk of undervaluation through employment in jobs or occupations which are themselves undervalued. This undervaluation may be revealed through comparisons between primarily female jobs and primarily male jobs within the same workplace, or across workplaces owned by the same employer. Examples include equal value cases won by predominantly female secretarial staff who had been lower paid than the mainly male manual workers in banks, even though the former were required to have higher qualifications and undertake more complex work than the latter (Hastings, 2000). However, the appropriate comparisons which might highlight the extent of undervaluation are not necessarily to be found inside the same employing organisation. Why, we may want to ask, are those who are employed to look after our cars paid better than those employed to look after our children? These two groups of workers are not normally found within the same employing organisation, but there is no doubt that the former job is firmly associated with men and the latter job is just as firmly associated with women. The question needs to be asked whether the pay level accorded the job is influenced by the gender of the typical employee. Currently, equal pay legislation does not allow for comparisons to be made between differing employing organisations. Nevertheless, when comparisons are made between jobs located in different sectors and different organisations, the same problems of undervaluation that are found within a single organisation may be present, and to an even higher degree.

The outcome of undervaluation, whether arising out of undervaluation within a job or the undervaluation of the job category, is, from the perspective of employers, that they have access to *a higher quality of labour for a given wage*.

This higher quality in some contexts takes the form of the employee offering a higher level of effort, skill or commitment than might be expected for that wage level. Women may prove to be more reliable workers, less subject to high turnover or to

'shirking' and more willing to take the initiative. In other contexts, the job itself may require a higher level of effort or skill than might be reasonably expected at that wage level. These demands might include high levels of work intensity enforced by strong control mechanisms (for example, in some call centres), or high demands on employees' emotions or stress levels (for example, in care work) (Belt et al., 2000; England, 2005a). In both of these contexts, the employer may benefit from being able to tap into high quality labour for low wages, even though the women themselves suffer from not receiving fair rewards for their labour. Men may also feel more comfortable if women's earnings are below theirs, reinforcing their presumed higher status in both employment and the household. There may be a cost to society, however, as well as to the women themselves, since women's talents are not being fully utilised. Indeed, another dimension to, and consequence of, undervaluation is the underutilisation and development of potential. In this context, women may not be able to demonstrate their potential quality and they may be trapped in dead end and repetitive, low level jobs with limited opportunities for either achieving high performance or working to their full potential (see Chapter 7 on the link between wages and performance).

This approach of valuing quality for a given wage provides at least a starting point for a definition of undervaluation. It also highlights the fact that women may be either underpaid for the work they do, or underemployed relative to their potential. We should also here note the danger of measuring the value of women's work against a labour market norm that is implicitly male. There is indeed a potential contradiction in using such a norm, for one of the arguments that will be made is that many of the types of skills required in women's work, or displayed by women, are not visible in, or valued by, the male labour market. Removing undervaluation involves more than a tinkering with pay structures and must lead to a questioning of the assumptions and values that underpin current pay and reward structures. Indeed, if we move towards a more gender equal society in which women's voices are given more weight, the prevailing norms and values, including those that underpin pay structures, must be expected to change. In measuring undervaluation against current labour market norms or values, we must thus be aware that these norms or values are themselves likely to be influenced by the dominance of men and male norms in the labour market.

A report on the undervaluation of women's work must address both the undervaluation of women compared to men within the same job and the undervaluation that arises through the concentration of women in those jobs or occupations that are associated with women's employment. In addressing the influence of gender segregation on pay - at the level of the sector, occupation and

workplace - we need to consider this as having both historical roots and current relevance in the ways in which jobs and pay systems are being restructured. Undervaluation is certainly in part an historical legacy, reflecting the low status of women at the time the jobs became associated with women's labour (Rau and Wazienski, 1999). However, there are also current examples where increases in the employment of women may be leading to, or may even be, the consequence of jobs being paid below their value. Thus the changes in gender segregation which are currently occurring may not herald the end of gender discrimination, but instead may be linked to the establishment of new forms of undervaluation. For example, women may be found to be moving into jobs or occupations where, due to strong competitive markets or other factors, organisations are finding it difficult to pay high enough wages to continue to recruit men. Employing women may allow the jobs to slip down the occupational pay hierarchy, even though there may be no notable changes in the demands made of the employees in the occupation. Likewise, organisations that hire women may find it convenient to redesign jobs and pay structures, such that women are concentrated in lower paying areas or segments.

A particular issue here is whether employers develop different pay and career options for those working part-time within a job or occupation. The definition adopted here of undervaluation - *higher quality for a given wage* - makes it clear that undervaluation associated with gender segregation can apply at all levels of the labour market hierarchy. Thus it can apply to the value attached to female-dominated professional jobs compared to male-dominated professional jobs, as much as to female-dominated lower level service jobs compared to male-dominated lower level service jobs.

A difference in the pay of women compared to men within specific jobs and occupations is also a potential form of undervaluation, if women are less likely to receive the same starting pay or additional payments, or enjoy fewer opportunities for upward promotion out of the specific job category. Indeed, in general, the issue of the pay for the job cannot and should not be divorced from considerations of the pay for the person. First, evidence of the undervaluation of women's productive characteristics (for example, lower returns to human capital, experience, etc.) provides indirect support for the argument that the jobs in which women are located are either undervalued or are underutilising female potential. Second, undervaluation needs to be considered in a more dynamic perspective, to include not just current pay, but also pay careers: the development of pay over time is a reflection of both the characteristics of the job or sector and the characteristics of the person. Undervaluation may occur over time because of underutilised or underdeveloped potential, which can be seen in lower opportunities for skill development - through

training or challenging work - or for promotion (pay and grade). Characteristics of women's work must therefore include not only current job demands relative to pay, but also the associated opportunities for career and pay development.

Indeed, in considering the extent and form of undervaluation, the possibility that undervaluation is a cumulative outcome of under-reward on a range of dimensions must be considered. For example, the following forms of undervaluation could apply to a particular woman, over the course of her career with an employer:

- undervaluing of job by pay grade, or undervaluation of basic pay in absence of any pay grading system;
- lower basic pay within job grade (starting salary plus increments);
- lower access to, and/or size of, contingent or performance rewards;
- lower access to, and/or size of, premia for additional or unsocial hours working;
- lower access to, and/or size of, other rewards, such as pensions or other fringe benefits;
- lower opportunities for advancement in terms of training or promotion; and
- lower rewards for advancement in terms of skill development, promotion or supervision.

We therefore need to focus on undervaluation as a dynamic concept, both at the level of the labour market - such that new jobs, sectors and labour market groups may become prone to undervaluation - and at the level of the individual, such that undervaluation may either be compensated for or intensified over the lifecycle.

1.3 Outline of the report

The report is divided into eight chapters. Chapter 2 provides an overview of theories of pay that may inform our understanding of undervaluation. Chapter 3 surveys the literature on undervaluation from the perspective of the individual employee and labour force groups. Chapter 4 looks at undervaluation at the workplace. Chapter 5 considers the dynamics of undervaluation and the factors that might shape undervaluation patterns in the future. Chapter 6 provides information on recent desegregation and employment trends and their relationship to undervaluation. Chapter 7 considers the relationship between undervaluation and performance. Chapter 8 outlines policies to reduce undervaluation.

2. UNDERVALUATION AND APPROACHES TO PAY DETERMINATION

2.1 Introduction

Pay is a cost of production, a signal to recruit and retain staff, a key resource for individuals and families, a reflection of social identity, a tool for motivating staff and the outcome of distributional conflict between employers and workers. With these many roles and functions, it is not surprising that there are differences of opinion and perspective on the most important factors shaping processes of pay determination. Social scientists from a whole range of disciplines have something to say about pay, but they approach the question from different disciplinary concerns and different understandings of social practices. To a large extent, the different disciplines do not talk to each other and as a consequence much of the literature on pay remains rather separate and the tensions between the different approaches and accounts unexplored. The argument we make here is that there is in fact no one way to resolve these differences, that pay does serve multiple roles and functions and as such is often a compromise between competing pressures, with different outcomes in different institutional, social and economic contexts

2.2 Undervaluation and theories of pay

The study of pay is not confined to one academic discipline. While economics has the claim to the most well-developed general theories of pay, there are equally strong traditions of studying the forces that shape pay levels and practices in sociology, industrial relations and management.

The involvement of these different disciplines in exploring and explaining pay levels and practices reflects the importance of pay within both the economy and the society. To make sense of these varying perspectives, it is helpful to look at pay as a cost of production, as a source of social status and living standards and as a key variable in shaping the employment relationship.

Pay as a cost of production

Pay can be considered through the lens of employing organisations as a cost of production, with the price that can be charged for the products or services produced setting an upper limit to the price or the wage paid to labour. This approach can explain why wages for similar types of jobs may vary between organisations and sectors: where an organisation or sector is operating in an expanding market, or the organisation is an innovative and productive organisation, it may be possible for employees to bargain some share of the additional profits. This practice in economics terms is known as *rent sharing*. However, an ability to benefit from location in favourable segments of the industrial system depends upon the bargaining power of

the workforce and on the rapidity by which favourable positions are eroded by competition.

Traditional wage theory tends to assume that these differences in ability to pay between organisations and sectors have relatively limited influence on pay unless there are strong trade unions, as otherwise there would be limited incentives for employers to pay above the market rate for labour. However, *one possible element in explaining gender differences in the valuation of their work is that men are both more likely to be employed in sectors where there is potential rent to share and more able, through stronger organisation and power, to secure a share of the potential rent.*

To the extent that wages do rise in the expanding sectors and organisations, this acts primarily to attract labour from declining x sectors to areas of higher value added. A parallel process may occur, according to mainstream economic theory, in sectors or organisations with declining ability to pay, where the level of pay for a particular type of labour may well fall below so-named market rates, encouraging labour to move to more productive sectors. Where there is a fixed wage floor - for example, a national minimum wage - the impact may be to reduce employment through marginal firms becoming uncompetitive at these wage rates. However, total employment may still expand as the more productive firms are not being undercut by the less productive.

All of these mechanisms are based on rather strong assumptions. First, the notion of market rate is based on the assumption that there is a balance between supply and demand in the labour market and not a potential excess supply of labour (which is found, for example, among the predominately female inactive population), or indeed, in the potential pool of economic migrants. This might mean, for example, that if there is a shortage of labour in a female-dominated occupation, that employers, instead of raising the price of labour, might seek to attract in new labour supplies who might otherwise not be available to work. This could be done by offering part-time and flexible hours rather than by raising wage rates.

Second, pay differentials may reflect factors other than productivity, including discrimination. Thus one of the ways that organisations may respond to difficulties in retaining and recruiting labour may be to switch to a new labour force group - for example, from men to women. The outcome of a move from a more advantaged to a more disadvantaged group could be that the pay for the occupation may even tend to decline rather than rise. Such processes can help explain how, historically, clerical work, which was once both a male preserve and well paid, slipped down the occupational hierarchy; as the demand for such workers increased, employers turned

to educated female labour as a group to be mobilised at lower wage levels (Crompton and Jones, 1984; Lowe, 1987).

Pay as a source of social status and living standards

While pay is undoubtedly an important contributor to costs of production, it is equally pertinent to view pay through the lens of the family or the individual employee, that is as their main source of purchasing power and the means by which they can achieve and maintain their standard of living. This effect may extend even to periods without work, such as retirement, if pensions are linked to wage earning. The main concern for employees and their families is that pay should keep pace with, or exceed, any rise in the cost of living. However, the main concern for employers in setting pay is to keep costs in line with what they can charge in the product market. These potentially conflicting views create tensions in the setting of pay levels. This issue also highlights one of the major problems of the traditional undervaluation of women's work; many women may be employed in jobs that do not pay enough to allow an acceptable standard of living for themselves, let alone any dependants, even if they worked full-time hours. Undervaluation thus reinforces women's economic dependence upon men and leads to poverty among those women, such as single mothers, who need to earn a living wage for themselves and their families. Low paying employers rely on subsidies from other family members or from the state to support the living costs of their employees. Furthermore, many women over their lifecycle move from positions of economic dependency to situations in which they are required to be economically independent; divorced or widowed women face problems of inadequate access, both to wage income and to pension provisions, even though at some periods of their lives, they may have been in households where the standards of living may have been primarily secured by a man's 'family wage'.

Pay is also regarded as an important reflection of social status and social class, within the workplace and the community. A particular issue in debates over undervaluation is whether women tend to be lower paid at work in order not to upset the prevailing social and economic gender hierarchy. Thus at the household level, it is the 'norm' for men to earn more than their wives or partners; at the workplace, men may be resistant to supervision by women or to being paid less than women. In 2003-04, women contributed more than 50% of income in around one fifth of couple households (Women and Equality Unit, 2005) but, on average, their contribution is 32%. Attitudes towards women's role in family finances may or may not be changing, but the legacies of these traditional norms will still be around for some time to come.

Pay and the employment relationship

A further role for pay is in mediating and shaping the employment relationship. Pay is one side of the wage effort bargain struck between employees and management at the workplace. For management, it forms one of an array of tools available both to motivate and to control their workforces, while for trade unions or individual workers, it can be considered the price for their cooperation, in particular when additional input into the production process is required. Pay in this context can be considered as a contested relationship, constantly to be bargained over. Furthermore, payment systems are designed and then redesigned as part of an overall system of human resource management which in turn is potentially linked to specific business objectives. For example, a priority of management in a particular organisation may be to select staff whom they consider to be promotable into higher level jobs, a group which may consist primarily of men. In order to facilitate their retention, this group might receive higher rewards. This can sometimes be backed up by this group's use of external market offers to negotiate on individual pay. In contrast, those deemed not promotable have less bargaining strength even if they receive external offers. Similarly, employers may consider it necessary only to respond to the concerns of male workers - deemed to have family responsibilities - in negotiations over the level of wages. This can lead to offers of more overtime or higher bonuses in selected parts of the wage structure.

2.3 Some disciplinary perspectives on pay

As a consequence of these different lenses or functions associated with pay, the different disciplines tend to address issues of pay from different perspectives. This provides different kinds of insights into pay issues in general and undervaluation in particular. Each of the disciplinary perspectives has identified the existence of undervaluation, provided some insights into the mechanisms through which it becomes manifest and considered factors behind tendencies towards undervaluation. However, one problem with the literature on pay is the failure, for the most part, to bring together these different approaches and to see not only pay in general, but also the factors that may lead to undervaluation, as a multi-dimensional or multi-faceted phenomenon. Our review of theories or approaches to pay will, therefore, start by dividing the literature by conventional academic discipline or subject area. However, we will return to our three lens approach to try to develop a more integrated and interdisciplinary approach to the understanding of pay and the processes of undervaluation. This overview of both discipline-specific and more integrated approaches will then be used to inform our review of recent empirical literature on gender pay issues. This will illuminate both the extent of undervaluation and the factors that lead to its continuation, renewal or reduction.

Economic analysis perspective

Economics, as a mainstream discipline, views pay primarily through the perspective of the efficient allocation of resources; thus, there should in principle be roughly equal returns to labour throughout the labour market, taking into account the productive characteristics of individuals, primarily their human capital acquired outside work and inside work through work experience. For economists, therefore, the main indication of the existence of undervaluation is evidence of lower returns to women's productive characteristics. *In practical terms, this means that women will receive lower rewards from investing in education or from their own work experience.* The main way in which economists identify empirically the existence of undervaluation is through a decomposition of the wages paid to men and women, taking into account their productive characteristics such as human capital and work experience. Undervaluation is therefore said only to occur when women with the same education and work experience as men receive lower wages. Put another way, this suggests both that women receive a lower return on their investment in education and work experience than men and that the economy receives a lower return on its investment in women. Evidence in this respect will be reviewed in Chapter 3.

Here we focus more on the range of explanations for these differences. As we will also see below, in some cases, differences in rates of return are taken as evidence that not all the differences in productive characteristics have been captured by standard human capital variables. The market is given the benefit of the doubt and it is assumed that the presence of pay differences between men and women must mean that there are some differences in productivity even if they cannot be easily measured. The most common explanations cited are either that women must be less committed workers and managers therefore adjust their pay downwards, or that they particularly like their jobs and trade off pay for higher job satisfaction. Thus, despite the efforts to develop an elegant and comprehensive theory and a sophisticated statistical analysis that narrows down the share of the wage gap associated with undervaluation, in practice there is much reliance on unexplained or uncaptured variables and on stereotyped views of women's attitudes and behaviour to account for differences in men's and women's pay.

The notion that the observed lower monetary returns to productive characteristics may reflect the free choices of women is associated with the school of economics known as *new household economics* (Becker, 1981a). Women are exercising their tastes or preferences for particular forms of work, so that the non monetary rewards of the jobs compensate for lower pay. A further twist within this approach is to introduce an assumption that decisions over investment in human capital and job choices are made at the household level to maximise the household's welfare over

the whole lifecycle. Thus, if the household decides that one person should specialise in non market work and in the raising of children, in order to maximise household welfare and possibly household monetary returns, the result may be that that person - almost always the woman - may choose voluntarily to enter an occupation that may have lower monetary returns, but which offers opportunities for non continuous careers, part-time work, limited travel to work or other attributes that facilitate the combination of wage work with responsibilities for children.

For some economists, therefore, evidence of differences in monetary rewards is taken as evidence of differences in preferences and choices. Moreover, this exercise of choice does not necessarily reflect individual but joint household preferences on the division of labour between wage and non wage work (Becker, 1974, 1981b, 1985; Humphries, 1995; Ferber and Lowry, 1976; Winter, 1987). This focus on the welfare of the family rather than on the personal preferences of women has led to some economists questioning whether women's choices in the labour market can be regarded as reflective of free personal choice. This is both because of constraints operating in the household setting and because of labour market institutions that restrict women's access to higher paying jobs, thereby preventing them becoming the main breadwinner, even if this was the preference of the couple (see Humphries, 1995 for a review and critique of the new household economics approach). Simply the fact that women work in female-dominated sectors is often taken as evidence that women have a preference for those sectors and are happy with the lower pay. Yet, factors that may make women feel excluded from other sectors - such as a requirement to work very long hours, or to endure a highly masculinised environment, or to experience discrimination in hiring and in the workplace - need also to be taken into account in assessing satisfaction with current labour market roles. The most telling argument against theories that dismiss the likelihood of undervaluation is that the notion of differences in preferences was introduced in large part to explain why women chose to invest less in human capital than men.² Now that women are investing as much, or more, in human capital as men, the argument that women are freely choosing not to maximise their potential or their monetary rewards in the labour market is not so easily made. This is discussed further in Chapter 3. The declining explanatory power of differential investments in human capital allows for more attention to be paid to the remaining set of factors that economists have identified as possibly accounting for undervaluation.

The first and long standing explanation of distorted labour market is the presence of *monopolistic structures* in the labour market - namely trade unions that establish a mark-up for those covered by unions and collective bargaining. Monopoly implies

² See England (1982) for a critique of the argument that women willingly choose lower paying jobs.

power over the selling of labour but, as not all workers are covered by the powerful agents, those outside are liable to be paid lower wages. This occurs both because they do not receive the union mark-up and because the higher wages lead to reduced employment in the core of the unionised sector. This swells the labour supply to the non unionised sector, further depressing wage rates.

The second factor is the parallel presence of *monopsony* in the labour market. This is the presence of powerful employers, who have power over the purchase of labour and find advantage in keeping both wages and employment below the level that might be found in a freely operating labour market (Manning, 2003; Dickens et al., 1994). Women may be especially prone to be subject to monopsony power due to restricted employment opportunities, particularly when they are limited in their geographical mobility. Monopsony was until recently dismissed as a special case, with little explanatory power for general analyses of the gender pay gap, but there has been a resurgence of interest in this phenomenon (Card and Krueger, 1995). New empirical research indicates its presence, as we discuss further in Chapter 3.

The third factor relates more directly to gender discrimination. This is the *crowding of women into specific segments of the labour market*, resulting in an over supply of labour relative to the male segment (Bergmann, 1986). As labour in the overcrowded segment is relatively cheap, employers have incentives to use large quantities of labour, rather than to economise on labour and promote the use of labour saving technology. The result is that the productivity at the margin in this segment is low, but this does not necessarily reflect differences in potential between women and men, as the former are not able to demonstrate their potential relative to the latter. In economic terminology, the problem is a low marginal productivity of labour, but the average or potential productivity of the female labour force may be just as high as that of the male labour force. Over time, productivity in the crowded (female) segment may stagnate, while in the male segment, there are incentives to increase productivity to save on higher wage costs. This gradually leads to further divergence in wages between the segments.

The crowding model differs from the monopsony model by suggesting that the impact of excess supply is to lower wages, but in this case, to increase employment by promoting labour-using technologies. Under monopsony, reducing undervaluation would have positive impacts on employment, but under the crowding model, there would be negative impacts on employment, unless and until the barriers to women's mobility into the male segment were removed.

The explanation for this crowding effect for some is found in factors such as employer or employee *tastes for discrimination* (Arrow, 1973; Becker, 1957). These result in the segmentation of markets, either because employers are powerful and able to exercise a choice not to hire the cheaper, but less 'desirable', labour, or because this factor avoids the costs of compensating male employees for working alongside women. The explanation for persistent gender segregation can also be located in problems of the costs of acquiring information on productivity. Thus, employers are liable to attribute a productivity level to an individual based on some easily obtained and cheap information such as the person's sex; this *statistical discrimination* may or may not reflect true differences in average productivity (Akerlof, 1970; Spence, 1973). Even if differences do exist in average productivity, an individual woman is still prevented from demonstrating her actual productivity and aptitude for a particular job as she is assumed to conform to the norm for all women.

This notion of statistical discrimination is expected to have a particular impact in jobs where interrupted careers or less than an absolute commitment to the job are considered undesirable. Whatever their personal preferences or plans, women may be regarded as more likely either to interrupt their careers, or to be less than fully committed to work, at least in some periods of their working lives, and thus may be excluded from some parts of the labour market. Such exclusion may apply particularly to jobs requiring heavy 'investments' in firm-specific skills. The outcome of these practices by employers is that women are overcrowded into a narrow range of occupations and, as a consequence, are undervalued relative to their productivity potential. This outcome reinforces the gender division of labour in the household, on which part of the statistical discrimination is based, by making it more difficult for women to be the primary earner in the household, as they are excluded from jobs providing an adequate salary for a single or a family breadwinner. A vicious circle is thus established, which reinforces women's economic dependence in the household.

Much of the economics literature sees employers as adopting wage levels that are determined by supply and demand in the labour market; they are characterised as wage-takers, not as active wage-fixers. Where employers are in dominant or leading positions in sectors there is, however, some additional ability to pay as they are enjoying economic rents. Furthermore, some economists have become interested in issues of motivation and control at the workplace and in the information problems that a manager faces in knowing if the labour hired is working effectively for the organisation (see Grimshaw and Rubery, 1995 for a review; see also Akerlof and Yellen, 1986; Shapiro and Stiglitz, 1984). This has led to a range of different theories of wage fixing. These include efficiency wage theories, where employers set wages above the market clearing level to make workers care about keeping their premium-

paying jobs and thereby to reduce their tendencies towards shirking on the job. Thus, when women's pay appears to provide a lower return to observable characteristics than those of men, this outcome could be because they are less likely to be found in firms operating an efficiency wage policy where wages are higher than the market norm. Explanations of factors accounting for such differences tend to be unconvincing; in general, efficiency wage policies are said not to be used where productivity and commitment are easily measurable and observable. However, women work in segments and sectors where that is clearly not the case - for example in care work - but it appears that efficiency wages are not being paid (see Grimshaw and Rubery, 1995; Akerlof and Yellen, 1986; Bulow and Summers, 1986; Shapiro and Stiglitz, 1984, Yellen, 1984).

Sociological, psychological, industrial relations and management perspectives

The sociological, psychological, industrial relations and management perspectives on pay and undervaluation are more eclectic than those found in mainstream economics and certainly do not take as their starting point a single overarching theoretical framework. We also include within this category approaches that might be more appropriately labelled 'political economy'. This is because these often have more in common with a sociological approach, with its emphasis on the role of power relations, institutions and social norms, than with the mainstream economics literature summarised above.

To provide an overview of this large and diverse literature - as a basis for framing our later discussion of both integrated approaches and of recent empirical research - we have divided the literature into five main areas, namely undervaluation associated with:

- low valuation of the productive activity;
- low valuation and visibility of skill and status;
- low valuation associated with high job satisfaction;
- low valuation of women as presumed second income earners; and
- low valuation embedded in the design and implementation of payment systems.

Low valuation of the productive activity

Within the literature on political economy and industrial relations, the starting point for analysis is the likelihood of variations in value across different types of sectors, firms and workplaces that arise out of the unequal distribution of power within the market.

There is thus the expectation that large multinationals (MNCs) may, for example, be able and willing to pay more for a particular level of skill than small firms in competitive markets and that these differences are not transitory, but long lasting. The MNCs may still need persuading to pay more through the presence or the threat of collective bargaining (so that large firms may pay more to avoid unionisation, for example). Unlike in the mainstream economics literature, the notion that the labour market equalises the returns for similar types of labour is regarded as a special case - to be brought about by strong universal systems of pay determination - rather than as the normal outcome of market relations.

The literature in this area is eclectic, but is primarily associated with labour market segmentation theory. The original models of segmentation theory suggested that employers divide the workforce into core and periphery segments according to the importance of firm specific skills and thus the need to maintain a continuous and loyal workforce (Doeringer and Piore, 1971). Those within the primary segment or core are managed within the administrative structures of organisations, rather than their employment being determined by external labour market conditions. There are no processes, therefore, that keep the value of work in the secondary sector in line with the value in the primary or core sector, as they develop according to different dynamics, the external market conditions and the internal rules and practices. Gender entered into the initial analysis as an explanation of the availability of a flexible labour supply to the periphery. Women were regarded as willing to work for low wages and on a disposable basis.

Further development of the segmentation approach, however, suggests that the potential to 'undervalue' women's work may be more central to the construction of the core and periphery segments (Craig et al., 1985; Grimshaw and Rubery, 1998). The decisions over which jobs are offered core or periphery status are likely to be influenced by the bargaining power of the workers, not just by the technical properties of their jobs. Jobs performed by women are more likely than those carried out by men at the same skill level to be found in the periphery. Employers may in fact regard women's jobs as peripheral even when they constitute the core activity of the organisation (Walsh, 1990).

This approach complements the general critique of early versions of labour market segmentation analysis that failed to pay sufficient attention to the historical development of internal labour markets which emerged out of struggles between employers and trade unions over levels of pay, employment guarantees and other features associated with internalised labour markets (Jacoby, 1984). By focusing on institutional arrangements shaping pay, the approach introduces scope for variations

in the processes leading to undervaluation and the extent of undervaluation by sector and occupation. These differences may be particularly strong between countries, where the institutional arrangements shaping pay determination vary, thereby allowing for differences in the valuation of labour by sector, organisation or occupation.

Low valuation and visibility of skill and status

Sociological research has a long tradition of interest in the interplay between social class and social status and occupational and skill categories. These influences have been recognised to work in both directions and to be mutually reinforcing. Thus the skill or pay status attached to a job or occupation reflects the status of the occupants as well as influencing their current social position. Skill status is socially constructed, by social actors. A particular dimension to this argument is the link made by social actors between work performed in the home and similar work performed in the wage economy. Thus care work in the labour market may attract a low valuation, since care work in the home is performed by women and for 'free'. This type of explanation for undervaluation in wages contrasts with that of mainstream economists. The latter, in finding that care work attracts lower wages than might be expected on grounds of responsibility or skill, fall back on the argument that it must be the satisfaction of undertaking care work that results in women trading pay for a more fulfilling type of work (Polachek and Siebert, 1993).

A related issue is the lack of visibility of women's skill. Numerous studies have pointed to the fact that occupational classification schemes have much more finely defined categories for men's work than for women's work (for the latest work, see Blackwell, 2001a). This provides indirect evidence of greater concern to differentiate skill and therefore status and pay levels for the male workforce.

Low valuation associated with high job satisfaction

Women's apparent higher satisfaction with work at a given wage level, after adjusting for issues such as skill, can be regarded as both a paradox and a potential factor accounting for undervaluation. This is because managers are likely to feel under less pressure to improve wages for the more satisfied employees. For psychologists, the interest is in accounting for these differences; for economists, the differences are taken to imply some unmeasured aspects of the job that leads to high satisfaction. Jobs are therefore not undervalued, since there is a trade off between monetary rewards and non monetary rewards.

Much of the explanation from a psychological perspective has focused on the lower expectations of women, such that their expectations are more easily met (Clark,

1997; Major and Konar, 1984). Clark has found that younger cohorts and those with more ambitious female role models (e.g. having mothers in professional occupations), the higher-educated and those working in professional and managerial jobs or in male-dominated workplaces are all less likely to have high job satisfaction. Rose (2005) has identified a significant fall in female job satisfaction, but what is puzzling to explain is why this higher satisfaction among women was found previously in the UK and the US, but not in most European or other advanced countries (Sousa-Poza and Sousa-Poza, 2000).

Low valuation of women as second income earners

Wages serve not only as the price of labour for employers, but also as the source of income for families. The most bitter historical struggles over wages have been associated with periods when wages have not risen in line with the cost of living (as exemplified by bread prices). Classical economists have assumed that there is a natural domestic division of labour, with women being responsible for the care of children, and as such, men's wages need to be sufficient to support a family. This notion was developed as the basis of the British welfare state following the 1944 Beveridge Report. This report assumed that 'normally' a man's full-time wage would be sufficient to support a one child family, with child benefits therefore being paid only for second and subsequent children, a practice that continued until 1977.

This strong presumption that men required a 'family wage' found its counterpart in the widespread belief that women worked for 'pin money' or 'extras' and would thus be more willing to work for lower hourly wages than men. While these arguments may appear out of step with current conditions, they are still prevalent in current debates. For example, critics of minimum wages argue that they are unnecessary as they do not cause poverty, since many low paid workers are in households where the standard of living is primarily secured by other family members. The most important groups affected are young women and men and adult women in couple households. The pin money argument has been applied particularly to part-time workers, who are identified as being in search of supplementary earnings. This argument is put forward as both an explanation of why women are paid less than men and as a justification for it - that is, as it does not lead directly to poverty. The academic literature relating to these arguments can be found in a range of disciplines. These include studies in industrial relations and economic history over struggles for living wages or family wages (Humphries, 1977) and on the costs of parasitic employers who rely on subsidised labour (Webb and Webb, 1920); in feminist accounts of the contributions of women to the family income through informal work, at a time when the discourse is constructing men as the sole breadwinner (Barrett and McIntosh, 1980); and in the

literature on the social construction of skills and of the treatment of part-time workers (Beechey and Perkins, 1987; Siltanen, 1994).

Low valuation embedded in the design and implementation of payment systems

The final area of literature to be considered is that relating to the design and implementation of payment systems, found for the most part in this time in human resource management and industrial relations publications. Salient features of payment systems include:

- the construction of job pay hierarchies, including the main divisions between job clusters (for example, between white collar and manual, or between male dominated and female dominated);
- the wage contours or wage comparisons inside and outside the organisation used to shape the job and pay hierarchies;
- the structure of payments systems, grade structures and differentials between and within grades;
- the impact of the operation of payment systems on valuation (bonuses, performance-related pay, grading, market factors); and
- the impact of collective bargaining, the minimum wage and other factors on organisations' pay, human resource practices and system of work organisation.

A particularly pertinent area of research within the industrial relations tradition sees the design and implementation of payment systems as reflective of contested relations at the workplace (Brown, 1973; Kessler and Purcell, 1992). As a consequence, the implementation of payment systems may result in unexpected outcomes, since managers and employees, as social actors, influence the process of implementation. Furthermore, a new payment system may lead to subsequent changes in work practices. Jobs deemed too expensive may, for example, be contracted out. Alternatively, those who lose out in a new grading structure may have their earnings maintained either through long term 'red-circling' of their pay at a higher level than the grade justifies or through new performance-related payments, or through more opportunities to move into higher grades.

Such strategies were evident at the time of the implementation of equal pay legislation and are still a possible, or indeed likely, response to new attempts to introduce equal pay for work of equal value through single pay spines, for example. Furthermore, research on the implementation of comparable worth schemes,

particularly in the US (Acker, 1989), but also in the UK (Lissenburgh, 1995), have revealed the potential for such systems to be used by either managers or the workforce for aims other than that of implementing equal pay. For example, Acker's US study found that management sought to use job evaluation to reduce the role for collective bargaining. Similarly, Lissenburgh's (1995) study of the UK local government manual workers' scheme found that bonus and performance pay were used to restore differentials for male workers displaced down the general job and pay grading scale. In some cases, therefore, undervaluation may be found in the job and pay grading scale but, in other cases, it may emerge more out of the operation of gendered practice in the implementation of the pay and grading system.

2.4 A dynamic integrated approach to pay determination

The framework we propose to adopt to understand the various dimensions of undervaluation has two important characteristics: first, it moves beyond the separate considerations of undervaluation by academic discipline to argue that *pay is influenced by a range of alternative logics*. Second, it adopts a *dynamic approach* to the understanding of undervaluation.

By viewing the influences on pay through multiple lenses, we reject the notion that there is a simple or universal theory of pay. Wages are the outcome of complex and often competing logics. Competing influences are always present. For example, there are pressures to adjust to external labour market trends; to respect internal hierarchies or external wider social norms; and to use pay to control or motivate an internal labour force. Moreover, these conflicting influences are played out within a contested social relationship, namely the employment relationship.

There are a number of implications of the adoption of this framework for understanding undervaluation.

- Different logics may have more or less influence in different countries, sectors, organisations and in different time periods.
- Pay is influenced by a whole range of institutions and is not simply responsive to market allocation mechanisms.
- Gender may interact with each of the different logics.

This 'different logics' approach complements and builds on the tradition of social and institutional economics (see Kaufman, 1994; Kerr, 1994; Lester, 1994 for reviews). Kerr (1994: 74), for example, has emphasised the indeterminateness of wages:

we saw not equilibrium but disequilibria. We saw not determinant solutions but indeterminate ranges for solutions. We saw not a market for labour but many markets with distinguishing characteristics. We saw collective action as well as atomistic decision-making.

Kerr (1994: 98) has also emphasised the importance of understanding the influence of the demand-side:

wage fixing deserves major attention because of its major significance. ...the demand side and wage fixing are much more complex than supply side adjustments and thus more interesting to study;... they require more contact with reality than does the use of other people's statistics.

The emergence of econometric techniques, according to Kerr (1994), led to an almost exclusive focus on the supply-side as the datasets on human capital were much easier to compile than those related to organisation and firms' policies. It must be remembered that much of the work on wages and human capital that aspires to give precise and universal weights to influences on pay has been conducted without detailed evidence on the role of employers or inter-organisational variables. If our thesis holds, that wages are pulled by conflicting influences, it follows that wages cannot be expected - as one instrument - to meet all these potentially conflicting objectives. In economics (Tinbergen, 1956), it is recognised that a separate tool or instrument is needed to meet each policy objective. Wages cannot, except by coincidence, fulfil all these multiple roles, particularly if they conflict. Which objective takes priority is likely to vary by time and place, allowing for a wide range of indeterminacy in pay levels and structures.

If we apply this approach to the study of undervaluation, we can see that it may be critical for women that employers pay attention to internal equity. In this case employers are more likely to reward work according to its demands and its contribution to the organisation. In contrast employers who divide the workforce into a core and a periphery, may adopt different reward strategies for the two segments of the workforce. The result may be that wages in the periphery segment, often dominated by women, may be linked to their position in the external labour market, without regard to the contributions being made either by women as a group, or individually, to the success of the organisation. These tensions between internal relativities and external value may inform decisions over outsourcing; one factor motivating outsourcing may be the opportunity to operate different wage structures, in line with a group's external labour market position (Baron and Kreps, 1999).

In another example, as we discuss again in Chapter 4, the differences in bargaining power between men and women may influence the ways in which employers who

can potentially pay high wages in practice reward their employees. There seems to be evidence to suggest that male workers are more able than female workers to extract some share of the high profits - the economic rent enjoyed by higher performing sectors. For example, women are particularly likely to be low paid in small workplaces owned by large and often highly profitable organisations. In fact, if we argue that different logics, with different degrees of force, are present, then it follows that there is a need to explore wage data to see if there are essentially different pay models at work in different parts of the labour market. Differences in returns to productive factors between men and women, as found in most decompositions of the wage gap (see Chapter 3), have indicated that approaches to pay determination may differ in male and female-dominated labour market segments. Differences are also found in the structure of wage equations between full-time and part-time workers (Harkness, 1996 - see Chapter 3) and different types of employers are found to set pay according to different principles and according to differences in the characteristics of the workforce (see Chapter 4 and Forth and Millward, 2001).

We have already seen that gender may interact with all the different logics to pay formation. Figart et al. (2002) have argued that there have been two persistent alternative discourses over wages - wages as price and wages as living. These follow closely the notions of pay as a production cost and pay as a source of social status and standard of living. Their analysis of how women's pay has been shaped by these discourses, both historically and in the recent past, has also demonstrated that there is no one approach that automatically acts to remove undervaluation; it all depends on the context in which pay systems are implemented. This leads to the third element in their theoretical framework - the need to see pay as a social practice.

Two examples of apparently paradoxical outcomes illustrate this argument. The first relates to the use of job evaluation as a means to implement equal pay for work of equal value. This approach appeared to offer a means of eradicating undervaluation of women's work, which was associated for example with women being regarded as only needing 'pin money'. Instead of focusing on needs, as in the wages as living discourse, the promotion of 'unbiased' job evaluation schemes was expected to achieve fair prices for the jobs performed by men and women independently of supply factors. However, this search for a just or fair price has proved to be more complex. Not only do many job evaluation schemes re-establish existing hierarchies, as employers and sometimes unions seek to minimise the disruptive impact of re-evaluating jobs, but also, in revealing the existing biases in the processes of job evaluation:

the pay equity movement...articulated an alternative theory of wages, based upon the idea that institutions, norms, and expectations affect the wage-setting process at the same time that the movement's use of comparable worth job evaluation embraced the ideal of setting prices according to productivity.
(Figart et al., 2002 :191)

Just as the approach of seeing wages as a price will not be sufficient to achieve the objective of gender equity, so the notion of 'wages as a living' cannot be seen as always working against the interests of gender equity. Historically, the reference to needs has been used to bolster the notion of a family wage, and thereby to underpin male claims to higher wages. However, more recently in the US³, there have been campaigns for a level of minimum wage that should provide an adequate living standard for those at the bottom of the labour market, without recourse to contributions from the family or the state. This 'living wage' movement has had an impact on improving pay for those at the bottom of the pay hierarchy - including many women. The breakdown in the sole male breadwinner family as the only or main family form has opened up a space for claims that a wage floor should be based on a minimum living wage, and as such:

equality discourse has joined with living wage discourse to support equal access to a living wage.
(Figart et al., 2002: 199).

Both these examples suggest that alternative discourses on wages and on the source of wage differentiation will continue to exist side by side. It is therefore the political will to change wage structures that really matters. The presence (or not) of a commitment to remove the embedded gender discrimination, whether manifest in the levels of wages (such that wages at the bottom of the hierarchy do not provide a living wage) or in the ranking attached to women's jobs (through overt discrimination or through socially constructed conceptions of skill and merit) is thus critical. These examples also indicate that the tools and arguments that can and must be mobilised to promote gender equity and remove undervaluation are at least in some regards context and time specific.

Indeed, a corollary of adopting a 'different logics' approach to the understanding of pay and undervaluation is that processes that promote or reduce undervaluation should be viewed as both dynamic and context specific. Not only is undervaluation related to different institutional arrangements, by sector, organisation, occupation and nation state, but these institutions and their impact will change over time and context.

³ See Chapter 7 for discussion of living wage campaigns in the UK.

Furthermore, there may be opposing tendencies, with some processes reducing and others increasing undervaluation. Evidence of limited change in the overall gender pay ratio may in fact indicate that there have been offsetting changes, not necessarily no changes at all.

In developing a dynamic analysis of undervaluation, a key question must be whether, and in what contexts, undervaluation is an historical legacy which can be expected to slowly disappear under appropriate equal pay policies, or a current factor that is continuing to influence the developments and restructuring of wage and employment structures today and into the future. This more dynamic approach is taken up further in Chapter 5.

2.5 Summary

Pay serves multiple roles in the society and economy. It is shaped by factors external and internal to the organisation, by issues of costs and by issues of fairness, by considerations of motivation and by considerations of cost control. The argument we have developed here is that pay is indeed shaped by different logics and reflects compromises between these different influences. We therefore reject the idea that we should seek a universal theory of wages, or that we should approach the understanding of the gender pay gap and undervaluation as deviations from a norm where wages reflect productivity. Instead, we see wages as shaped by these different factors, with the context and the institutional arrangements influencing the pay processes and practices. This contingent approach also applies to our understanding of possible policies to eliminate undervaluation. In some contexts, it may be helpful to consider 'wages as price'- to seek a fair price relative to the skills and other demands of the job - but in other contexts, the focus may need to be on 'wages as living' - on the need for wages to be sufficient to allow for economic independence of adult women.

3. RECENT EMPIRICAL EVIDENCE FOR INDIVIDUALS AND GROUPS

Undervaluation, as we have already discussed, can be viewed from a range of perspectives. Here we discuss undervaluation from the perspective of individual women and different groups of women with distinctive relations to the labour market. This focus is thus primarily on evidence gained from analysis of wages from the supply side of the labour market. Chapter 4 addresses the demand-side evidence through an overview of different types of evidence related to undervaluation at the workplace.

Undervaluation for the individual means that they receive lower rewards in relation to their current or potential productivity. The first part of the chapter reviews current UK and international research that confirms a continuing, and sometimes increasing, tendency for women to be short-changed through lower rewards for the similar characteristics.

In the second part of the chapter, we consider the link between *undervaluation and differences in the perceived 'needs' of men and women for wage income*. The third section considers the relationships between *undervaluation and labour supply groups*. For example, it examines whether being a mother, or a returner, or a low-skilled worker, is particularly associated with undervaluation and whether the issue of undervaluation still applies to women in more advantaged labour supply segments, such as graduates.

3.1 Undervaluation of individual productive characteristics

The most common explanation offered for the gender pay gap has been that women do not invest sufficiently in education and do not develop their human capital through extended and continuous work experience. To show the impact of these factors, economists have 'decomposed' the gender pay gap into those components which can be considered to be explained by gaps in productive characteristics and those that remain unexplained \times components. The latter reflect either lower returns to productive characteristics or are to be accounted for by other factors not captured by the wage equations. It is these lower returns that can be considered to provide indirect evidence of undervaluation.

The initial motivation of the decomposition procedures was to reduce the apparent size of the problem of undervaluation or discrimination, as implied by the raw or unadjusted gender pay gap. However, evidence suggests that the unexplained or unjustified component of the gender pay gap remains its most intractable element. Most recent UK studies show that gender differences in human capital, or personal

characteristics (such as age, education and work experience), explain a shrinking portion of the overall gender pay gap. This reflects a convergence in levels of education among men and women, as well as an increased continuity of labour market participation among women. The consequence is that 'undervaluation' takes on increasing importance in the persistence of gender pay differences.

It should, however, be noted that economists often qualify this evidence of lower valuation of women's work, as indicated by lower returns to productive characteristics, by pointing to the possibility that not all elements of productivity are included in the specified variables and that there may be differences in tastes and preferences that may account for the observed differences. As we have argued already, this stress on explanations other than the process of discrimination and undervaluation reflects the tendency for economists to give the market the benefit of the doubt until proven otherwise. In contrast, it is also possible to argue that the acquisition of 'productive factors' such as education and workforce experience, are influenced by processes that reflect gender disadvantage; far from the 'unexplained' element overestimating women's disadvantage, the overall degree of gender disadvantage may include some part of the gap in productive characteristics as well (Olsen and Walby, 2004).

Impact of education

According to Joshi and Paci's (1998) authoritative study⁴ of the gender pay gap, the main reason for the narrowing of the unadjusted gender pay gap between 1978 and 1991 was that women caught up with men in measures of human capital; by 1991, gender differences in estimated returns to human capital (sex discrimination) had become its major component. In 1978, the unadjusted gender pay gap was 30.5 percentage points, one third of which (9.1 points) was explained by women having lower human capital than men and two thirds of which (21.4 points) was attributed to discrimination. In 1991, the unadjusted gap was 16.7 points. Only one fifteenth (1.1 points) of this was explained by women's lower human capital, with the vast majority explained by discrimination (15.6 points).

Harkness (1996) adopted a similar step-by-step decomposition approach to examine the role of gender differences in human capital in explaining the gender pay gap in 1974 (using the General Household Survey) and 1992-93 (using the British Household Panel Survey). Separate tests were undertaken for women full-timers and part-timers, with average earnings for all male workers as the comparator. The 1992-

⁴ The study is based on a comparison of two birth cohorts (one born in 1946 the other in 1958. In addition to information on individual education, the study had included detailed information on work histories, family background and a school test of general ability at age eleven.

93 data showed that for full-time employees, human capital differences explained just 2 points of a gap of 20 percentage points and for part-timers, 6 points of a 35 point gap. Thus since the mid-1970s, the share of the gap attributable to human capital differences had reduced, so that by the 1990s, the bulk of the gap was attributable to discrimination.

It should be noted, though, that Harkness (1996) found that, over time, the unexplained gap had reduced, even if it had become proportionately more important than the share relating to measured differences in productive characteristics. One reason why the closing of the gap in education had failed to reduce more of the gender pay gap was that there were different patterns of rewards for education for men and women, even when the analysis was confined to full-timers. Thus the returns to education for women working full-time showed a general decline, while they fell for men between 1974 and 1983, but then rose to 1992-93. To complicate matters further, the returns to education for part-timers remained stable over the time period. These divergent trends in returns for productive characteristics by gender suggest that there are not only persistent processes of undervaluation, but also that they are being renewed within the pay system. Furthermore, we find evidence here of different logics at work within the full-time and the part-time labour markets.

Experience at work

Similar findings were reported by Myck and Paull (2001, 2004) for another measure of human capital, experience at work. Their 2001 (UK) study found that gender differences in levels of experience explain little of the gender pay gap, since the gender pay gap actually widens as experience increases. Their 2004 study considered levels of experience and relative wages in the US and the UK over the period 1978 to 2000 using pseudo panels created from cross-sectional data (the Current Population Survey for the US and the Family Expenditure Survey for the UK). They found that both the gender gap in experience and the gender pay gap has been declining in both countries. However, the narrowing of the former has not contributed to the downward trend in the latter, as the total experience gap continued to increase the gender wage ratio by a constant 8 to 9 percentage points in the US and the UK for each cohort. This finding suggests that changes in returns to experience have been negatively affecting female relative earnings.

Manning and Swaffield (2005) also found that the gender pay gap increases with experience. After ten years in the labour market, women who entered the labour market with the same average level of pay as men, have fallen approximately 25 log points or 12% behind, even if they have been in continuous full-time employment, have had no children and do not want any. The authors point to the similar entry

wage to discount direct discrimination as the explanation, but speculate on the impact of the differential ambitions of men and women in order to provide an explanation consistent with an efficiently operating market. They also suggest that there is a likelihood of statistical discrimination, due to the absence of public knowledge on individual women's fertility plans. However, to regard this form of statistical discrimination as distinct from direct discrimination is somewhat strange, as it could be argued that the overall purpose of sex discrimination legislation is to prevent the application of 'average' characteristics of men and women as proxies for the actual characteristics of the individual.

One explanation of women's lower returns to experience is that women choose not to invest in firm-specific skills because of anticipated carer breaks. It follows that the widening gender pay gap is reflective of men benefiting from these early investments (Tam, T., 1997). However, England et al. (2000) points out that there is little evidence that women benefit from higher starting salaries than men, as could be anticipated if men really are 'investing' in skills through accepting lower pay.⁵

Manning (2000) shows that differences in work experience could account for most of the gender pay gap. However, the problem is not that women experience a loss of productivity on quitting the labour market, as is assumed under human capital theory, but rather that for women there is a greater mismatch between the jobs occupied and the employee's productive potential. The ability to search the labour market to secure a better fit between capacities and available jobs depends on continuous labour market experience and individuals lose all their job search capital when leaving the labour market. Due to a tendency to quit and re-enter the labour market, women may therefore be more likely to be trapped in jobs that are a poor fit with their potential. This lack of job matching could be considered a form of undervaluation, as it is the inefficiencies of the labour market that prevent women moving quickly into jobs which are appropriate to their potential value.

Myck and Paull (2001) also found that the gender pay gap varies widely by education level and by years of experience. Thus for female workers who leave school at age 16, the gender pay ratio follows a U-shape curve as experience increases (from 100% to around 80% between 6 and 11 years experience, and back up to 100% by 16 years experience). In contrast, among the highest educated women, the gender pay ratio follows an inverted U-shape curve; it improves over the first eight years (from around 85% to 95%), but then declines sharply (to around 40% for women with 16 years experience) (Myck and Paull, 2001, Figure 16).

⁵ England et al. (2000) also shows that Tam's empirical results do not hold if a general educational factor is included in addition to the firm-specific skills factors.

These findings again support the ‘different logics’ approach to pay setting, where there is scope for processes of undervaluation to contribute to the effects. However, despite the absence of further information to explain this rather striking result, the authors prefer to assume that the market is still working efficiently and fairly and argue the problem is that we do not have all the information on women’s preferences and capacities or on employer policies. Myck and Paull conclude (123) that:

The decline may be related to a change in employment tastes or capabilities brought about by the presence of young children for working mothers. For example, mothers of young children may trade-off other desirable work aspects (such as flexible hours or the ability to work at home) against wage levels in their employment choice. The ability to trade such aspects may be greater for the more highly educated.

This speculation detracts attention away from the potential undervaluation of women's work which is associated with variations in returns to experience.

Impact of part-time work

Harkness (1996) found that while a higher share of the gender pay gap for part-timers is associated with differences in both personal and job-related characteristics, over time the degree of discrimination or undervaluation attached to part-time jobs has been increasing. In her view (1996: 32), this means either that the penalty for working part-time has increased, or that part-timers in the 1990s were less motivated than their counterparts in the 1970s. In suggesting this second possibility, she is acknowledging the tendency of economists to attribute evidence of a pay penalty to part-timers in the UK to missing information on productivity, in particular on the productivity impact of the presumed lower commitment to work among those choosing part-time jobs.

Evidence that part-time work increases the likelihood of undervaluation and discrimination is provided by a study by Olsen and Walby (2004) on gender pay gaps (using the BHPS). Gender differences in life-time working patterns were found to account for 36% of the pay gap, but working on a part-time basis not only failed to give access to higher earnings, but even had a sustained negative impact on future pay levels. Thus for each year of part-time employment, hourly wages actually decreased by 1%, in addition to part-timers not benefiting from a 3% gain for each year of working full-time. Similarly, hourly wages of individuals decreased by 1% for each year they experienced interruptions to employment for childcare and family care work. This was in addition to missing out on the 3% gain from each year of full-time employment.

Further evidence of a high pay penalty for part-time working is provided by a study for the EOC (Francesconi and Gosling, 2005) and one for the Women and Equality Unit (Manning and Petrongolo, 2005). Francesconi and Gosling showed that past experience of part-time employment was found to reduce wages for both women and men, while past full-time work experience was always associated with higher current pay, especially for part-timers. The wage penalty for working part-time was found to be much greater for women than for men; thus women who moved to full-time work after only one year of part-time work were earning up to 10% less per hour some 15 years later. Manning and Petrongolo (2005) found that women who move from full-time to part-time work were much more likely to change employer and to suffer downward occupational mobility than other groups and that women in part-time jobs in 2003 in the UK earned, on average, 22% less than women working full-time. This gap reduced, however, to 10% after the authors adjusted for personal and some work characteristics and to only 3% if differences in occupations were taken into account. Similar results on the negative impact of transitions from full-time to part-time work were found by Blackwell (2001b). While transfer to part-time work involved considerable downward mobility, transitions in the other direction involved some, but more limited, upward mobility. Furthermore, these mobility patterns were also linked with moving from more to less feminised occupations, indicating a link between part-time work, gender segregation and low occupational status, reflecting low valuation.

These findings raise the problem that adjusting for occupation may not fully reveal the influence of part-time work on pay as some jobs may become effectively associated with part-time working. Consequently, an analysis of a gender pay gap, which takes into account occupational status, may miss the impact of the double effect of the concentration of women and part-timers in a number of key, but low paid, occupations. This problem was fully recognised by Joshi and Paci (1998: 94) in their study of the gender pay gap for two birth cohorts:

Gender differences in the distribution of occupations go a long way to explain the pay gap between men and women. Thus some of the unequal treatment is not so much of the gender of workers but of gendered jobs... There still may be a mechanism analogous to the unequal treatment of the sexes whereby the wages of part-timers are marked down. Whether this is part and parcel of the treatment of women or whether it would apply to male part-timers as well, cannot be disentangled with the evidence available, part-timers being virtually all women.

The findings of Joshi and Paci in fact suggest that part-time women suffer a double wage penalty, from their concentration in low paying firms, jobs and occupations as well as from their greater experience of discrimination. Both of these factors contribute to undervaluation. Indeed, the authors found that the introduction of the

occupation variable changed the estimated returns to human capital characteristics, suggesting that there is a strong association between occupational segregation and women's low pay. The issue of how gender segregation and indeed concentration at the workplace may affect wages and undervaluation is taken up in detail in Chapter 4.

International comparisons

A recent survey of empirical research across the EU15 member states found similar trends to those noted in the UK, namely that there has been a progressive closing of the gender gap in education and experience, but that this has been insufficient to lead to a significant and sustained closing of the gender pay gap (see Appendix 1 for further details). Indeed, it is the unexplained element - that part most likely to be associated with undervaluation - that has, if anything, increased in importance over recent years. As noted above, Myck and Paull (2004) found that closing the experience gap had not reduced the gender pay gap (even though the latter had fallen for other reasons) in the US or UK.

Furthermore, the international comparative evidence revealed that there are very wide differences in returns to characteristics such as education and experience, both between member states and over time. These variations in rates of returns, as well as in the evidence of gender gaps in returns, do suggest a high level of indeterminacy in wage setting. Thus there is considerable scope for undervaluation to be a force in wage fixing, albeit to varying degrees and to be manifest in different forms. However, if we assume that undervaluation is correlated with the unexplained portion of the gender pay gap, then it is clear that the estimated size is highly dependent on the dataset and the variables included. No precise calculation of its extent can therefore be made.

As in the UK, in some other EU countries, the gender pay gap widens with experience (see Appendix 1); leave for childcare is penalised more than periods of unemployment; and part-time work is particularly associated with low pay. However, comparative studies do suggest that the penalty attached to part-time work is particularly high in the UK. For example, a decomposition of the gender pay gap in *Employment in Europe* (CEC, 2002), using European Community Household Panel data, did not find a general negative impact of part-time work on pay levels. Indeed, once differences in education, demographic characteristics, tenure, career interruptions and occupation etc had been accounted for, some countries showed positive impacts on hourly earnings. The UK unusually imposes an extra penalty on part-time workers, even after the characteristics of part-time work by sector and

occupation, and of part-time workers by family situation and employment history, are taken into account (Joshi and Paci, 1998).

Another UK peculiarity is high and widening inequalities in the wage structure. These increasing returns to skill are explained by reference to rising demands for higher skilled workers, but there is no real explanation of why the UK needs to pay its skilled workers proportionately more than is the case in other advanced countries. Research shows that the level of returns to education and skills are in fact highly variable by country and by gender, as well as variable over time. These findings suggest that institutional factors, including processes of gender discrimination, influence these overall returns to skills. Moreover, the variable returns to education also indicate that undervaluation is a problem that may be more acute in one part of the labour market than others; the UK, along with Ireland, Austria and Germany, has been found to have particularly large gender pay gaps of over 20% at the bottom end of the pay distribution, where discrimination may be regarded as causing particular hardship. In other countries, such as Finland, Sweden and the Netherlands, gender pay gaps are widest at the top end of the distribution.

Table 3.1 provides some comparison of the relative importance of gender versus education in shaping the wage structure; for some countries higher educated women working full-time earn above male average full-time earnings (based on a comparison of monthly earnings), but in others, including the UK, even higher educated women earn less than male average earnings.

Table 3.1 Typology of education-earnings profiles by gender

	Relative size of education-earnings pay-off			
	High for all workers	Low for all workers	High for men, low for women	Low for men, very low for women
Highly educated women earn more than average male full-time pay	Luxembourg Austria Portugal	Denmark Germany Finland Sweden	Italy	--
Highly educated women earn less than average male full-time pay	--	Greece UK	France Netherlands Spain	Belgium

Source: European Structure of Earnings Survey 1995; Rubery et al., 2002.

Barth et al. (2002) found remarkable variety in patterns across 13 member states with six registering a substantially narrower pay gap among the highest educated

compared to the lowest educated (Belgium, Ireland, Spain, Portugal, the UK and Norway); three registering a substantially wider gap among those with tertiary education (Denmark, the Netherlands and Germany); and four exhibiting little difference in the adjusted gap (France, Greece, Austria and Finland). In Denmark, the adjusted pay gap doubles in size between those with less than secondary schooling and those with tertiary education (Gupta et al., 2001 cited in Barth et al., 2002: 20-21). Moreover, the improvement in women's qualifications between 1983 and 1994 had no impact on the gender pay gap because it was offset by other factors - such as, in the private sector, disproportionate increases in skill prices which favoured male workers (Gupta et al., 1998 cited in Emerek, 2002).

These variable findings on returns to education suggest that the shape of the overall wage structure may be an important factor in explaining differences in the extent and form of undervaluation. Supporting evidence (see Blau and Kahn, 1992; Juhn et al., 1993; OECD, 2002) for this proposition comes from a new approach. This allows for a comparison of the relative contribution to the overall gender pay gap of the position of women within the wage structure (the discrimination element) and the penalties attached to being in a disadvantaged position (the impact of the wage structure). Thus the wage structure in the UK, with its high level of inequality, imposes a particularly harsh penalty on those at the bottom of the labour market - primarily women.

The separation of the gender equality effect from the wage structure effect may of course be questioned if they are interconnected. For example, the wage floor may be lower in societies where discrimination against disadvantaged groups is high. Equally, a tendency towards very high pay might suggest that some men are exercising bargaining power to an extreme extent. Nevertheless, it is salutary to recognise that, according to the OECD (2002), if the UK had the same wage structure as the average EU wage structure, then the gender pay gap could fall from 6.5 percentage points above the EU average to as low as 2.3 percentage points above the average. Research suggests that, in general, the more dispersed the wage structure, the wider the gender pay gap (Blau and Kahn, 1992).

3.2 Undervaluation and income needs

Historically men's role as the main family breadwinner and women's role as second income earners has been linked to gender differences in reward structures (Barrett and McIntosh, 1980; Humphries, 1977). Explicit allowances or supplements related to employees' family positions have declined or disappeared under the impact of equal pay and sex discrimination legislation. For example, in Ireland, a marriage allowance was paid in the public sector as late as 1977. The ending of this process

does not, however, mean that stereotypical views of men as breadwinners and women as earners of pin money no longer affect wage structures. The main evidence for the continued influence of these gender roles on pay comes from two different sources.

- The continued and indeed increased share of jobs that do not provide sufficient income for the support of an independent adult (McLaughlin, 1995). This is due to both the perpetuation of low hourly wages and the growth of flexible and part-time employment.
- The view still held by employers of low paid women workers that their low wage demands can be considered an explanation or justification for paying low wage levels (Grant et al., 2005).

A counterargument to the first point - the growth of low wage below subsistence jobs - is that these are not all taken by women, with young people another very important source of low wage employment. However, young people are also often assumed to be seeking an additional, rather than a main, income. Furthermore as more of the jobs available to the low skilled are found in sectors associated with women's work and are often both low paid and part-time, the government has stepped in to offer in-work benefits to assist those with family responsibilities to take these jobs. Thus the state tops up the income of those taking such jobs who have breadwinner responsibilities. Indeed, this policy was introduced as a result of empirical work that showed, in the early 1990s, that unemployed breadwinners were not able to re-enter the labour market as most of the jobs available were for second income earners (Gregg and Wadsworth, 1995).

Three sources reveal that the traditional perception that men require more income than women may still influence wage outcomes. First, some academics and policy-makers argue that minimum wage policies are inefficient as they do not target low income families or breadwinners. In making this argument they implicitly ignore one of the key principles of equal pay legislation, that is the right for individuals, irrespective of family position, to receive a fair wage for their labour. For example, in 1946, Stigler objected to a minimum wage on the grounds that:

Unless the minimum wage varies with the amount of employment, number of earners, non-wage income, family size and many other factors, it will be an inept device for combating poverty even for those who succeed in retaining employment.

(cited in Burkhauser and Harrison, 2000).

Far from this argument dying out, Burkhauser and Harrison (2000) suggest that the increasing lack of a relationship between low wages and household heads has rendered the minimum wage tool outdated. They regard the fact that most of those employed in these jobs are young people and women as pure coincidence, thereby rejecting any view that the low wages paid in part reflect the practice of employing second income earners. Yet as soon as it is suggested that there should be a policy of raising wages for those at the bottom of the labour market, the argument turns on whether this would be a 'wasted' increase as the individuals are not reliant solely on their wage income for subsistence. This brings back into the picture the presumed differences in relation to household income by gender and by age.

The second source of evidence of the continued prevalence of the view that women are happy with 'pin money' comes from research on employers' attitudes towards the pay of part-timers (Grant et al., 2005). Quotes from interviewed managers included that:

You've got this group of people, waiting until their partners come in, and then they're coming out for a little bit of pocket money or a little bit of independence themselves.
(Grant et al., 2005: 59).

... in this area, there are a lot of people who want to work for pin money. We have good terms and conditions so people, aspire to work here.
(Grant et al., 2005: 20).

This latter reference to good terms and conditions is presumably to be interpreted in relation to an aspiration for pin money.

The third set of evidence suggests that the main dividing line between women's work and men's work derives from the construction or labelling of jobs as full wage jobs on the one hand, or as component wage jobs on the other. For example, the tasks associated with working in a bar or restaurant may be rewarded more highly in societies where this is a typical male and full-time profession than when the typical jobs are part-time and undertaken by women. In a 1980s study of post office occupations, 'the gendering of the labour performed was less significant than the "gendering" of employment conditions and rewards' (Siltanen, 1994: 190). This view can perhaps explain results that show gender segregation at the workplace to be more significant than gender segregation of occupations in explaining pay differentials (see Chapter 4). This indicates that there are differences in the gender division of labour and that these differences lead to variations in rewards to an occupation, according to whether, at the specific workplace, the job is primarily done by men or by women. Such flexibility would be less likely if the main barriers were

strong gender taboos over the type of work performed. This approach, where the low pay attaches to women in relation to their family position and not in relation to the tasks undertaken, can also help explain the emergence of new forms of undervaluation as women enter previously high paid occupations, an issue discussed in Chapter 6.

3.3 Undervaluation and labour force groups

Another issue that we need to consider is whether undervaluation is a problem for particular labour force groups, or whether all women risk undervaluation in the labour market. In practice the answer, in our review of the literature, is probably yes to both propositions; that is, all groups of women are at risk, but there are differences between groups in not only the risk, but also the extent and consequences, of undervaluation. The size of undervaluation - when measured in monetary values, or as a percentage of the wage - may be found to be greater in some high paid occupations, as indicated by the number of high profile cases of women in high paid city jobs being dramatically underpaid compared to their male comparators. However, the costs of underpayment may of course still be higher at the bottom end of the pay scale for less of not very much is even more harmful.

Graduates and undervaluation

Detailed research into the experience of recent graduates has demonstrated that having a degree, even in the same subject and at the same grade as that of a male comparator, is no guarantee against being paid less. Moreover, the pay gap tends to widen with age, even before there are issues of family formation or childcare to affect the graduate's career (Purcell and Elias, 2004). Thus at the time of the first job after graduation, the gender pay gap is already 11%, but this rises to 15% three and a half years on and to 18.5% seven years on.

This 18.5% gap is reduced to just over 7% after a range of adjustments. Adjusting for hours of work; the sector of employment (industry and, most importantly, public/private sector); and finally, gender segregation at the workplace reduces the gap to 7%, but allowing for factors such as women's better qualifications raises the gap to just over 7%. The choice of subject studied at university proved to be less important than the choice of sector of employment in explaining women's lower wages, particularly the decision to enter public sector employment. These findings cast doubts on the emphasis given to subjects studied as a primary factor in the gender pay gap in the recently published Women and Work Commission report (2006).

It is also notable that gender segregation acts to reduce pay significantly, even among the graduate workforce, giving credibility to the notion that graduates may also be subject to undervaluation. This finding is reinforced by a specific analysis of graduates in management jobs drawn from the major sectors employing managerial staff. Purcell and Elias (2004: 18-19) found a clear tendency for pay to be lower, the higher the share of women undertaking 'jobs like theirs', and thus evidence of problems of lower pay where women managers were 'working in "female" employment niches' (see Chapter 4 for discussion of undervaluation at the workplace).

Some further interesting insights into the problems of undervaluation are revealed by this study. For example, when controlling for subject group, and considering the influence of sectoral distributions on earnings for male and female humanities graduates, Purcell and Elias (2004) found that part of the gender pay gap is due to a smaller share of women entering the highest paid sectors. However, an even more striking finding is the much larger size of the gender pay gap in the highest paying sector, business services, where men were earning on average over £45,000, while women were earning on average around £28,000. It is true that this was a higher figure than for either men's or women's earnings in public services, the most frequent employer of both male and female graduates. In this sector women earned £17-18,000 and men around £23-24,000 on average, but the gender pay gap in public services is only of the order of £6,000 compared to over £17,000 in business services.

The large gender pay gaps in the highest paying sectors make clear the potential unfairness for female students of basing the payment of top-up fees for higher education on likely average graduate earnings, rather than on actual female graduate earnings. This also raises the issue that part of the gender pay gap may be due to 'overvaluation' of some male jobs, where the incumbents seem to be able to gain access to excessive economic rents. Wage inequality in the UK is high by international standards and rose faster than in most of the OECD countries in the 1990s (OECD, 2000). Closing the gender pay gap may require some action to limit earnings at the top end of the distribution.

Mothers, returners and undervaluation

Undervaluation is not a problem that is confined to those women with current childcare responsibilities. However, the association of women with motherhood may be a factor in the general tendency towards undervaluation and mothers may be particularly at risk from undervaluation, both because of childcare constraints and because of interruptions to careers. From another perspective, some would argue

that in the case of mothers, pay gaps may reflect a lower commitment to work and thus unobserved productivity differences may account for undervaluation. A similar argument may suggest that pay in jobs taken by mothers may be low because of flexibility advantages; in short, that there is a trade off between the level of pay and the opportunities to combine work and family.

These potential differences in interpretation have been taken up in the theoretical and empirical literature. Joshi and Paci (1998) argue that the additional risk of undervaluation that mothers face is associated with the low pay and status of the part-time jobs that they may be forced into accepting rather than motherhood *per se*.⁶ Mothers who choose to work full-time do not suffer so much from the additional penalty as those that work part-time.

Another issue for mothers is whether they should face lower salaries because of interruptions to experience; here we come up against circular arguments in wage theory, for lower wages for women are often 'explained' by lower and interrupted experience levels. However, this presupposes that the rewards men receive for experience and continuity do reflect differences in productivity. It has been found in equal pay cases that the institutionalisation of long incremental scales is not clearly supported by evidence of increasing productivity beyond a minimum length of experience, so that the returns to experience may not be an explanation of gender differences, but part of the problem of undervaluation.

A further argument has been made in the context of the treatment of caring work (see below in Chapter 4, England, 2005b and Box 4.1), that far from mothers facing financial penalties from becoming mothers, they should be rewarded by society for their contributions to the public good. However, the problem is that as motherhood is a public good, it is difficult for those who engage in it to capture the returns. Instead mothers are penalised, not just during periods spent out of the labour market, but also on their return to employment.

England (2005b) also argues that there is little evidence that the jobs that mothers take are any more mother-friendly than other jobs - except in relation to them being part-time jobs. Moreover, non mothers are just as likely to be found in female-dominated jobs as mothers. She rejects the argument, therefore, that segregation and the gender pay gap can be primarily attributed to women trading off pay for

⁶ Joshi and Paci (1998: 106, 120) do, however, acknowledge that because of the absence of data on work effort (the technical problem of 'unobservable' variables), it could be that a predominance of low effort among mothers depresses the pay among part-timers. However, this could only follow if one accepts the strong assumption of the Oaxaca model that productivity determines relative pay (see Grimshaw and Rubery, 2002 for a critique).

mother-friendly work. Instead she argues that other factors are leading to undervaluation. These are the processes of gender segregation, that are related to social norms over appropriate male and female work and are associated with the deprecation of women's work, and motherhood, that in turn lead women to choose less continuous careers, part-time working etc. The existence of the family penalties should not therefore blind us to the continuing influence of devaluation or undervaluation.

England's argument is developed primarily in the context of the US where there is a more limited concentration of mothers in part-time jobs. In a UK context, the issues of segregation and motherhood may be more intertwined, due to the still high level of interruptions to careers and switches to part-time work at the point of return to employment. Tomlinson et al. (2005), in a study for the Women and Equality Unit, found that mothers returning to work part-time were heavily concentrated in four occupations: elementary administration; sales and customer services; caring personal services; and administration. In contrast, those returning to work full-time were found working in a much wider range of occupations. Women returners were found to be under-utilizing their previous training and skills, with over-qualification of mothers a particular issue in caring jobs, sales and customer services (see Chapter 4 for further discussion of the impact of gender segregation and concentration).

Tomlinson et al. (2005) also found that part-time returners face an additional penalty of a 16% loss of wages (per hour), after controlling for their characteristics. This penalty is said to reflect oversupply of labour; poorer opportunities for training and support; and pressure to choose an employer close to home. Thus mothers may be particularly vulnerable to undervaluation associated with 'working below potential' and working under monopsonistic⁷ labour market conditions, due to restrictions on travel time and the availability of part-time work options outside a narrow range of jobs. The new right to request part-time work for mothers is designed to address this latter problem. However, it does not resolve whether or not new gender specific tracks will open up in higher level jobs through a generalisation of the 'mommy track' phenomenon (Schwartz, 1989), where women, once they opt for flexible or part-time work, are considered uninterested in, and unsuitable for, further promotion.

Undervaluation and low wage workers

To what extent is undervaluation a particular issue for those at the bottom of the labour market hierarchy? The consistent argument we have developed is that

⁷ Monopsony occurs when employers have power in the labour market and choose to keep both wages and employment below some notion of market equilibrium levels- see Chapter 4 for further discussion.

undervaluation can potentially affect all groups of women, throughout the female employment hierarchy. Nevertheless, there are three reasons why those at the bottom of the hierarchy require specific attention.

- Those at the bottom of the hierarchy may be there because of the lack of recognition of their skills and experience and the lack of reward for such skills, so that the association of low wage work with low skill may not be justified.
- Those at the bottom of the labour market may be particularly undervalued because they are 'working below their potential'. Some may have previously been able to work on higher rungs in the labour market hierarchy and have, for reasons such as the constraints of motherhood, been forced to 'trade down'. Others may have started in relatively low skilled jobs but, despite developing their skills and potential through experience, have been unable to find any rungs to climb onto to move up the labour market hierarchy.
- Those who are, in some objective sense, the least skilled or are undertaking the least demanding work still need and may be argued to deserve a reasonable reward for their labour. The pay penalty for being located at the bottom of the wage hierarchy varies considerably by country. While in all countries there is some 'return' to skill and to experience, the size of these returns is highly variable and there is a clear role for public policy in determining where the minimum wage levels should be set.

The empirical evidence in relation to the first issue - the tendency not to differentiate skills among women and/or part-timers and to undervalue the skills they do have - is addressed in detail in Chapter 4. For example, we will see that caring skills may not be recognised or valued and that jobs that are done part-time may be referred to simply as part-time without reference being made to the job content, or to the skills and experience of the worker concerned. Furthermore some jobs may be located at the bottom of the hierarchy because of the low economic value of the product or the service produced but the tasks required of the staff to produce the goods or service are not necessarily simple or undemanding.

The second effect has been examined in recent work for the EOC on part-time workers who are mainly 'working below potential', both because of trading down and because of few opportunities to move up job hierarchies.

Evidence in relation to the third factor - that is the different social and political choices made within countries and the resulting penalty imposed on those at the bottom of the pay ladder - will be presented in detail in Chapter 8. For example, we will show

that the OECD study of female-dominated occupations found considerable variation in the penalty imposed on those at the lower rungs of the job hierarchy, such as retail assistants or non qualified care staff. The issue is not where these jobs are located in the hierarchy in relation to other jobs - in all the countries, they were near the bottom of the hierarchy - but the penalty of being at the bottom.

More generally, undervaluation is not simply an issue of putting jobs and skills in appropriate rank order. It is also about the differences in pay between jobs and in particular, whether these are proportionate to the differences in skills and the differences in work demands. A good example of disproportionate costs is when women lose out on future career prospects by taking career breaks or reducing hours at the crucial time for promotion, in structures that discriminate by age and anticipate all staff being assessed for promotion at the same age point. The cumulative impact of this small break in career can be expected to far outweigh any real difference in actual, and certainly in potential, ability.

One weakness of current equal value legislation is that it only provides for equal pay for work of equal value; if a woman's job is found to be worth 90% of a man's job, but only receives 50% of the wage, that is regarded as perfectly legal, so that there is no proportionate test in current legislation. The undervaluation debate thus needs to focus not only on the recognition of skills, but also on the size and appropriateness of the penalties for remaining on the bottom rungs of the wage hierarchy - whether this involves looking at the labour market as a whole, or within individual occupations and organisations.

3.4 Summary

This review of literature relating to the supply side of the labour market has found that it is increasingly difficult in the UK or elsewhere to explain the persistent gender pay gap through differences in women's productive characteristics - or at least those that are traditionally measured by years of education or experience. This means that women receive lower rewards for the same level of investment in their education and for the same length of time spent in work. These findings have led some economists to explain the gender pay gap in terms of unidentified differences in productive characteristics or differences in tastes and preferences that affect education and occupational choices. Another interpretation is that this evidence suggests there is a persistent and widespread problem of undervaluation. Furthermore, as we explore further in the next chapter, differences in occupational choices reflect processes of segregation and undervaluation in the labour market and are not simply explanations for lower returns to investments. The data for the UK show that experience of part-

time working has a strong current and long-term negative impact on wages, suggesting that part-time workers may be particularly subject to undervaluation.

However, our review also revealed problems of undervaluation for those at the higher end of the labour market - graduates. Moreover, there is evidence of undervaluation being a problem before graduates begin the stage of family formation. Undervaluation may nevertheless be a particular problem for the low skilled and for mothers returning after a period of leave, as they become concentrated in particular segments of the labour market. They thus face dual problems of undervaluation in their current job and underutilisation of their potential.

4. UNDERVALUATION AT THE WORKPLACE

Undervaluation at the workplace is concerned with both variations between workplaces and occupations and with the impact of specific policies and practices at the workplace.

The traditional focus of gender pay gap analyses, as we have explored in Chapter 3, has been on individual characteristics. These studies treat pay as relatively independent of the policies and practices of employers and as a reward to an individual, rather than as a given wage for a given job. Within the literature that focuses on individual characteristics, there are some studies that do introduce employer and job characteristics. In practice, these variables are often introduced as proxies for missing information on productivity variables or on tastes and preferences, rather than as independent influences on the gender pay gap.

Some studies (for example, Joshi and Paci, 1998; CEC, 2002) do recognize that these variables might both explain more than human capital and also have independent effects that are adding to discrimination or undervaluation rather than accounting for the gender pay gap. In Joshi and Paci's study, the introduction of job characteristics and occupation variables⁸ increased the share of the gender pay gap 'explained' from less than a tenth when only human capital variables were included to closer to four tenths (see Tables 4.1 and 4.2).

Table 4.1 Decompositions of pay differentials between women and men working full-time

Factors taken into account	Differences in characteristics	Differences in rewards to characteristics	Gross gender pay differential
Personal characteristics	1.7	18.1	20.1
Personal and firm characteristics	1.6	18.2	20.1
Personal, firm and job characteristics	4.1	15.4	20.1
Personal, firm and job characteristics, occupation	7.2	12.0	20.1

Source: Adapted from Paci and Joshi (1998: Table 5.5).

⁸ However, information about the firm (e.g. size) and industry did not add to the explanation of the gender pay gap.

Table 4.2 Decompositions of pay differentials between women working part-time and men working full-time

Factors taken into account	Differences in characteristics	Differences in rewards to characteristics	Gross gender pay differential
Personal characteristics	25.2	45.7	82.6
Personal and firm characteristics	30.1	40.4	82.6
Personal, firm and job characteristics	43.6	27.1	82.6
Personal, firm and job characteristics, occupation	41.9	19.2	82.6

Source: Adapted from Paci and Joshi (1998: Table 5.5).

Similar results are found in studies undertaken in other European countries: for example, occupational differences explain as much as 16% of the pay gap in Belgium (Ministère fédéral de l'emploi et du travail, 2001, cited in Meulders and Sissoko, 2002) and 24% of the pay gap in Finland (Lilja, 2000, cited in Lehto, 2002). The Finnish study found that almost the entire explained portion of the gap, and around half of the unadjusted pay gap, related to gender differences in occupation and sector. In contrast, differences in education, age and number of children contribute very little to the explained portion of the gap.

The results of the six-country European study coordinated by David Marsden (2005) show that industry and workplace factors play a strong role in explaining inter-country differences in gender pay inequality. The study finds that countries with wider gender pay gaps have stronger segregation of women into certain sectors of employment and within those sectors into low wage workplaces. Detailed analysis of the European Structure of Earnings Survey shows that it is workplace characteristics not human capital characteristics that best explain differences in gender wage inequality among the different countries (Simon and Russell, 2004, cited in Marsden, 2005).

Moreover, the findings published in *Employment in Europe* show that at the EU level, gender differences in occupation, sector and by gender concentration (that is the share of women in the occupation or sector) have far stronger explanatory power than differences in age, education, or career interruptions (CEC, 2002: 41, Box 3, Figure 27). Together these differences in remuneration accounted for around nine out of the sixteen percentage points that constituted the EU gender pay gap. In its conclusion (CEC, 2002: 42-43), the report emphasizes the need to re-examine the role of the valuation of jobs in future explorations of the gender pay gap:

The analysis has identified gender segregation by sector and occupation and lower paying female-dominated sectors and occupations as the biggest contributors to the gender pay gap at EU-level... Secondly, the differences in the remuneration of the same characteristics between men and women have to be examined - in particular the fact that a higher female employment share in a sector or occupation is associated with lower earnings even more so for women. Given that the analysis has controlled for inter-sectoral and occupational differences this could reflect (societal) preferences regarding the valuation of various types of jobs - the more so as women are more often employed in sectors and occupations in which productivity is more difficult to measure.

These findings point to the importance of sectoral and workplace factors in shaping pay. However, most studies do not have detailed information other than size or sector on the firm and thus may still be underestimating the influence of employer and workplace characteristics on pay. We therefore turn to those studies that do provide more detailed and specific information on pay practices and determinants at the workplace.

These studies are divided into three sections. First, we consider the influence of the characteristics of employers and workplaces on the valuation of jobs, including the issue of undervaluation of women's work; second, we consider the studies relating undervaluation to gender, segregation and the social construction of skill and value; and third, we consider the linkage between undervaluation and the structure and implementation of payment systems.

4.1 Undervaluation and employer characteristics

In much of the economic analysis of the gender pay gap, the role of employers is strangely absent. Yet it is employers who make pay offers to employees and it is to employers that employees go when they have a concern over their pay levels. That is, employees fully recognise employers' role as wage fixers and, more than that, are fully aware that employers have different policies and practices with respect to pay; some employers have a reputation for paying high wages, others for paying low wages (Thurow, 1975).

A particularly important issue for the investigation of undervaluation is whether women's pay is low because women are concentrated in employing organisations that are either unable, or unwilling, to pay a fair wage for the work required. A useful distinction in exploring this question is that made by Craypo (1986, 2003) between 'employers' ability to pay' and 'unions' ability to make employers pay'. We can adapt this distinction for the issue of gender pay differences; a plausible argument is that men are better able to make employers pay what they can afford than are women.

This argument feeds into current debates in the mainstream literature over the role of monopsony in explaining low wages and, indeed, the gender pay gap; the monopsony argument is that employers have power in the labour market and they may be able to exercise more power in female-dominated sectors, because of overcrowding, women's limited travel to work options, scarcity of jobs open to returners etc. In this context, employers may choose to keep wages below some notional equilibrium level and do so by restricting employment opportunities below this level. Recent research on monopsony has led to a re-evaluation of the importance of this phenomenon; instead of employer power being treated as a special and infrequent case, it is argued that there is rather a spectrum of degrees of employer power (Dickens et al., 1994; Manning, 2003). This approach, therefore, now can be seen to complement those found in the institutional economics, labour market segmentation and organisational analysis fields. These approaches also do not consider differences between employers to be special cases, but to be consistent with highly structured and segmented product and labour markets and with competition between organisations based on the historical development of their own internal strategic resources (Doeringer and Piore, 1971; Dunlop, 1994; Osterman, 1994).

If it is accepted that there are different types of employers, such that where one works matters in relation to pay levels and prospects, then differences in labour market outcomes may not be simply reflective of the productivity characteristics of employed labour. It is true that presumptions that women are likely to be less productive may lead to their exclusion from advantaged employers. However, even if employers were correct that women, due for example to their current unfair burden of family obligations, may be less committed to wage work than men, the gap in pay between those employed in the advantaged and the disadvantaged sectors may still more than outweigh any potential or actual productivity differences. This gap arises because the driving forces here are the productivity characteristics of firms, not of employees. High paying employers will not necessarily expand in line with the availability of potentially high quality labour. Underemployment of potential in the secondary or disadvantaged labour market segments can be expected to be a continuing feature of employment systems.

Gender enters into segmentation in two ways. First, the high representation of women within the lower paying segments may reflect a tendency for economies to generate a hierarchy of jobs and for women to be among the more disadvantaged groups that tend to fill these jobs. Second, however, it may also be the case that the availability of women at low wages, coupled with the association of some jobs with female labour, may enable and allow employers to construct these jobs as low paid

and low skilled (Grimshaw and Rubery, 1995, 1998). To consider the role of segmentation in undervaluation, we need to look at the interactions between women's wages and the following employer and workplace characteristics:

- employer ability to pay;
- employer willingness (including forced willingness) to pay; and
- gender segregation at the workplace.

We draw here primarily on the work by the National Institute of Economic and Social Research (using WERS 1998). This dataset, which combines employee with workplace data, allows for the influence of employer characteristics to be explored, while at the same time ensuring that individual characteristics are controlled for. One of the most important findings from this work is that the workplace characteristics provide a better explanation of wage structures than personal characteristics; the addition of the latter variables hardly changes the observed results, at least for the low skilled. A second important finding is the evidence of different logics in different segments of the labour and product markets, including between private and public sectors, large and small firms and high and low skilled workers. This result suggests that any search for a universal theory of wage determination, as implied by the use of single model specifications, is misplaced. The third finding is the consistent importance of gender in explaining lower wages, but with the strongest gender variables relating to the concentration of women at the workplace and also to the concentration of part-time jobs, rather than to the individual gender variable.

Employer ability to pay

The study by Forth and Millward (2001) provides a series of indicators that employer ability to pay has an impact on wage levels. These indicators include the following findings.

- Higher skilled workers' pay is related to the financial performance of the workplace.
- Pay is reduced for low skilled workers in sectors with a high concentration of small firms (pay declines by half of 1% for every 1% increase in concentration of small firms within the industry).
- Pay is reduced in competitive industries and where there is a high reliance on a main customer (both factors present reduce pay by 5% for low skilled workers).

- Foreign firms pay 9% more than domestic firms for low skilled workers.

Employer willingness to pay

Forth and Millward (2001) also show, in the following findings, that pay may be affected not just by the economic situation of the organisation, but also by the willingness of the organisation to pay a higher wage.

- The financial performance of the organisation only affects the higher skilled and not the lower skilled.
- The highest pay penalty (an 11% decrease in pay) is found for lower skilled workers in small workplaces belonging to large organisations. This finding suggests that the combination of powerful employers and weak employees leads to even lower pay than in independent small workplaces, a result reinforced by the fact that the pay penalty in this type of workplace was even higher for the very lowest skilled.
- Union pay premiums are not found for the lower skilled where they are represented by an industry union - that is, where there is no external source of bargaining strength.

In addition, some US evidence has also shown that male employees may be more able to extract a sharing of economic rents from their employer than female employees. Black and Strahan (2001) found that when banks were deregulated in the US, so that economic rents fell, the impact was to reduce men's wages by 12% and women's by 3%, implying that male employees enjoyed a higher previous share of rents.

These two sets of evidence provide support for the key hypothesis that there are variations in wages that are not related to individual, but to sector and organisational productivity and market, power. Moreover, those with weaker bargaining power may be concentrated not only in sectors with lower ability to pay, but also in sectors and organisations where they are less able to secure higher pay even if these employers have high or medium ability to pay (see Figure 4.1).

One variant of the 'employer willingness to pay' argument that has been identified as potentially related to the gender pay gap is the debate over the so-called union mark-up. Much research in both the UK and the US has been devoted to identifying where the presence of trade unions or collective bargaining leads to a 'union mark-up'. The significance of the union mark-up in explaining wage structures has apparently been

declining over time in the UK (Heery, 2000). In any case, the impact was less than that of gender segregation at the workplace (Millward and Woodland, 1995). However, to the extent that the mark up is positive, it may impact on the gender pay gap if women are less likely to be covered by trade unions. This remains the case when the private and public sectors are considered separately, but not for the labour market as a whole because women's higher concentration in the public sector means there are now more women union members than men (see Chapter 5). Another way in which it may impact on the gender pay gap is through the mark-up varying by the dominant gender of the occupational or workplace group. The finding (Forth and Millward, 2001) that where the trade union is industry-based, there appears to be no mark-up, may provide some explanation for the limited impact of trade unions in some areas of women's employment, such as retail. A study in the US found that, in six out of nine industries studied, the presence of unions narrowed the internal gender pay gap. However, two of the three industries where this effect was not found, were female-dominated industries. The authors (Elvira and Saporta, 2001) suggested that the unions may in fact be rather weak in these industries. Furthermore, they found a downward influence on pay across all sectors associated with the gender composition of the workforce.

Figure 4.1 Impact on wages of employers' ability and willingness to pay

Employee power/wages	High	(a small number of key personnel)	Leading companies, high skill, male-dominated, high performance, unionised workplaces
	Low pay/power	Small independent firms/non unionised female-dominated workplaces	Monopsonistic employers – public or private- small establishments, belonging to large chains non unionised or female-dominated
		Weak	Strong
		Employer product market power	

It should also be remembered that this focus on how unions and collective bargaining promote wage differentials between groups of workers is very Anglo-centric. In most European societies unions are primarily seen as spreading labour standards across the labour market, that is in extending pay standards beyond those employers who are immediately 'willing to pay'. This latter role takes different forms and importance

in different societies; in some, it occurs directly through processes of coordinated bargaining based on strong egalitarian or solidarity principles. In others, it may be more indirect, for example through campaigns to raise the national minimum wage in line with collectively bargained standards. These alternative policy approaches by social actors are discussed in Chapter 8.

A useful comparison of women's wages in the US and Canada was undertaken by Baker and Fortin (1999). They found that both the higher rate of unionisation in Canada and the higher wages attached to public service jobs (defined as 'public goods' service jobs - see Box 4.1) led to the impact of gender composition on relative wages being reduced to small and insignificant. However, it remained large and significant in the US.

Employers' willingness to pay may also be affected by whether or not they find themselves in a monopsonistic position in the labour market. If so, they have power in the labour market as wage fixers and may be unwilling to raise wages, even if this leads to job vacancies, as the cost of extending the wage rise to all employees outweighs the benefit of increased employment. In some respects, this is the opposite of sharing economic rents; in a monopsonistic market, employers may hold wages down below the productivity of the job. Recent research, particularly in the US, has pointed to evidence of monopsony in the low wage labour market; when the minimum wage is increased, both wages and employment have risen. This finding suggests that employers have been holding wages below the so-called market clearing wage (Card and Krueger, 1994).

Women are overrepresented in low wage labour markets and thus may suffer from employers' power in keeping wages at low levels. Manning (1996) analysed the impact of equal pay legislation in the UK and concluded that the lack of an employment effect, subsequent to the raising of women's wages, could be explained by the labour market for women being in part monopsonistic. Some further evidence in support of this argument is found at a sectoral level in UK research on the impact of the minimum wage on the care home sector (Draca et al., 2006). The impact of the increase in wages was to reduce the productivity of care homes, but not to reduce employment, again suggesting that wages had been held down by employers. A special case of monopsony applies in the public sector where the state is the primary, or even the sole, employer of particular types of labour. Here there may be clear evidence that wages are 'too low' in the sense that there is a shortage of staff and/or of new recruits or trainees. Nevertheless, the cost of applying an across the board wage increase is deemed too high for public budgets. Thus strategies to overcome labour shortages, such as the introduction of flexible working for nurses or

'golden hellos' for both teachers and nurses, may be used to boost recruitment on the margin to avoid an across the board wage increase.

Women are often overrepresented in such occupations. Nowak and Preston (2001), for example, suggest that human capital theory cannot explain the low relative wages of nurses in Australia and that there is strong evidence to suggest that monopsony has played a role in keeping wages down even in the presence of chronic labour shortage. The authors also argue that the cause is not monopsony per se, but both the budget constraints under which the health service is operating and the fear of upsetting customary differentials. This study therefore reveals the embeddedness of pay differentials in both public expenditure systems and in internal hierarchies and systems of work organisation.

While differences in employers' ability and willingness to pay provide the scope for 'undervaluation' to occur, we have not yet provided any strong link to gender. However, if we can find evidence that employers pay lower wages in workplaces with high concentrations of female employees or indeed part-time employees, everything else being equal, we will have indirect evidence that variations in employers' ability or willingness to pay is linked to employment patterns by gender. It is to this issue that we now turn.

Gender segregation at the workplace

Three studies using the WERS (1998) data confirm that gender segregation at the workplace explains part of the gender pay gap (Table 4.3).

Table 4.3 Marginal impact of gender, responsibility for children and gender segregation on pay

	<i>Private sector (%)</i>	<i>Public sector (%)</i>
<i>Reference: equality at workplace</i>		
Only men at workplace	+6	+7
Mainly men at workplace	+2	+7
Mainly women at workplace	-4	-4
Only women at workplace	-7	-9

Source: Forth and Millward, 2000.

As Table 4.3 describes, the degree of gender segregation at the workplace has as large an impact on pay as the sex of the individual employee, after adjusting for human capital variables, as well as occupational and industrial job characteristics. Thus in the private sector, the marginal effect of working in a workplace with only

men was to raise the pay by 6%, compared to a gender mixed workplace, while working in an all female workplace reduced the pay by 7%. Similar effects were found in the public sector (Forth and Millward, 2000).

Anderson et al. (2001: Table 5.3) examine gender segregation at the different levels of work group, workplace and industry. They show that work group segregation of men and women explains around one quarter of the 16 percentage point gap among full-timers and over one tenth of the 34 point gap between female part-timers and male full-timers. There is a negligible additional impact from workplace segregation for full-timers, but there is a further impact, explaining around one point of the gap for female part-timers. Industry segregation adds a further one percentage point to the explained gap for full-timers and 2.5 points for female part-timers. The authors also find that the concentration of part-time work within the establishment explains around five percentage points of the 22 point gap among all employees (one of the most important explanatory factors along with job type and gender segregation within work group). This share rises to 7 percentage points of the 34 point gap between female part-timers and male full-timers. Interestingly, the concentration of part-time also explains 2.5 percentage points of the gap between male and female full-timers (Anderson et al., 2001: 88). This suggests that there is an undervaluation of the particular job because it is carried out by part-timers, which has a knock-on depressing impact on the wages of female full-timers in the same establishment.

Forth and Millward (2001, Table 4.3) showed that for low skilled workers, working in an all female environment involved an 18% penalty relative to an all male environment. This finding provides strong evidence for gender segregation at the workplace being a major factor in undervaluation, even within the largely unskilled or low wage labour market. Introducing personal characteristics, such as human capital, only reduced the penalty for an all female environment from 18% to 13% but this was compensated for by an additional penalty of 5% associated with being a woman. Workplace characteristics were also more important than personal characteristics in explaining low pay associated with part-time work (Forth and Millward, 2001: 25); this was in contrast to the situation for temporary versus permanent workers where there was a marked penalty of 12%. What was found to induce a wage penalty was working in a workplace where over 30% of jobs were part-time; this reduced pay by 16%, compared to a workplace where less than 5% of jobs were part-time. The penalty for working where part-time accounted for between 5% and 29% of jobs was around 10%. A final stage of the analysis restricted the data to the very lowest skilled occupational group (around 18% of the five selected low skilled groups). Here there was even stronger evidence of gender discrimination, with an adjusted gender pay

effect of 15%, compared to 5% when all five lower skilled occupational groups were included.

There is increasing evidence from other countries that the inclusion of workplace variables provides more illumination on the processes that lie behind the gender pay gap than the traditional personal attributes variables (see Table 4.4).

Table 4.4 Examples of national studies where workplace characteristics are important in explaining the gender pay gap

Denmark	The importance of company culture is demonstrated; gender segregation in one company is associated with different bonuses, piece rates, but not in another company (Højgaard, 1996 cited in Emerek, 2002).
Finland	A female-dominated workplace is associated with lower female earnings for all levels of education; higher educated women in a female dominated workplace earn 97% of average male full-time pay, compared to 143% when in a male-dominated workplace (Kandolin, 1998 cited in Lehto, 2002).
Greece	Sex segregation by occupation and by sector account for 57% of the gender pay gap in industry and 51% in services (Karamessini and Ioakimoglou, 2002).
Netherlands	Gender differences in job level (i.e. vertical segregation) explain 38% of the pay gap, whereas just 7% is due to differences in education (Spijkerman, 2000 cited in Plantenga and Sjoerdsma, 2002).
Austria	Boeheim et al. (2002 cited in Mairhuber, 2002) show that the higher the share of women in a given sector, the lower the average wage, holding other factors constant.
Portugal	The variable female share of occupation explains 60% of the pay gap (Ribeiro and Hill, 1996 cited in Gonzalez, 2002).
Sweden	Measures related to occupational sex segregation (vertical and horizontal) explain around three quarters of the explained gender pay gap (Le Grand, 1991 cited in Spånt and Gonäs, 2002). The adjusted pay gap widened in the private sector by 1.6 points, but narrowed in the public sector by 1.4 points between 1991 and 2000 (SOU, 2001 cited in Spånt and Gonäs, 2002).
UK	The female share of work group explains 25% of gender pay gap for full-timers and 10% of the gap between female part-timers and male full-timers (Anderson et al., 2001). Between 1980 and 1994, women enjoyed a higher mark-up from collective bargaining than men, coupled with a slower fall in collective bargaining coverage (from 50% to 36% for women and from 51% to 29% among men); this means that changes in collective bargaining coverage narrowed the pay gap by worsening average male earnings at a faster rate than women's (Bell and Ritchie, 1998). Gender segregation at the workplace reduced pay - for every ten percentage points higher the proportion of men working in an occupation, hourly wages are boosted by 1% (Olsen and Walby, 2004).
Notes:	The selected results are extracted from studies that use varying types of decomposition techniques, and a range of variables, to 'explain' the gender pay gap.
Sources:	EGGE National reports, which are available at: http://www.mbs.ac.uk/ewerc-egge ; Olsen and Walby 2004.

These studies both point to some systematic tendencies for gender segregation to be associated with lower pay levels, but also to the range of different pay logics that may be observed at the workplace level. For example, in the Danish study, one of the two companies studied showed a relationship between segregation and pay, but the other did not, pointing to the importance of employer policy and culture.

4.2 Undervaluation and gender segregation: the social construction of value

Gender segregation has sectoral, occupational, workplace and work group dimensions. Undervaluation may be related to segregation at each of these different levels.

At the sector level, reliance on a primarily female workforce may be related to undervaluation of the whole activity. In some cases, the opportunity to link pay to a disadvantaged group and thereby keep wage costs at a low average level may be associated with the formation of a separate sector. This is the case, for example, for cleaning or catering contractors, or call centre service providers (see discussion on changes in industrial organisation in Chapter 5).

At the occupational level, association with a particular gender may not only shape patterns of entry into the occupation, including education and training choices, but also the status of the profession/occupation and the associated skill level across the economy and in the wider society. The OECD (1998) study of female-dominated occupations looked at seven occupations traditionally associated with women's work and identified four common problems: low recognition of skills; low development or accreditation of skills through formal training; low pay relative to the nature of the work; and weakly embedded career structures.

Two studies of the US labour market (Cohen and Huffman, 2003; Williams and Register, 1986) found a clear relationship between the share of women in the same occupation and the level of pay in comparisons of different regions across the US. These findings suggest that it is actual gender composition at the workplace, not just the occupation that shapes pay. Studies by Tomaskovic-Devey (1995) for the US have found that job level studies of gender composition have more power in explaining gender pay differences than studies that only focus on the occupation.

Segregation by work group provides the basis for differentials by pay related to gender segregation, as most pay systems still make some reference to job categories or work groups. Indeed, research in the UK in the early 1990s found that separate pay hierarchies tended to be used for different workforce groups, with the most common variable dividing the workforce groups being that of the share of

women employed (Bevan and Thompson, 1992). These problems of separate pay systems for workforce groups lie behind recent initiatives in the public sector to integrate groups through a single pay spine. Although some of these new schemes are innovative in intention and guided by equal pay principles, there is still a danger that, in order to minimise costs and not undermine men's pay levels, the past valuations will be built into the new structures (Figart et al., 2002: 142; Hastings, 2000).

Segregation is identified as promoting undervaluation since it facilitates the construction of female work as less deserving of pay compared to similar or equivalent male work. The division of men and women into largely separate spheres of work makes it much more difficult to compare their relative skills or contributions directly. Hence it provides a means by which undervaluation may be embedded in apparently gender neutral pay and grading hierarchies within firms, as well as in wage differentials between sectors and organisations. The legitimisation of pay and grading structures is based for the most part on reference to skill, competence or responsibility. There are a number of ways in which gender may, however, influence the construction of these apparently technical or neutral job and pay hierarchies. These problems of gender bias in skill and grading can be considered under five headings:

- visibility;
- valuation;
- vocation;
- value added; and
- variance.

Visibility

The first problem is that women's skills are simply not visible. Indirect evidence comes from the tendency for women's jobs to be aggregated into large and undifferentiated pay and grading bands, so that differences in skills and experience are not made visible in pay and grading structures (Hastings, 2000). These problems are compounded by the few opportunities for promotion or advancement provided within women's job areas. For example, across all OECD countries, three quarters of all female employees are concentrated in just 19 out of 114 occupations; in comparison, three quarters of all male employees are found in 30 occupations (OECD, 2002: Table 2.11). Blackwell (2001a) has analysed the occupational classification systems and has argued that even in new schemes - for example, the

reclassification of the 1980s - women's skills are still not being made visible and occupational crowding continues. Another reason for lack of visibility is the lack of accreditation of women's skills through formal training and certification (OECD, 1998).

Valuation

The devaluation thesis has been summarised by England (2005b: 278):

Cultural ideas deprecate work done by women, and cultural beliefs lead to cognitive errors in which decision makers underestimate the contribution of female jobs to organizational goals, including the goal of increasing profits through increasing productivity. Once wage scales are set up, the disparities are perpetuated by organizational inertia in the form of using past wages within the organization to set present wages or the use of market surveys of wages in other firms to set jobs' pay levels. That is, wage scales get 'institutionalized.'

The problem is both the recognition of the existence of skills - the visibility issue - and the value attached to skills. Recognition of skills is not necessarily sufficient to ensure reward for skills: despite the talk about the importance of soft skills, such as communication skills and emotional labour, pay and grading structures are still often based on male-type skills. These emphasise technical skills, strength, responsibility for resources etc. (Hastings, 2003). Even if women's skills are included, they are not necessarily given the same weight as men's skills. There are also particular issues as to whether or not attributes regarded as 'feminine', such as communication skills and other soft skills, are seen as appropriate for, or contributing to, managerial and higher level jobs (Steinberg, 1995). The exclusion of feminine attributes may not only lead to an undervaluation of those staff (who may well be predominantly female) displaying these skills, but also influence access to higher level jobs (Marshall, 1995; Wajcman, 1998).

Vocation

One reason for the low valuation attached to women's skills is the assumption that either women's skills are 'natural', deriving from women's essence as mothers and carers, or that the exercise of these skills gives rise to high levels of job satisfaction, providing high levels of non monetary compensation to offset the low monetary rewards. This argument is sometimes explicitly made about caring skills. For example, Polachek and Siebert (1993) explained the wage differential between nurses and engineers, by reference to the difficulty of doing mathematics on the one hand and the job satisfaction from being allowed to care on the other. An alternative perspective would suggest that *doing* mathematics for those who are trained and

have a talent is relatively easy, while *doing* nursing is always stressful, whatever one's talents and experience.

In the UK, there is considerable debate around the apparent paradox that women, particularly those in part-time jobs, appear to be more satisfied with their jobs than men despite their low pay, thereby lending apparent support to the notion that low monetary rewards are compensated by higher non monetary rewards. Sousa-Poza and Sousa-Poza (2000) have shown, however, that this higher satisfaction among women is a particular feature of the UK and the US and is not found in the rest of Europe. Moreover, Clark (1997) has also found that it is not true for younger women; for those with higher education; for those in professional or managerial occupations, or in male-dominated workplaces; or for women whose mothers worked in a male-dominated workplace. These findings suggest that expectations are shaped by knowledge and experience of what might be possible and Rose's recent work (2005) also suggests that this higher satisfaction among women may be disappearing in the UK too.

More generally, there is an argument that not only is there a general tendency for women's skills to be undervalued, but that the closer these are to the skills they exercise in the family, the more likely they are to be undervalued at work. The particular issue of caring skills (which here includes all interpersonal or interactive services work) is explored in Box 4.1. These different perspectives on caring and their impact on those doing care work provide a range of possible explanations for why caring work is so low paid.

Value added

One of the differences between male and female jobs is that men are more likely to be found in jobs with responsibility for high value added processes or services, while women are more likely to be found in low value added or labour intensive occupations. There is no necessary correlation, however, between the value added of the job and the skill or effort required, or indeed the importance of the job to society. Thus in a study of gender segregation in Italy, Bettio (1988: 6) found:

modest differences between feminized and male-dominated jobs in terms of actual skill, that is skill defined in relation to the length of training. Differences were more marked in terms of what is called 'responsibility', a notion that we need not relate to specific abilities of workers, but, rather, arise from the characteristics of jobs and measures their comparative importance for production outcomes.

Box 4.1 Theories of care work

Following England (2005a), five theories of care work can be identified:

- The devaluation thesis: care work is devalued, because it is associated with women.

'Cultural ideas deprecate women and thus, by cognitive association, devalue work typically done by women'. Moreover, 'female-dominated jobs involving care are especially devalued because care is the quintessentially female identified activity' (England, 2005a: 382-83). Empirical research suggests that those involved in interactive care work (as identified in both the 1980 and the 1990 census in the US) faced a pay penalty over and above that accounted for by the female share of the occupation.

- Care work is undervalued because it produces public goods.

Care work may be undervalued because it provides not only direct benefits to those receiving the care, but has indirect benefits to society: 'the direct beneficiaries of care are the student who is taught, the patient of the nurse or doctor, the client of the therapist, and the child cared for by a parent or child care worker. But when a direct recipient of care learns cognitive skills, stays or gets healthy, learns how to get along with others, or learns habits of self-control, others also benefit' (England, 2005a: 385). Those indirect benefits cannot be captured by the providers of care and turned into profit for themselves; thus those providing care are not fully rewarded for the benefits of their labours.

- The 'prisoner of love' thesis: employers pay less for care work because the employees care.

The theory of compensating wage differentials is used by economists to explain low wages for care workers, but this thesis assumes that if care workers stay, they are expressing a positive preference for care work and are happy to receive lower wages. However, Folbre (2001) has introduced the notion of the prisoner of love; here preferences are at least partly endogenous and once people become involved in care work, they find it more difficult to withdraw their services. 'A kind of emotional hostage effect occurs' (England, 2005a: 390).

- Care work as emotional labour: selling emotions is harmful, under-recognised and under-rewarded.

In *Managed Heart*, Hochschild (1983) argues that being required to sell emotions, when undertaking care work for wages, is intrinsically damaging to workers. This view turns the non pecuniary advantages theory on its head. 'Whereas the prisoner of love view focuses on how care work is emotionally satisfying - so much so that workers will take a lower wage - Hochschild worried about psychological distress from deep acting. That is, one theory sees non-pecuniary amenities and the other disamenities of care (England, 2005a: 389). Wharton (1999) found that care workers did not always find emotional labour taxing and some enjoyed the social interactions; nevertheless, care work could be stressful when required in a context where the employees had low control or autonomy. Migrant workers may constitute a special case where they are employed to care for others having left their own families and children often behind.

- The love and money thesis: care can be provided and be well paid.

Various writers reject the implicit assumption in some work, including that of Hochschild, that there is an opposition or antipathy between paying for care work and providing genuine care. In some versions of this thesis, it is suggested that care work must not be fully commodified - possibly remaining organised within the public, but not the private, sector (Held, 2002; Himmelweit, 1999). However, Nelson and England (2002) and Zelizer (2002) reject this dichotomy, suggesting it reinforces a dichotomy between women (who are associated with care) and men (who are associated with money) and thereby legitimises the low pay for care work.

We can identify such differences between male and female jobs both within the same sector or production systems and between sectors. Within a production system, women may be allocated to the more labour intensive, but not necessarily less skilled or demanding, tasks (in the sense of actual skill as defined above). In contrast, men may be assigned tasks with greater responsibility for throughput of production; these may be the more mechanised tasks where mechanisation may even have removed some elements of skill.

We also find that women may be assigned to sectors or areas of work where little can be done to enhance the productivity of the worker. A prime example of this is a care worker - whether looking after the elderly or young children. Indeed, UK law states that for children under two, there must be a minimum of one member of staff to three babies. The importance of this work to society is not in any sense low, as is indicated by the existence of regulations in relation to staffing levels, but by definition it is highly labour intensive. Yet society does not necessarily know how to reward such jobs in comparison to those where new technologies can result in year on year improvements in productivity of the staff employed.

Variance

Women's lives are currently organised differently from those of men, involving much greater responsibilities for the household (Harvey et al., 2003). Where this impinges on the organisation of work - for example, through provision for flexible or part-time working - the impact may be to reinforce difference and to promote the notion of a separate sphere of women's work that is non commensurate with that of men's. Part-time work is often seen as synonymous with unskilled work by both employers and women themselves; for example, 'part-time only' was a phrase used by women in one research study to dismiss the importance of their work and to reduce all part-time work to an undifferentiated and unskilled activity (Horrell et al., 1994: 219). The other side of this variance with respect to time is the frequently assumed association between a willingness to work long hours and a high level of both commitment to work and productivity. Those unable to conform to demands for long and variable hours may be regarded as much less skilled and productive than they are, simply because they do not conform to the norm.

Segregation is thus an important means by which undervaluation is realised. In part, segregation may involve the confinement of women not only to low paid jobs, but also to marginal and/or low skilled jobs. However, it is vital not to confuse low pay with low skill and to recognise the scope for social choice in the organisation of work and the recognition of skills. The OECD's study of female-dominated occupations combined the recognition that skills are socially constructed with policy options to

improve and professionalize skills in such sectors. Thus part of the problem was the devaluation of job attributes associated with women:

This gender-based approach to labour management was accompanied by a recognition of specific 'qualities' in women, such as the 'dexterity' and 'accuracy' of female operatives, or the 'devotion' of nurses and the 'interpersonal and organisational skills' of secretaries. But it was also accompanied by an economic and professional devaluation of these same 'qualities', seen as something acquired naturally or by socialisation through women's role in the family and society. The greater the similarity between jobs and the work partly carried out free of charge in the home, the greater this devaluation.
(OECD, 1998: 196)

The report, however, suggested that in part the way forward is to embrace this 'social construction of skills' in order to make women's skills more visible and more valued. Thus the female-dominated occupations needed to be professionalised, with more attention being paid to training and accreditation, and to career mobility paths, with a view to improving both status and pay and conditions in these sectors.

4.3 Undervaluation and payment systems

Undervaluation at the workplace is implemented through the system of reward and allocation within the reward system. Here we focus on four main topics. First, we look at the central issue of job grading. Second, we consider how undervaluation is associated with the positioning of men and women within the pay system and their access to pay progression - through increments or promotion. Third, we address the issue of the type of payment system, in particular the importance of performance elements and non pay elements. Finally, we consider the linkage between payment systems and the time dimension to employment - both hours of work and continuity of employment.

Job grading systems

The argument that women's jobs are likely to be undervalued has perhaps been most developed with respect to the form and the principles used for job grading. It has been linked to the various efforts to implement equal pay for work of equal value through appropriate job grading and conversely, through the equal pay cases that have challenged the legitimacy of job grading systems. There is now a relatively wide consensus around the types of approaches to job grading that are most likely to promote appropriate grading of women's work. The problem still remains, however, that grading is not the same as valuation, for grading operates within a workplace or within the same employer, while much of the problem of undervaluation arises from women's employment in different workplaces or with different employers from men.

Thus within the same workplace, we may find that both men and women are 'undervalued' relative to a sectoral or a societal norm. Nevertheless, addressing job grading can help to promote the revaluation of women's work by making their skills more visible; by promoting a formalised and analytical approach to pay; and by making comparisons to the male employees who are likely to be less affected by problems of undervaluation (Craig et al., 1985).

The first issue with respect to job grading is the kind of job grading system. Indeed, a prior problem is whether there is any form of job grading system in place or whether pay is informal and individualised. The more informal the system, the more scope there is for discrimination to influence the level of pay. For example, a study of pre-1992 universities in 2002-03 found that men are 1.5 times more likely to receive discretionary increments than are women (AUT, 2005). A related issue is whether the pay and grading system is transparent. Monitoring for equality is facilitated by both transparency over how jobs are rewarded and over the principles underlying the reward structure. The more informal the pay system, the less transparent it is likely to be. Furthermore, the wider the job bands - sometimes now known as 'broad banding' (Incomes Data Services, 2004) - the wider the scope for discretionary pay within the bands that may contribute to undervaluation. Indeed one of the motivations for broadbanding according to the information provided by the Local Government Employers is to allow employers greater discretion to fix pay in contexts of labour shortage.⁹

The second issue is whether there is a single job or pay grading system, or whether there are separate hierarchies related to different kinds of jobs. The problem with separate hierarchies is that this makes it difficult to compare jobs to implement the principle of equal pay for work of equal value. This is exacerbated if the division into separate pay hierarchies is influenced by whether a family of jobs is associated with female, or with male, labour (Bevan and Thompson, 1992). There is a problem, however, that single pay spines may need to use an oversimplified set of criteria for job grading as one system is having to cover jobs with very different characteristics.

The third issue is the principles which underpin the job grading. There is a presumption in law in favour of an analytical job evaluation scheme, both for implementing the principle of equal pay for work of equal value and for employers to safeguard themselves against equal value claims. However, there are other systems of job grading - including the so-called 'whole job grading'. In this case there is no attempt to base the grading on job characteristics, but rather on some notion of 'felt

⁹ See http://www.lge.gov.uk/pay_systems_and_structures/ for details.

fair' principles. This approach is seen as likely to perpetuate undervaluation, to the extent that undervaluation is built into social norms concerning appropriate rewards for different kinds of jobs. There is also a challenge to the notion of grading the job; instead, there is now often a practice of grading the person or assessing the individual's competences (see Box 4.2). This approach is consistent with the idea that in many areas jobs are crafted by the employee, not dictated by systems of work design. However, the notion of competences is also one to subject to critical examination (see Box 4.2).

Box 4.2 Gender equality and competence evaluation

Traditional job evaluation focuses on the characteristics of the job; competence evaluation focuses on the abilities or competence required to perform activities to a prescribed standard within an occupation (Strebler et al., 1997). Competence evaluation may be used as the basis for progression within a job grade, or may be the basis for the job evaluation setting the grading structure.

There are a number of concerns that competence evaluation may lead to undervaluation. These concerns include the issue of whether competences more associated with men are given greater weight - for example, competences that stress independence rather than cooperation and connectedness (Rees and Garnsey, 2003: 570). Competences are often assessed through appraisal; women may be less likely to exaggerate their competence and more likely to own up to weaknesses and deficiencies (Rees and Garnsey, 2003: 572). Women may, in general, be rated lower on leadership ability by many employers (Strebler et al., 1997), an important competence for managers in most evaluation schemes.

Research by Rees and Garnsey (2003), however, identifies scope for imaginative employers to develop more gender sensitive competence evaluation schemes. Thus while in one of their case studies, a semi-privatised industry, saw 'stress tolerance' and 'thrives on pressure and significance of work' as positives and 'reports problems in home relations' as a negative indicator of competence, a cosmetics retailer identified positives such as operating an open door policy, taking an interest in employees' lives outside work and having concern for the well-being of others.

These represent opposing poles of a competence evaluation framework and indicate that it is not the type of framework, but the content of the competences and the mode of implementation, that will determine the gender equality outcomes.

If we consider systems of analytical job evaluation, we can draw on the work of Hastings (2003). She summarises the principles that are more likely to underpin an approach that gives fair visibility and weight to the skills involved in jobs undertaken by women, based on the job evaluation scheme developed to implement the single spine agreement for Local Authority employees. The basic principles are that the system should be transparent and that there should be an avoidance of double counting of attributes. Beyond these principles, there is also a need to clarify the

factors that should be included. Some of the most important reformulations of job evaluation schema to overcome bias against women's jobs include ensuring that attention is paid to:

- responsibilities for people and information not just plant or finances;
- skills not just knowledge or qualifications;
- knowledge not just qualifications;
- interpersonal skills not just physical skills;
- stamina, dexterity, coordination as well as strength;
- judgement skills, scope for action not just management decision-making;
- mental and emotional demands not just physical demands; and
- adverse working conditions to include exposure to abuse/body fluids not just dirt/weather.

Starting salaries and pay progression

Table 4.5 summarises a range of evidence from the UK and the US that suggests that there are problems of undervaluation associated with both starting salaries and pay progression after commencement, although the process, weight and form of these problems varies between studies.

The table shows that when employees change jobs, these two issues are conflated as starting salaries may be influenced by previous salary. Indeed, research on payment systems suggests that employers often confuse previous salary with some notion of market forces (Bevan and Thompson, 1992). Research on graduates and professionals point to differences in starting salaries and to widening gaps over time (Purcell and Elias, 2004); one factor is that men are more likely to seek, or to receive, outside offers that they use to boost their internal pay. There are therefore issues over whether women are disadvantaged because of a lower ability, or reduced willingness, to engage in individual pay bargaining.

Table 4.5 Impact of starting salaries and pay increments on undervaluation and payment systems

Scope for discrimination	Empirical evidence
Individual negotiation of starting salaries/increments	<p data-bbox="440 400 1431 501">Babcock and Laschever (2004) found that women in a US study were less likely than men to negotiate over their own salaries - either starting salaries or increments.</p> <p data-bbox="440 539 1431 707">Major and Konar (1984) found that there were considerable differences in men's and women's expectations of starting salaries (16.5%) and even larger differences in their expectations of peak pay (46%); one issue must be current differences in pay expectations and the impact that these may have on pay negotiations.</p> <p data-bbox="440 741 1431 909">Manning and Robinson (2000) suggest that, overall, around two thirds of the gender pay gap is due to the pay gap among labour market entrants and one third due to differences in the proportion of entrants. Wage growth for continuous workers is similar, but women are clustered at the bottom of the pay hierarchy where wage increases are easier to obtain.</p> <p data-bbox="440 943 1431 1043">Blackaby, Booth and Frank (2002) found that male academic economists were more likely to be able to benefit from external job offers as a means of negotiating upward increases in pay.</p> <p data-bbox="440 1077 1431 1178">Equal pay cases and equal pay reviews have found that excessively long incremental scales are associated with the gender pay gap (Neathey et al., 2003).</p> <p data-bbox="440 1211 1431 1413">According to some analysts, women's lower pay may be associated with their reduced willingness to invest in firm-specific human capital because of their anticipated career interruptions (Tam, T., 1997). However, others (England et al., 2000) argue that if this was the case one should be able to identify higher starting salaries for women than for men, as women are supposed to be opting for immediate rather than deferred rewards.</p>

Promotion

Pay progression is obviously in part linked to performance appraisal, the principles of seniority pay and also to promotion systems. Some equal pay cases and equal pay reviews have found that long seniority scales are associated with the gender pay gap and cannot be justified on productivity grounds. A range of studies (see Table 4.6) suggest that some women are less able to gain access to higher level jobs, as they face higher progression bars than men or are less able to meet the progression bars (for example, length of tenure). However, the more telling evidence suggests that women may also be likely to benefit less from either the initial pay rise, or from continued pay rises after promotion. Furthermore, promotion involving responsibility for female workers is found in some studies to be less valuable, particularly to women, than promotion involving supervisory responsibilities for men.

Table 4.6 Impact of promotion on undervaluation and payment systems

Scope for discrimination	Empirical evidence
Opportunities for promotion, including training and skill development opportunities, career structures, rewards for promotion	<p data-bbox="485 331 1394 600">Booth et al. (1999), using BHPS data, found that there were no gender differences in propensity to be promoted for full-time workers, but the method used controls for a range of gender-related variables, such as overtime hours, employer size and occupation. Furthermore, tenure was significant in the female only wage equation, but not for men, suggesting that women may have to prove stability, whereas men are promoted on the basis of performance (Anderson et al., 2001).</p> <p data-bbox="485 636 1394 801">Booth et al. (1999) also found that although pay increases at promotion were similar, men's wage growth post promotion was significantly higher. McNabb and Wass (2006) found that female lawyers were less likely to be promoted to partner and also liable to be paid less once promoted.</p> <p data-bbox="485 837 1394 1003">Hersch and Viscusi (1996), in an US study of a public utility, found that women experienced more promotions than men but promotions had a much more significant impact on men's earnings. Similarly Mitra (2003) found that women in supervisory jobs in the US only earned a 6% wage premium, compared to a 15% premium for males.</p> <p data-bbox="485 1039 1394 1171">Ostroff and Atwater (2003), in a study of managers' compensation in the US, found that supervising women reduced the pay for both male and female managers, but this affected women more as they were more likely to supervise women.</p> <p data-bbox="485 1207 1394 1406">Tolich and Briar (1999) found that men employed in the same job grade in supermarkets in the US were allocated tasks that enabled them to prepare for promotion much more readily than the women in the same grade - for example, by being given a wider variety of tasks and through this acquiring wider knowledge of the business as a whole.</p> <p data-bbox="485 1442 1394 1574">Devine (1992) found that women who entered engineering professions had less access to training and might not be considered for promotion due to concern over conflicts with domestic responsibilities and the lack of a male sponsor.</p> <p data-bbox="485 1610 1394 1776">Tharenou et al. (1994) found differences in men's and women's advancement into management with women having both less access to training and receiving less benefit from training, although career encouragement from superiors made more difference for women than for men.</p>

The payment system

Table 4.7 summarises evidence on performance elements in the pay system and other potential impacts on undervaluation and the gender pay gap. The availability of performance increments or bonuses could in principle act to reduce undervaluation,

by making visible actual performance on the job and providing additional rewards for those accumulating skills not rewarded in a job-based pay structure. In practice, however, performance pay may act to maintain or exaggerate undervaluation for four main reasons. First, performance pay may be more available in male-dominated occupations; second, the rewards may be higher in male dominated occupations; third, the award of such payments is often discretionary, leading to the possibility of under-reward by gender; and fourth, assessment of performance may vary by gender, thereby reinforcing gendered views of appropriate behaviour (Rubery, 1995).

Table 4.7 Impact of performance on undervaluation and payment systems

Scope for discrimination	Empirical evidence
Opportunities for performance rewards, size of rewards, assessment of performance	<p data-bbox="411 779 1431 880">Various studies, summarised in Rubery (1995), indicate that women are less likely to be in jobs receiving performance pay and to receive as large payments, even when they are covered (Bevan and Thompson, 1992).</p> <p data-bbox="411 913 1431 1014">A study of a bank in the UK found that up to 2.5% of performance pay was provided for clerical work, but up to 15% for managers (Carroll and Rubery, 1998).</p> <p data-bbox="411 1048 1431 1115">Bevan and Thompson (1992) also found that different traits tended to be rewarded between male and female employees.</p> <p data-bbox="411 1149 1431 1249">Neathey et al. (2003) found a clear negative relationship between the share of women employed and the likelihood of performance or bonus pay being provided (see Table 4.8).</p> <p data-bbox="411 1283 1431 1417">Anderson et al's (2001) study using WERS data found that the presence of performance related pay did not boost male earnings, but did boost female earnings. However, they considered that this was likely to be because women fared better where pay was determined by more formal processes.</p> <p data-bbox="411 1451 1431 1552">Incentive pay - in the form of full commission on sales - has been found to be used in retailing in the UK to preserve male earnings in selected departments (Broadbridge, 1997).</p> <p data-bbox="411 1585 1431 1686">In the US, women are found to be more likely to receive piece rates, but less likely to receive performance or commission-based pay - these latter payments are related to expected tenure (Geddes and Heywood, 2003).</p> <p data-bbox="411 1720 1431 1921">Elvira and Graham (2002) looked at the use of bonus payment in a large Fortune 500 company; they found that the share of women in a job reduced both the likelihood of receiving a bonus and the level of the bonus. The more formalised the system of payment, the more likely that women would receive a bonus. Overall, there was a 25% difference in bonus earnings between men and women doing the same jobs in the company.</p>

As Table 4.8 shows, the study by Neathey et al. (2003) also found that the likelihood that organisations would pay performance related pay or a bonus to managers or professional/technical staff varied according to the gender profile of the occupation.

Table 4.8 Organisations paying PRP or bonus to managers and professional/technical staff

	Percentage of organisations making payment:		
	<i>N</i>	PRP	Bonus
<i>Managers</i>			
Occupation is more than 60% male	158	38	51
Occupation is roughly equal male/female	71	39	41
Occupation is more than 60% female	20	15	20
<i>Professional/technical staff</i>			
Occupation is more than 60% male	144	31	37
Occupation is roughly equal male/female	50	29	37
Occupation is more than 60% female	20	0	14

Source: Neathey et al. (2003).

Reward packages

There is also some evidence that non pay elements of the reward package are in fact higher, the higher the pay, thereby undermining arguments that, in general, lower pay is compensated for by higher fringe benefits (Table 4.9). The only exception to this seems to be flexible working, where part-timers have to pay a pay penalty it seems for the opportunity to work flexibly - of 3 to 4% according to Anderson et al. (2001).

Table 4.9 Impact of reward packages on undervaluation and payment systems

Scope for discrimination	Empirical evidence
Additional payments, for example for overtime, unsocial hours, 'responsibility' etc, access to fringe benefits	Anderson et al. (2001) show, using WERS data, that fringe benefits are positively related to pay for both male and female employees, and that fringe benefits are marginally more common for male employees, thereby explaining part of the gender pay gap, particularly that with female part-time employees. WERS data show that overtime payments significantly boost male weekly earnings in manual jobs, but have no significant effect on women's weekly pay (Millward and Woodland, 1995).

Reward and time

The more that the pay system rewards continuity of employment and willingness to work long and flexible hours, the more likely it is that women will face undervaluation. Extended seniority scales, low starting pay for returners, pay penalties for working non full-time or flexible hours and the treatment of hours at work as a proxy for productivity and commitment are all likely to contribute to continued undervaluation (Table 4.10).

Table 4.10 Impact of reward and time on undervaluation and payment systems

Scope for discrimination	Empirical evidence
Differences between full and part-timers, between continuous/non continuous employees, between those on extended/flexible versus standard hours.	<p>Averett and Hotchkiss (1996), in a US study, found that women had to work more hours per week than men before they received a wage supplement associated with a high hours commitment.</p> <p>A US study of part-timers (Baker, 1993) found that they were not included in the mainstream of organisations - inclusion depended upon complying with organisational norms, including the norm of an 'elastic number of hours spent at work'.</p> <p>Insiders are argued to have a vested interest in rewarding uninterrupted work, not because it is more efficient, but because it favours insiders (mainly men); this argument is used to explain gender pay inequality in higher education in the US (Colander and Woos, 1997).</p> <p>Smithson et al. (2004) found that the gender neutral presentation of flexible work options in chartered accountancy in the UK was obscuring the role that flexible working was playing in maintaining gender segregation and the gender pay gap through reduced access to promotion.</p> <p>Anderson et al. (2001) found that part-timers paid a pay penalty of 3 to 4 percentage points for working flexibly, while for male workers, working flexibly - for example from home - was associated with higher pay.</p>

4.4 Summary

This review of undervaluation at the workplace has identified three main influences on undervaluation - the characteristics of employers and their pay policies; the relationships between gender segregation and the social construction of value; and the design and implementation of payment and reward systems.

The consideration of employer characteristics made a crucial distinction between variations in employers' ability to pay on the one hand and employers' willingness to

pay on the other; women may be prone to being employed both in organisations with low ability to pay and in organisations with high or medium ability to pay but low willingness to pay. Most studies of the gender pay gap rely on datasets with only limited information on employer characteristics. Where more information on such characteristics is available, factors such as gender segregation at the work group or workplace level often have more explanatory power than either gender itself or gender segregation at the occupational level. This suggests that the role of employer characteristics and employer pay policy needs to be given more weight in the analysis of undervaluation.

Segregation, particularly at the workplace, facilitates the construction of female work as less deserving of pay compared to similar or equivalent male work. There are five ways in which women's work can be seen to be constructed as of lower value than men's: through lower visibility attached to women's skill within the workplace; through lower valuation attached to women's skills, particularly caring skills; through the assumption that women have a vocation for their work and can thus be relied upon to be satisfied with lower levels of pay; through exclusion of women from job areas that are associated with higher value-added organisations or processes; and through imposing penalties on work patterns that demonstrate variance from the male norm.

Valuation is implemented through pay and reward systems at the workplace. The issue is not only to establish a fair job grading system, but also to ensure that women are fairly placed within a job grading system, particularly with the trend towards more use of individualised pay and the development of broader job bands. Research suggests the need to pay attention to starting salaries, pay increments, and not only access to promotion, but also rewards for promotion. Performance pay not only introduces more discretion into the system and thus new areas for potential discrimination, but is also in practice provided more frequently and at higher levels to male-dominated job areas. Reward packages tend to be skewed in favour of those with high pay, thus exacerbating inequalities. The only fringe benefit that tends to be traded for lower pay is time flexibility, the 'fringe benefit' more frequently associated with women's work. Payment systems in general still tend to reward employees who adopt a male model of continuous and long working hours.

This overview has identified how practices at the organisation, occupation and workplace level impact on the valuation of jobs and allow for the continuation of processes of undervaluation of women's work. In the next chapter, we consider to what extent current changes in the organisation of the economy and the organisation of work may be promoting or reducing tendencies towards undervaluation.

5. THE DYNAMICS OF UNDERVALUATION

5.1 Introduction

The evidence of Chapters 3 and 4 demonstrates that undervaluation of women's work is a real problem. Women experience undervaluation as an individual employee, in relation to their needs as wage earners and in their workplace setting. In part, this reflects a legacy of undervaluation of women's work, which, in the words of the Women and Work Commission, is 'at least partly because society does not appear to place as much value on the skills demanded in these occupations as they do others' (2006: 11). But the problem of undervaluation is not simply a legacy effect, it is also an ongoing process shaped by the actions of employers, governments, trade unions and other social actors. Importantly, these actions may entrench or even worsen traditional forms of undervaluation, as well as lead to new opportunities for undervaluation in changing forms of employment.

In this chapter, we argue for the need to centre attention on understanding the conditions that directly or indirectly contribute to present and future patterns of undervaluation of women's work. This requires a *dynamic* analysis that explores wide-ranging changes taking place in the organisation of the economy and work. It involves an understanding of the changing nature of work; the impact of information and communication technologies; the prospects for workers in non unionised, or weakly unionised, sectors; the implications of outsourcing and subcontracting; and the role of employer policies of flexibility, to name the main challenges facing today's workforce. As we argued in Chapter 2, undervaluation of women's work is not simply the result of a narrow definition of what constitutes gender relations. Instead, it emerges and is reconstituted in a dynamic process through which the institutions of wage-setting and inter-related employment policies are shaped by a complex set of social, economic and political conditions.

5.2 The socio-economic conditions shaping undervaluation

Drawing on a range of empirical studies, we interrogate current changes in industrial organisation (especially involving outsourcing and the expansion of specialist services firms); new organisational forms (with delayed job hierarchies and contractual performance pressures); the declining power of trade unions; the application of new technologies in redesigning work organisation; flexible employment practices (especially concerning part-time work); and the impact of the National Minimum Wage on the position of the low paid. These trends are inter-related and each presents potential opportunities for the persistence and renewal of undervaluation in wage structures.

Changes in industrial organisation: the outsourcing of work

Across all sectors of the economy, employees face a changed environment due to outsourcing of activities formerly undertaken in-house. A representative survey of UK workplaces for 2002 estimated that 93% of workplaces outsourced at least one service and one in two outsourced four or more services (White et al., 2004: 25). Outsourcing is often presented as a means of improving organisational efficiency - whether from greater market discipline, synergies of knowledge within 'networked organisations', or simply to manage risk (Domberger, 1998; Powell, 1990). However, for workers, such strategies may challenge traditional rights and benefits established within large vertically integrated organisations. They potentially create a new environment of risks, where pay rates may be whittled down through cost competition between suppliers; job security hinges on the renewal of contracts between clients and supplier organisations; temporary contracts are used to offset the uncertainty of contracting relations; and job ladders are flattened and fragmented within suppliers of specialist services.

Research shows that, for women workers, it is in precisely those areas of work where pay and conditions are already poor, such as cleaning and catering, where outsourcing and subcontracting have increased workers' vulnerability. Studies of the outsourcing of public sector services show evidence of a reinforcing and entrenching of undervaluation. Research in the 1980s and 1990s into the impact of policies of compulsory competitive tendering (CCT) on the pay and employment of workers in public services in cleaning, catering, refuse collection and other manual areas of work concluded that the main outcome of CCT policies was the redistribution, or transfer, of income from workers to managers (and shareholders) (Ascher, 1987; Colling, 1995; Escott and Whitfield, 1995; McIntosh and Broderick, 1996; see also Box 5.1).

Box 5.1 Entrenching undervaluation through CCT

The evidence from several studies during the 1990s into the effects of CCT policies demonstrates a downgrading of pay and conditions, as well as increased job insecurity due to job cuts and greater use of temporary fixed-term and agency contracts. In a widely cited study commissioned by the EOC, Escott and Whitfield (1995) examined the impact of CCT on the employment and pay of local authority workers across Britain. Across the 39 local authorities studied, full-time employment fell by 12% and part-time employment by 22% during the first round of CCT. The largely female part-time workforce made up 95% of all workers affected by CCT restructuring policies, and part-time cleaners accounted for 87% of lost part-time jobs. Remaining part-time workers had their hours reduced - cleaners by 25% and school caterers by 16% - a practice that Escott and Whitfield attributed to a deliberate strategy by some local authorities and private firms to avoid National Insurance contributions for part-time workers. Also, after the CCT process, new workers experienced more job uncertainty, due to the greater use of temporary contracts - both direct and through agencies. Workers also experienced cuts in basic rates of pay: all nine contracts that were outsourced paid lower rates of pay compared to national local authority rates; and all contracts, whether retained in-house or outsourced, reduced or eliminated bonus payments and unsocial hours premia.

McIntosh and Broderick's (1996) detailed case study of CCT in a single local authority found that 13% of cleaning jobs were lost at the first tender and a further 16% at the second round during the period 1988 to 1994. Also, in its study of externalisation and outsourcing in 16 UK local authorities, the Centre for Public Services (1997: 27-30) details practices of derecognition of trade unions by private firms, the ending of collective bargaining, the halting of automatic annual pay increases and cuts in holidays, sick pay, overtime payments and bonuses. Moreover, the study reports clear early evidence of a two-tier workforce with new recruits employed on less favourable terms and conditions. And, in its review of the source of cost savings of CCT policies, the report of the Commission on Public Private Partnerships (published by the Institute of Public Policy Research 2001) estimated that two thirds of labour cost savings were achieved by reduced pay, benefits and conditions.

A common finding is the unequal gender effects of CCT policies, which demonstrate that the income transfers from workers to managers and shareholders were especially disadvantageous for women workers (Colling, 1995; Escott and Whitfield 1995). The UK is not a special case in this regard. The large-scale analysis by Walsh and O'Flynn (2000) of Australian data on local agreements that accompanied the marketisation of local government services found that female-dominated services of community care were especially at risk of a deterioration in terms and conditions; women lost out, not just from changes to basic pay, but from other practices that reduced their total weekly wage, such as the reduction of unsocial hours premia (57% of cases) or reduced overtime premia (41% of cases) (Walsh and O'Flynn, 2000, Table 2).

So what are the features of outsourcing and subcontracting that lead to the downgrading of terms and conditions of work? First, in the transformed industrial relations climate of the UK since the 1980s, trade unions have been in a weak

position to shore up terms and conditions after outsourcing (Centre for Public Services, 1997). And women may be less protected than men; inequality of bargaining power in local government was found to exacerbate gender inequality of outcomes from CCT policies (see Colling, 1995, for the UK; and Walsh and O'Flynn, 2000, for Australia). When integrated within large sheltered organisations, cleaners and caterers may benefit from collective representation by unions that, in principle, connects their terms and conditions with those of higher paid occupations within the organisation (and even across an entire sector for public sector workers). But a transfer to a private specialist firm at best narrows the span of collective representation and at worst erodes collective representation altogether. The general point is that the more organisations contract for services, rather than coordinate activities internally, the weaker are the prospects for workers to establish countervailing power through trade unions (Marchington et al., 2005).

Much depends on a second feature of outsourcing which concerns the characteristics of the specialist services firms that win contracts. The danger for low wage workers is that employment in a specialist cleaning, or catering, firm may limit opportunities for skill development and progress up the wage ladder, as well as increase exposure to managers' use of market rates to benchmark pay and other terms and conditions. It is also possible, however, that a specialist services firm offers improved career opportunities, or enhanced job design involving a wider range of tasks and responsibilities (Kessler et al., 1999). Research comparing in-house and outsourced cleaners in NHS trusts suggests that the former are more likely to anticipate career progression to clerical and healthcare assistant posts than the latter (Grimshaw and Carroll, 2006). Also, this study found that the nature of the contract for outsourced services encouraged a more narrowly defined set of job tasks for cleaners in specialist firms, with reduced possibilities of combining tasks and learning (and there was also some evidence of worse quality cleaning products in use). A further risk for transferred workers is that contracting firms may be more likely to apply 'hard' HR practices around the use of temporary contracts and flexible working time practices, leading to further undervaluation of this work.

The third feature concerns the contract agreed between client and supplier firms. As more activities are coordinated through market exchanges, involving outsourcing and subcontracting, the contract for employment and its associated costs play second fiddle to the tightly worded contract for services. The contract, in turn, is the result of a tendering exercise where competing firms (which may or may not include the client organisation) bid in what is typically a highly cost competitive situation. As evidence of the cost-led nature of outsourcing markets, in 2001 the Director General of the Business Services Association (representing 20 of the largest contractors, employing

more than 500,000 staff) admitted that, 'the contracting industry in the 1980s and some of the 1990s had a bad reputation, some of it deserved, for only being interested in cutting costs. We often bid at unrealistically low prices just to win the contract' (cited in Wintour, 2001). The winning firm thus defends the reductions of labour costs as the result of market competition in the bidding process. This means that workers face new hurdles in the way of organising effective campaigns to improve pay and conditions - namely, the cost emphasis of the tendering exercise and the cost-performance formulae specified in the contract for services.

Thus, the challenge is to recognise the extent to which the client and/or supplier are able to manipulate the tendering exercise and the contract design as a means to displace risk to a workforce with weak bargaining power. The 'market' for contracts is not a neutral institution, but is actively configured by powerful actors, such as the multinational business services firms, large banks, or local and central government bodies. There are, in principle, diverse prospects for labour in regimes of inter-organisational contracting (Grimshaw and Rubery, 2005). But in cases where workers have weak bargaining power and both client and supplier are relatively powerful, it is possible that we witness a process of 'divide and rule', with fragmentation of terms and conditions among workers contingent upon whether they work for the client or the supplier.

Recent policy changes in the UK have reduced the risk that outsourcing generates new forms of undervaluation, largely following widespread public attention to the two-tier workforce during the late 1990s and early 2000s. In Chapter 7, we consider in more detail the positive cases of new statutory codes for contracting in local government and in the NHS, as well as the lessons from UK and US living wage campaigns, and argue for 'cooperative' outsourcing agreements.

New organisational forms: networks, delayering and multi-employers

Organisations involve gendered power relations and these shape the ways that men and women become established as different groups and assigned to different jobs and positions (Acker, 1994; Morgan and Knights, 1991, Savage and Witz, 1992). It follows that where there is a historical legacy of undervaluation of women's work within an organisation, changes to the form of organisation may bring positive opportunities to break down gender inequalities. Several findings emerge from recent empirical studies.

First, the shift from integrated, bureaucratic forms to networked forms of organisation may have erased some traditional inequalities, but also contributed to new gender inequalities at work. Some argue that bureaucratic forms are inherently patriarchal

(Acker, 1990; Ferguson, 1984). Employment practices in large bureaucratic firms that reward continuous, long-serving, full-time work are said to underscore the gendered valuation of men's and women's working patterns. Instead, it is argued, 'new' organisational forms offer better prospects for women. This is because they have less rigid job hierarchies and more opportunities for valuing 'feminine' managerial qualities (such as communication skills required to manage contracts between organisation partners), and also break up longstanding patterns of sex segregation by reorganising work across organisations.

Empirical evidence from case studies of networks of organisations suggests a more complex set of changes, however. Newsome (2003) shows that supply chain pressures to meet the short-term demands of a client firm led to diverse restructuring between male-dominated and female-dominated workforce groups. For women operators in the assembly area, managers increased throughput and reduced lead times, but for male workers, changes focused on improving the quality of the product and improving the organisation of the production process. One manager is quoted as saying, 'Women can be moved to fill in the gaps' (Newsome, 2003: 331). In another study, Hebson and Grugulis (2005) report evidence of an increased demand for 'relational work' (involving sensitivity and support with regard to the needs of workers and managers in client organisations) in networks of organisations, as well as an expectation among managers that women would take up these posts. But the apparent importance of these skills did not grant autonomy and discretion, as such jobs were extensively monitored by managers. Also, contractual cost pressures reinforced practices that deskilled work and encouraged managers to recruit women in order to pay lower wages, with the assumption that women were cheaper than equally skilled men (op. cit.). While more research is needed, the evidence from these studies suggests little sign of an ending of undervaluation of work among female workers employed in networked organisations.

A second finding concerns the deleterious impact of policies of delayering and downsizing on pay and employment conditions. The 1990s saw efforts by many large organisations to replace formal hierarchical structures with flatter, more responsive organisational forms (Arthur and Rousseau, 1996; Saxenian, 1996). In principle, this delivered increased autonomy to workers and established creative input through teamwork (Despres and Hiltrop, 1995). The delayering of middle management grades was central to this transformation and was carried out ostensibly to improve communication by reducing unnecessary intermediate layers (Collinson and Collinson, 1997; Harrison, 1994).

But layering also ruptures established job ladders, reducing opportunities for career progression and incremental skill development. In the US, a study of restructuring in two large retail banks found evidence of 'a sharp reduction in the number of job titles within each occupation, diminishing the possibilities for advancement through seniority' (Hunter et al., 2001: 417). Similarly, a UK study of four large services organisations - a retail bank, a food retailer, a telecommunications firm and a local authority (each with an over-representation of women workers) - found evidence of reductions of supervisory grades and large gaps between bottom tier workers and their line managers (Grimshaw et al., 2002). Newly defined line manager roles were more wide-ranging and demanding, and managers increasingly resorted to the graduate labour market to fill posts. Low level workers in the case studies - sales assistants, call centre workers and home carers - expressed dissatisfaction with the lack of opportunity to broaden the range of job tasks through steady advancement up a job ladder. Efforts to re-establish career structures for these workers largely involved the design of finely divided jobs within a horizontal band, but did not establish a platform for successful career advancement (op. cit.). As such, layering contributed to the undervaluation of low level jobs by eroding a customary understanding that the skills acquired were valued as a first rung on the job ladder within the store, bank branch or care home.

Third, new organisational forms potentially reduce the transparency and consistency of human resource practices, thereby increasing the difficulties in identifying and eliminating undervaluation (see also Chapter 3). In particular, where outsourcing has led to the transfer of employees, they often continue to work alongside ex-colleagues who did not transfer. But because they are not 'in the same employment' - the condition currently required for the application of equal pay legislation - transferred employees cannot use ex-colleagues as comparators in an equal pay claim. Similarly, inequalities in pay between agency workers and others employed directly by the organisation cannot be investigated under the Equal Pay Act (Earnshaw et al., 2002). The Kingsmill Report (2001) highlighted this problem with respect to the increased use of contracting out in the public sector. Another potential problem concerns workers employed by organisations, such as call centres, that provide services for a range of clients and offer client-specific reward packages. If a manager at one of the client organisations were to extend bonus payments to male employees from the organisation providing services and not to female employees, then the women could not claim unlawful discrimination. This is because the client would not be liable as a non-employer and their employer would not be liable for the client manager's actions (Earnshaw et al., 2002).

Weakened trade unions but more female members than men

Following the trends established in the early 1980s, the landscape of British industrial relations is now characterised by a much weakened trade union movement and restricted opportunities for worker voice within UK workplaces. The pattern of a steady decline and weakening of the role of trade unions continued during the late 1990s, but since 2001, the drop in union density has bottomed out (see Table 5.1). In Autumn 2005, an estimated 6.68 million people were members of a trade union, representing 26.2% of all people in employment. Restricted to employees only, there were 6.39 million union members, representing 29.0% of all employees (Grainger, 2006: Table 1).

However, as Table 5.1 makes clear, the trend is not the same among men and women. Union density among male employees in the UK declined from 35.3% in 1995, to 30.4% in 2000, and then again to 28.2% in 2005. Among women, union density has remained relatively stable, fluctuating between 28.4% and 29.9%, over the whole period. Strikingly, women's density level drew level with men's in 2003 and for the first time ever overtook men's in 2004. By 2005, women's lead over men had increased - 29.9%, compared to 28.2% (Grainger, 2006: Table 1). There are now slightly more women trade union members than men, with women accounting for 50.1% of all union members. The main reason is women's over-representation in the heavily unionised public sector. Union density in 2005 was 58.6% in the public sector and just 17.2% in the private sector (Grainger, 2006: Table 11). Within both the public and private sectors, women's union density is lower than men's, but taken together, women's aggregate density is higher because of the difference in employment weights.¹⁰

If unionised workers tend to earn more than non-unionised workers, the trend over the period 1999-2004 suggests that the reversing of the gender unionisation gap may have contributed to the narrowing of the gender pay gap. This thesis has been tested in the case of Canada where, between 1981 and 1988, male union density fell and female density increased (a reduction in the gender gap in density levels from 0.12 to 0.09) (Doiron and Riddell, 1998). The study shows that the gender pay gap would have widened by 7 per cent if the union densities for men and women had remained at their 1981 levels. Similarly, a study of US trends for 1973-88, when female union membership fell less than male union membership (from 14% to 8% for women and from 38% to 22% for men, a narrowing of the gender gap from 24 to 14 points), found

¹⁰ Union density figures for Autumn 2005 are as follows: female employees in private sector - 13.5%; male employees in private sector - 20.0%; female employees in public sector - 57.1%; male employees in public sector - 61.4% (Grainger, 2006: Table 11).

that changed unionisation explained 14% of the narrowing of the gender wage gap, holding other factors constant (Even and Macpherson, 1993).

A weakening of trade union power, or decline in union density levels, can have a direct impact on efforts to improve wages for a particular occupational group, or industry. For example, a decline in unionisation proved to be a significant variable explaining the downwards shift of the entire real wage distribution of workers in the US grocery sector (Budd and McCall, 2001: 102). A drop from 29% to 24% in union density between 1985 and 1998, coupled with a reduced union wage premium due to pressure on unions to trade-off jobs and benefits for wage growth, is found to explain around 80% of the decline in the average real wage in the grocery sector (18% and 60%, respectively) (Budd and McCall, 2001: 495).

Table 5.1 Trade union density of UK employees by sex, 1995-2005

		Per cent:	
	All	Women	Men
1995	32.6	29.9	35.3
1996	31.7	29.7	33.6
1997	30.6	28.7	32.4
1998	30.1	28.7	31.4
1999	29.8	28.5	31.1
2000	29.7	29.1	30.4
2001	29.3	28.4	30.1
2002	29.2	29.0	29.4
2003	29.3	29.3	29.4
2004	28.8	29.1	28.5
2005	29.0	29.9	28.2

Notes: Data are for employees and are from the Autumn quarter of the Labour Survey.

Source: Grainger (2006) Table 1.

New technologies and work organisation

Over the years, the nature of women's work, like all work, has changed radically due to changes in the production process associated with new technologies and new forms of work organisation. The issue of technological change has risen to the top of the agenda among economists keen to understand its impact on the wage structure. The standard argument is that the skill bias of contemporary technological change is a major driver of the polarisation of the wage structure (e.g. Krueger, 1993) - and this

may increase the size of the wage penalty for women given their concentration among the low paid. However, there is unlikely to be a neat interlinking between technological change and wage effects for individual skills. The same technology may upskill or deskill jobs, or even eliminate them altogether (Hunter et al., 2001); the picture is complicated because 'technical change' involves transformation in the production process, including the organisation of work, so that an employer may use a technology to upskill in some instances, but automate and routinise work in others (Autor et al., 2002). In a context of sex segregation between and within workplaces, there is a need, therefore, to understand the role of managerial discretion in shaping the impact of new technologies on work.

The importance of managerial strategy is shown in a number of studies. For example, in a US study of technological change in two retail banks, the same technology was applied to simplify and routinise the work of tellers at one bank, but to upgrade it at the other by lengthening the training programme and expanding it into a more sales-oriented role; the result was a wage gain of around one third over a five-year period in the second case (Hunter et al., 2001).

Studies of services firms illuminate the way that new technologies are implemented within organisations to dovetail a particular service with a customer need. Where this occurs - in retail banks and telecommunications firms, for example - managers craft new lines of segmentation among workers. For example, a US study of the feminised occupation of customer service and sales in the telecommunications industry found that in a new context of deregulation, large telecommunications firms applied new technologies to segment their workforce according to customer needs. This created a more specialised division of labour that increased wage variation within occupational groups (Batt, 2001). Within these newly organised segments, Batt found that, controlling for education, the female share of the workforce was a key variable explaining relative pay, suggesting an association between segmentation of workforce by customer, on the one hand, and, on the other, sex composition (a 10 percentage point increase in female share reduced pay by 2.24%) (Batt, 2001: 442).

It is also possible, of course, that advances in technology are associated with the routinisation of work and have negligible, or even negative, effects on relative pay. The case of food retailing is illustrative. This represents an industry where firms have made significant investments in new technologies, particularly IT-related scanning technology and logistics, and this has fostered expansion of the leading multiples and increased profit margins. However, evidence of declining relative pay suggests little positive spillover for improving the position of the feminised workforce of sales assistants and cashiers. As we saw above, the entire real wage distribution in the US

grocery sector shifted downwards during the period 1980-98, despite substantial spending on new technologies (Budd and McCall, 2001). Also, in a study comparing pay trends of female sales assistants in the UK and Australia, relative occupational pay fell during 1990-98 in both countries at a time of technological advancement (see Table 5.2).

Table 5.2 The declining relative pay of sales assistants, 1990-98

	Per cent:			
	Australia		UK	
	1990	1998	1990	1998
Occupational pay relative to average for total workforce	75.5	72.3	57.7	52.9
Occupational pay relative to average for all male full-time workers:				
- Female sales assistants	67.4	65.8	46.3	43.5
- Female full-time sales assistants	64.0	65.5	50.1	45.5
- Female part-time sales assistants	72.4	65.8	45.0	42.8
- Male sales assistants	79.0	70.6	66.3	53.4
- Male full-time sales assistants	79.9	73.7	66.3	53.4
- Male part-time sales assistants	72.9	65.2	---	---
Female sales assistants' pay relative to male sales assistants' pay ¹	85.2	93.3	69.8	81.4

Notes: ¹ UK data refer to the average hourly pay of full-time and part-time female employees and the average hourly pay of full-time male employees, as pay data for male part-time employees are unavailable.

Source: Grimshaw et al. (2001: Table 7).

A second example is the call centre industry, where the application of information and communications technologies (especially the Automated Call Distribution system) is extensive. Given the interactive, communication skills required in call centre work, these new workplaces could in principle present an opportunity for a re-valuation of the social skills traditionally associated with women's work. Several studies address this issue. The cross-national study by Belt et al. (2002) found that 'feminine' social skills play a central role in call centre work. However, their evidence suggests that women were recruited in favour of men largely because 'they are perceived to be more capable of dealing with the monotony of the work and the regimented work environment' (Belt et al., 2002: 32). The way technologies had been

applied both limited opportunities for female employees to enhance their skills (social or technical) and concentrated female employees in areas of work involving customer service roles where pay was lowest (typically one third lower than for male-dominated technical support staff). Also, there was a contradiction between managers' recognition of the importance for the organisation of women's supposed 'natural' possession of communication skills and their monitoring of speed and timing of calls to meet performance targets (Belt et al., 2002: 28-31). The feminisation of this industry thus plays a potentially pivotal role in its evolution around what more general studies have described as the routinisation and intensification of work, limited opportunities for skill development and lack of worker autonomy (Bain et al., 2002; Taylor et al., 2002).

Flexible employment: undervaluing part-time work and part-time workers

The design and implementation of flexible employment policies and practices present a further condition through which traditional and emerging patterns of undervaluation of women's work may be reinforced or reversed. Flexibility has been pursued on three broad fronts - wage flexibility, employment flexibility and functional flexibility. Examples of wage flexibility include concession bargaining under collective negotiations, the shift to individualised wage-setting, the use of merit payments and the application of 'market rates'. Examples of employment flexibility include the use of part-time, temporary and agency workers, as well as subcontractors and homeworkers. And examples of functional flexibility typically include multi-skilling and teamworking. Several studies have explored the association between flexibilisation and the feminisation of work, whereby feminisation transforms 'good' jobs (male) into 'bad' jobs (female): women's increased labour participation erodes the basis for negotiating a family wage; women dominate flexible jobs, such as part-time and homeworking; and functional flexibility downgrades men's jobs to conform with conditions found in women's work (e.g. Mutari and Figart, 1997; Rubery and Fagan, 1994; Standing, 1989).

Because of space constraints, we limit our attention to just one dimension of flexibility - hours flexibility for part-time workers (flexible systems of wage-setting are considered in detail in Chapter 4). Problems of persistence and renewal of forms of undervaluation of women's work are evident from studies of the changing conditions of part-time work. There is evidence of diverse conditions of part-time work in the UK (Barling and Gallagher, 1996; Tam, M., 1997) - reflecting variations in employer use, motivations of employees in accepting part-time work and change over the life-cycle (Walsh, 1999). Nevertheless, it is fair to say that the UK has a higher proportion of 'bad' part-time jobs than other European countries with a high share of women in part-time work (Fagan et al., 1995). Table 5.3 sets out five dimensions to the

conditions of part-time work in the UK that research suggests reinforce undervaluation.

Table 5.3 Conditions of part-time work that reinforce undervaluation of women's work

Aspects of undervaluation:	Part-time work
Vulnerability	<i>Part-time work concentrated among marginalised forms of work (O'Reilly and Fagan, 1998).</i>
Control over time	<i>High risk of employer-led flexible scheduling to cover unsocial hours (evenings, nights and weekends) (e.g. local authority home-care workers in the study by Beynon et al., 2002; stock-fillers in the supermarket reported in Jenkins, 2004).</i> <i>Changes to weekly hours in line with fluctuations in market demand (e.g. school dinner ladies in the study by Rubery, Ward and Grimshaw, 2005; sales assistants and machinists in the study by Jenkins, 2004).</i>
Pay	<i>Persistent wage penalty for women in part-time work.</i> <i>Reductions in unsocial hours wage premia and overtime premia only payable for hours above full-time hours.</i>
Work intensification	<i>Scheduling of part-time hours to avoid paid breaks (e.g. office cleaners in the study by Grimshaw and Carroll, 2006).</i>
Limited opportunities for progression/development	<i>Many low paid, female part-time workers do not have dependent school-age children, suggesting limited opportunities to transfer to full-time and/or high status jobs (Bruegel, 1996; Rubery et al., 1994).</i>

First, compared to countries like the Netherlands, part-time work in the UK is concentrated within a narrow band of low paid, low status occupations - especially in retail, elder care and childcare, and catering. Second, part-time workers have limited control over both the weekly volume and the pattern of hours worked. This is due to employer practices of using part-time work both to cover unsocial hours and to meet fluctuations in customer demand. The result is considerable uncertainty in levels of weekly income. Third, as shown in Table 5.4, there is still a large pay penalty for part-time work, with very little change during 2001-05 in a gap of around 40 percentage points relative to the average for male full-time employees (see also, Harkness 1996; Joshi and Paci, 1998, for longer-term trends). Fourth, intensive work effort is required of part-timers, which is reinforced by employer practices of scheduling hours so as to avoid paid breaks. And fifth, numerous studies point to the limited possibilities for part-time workers to develop skills or to transfer to full-time or higher status jobs. Box 5.2 includes examples of problems cited by women part-time workers from different research studies.

Table 5.4 Women's full-time and part-time pay compared to men's, 2001-05

	Male full-time	Female full-time		Female part-time	
	Mean earnings	Mean earnings	% of MFT earnings	Mean earnings	% of MFT earnings
2001	£11.97	£9.76	81.5%	£7.03	58.7%
2002	£12.59	£10.22	81.2%	£7.42	58.9%
2003	£12.87	£10.56	82.1%	£7.77	60.4%
2004	£13.73	£11.21	81.6%	£8.19	59.7%
2005	£14.08	£11.67	82.9%	£8.68	61.6%

Note: Adult employees, excluding overtime and bonus payments.

Sources: New Earnings Survey for 2001-2003 and ASHE for 2004 and 2005.

An important constraint to addressing the conditions that serve to make undervaluation of women's part-time work resilient is the simultaneous increase in flexibilisation of hours of full-time work in the UK (see Kodz et al., 2003). The two conditions are inter-related; the downgrading of marginalised part-time work may be used to downgrade 'standard' conditions of full-time work (Daune-Richard, 1998) and the norm of long hours working presents an obstacle to women wishing to advance their career, but within 'standard' hours limits. At the core of the change is an undermining of the time-based 'numeraire' for organising work, which has traditionally meant the employment relationship is managed in relation to what is expected of a full-time job for a standard working week. In a recent paper (Rubery, Ward, Grimshaw and Beynon, 2005: 89), we have described the inter-connected problems this change raises at both ends of the working-time spectrum:

Not only is the notion of standard hours for full-time workers weakening, but the growth of part-time work, associated as it is with increased time flexibility for work scheduling, is one factor behind this change. Those employed on standard contracts are increasingly required to match the flexibility associated with part-time work hours through a results-based approach to employment, where the hours of work are defined simply as those necessary to undertake the bundle of tasks that constitute the job. The more that full-time or standard employees are required to work extra and unpredictable hours to meet results-based targets, the harder it is to integrate part-timers into the system of work organisation on an equal basis.

Box 5.2 Evidence of undervaluation in the words of female part-time workers

The following are examples of quotes from female part-time workers interviewed as part of the research reported in a selection of studies. In each case, an aspect of undervaluation is reinforced by employer policies of hours flexibility.

I want to work full-time and I did in fact get promotion and worked full-time for three weeks but then I got demoted because the union complained because I was taking overtime away from the full-time staff (postal worker, cited in Jenkins, 2004: 318).

The pay is naff for what we do, but they say that they can't put a value on what we do. It's disgusting the pay we get. I work on a weekend and it should be double pay but it's not (care worker, cited in Jenkins, 2004: 320).

There are no increments or anything for care workers. If somebody started tomorrow without any experience or anything then she would be on the same wage as I am (care worker, cited in Jenkins, 2004: 321).

After a couple of years I really should have been promoted and I raised it with them and you know, I was told very bluntly well, you know we won't promote you because you are working part-time. (freelance consultant for large firm, cited in Smithson, 2004:123-24).

Since I came back I've been demoted or gone down a grade. When I left I made it quite clear I didn't want to come back to full-time employment and the managers at the time felt that they couldn't offer me part-time employment at the same grade. A part-time employee would have to be doing a lower grade job which wasn't quite logical to me. (scientist/engineer, cited in Devine, 1992: 571)

Using the National Minimum Wage to address undervaluation of low wage work

Women are over-represented among the low paid in the UK and thus benefited most from the introduction of the National Minimum Wage in 1999. The Low Pay Commission (2000) estimated that twice as many women as men had their pay raised as a result of its introduction and two thirds of women affected worked part-time. Similarly, in their analysis of responses to a special question in the 1999 British Household Panel Survey, Stewart and Swaffield (2001, 2002) reported that among women, the share saying that hourly pay was increased to the level of the NMW was four times the share of men. Since women in part-time work have been traditionally unrepresented within forms of collective bargaining, the legislated wage floor was especially important for this group of workers. Compared to other countries in Europe, the best (albeit imperfect) source of harmonised earnings data shows that the share of low paid women workers is highest in the UK, along with Ireland and Germany at around 36-37%, and lowest in Italy, Finland and Denmark at 20-25% (ECHP 2000 data, cited in Rubery, Grimshaw and Figueiredo, 2005).

In addition, living conditions for women workers in low paid work are difficult. Prior to the introduction of the NMW, women earning sub-minimum wages compared to women earning higher wages were more likely to have a low paid partner and were far more reliant on a high share of household income from benefits; also, part-timers within this group were less likely to have a partner in employment and more likely to be a lone mother than higher paid female part-timers (Connolly and Gregory, 2002: Table 6).

The minimum wage could be expected to transform four inter-related conditions of undervalued work for women. The following briefly reviews the evidence:

i) Direct increase of basic hourly pay?

Connolly and Gregory (2002: Table 1) report the share of female employees aged 22-59 earning below the NMW in 1998 as 6.0% (NESPd data) and 9.7% (BHPS data). The actual share is likely to be in between, due to problems of underestimation in the NESPd data and overestimation in the BHPS. In both datasets, around two thirds of these female workers were in part-time jobs.

ii) Increase in weekly pay, providing employers do not cut hours to offset higher hourly pay?

Stewart and Swaffield (2001) report that of those employees whose pay increased to meet the NMW, 9% believed that their hours of work had been reduced due to the introduction of the NMW. However, Connolly and Gregory (2002: 629) find:

no evidence that the hours worked amongst subminimum wage workers have changed significantly differently from those in the comparator group whose pay was unaffected.

iii) Indirect spill-over effects on women's pay further up the wage distribution where employers maintain pay differentials between job groups?

Dickens and Manning (2003: 206) find:

little sign that workers paid above the NMW experienced any pay rises at the time of its introduction. ... We also find no evidence of restoration of pay differentials following the subsequent increases in the NMW in October 2000 and 2001.

Also, Grimshaw and Carroll (2002: 24-5), drawing on evidence from 36 small firms, state that:

some firms have responded to the NMW by maintaining the pay differential between some groups of workers but allowing it to narrow for others in a way that seems to reflect the greater ability of male-dominated work groups to maintain differentials over female-dominated work groups.

Their report includes the example of female care assistants and domestics employed in care homes. In 2000, carers earned above the NMW and domestics earned the NMW. After the 2001 rise, both were paid the NMW. However, differentials with the male cook and gardener were preserved.

- iv) Increased training provision where employers seek to improve a worker's productivity to match higher pay?

While there is some evidence of a positive effect on the amount and quality of training provision, the majority of firms in most surveys report no change (Arulampalam et al., 2002; Heyes and Gray, 2003; Miller et al., 2002). Bullock et al. (2001: Tables 21, 23), reporting the results of a specially commissioned survey of firms in the cleaning and security sectors, found that of those firms paying some workers the NMW, only 7% increased training provision. Also, the Low Pay Commission (2003), reporting on its survey of mainly small and medium-sized enterprises in low-paying sectors (3,783 respondents) found that just one in six firms increased training in response to the October 2001 increase (and one in seven reduced training provision).

Overall, while women have benefited most from having their pay lifted from sub-minimum levels, the research suggests the minimum wage would have had a wider and more positive impact had it been pitched at a higher rate when first introduced. When first introduced at £3.60 per hour in April 1999, the National Minimum Wage was just 39.1% of the median hourly pay for male full-time employees (including overtime). The first uprating was characterised by a long 18 month wait and then a 2.8% increase to £3.70 in October 2000; the result was that by April 2001, the Annual Survey of Hours and Earnings revealed a fall in the relative level to 37.0% (Table 5.5).¹¹

¹¹ The manner in which the relative level of the NMW is reported in Table 5.5 is unorthodox, but reflects more accurately the real significance of the minimum wage for low paid workers. There is no perfect method for comparing the average earnings and the NMW rate for each year because the earnings survey is undertaken in April of each year while the NMW is uprated in October. What this means is that the NMW for 2004, for example, was £4.50 from January to September and then £4.85 from October to December. Despite the fact that the uprated NMW only applies to the last three months of 2004, some government reports present this as the 2004 rate and compare it with the previous April earnings data. Instead, we report the October 2003 rate as the rate for 2004, since it is what applies at the time the earnings data are collected.

Despite a relatively generous increase the following year, by April 2003, four years after its introduction, the NMW was only at its starting level of 39.1% of male median earnings. It was only during the fifth and sixth years of the NMW that its relative level improved against the median, up to 42% by April 2005. Measured against women's median earnings, the NMW is obviously higher because of the gender pay gap. But even compared to women's median pay, it still had not reached 50% by April 2005.

Table 5.5 The relative level of the National Minimum Wage, 1999-2005

	<i>April 1999</i>	<i>April 2000</i>	<i>April 2001</i>	<i>April 2002</i>	<i>April 2003</i>	<i>April 2004</i>	<i>April 2005</i>
Adult NMW (as of <i>April</i> each year)	£3.60	£3.60	£3.70	£4.10	£4.20	£4.50	£4.85
Male median hourly wage	£9.21	£9.56	£9.99	£10.40	£10.75	£11.12	£11.44
Female median hourly wage	£7.63	£7.89	£8.28	£8.70	£9.07	£9.42	£9.86
<i>NMW as a % of:</i>							
Median male wage	39.1%	37.7%	37.0%	39.4%	39.1%	40.5%	42.4%
Median female wage	47.2%	45.6%	44.7%	47.1%	46.3%	47.8%	49.2%

Note: The sample for the earnings data is collected in April each year while the National Minimum Wage is updated in October each year; all earnings data refer to full-time employees and exclude overtime pay and hours worked.

Source: Annual Survey of Hours and Earnings (various years, Office for National Statistics, www.statistics.gov.uk).

5.3 Summary

This chapter has reviewed how wide-ranging changes in the organisation of the economy and the organisation of work can operate in ways that promote or reduce tendencies towards undervaluation. This dynamic analysis of the conditions causing undervaluation identified six key challenges. Outsourcing represents an increasingly fashionable business strategy for coordinating the delivery of services or production of goods, but studies show that this has had negative consequences for many areas of women's work, especially in the low wage economy. The character of fast-growing specialist business services firms will play a strong role in shaping future prospects, but undervaluation will not be addressed without equal attention to the legal rules of procurement and the role of the client organisation in shaping pressures for cost-cutting through tightly specified outsourcing performance contracts.

A second challenge involves new organisational forms, resulting from 'networks', delayering and multi-employer arrangements. Networking between organisations and flattened vertical hierarchies may dismantle longstanding gender inequities embedded in large bureaucracies. However, it is also possible that new forms emerge that exploit women's capacity for 'relational work', or that constrain women's

career development by removing the rungs of traditional job ladders, or that make pay comparisons between colleagues impossible because of complex contractual ties between multiple employers. Internal and external changes in organisational structures need to be interrogated for their unequal gender effects and the emergence of new skills and new job types need to be monitored.

A third challenge relating to the role of trade unions is double-edged. While unions' power has weakened, women now constitute a majority of all union members. It is likely, therefore, that the reversal of the gender gap in union density rates has contributed positively to the narrowing of the gender wage gap. However, in sectors such as retailing, weak unionisation has failed to halt the steady decline in relative average pay.

New technologies are a fourth challenge. They have multiple effects on the valuation of jobs and studies illuminate how employer strategy, product market approach and type of technology all play a role in shaping the upgrading or downgrading of particular jobs, as well as the potential for unbundling or re-bundling job tasks into new job types. Again, a dynamic analysis highlights the potential for intervention in addressing undervaluation (since new technologies do not have determinate effects), as well as for questioning the generation of new low skill jobs through unbundling of tasks following the adoption of new technologies.

Continuing flexibilisation of work and employment present a fifth challenge. Part-time work, in particular, deserves special consideration in the UK context where there is a high proportion of 'bad' part-time jobs. Undervaluation interlocks with poor employee rights and entitlements in part-time work, including vulnerability, limited discretion over working hours, a pay penalty, work intensification and limited opportunities for career development or pay progression. A final, sixth challenge concerns efforts to improve low pay through the National Minimum Wage. Women have been the main beneficiaries of the minimum wage since its introduction in 1999, but it was pitched at too low a level and this generated a serious delay in improving the relative position of the low paid.

6. CHANGING SEX TYPING OF JOBS: FEMINISATION AND UNDERVALUATION

6.1 Introduction

A longstanding concern about women's progress in the sphere of paid employment has been that the dynamic conditions shaping undervaluation are not restricted to areas of 'women's work', but appear to stick to women even when they move into jobs traditionally occupied by men. But the question needs to be asked - do jobs reach a tipping point beyond which the expanding share of women workers pulls down the value of the job?

We already know from classic studies of what is called the changing 'sex typing' of jobs that, as the sex composition of an occupation changes, there is often a change in the relative level of average pay. The relationship between feminisation and undervaluation is not straightforward. Following the dynamic analysis present in the previous chapter, it is contingent upon a host of other factors such as changing skills, technologies, work organisation, training opportunities, unionisation and employment status (Cohn, 1985; Reskin and Roos, 1990). In this chapter, we explore trends in relative pay for occupations in the UK where women have made significant inroads during the 1990s and 2000s. Our aim is to assess the extent to which undervaluation potentially occurs in new forms within previously male-majority occupations. We begin by reviewing the inspiration for this chapter, the seminal work of two US sociologists, Barbara Reskin and Patricia Roos, carried out during the 1980s and published as a collection of case studies in the book, *Job Queues, Gender Queues* (1990).

6.2 Analysing job queues and gender queues

Reskin and Roos (1990) investigated occupations where women had made marked progress into occupations traditionally reserved for men during the 1970s and 1980s. Their analysis involved statistical analysis and detailed case studies of eleven occupations. These were diverse, including book editors, pharmacists, public relations managers, bartenders, systems analysts and real estate salespersons.

Combining insights from economics and from sociology, Reskin and Roos applied a job queue approach (adapted from Thurow, 1969) to the phenomenon of feminisation. The idea of the job queue is that what determines a person's wage is not primarily their individual productivity, but their position in a queue for jobs ranked by differential earnings prospects. The higher up the job queue, the more likely the individual is to enter a high wage job. The ordering of individuals in the job queue is shaped by institutional factors, such as educational qualifications and training

certification. But the employer also plays a strong role in ordering individuals, generating the possibility of gender stereotyping and gender discrimination. In particular, some employers may favour men over women in the selection for what are deemed to be the best jobs, perhaps underpinned by stereotyped notions of women's performance or commitment to the job compared to men's.

It is possible, for example, that the massive increase in services jobs raises the demand for labour beyond the number of available qualified men, leading employers to resort to hiring women. This pattern may be especially likely where entry qualification requirements are restrictive and less likely in other male-majority occupations. Also, for a given occupation, the gender share of the available labour pool may be expected to change continuously reflecting change in the ranking of jobs in the job queue. For example, women may constitute a greater share of the labour pool not because labour demand for a given occupation has grown dramatically, but because relative pay (or other aspects of employment conditions and prospects) has deteriorated relative to other occupations for which male workers qualify. Reskin and Roos (1990: 42-43) argue this pattern of change explains trends in school teaching and bank tellers:

Women took over school teaching because salaries and autonomy dropped, relative to other occupations open to qualified men ... and bank telling feminised after World War II when men were drawn to occupations that offered better returns on their qualifications... More generally, Simpson and her colleagues (1982: 1303) found that the male labour force declined or grew slowly in low-wage occupations that required little education or specific vocational training. Several customarily male occupations we studied - insurance adjusting and examining, real estate sales, typesetting and composition, and editing - conformed to this pattern. After changes reduced the attraction of these occupations for the educated white men they had recruited in the past, employers turned to women.

Women's entry into clerical work during the late nineteenth and early twentieth centuries, for example, was associated with the displacement and upward social mobility of men and a declining valuation of increasingly feminised clerical work (Cohn, 1985). Similarly, Reskin and Roos (1990) show that feminising occupations during the 1970s and 1980s tended to be accompanied by drops in average pay for the occupation - for both men and women - for example, for public relations managers, insurance sales and bank managers. More detailed analysis of the growing number of mixed occupations in the US during this period show that most were in the professions or managerial work, but that there was no significant earnings premium for employees in mixed occupations; the authors suggest, 'we

cannot assume that occupational integration will necessarily foster full gender equity' (Gatta and Roos, 2005: 397).

In their detailed case studies, Reskin and Roos explore a number of inter-related changes that combine to depreciate the ranking of a job in the queue. The variables studied overlap with the issues we explored in Chapter 5 and include the following:

- the nature of work (the skill required, degree of autonomy);
- the expansion or decline in the number of jobs;
- opportunities for training and career advancement;
- the role of new technologies in changing work organisation;
- changes in the level of unionisation;
- changes in entry barriers;
- the age profile among workers;
- the use of part-time and temporary employment contracts;
- relative pay; and
- the use of outsourcing.

In our dynamic analysis of undervaluation, each of these variables contribute to the ranking of jobs in a queue and also to the risk of new forms of undervaluation as jobs become increasingly feminised. In the following sections, we begin with an assessment of changes in sex segregation of occupations in the UK since the early 1990s. We then explore the relationship between feminisation and job growth or decline, changes in the use of part-time employment, and, critically, changes in relative pay. Where relevant, we comment on findings from studies of specific occupations that shed light on new and resilient forms of undervaluation of women's work.

6.3 Changes in sex segregation

Our task in establishing the extent to which there has been change in the sex-typing of occupations during the 1990s and 2000s is unfortunately complicated by a change in the system for classifying occupations in 2000. To minimise the problem, we have focused on those occupations where significant change occurred during the 1990s, and then followed the trend through into the 2000s for those occupations where the

new classification system has maintained a comparable job title. We also comment on changes specific to the 2001-05 period to compare and contrast with the 1990s pattern of change.¹²

During the 1990s and 2000s, our analysis suggests women made inroads into many occupations in which men accounted for the majority of employment at the start of the period. The results in Table 6.1 show these occupations where there was a disproportionate increase in the female share during the 1990s (defined as a rise of three percentage points or more over the period 1991-93 to 1998-2000). 22 occupations are listed.¹³ This compares with 15 occupations, in which women accounted for the majority of employment at the start of the period, which became more feminised during the 1990s.

¹² Throughout this section, employment data are pooled for 1991, 1992 and 1993 and also for 1998, 1999 and 2000 to reduce the risk of measurement error in estimating the change in female share over the nine year period. Data for the two years 2001 and 2005 derive from the same source (the Labour Force Survey), but are distinguished by the use of a new system of occupational classification. The notes to each table describe the differences in occupation titles where relevant.

¹³ For 1991-93, the Labour Force Survey includes 371 occupations coded at the 3-digit level. 212 occupations were excluded from estimations of female share because the sample of female employees dropped below 20,000 for the pooled three years of data. Thus we found that only 22 out of a possible 159 occupations had an increase in female share of three or more percentage points.

Table 6.1 Feminisation of male-majority occupations, 1991-2005

Occupation ¹	% Female share				Change in female share	
	1991-93	1998-2000	2001 ²	2005 ²	1990s	2000s
All occupations	47.8	48.4	48.6	49.4	0.6	0.8
<i>Managers & administrators</i>						
Administrators - national government	34.0	39.4	--	--	5.4	--
Personnel, training, etc. managers	46.0	59.3	58.9	53.2	13.3	-5.7
Computer systems etc managers	15.4	19.8	17.5	20.1	4.4	2.6
Banking etc managers	21.9	33.8	30.7	36.0	11.8	5.3
Other managers & administrators	40.4	47.7	--	--	7.3	--
<i>Professional</i>						
Biological scientists & biochemists	39.6	45.9	45.5	51.4	6.3	5.9
Other natural scientists	31.6	38.6	--	--	7.0	--
Planning & quality control engineers	10.9	15.7	4.4 ³	21.2 ³	4.8	16.8 ³
Medical practitioners	35.6	38.6	42.6	43.0	3.0	0.4
Education officers, school inspectors	44.9	51.2	57.5	65.1	6.3	7.6 ³
Solicitors	40.3	48.3	53.0	45.8	8.1	-7.2
Chartered & certified accountants	26.1	32.0	36.8	37.3	5.9	0.5
Management accountants	26.2	32.6	34.7	49.7	6.4	15.0
Management, business consultants, etc.	25.4	32.0	36.2	34.8	6.6	-1.4
<i>Associate professional and technical</i>						
Computer analysts, programmers	19.4	24.4	--	--	5.0	--
Authors, writers, journalists	39.7	45.7	44.9 ³	50.3	6.0	5.4
Actors, stage managers, etc.	39.4	48.1	--	--	8.7	--
Vocational & industrial trainers	41.8	47.0	53.6	62.8	5.2	9.2
Other associate professionals etc	47.1	50.9	--	--	3.8	--
<i>Personal and protective service</i>						
Police officers (sergeant and below)	11.2	16.6	20.3	22.4	5.3	2.1
<i>Sales</i>						
Technical & wholesale sales reps	18.1	23.1	--	--	5.0	--
Other sales reps	37.9	50.3	--	--	12.3	--

Notes: Change in system of occupational classification in 2000 limits comparability over the full period. 1. Occupations with less than 20,000 female employees in 1991-93 are excluded. Only occupations with a female share less than the average for 1991-93 and with an increase in female share of 3 percentage points or more (1990s) are presented. 2. Occupational titles listed in the table follow the 1990 classification. In most cases, the occupational title is the same but where there is no obvious comparable occupation we have left the space blank. For 'authors, writers, journalists' we have combined two groupings under the SOC2000 system to increase comparability ('authors, writers' and 'journalists, etc'). Also, the occupation 'solicitors' is expanded for 2001 and 2005 to include lawyers, judges and coroners; 3. These figures ought to be treated with caution because the sample of female employees falls below 20,000 for the particular year.

Source: Labour Force Survey.

Significantly, 19 of the 22 occupations shown in Table 6.1 are classified in the top three groupings of occupations ranked by skill, or status - managers and administrators, professional occupations and associate professional and technical. This suggests that women made inroads during the 1990s largely in jobs requiring relatively high levels of skill and education. Other groups of occupations - craft and related, or plant and machine operatives - are not represented at all in the listing. This pattern is also true for the period 2001-05; of the 18 occupations in which men accounted for the majority of employment at the start of the period, which witnessed a disproportionate increase in the female share, all but one ('sales related occupations n.e.c.') are classified in the top three groupings.¹⁴

Among managers, women made impressive gains in five areas, but especially as banking managers (a rise from 22% to 34% during the 1990s and then from 31% to 36% during 2001-05). Part of the reason may be that UK banks' public policies as equal opportunities employers improved in the 1990s. A study by Parker et al. (1998) finds new practices in recruitment, promotion, examination access and career routes, 'making a management career a practical possibility for women' (Parker et al., 1998: 160).

Women's share among personnel/HR managers also increased substantially during the 1990s (from 46% to 59%). However, this trend appears to have partially reversed during 2001-05 with a drop of six percentage points. Women also entered in increasing numbers many male-majority professional occupations, including solicitors, biological scientists and biochemists, management consultants and management accountants, increasing the female share by a significant amount in each case. They also outnumbered men in their entry into several male-majority associate professional and technical jobs, such as actors and stage managers,

¹⁴ This refers to all those occupations with a sample of female employees of more than 10,000 for the year 2001.

authors, writers and journalists and computer analysts and programmers. It is especially notable that in four cases, the sex-typing shifted over the 1991-2005 period from male to female; this is true for personnel/training managers, biological scientists/biochemists, education officers/school inspectors and management accountants.

Among personal and protective service occupations, women only posted disproportionate gains during the 1990s among police officers (sergeant and below). Nevertheless, this job remained strongly male-dominated by 2005, with a female share of just 22%, and the 2001-05 trend suggests feminisation slowed down considerably in the 2000s. Among sales occupations, some change is recorded for the strongly male-dominated job of technical and wholesale reps, as well as the rather ambiguous grouping of 'other sales reps'.

For those occupations where data for the 2000s enable us to track progress, we can see that the 1990s trend of feminisation continued in most cases. Exceptions include solicitors, although the new 2000 recoding of occupations means that this grouping also includes lawyers, judges and coroners where women's representation is known to be lower, and management consultants, where there was a small decline in female share.

While our focus is on male-majority occupations that have become increasingly feminised, it is valuable to note changes in sex segregation that have occurred in the opposite direction. Our results contrast dramatically with US trends during the 1970s. Reskin and Roos (1990) found that almost all change in sex segregation was associated with feminisation, with just three female-majority occupations registering a disproportionate rise in the male share. For the UK during the 1990s, we in fact find a greater number of female-majority occupations experiencing a rise in the male share than feminising male-majority occupations.

Table 6.2 lists 28 occupations where the female share dropped by at least three percentage points during the 1990s and then tracks change during the 2000s. Unlike the data in Table 6.1, we find that jobs across all broad occupational groupings are represented from managers and administrators, through to craft, sales, and plant and machine operatives. Men made inroads into many strongly female-dominated jobs (i.e. those with more than an 80% female share), such as company secretaries, telephone operators, assistant nurses, retail cash and check-out operators, catering assistants and cleaners. In most cases, these trends continued into the 2000s, in some cases switching work which was predominantly female in 1991-93 to predominantly male in 2005 (e.g. chefs/cooks and shelf fillers).

Table 6.2 Masculinisation of female-majority occupations, 1991-2005

Occupation	% Female share				Change in female share	
	1991-93	1998-2000	2001	2005	1990s	2000s
All occupations	47.8	48.4	48.6	49.4	0.6	0.8
<i>Managers & administrators</i>						
General managers - local government	59.1	54.3	--	--	-4.7	--
Company secretaries	80.1	75.4	--	--	-4.8	--
Restaurant & catering managers	54.7	48.7	49.5	56.3	-6.1	6.8
Officials of trade associations, unions, professional bodies and charities	60.0	56.3	--	--	-3.7	--
<i>Professional</i>						
Social workers, probation officers	72.0	68.7	75.9	75.8	-3.2	-0.1
<i>Associate professional and technical</i>						
Other health professionals	85.2	81.7	--	--	-3.5	--
Information officers	78.7	70.9	--	--	-7.8	--
<i>Clerical and secretarial</i>						
Stores, control clerks, etc.	64.2	57.5	--	--	-6.7	--
Telephone operators	84.6	81.0	--	--	-3.6	--
Computer etc. operators	71.4	61.8	--	--	-9.6	--
<i>Craft and related</i>						
Shoe repairers, leather cutters, sewers etc.	53.3	47.0	--	--	-6.2	--
<i>Personal and protective service</i>						
Other security and protective service occupations	52.6	45.4	--	--	-7.2	--
Chefs, cooks	61.8	54.4	49.2	44.1	-7.4	-5.1
Bar staff	72.4	63.8	61.9	56.5	-8.6	-5.4
Travel & flight attendants	78.9	73.4	--	--	-5.5	--
Assistant nurses & auxiliaries	92.8	88.9	87.2	89.4	-3.9	2.2
<i>Sales</i>						
Sales assistants	78.8	74.5	73.3	70.4	-4.3	-2.9
Retail cash & check-out operators	88.6	83.2	82.1	79.4	-5.4	-2.7
Collectors & credit agents	59.7	50.6	--	--	-9.0	--

	% Female share				Change in female share	
	1991-93	1998-2000	2001	2005	1990s	2000s
<i>Plant & machine operatives</i>						
Assemblers/lineworkers etc. (electronic goods)	67.8	57.2	49.7	51.4	10.6	1.7
Other assemblers/lineworkers	60.8	45.2	--	--	15.7	--
Inspectors, viewers and testers (other manufactured goods)	59.6	55.8	--	--	-3.8	--
Packers, bottlers, etc	67.9	58.9	56.6	50.5	-9.0	-6.1
Weighers, graders, sorters	50.4	46.2	51.8*	48.8*	-4.2	-3.0*
<i>Other occupations</i>						
Kitchen porters	80.6	67.2	--	--	13.4	--
Catering assistants	88.2	83.2	74.6	74.9	-5.0	0.3
Shelf fillers	56.4	49.5	48.3	41.0	-6.9	-7.3
Cleaners, domestics	87.8	81.8	82.3	79.7	-6.1	-2.6

Notes: See notes to Table 6.1. Only occupations with a female share more than the average for 1991-93 and with a decrease in the female share of 3 percentage points or more (1990s) are presented. For the 1990s definition 'social workers, probation officers', we combined the separate groupings to provide estimations for 2001 and 2005. The occupation 'catering assistants' is defined as 'kitchen and catering assistants' in SOC 2000. Figures with a * are to be treated with caution since the sample of female employees is less than 20,000.

Source: Labour Force Survey.

Especially noteworthy is the fact that many occupations that were strongly male-dominated in the early 1990s remained so in 2005. It remains the case that a large number of occupations remain the preserve of men. Table 6.3 presents only a selection of the largest occupations that had a female share of less than 30% in 1991-93 and experienced negligible change over the period (a maximum of plus or minus three percentage points).

Table 6.3 Selected 'strongly male-dominated' occupations with negligible change in female share, 1991-2005

Occupation	% Female share				Change in female share	
	1991-93	1998-2000	2001	2005	1990s	2000s
All occupations	47.8	48.4	48.6	49.4	0.6	0.8
<i>Managers & administrators</i>						
General managers - large organisations	8.6	8.2	--	--	-0.4	--
Production works managers	8.6	8.0	7.2	9.9	-0.6	2.7
Building contract managers*	3.4	2.6	--	--	-0.8	--
Treasurers & financial managers	22.1	23.8	--	--	1.7	--
Marketing & sales managers	28.3	29.0	22.6	29.7	0.7	7.1
Transport managers	14.2	11.4	11.8	14.0	-2.8	2.2
<i>Professional</i>						
Engineers - civil, structural*	3.5	3.8	1.7	5.2	0.3	3.5
Mechanical engineers*	5.0	2.3	1.6	3.1	-2.7	1.5
Electrical engineers*	3.6	0.9	1.2	1.4	-2.7	0.2
Software engineers*	12.5	9.9	17.0	17.6	-2.6	0.6
Design & development engineers*	2.2	2.6	3.3	1.8	0.4	-1.5
General practice surveyors*	6.7	6.1	--	--	-0.5	--
<i>Associate professional and technical</i>						
Engineering technicians*	5.2	3.2	4.3	3.3	-2.0	-1.0
Quantity surveyors*	4.1	4.5	7.8	14.6	0.4	6.8
<i>Clerical and secretarial</i>						
Storekeepers & warehousepersons	15.7	14.7	--	--	-0.9	--
<i>Craft & related</i>						
Metal work, maintenance fitters*	1.8	1.4	1.4	1.9	-0.5	0.5
Welding trades*	7.4	5.3	2.9	3.5	-2.1	0.6
Bricklayers, masons*	2.5	0.4	0.0	1.3	-2.1	1.3
Painters & decorators*	3.4	0.6	0.0	2.6	-2.8	2.6
Electricians, etc.*	2.6	0.7	1.8	0.0	-1.8	-1.8
Plumbers, heating etc engineers*	1.2	0.9	0.9	0.0	-0.3	-0.9
Carpenters & joiners*	1.4	0.4	0.3	0.4	-1.0	0.1
Butchers & meatcutters*	7.6	7.2	9.3	9.0	-0.4	-0.3
Gardeners, groundspersons*	3.1	3.0	2.6	6.1	-0.2	3.5

Occupation	% Female share				Change in female share	
	1991-93	1998-2000	2001	2005	1990s	2000s
<i>Personal & protective service occupations</i>						
Security guards, etc.	8.0	8.3	8.2	11.1	0.3	2.9
Caretakers	25.0	26.8	24.2	16.1	1.7	-6.1
NCOs & other ranks, UK armed forces*	6.5	5.5	4.8	7.4	-1.0	2.6
Firemen (leading officer & below)*	0.4	1.7	1.1	1.8	1.3	0.7
<i>Plant & machine operatives</i>						
Drivers of road goods vehicles	3.7	2.8	--	--	-0.8	--
Postal workers, mail sorters	16.8	16.0	16.4	15.7	-0.8	-0.7
Bus & coach drivers*	5.4	7.3	7.4	6.2	1.9	-1.2
Forklift & mechanical truck drivers*	1.6	2.6	1.3	2.8	1.0	1.5
<i>Other occupations</i>						
Goods porters*	3.3	3.0	--	--	-0.3	--

Notes: See notes to Table 6.1 for details of data. 'Strongly male-dominated' is defined as those occupations with a female share less than 30% in 1991-93. Only a selection of the largest occupations (more than 100,000 for the pooled 1991-93 data) is presented for which female share varied within plus or minus three percentage points during 1991-93 to 1998-2000. Occupations marked with '*' have very low samples of female employees (less than 20,000) in certain years so figures for female share should be treated with caution. Slight changes in occupational codings apply to the 1990 definition of 'software engineers' which appears as 'software professionals' in 2000s data.

Source: Labour Force Survey.

Many of the examples shown in Table 6.3 employ a substantial number of people. For example, more than 3% of all male employees worked as general managers in large organisations and as production works managers in 1991-93, yet a female share of just 8% persisted during the 1990s. There is, however, evidence of a recent shift for one large managerial group - that of marketing and sales managers. Here, women made no inroads during the 1990s (and are therefore included in the table), but subsequently increased their numbers by a massive 50% (from 91,000 in 2001 to 143,000 in 2005), raising the female share from 23% to 30%. Several professional occupations remain firmly male-dominated, including fast-growing occupations such as software engineers (redefined as software professionals in 2000), which more than doubled in number during the 1990s (from around 45,000 to 125,000). Table 6.3 lists many other examples across all occupational groupings. It must be noted that in many cases, women's representation is indeed so small that the figures for female share are not reliable.

6.4 Changes in the shape of the job queue

In their study, Reskin and Roos (1990: 39-42) emphasised the way that transformations in the US economy reshaped the job queue by generating millions of new service sector jobs. In this context, women were able to enter many traditionally male-majority jobs largely because demand outstripped the supply of men with appropriate skills and qualifications. Indeed, their findings suggest that sex segregation dropped most in the fastest-growing occupations.

Table 6.4 shows the pattern of job growth for the 1990s and the share of new jobs taken by women for the male-majority occupations with a disproportionate rise in female share (as listed in Table 6.1).

As anticipated, the majority of occupations listed - 14 out of 22 - experienced above-average job growth. Some, such as personnel/training managers, computer systems managers, medical practitioners, solicitors and management/business consultants, saw job growth of around 50% or more over the 1990s, raising the share of all employees in these five occupations up to 2.2% by 2000. In each case, women's share of new jobs was higher than their share of the occupation in 1991-93. Indeed, several of these male-majority occupations saw women taking the vast bulk of new jobs during the 1990s (more than 80%), representing a clear break from past patterns of recruitment and retention. Examples include personnel/training managers; authors, writers and journalists; actors/ stage managers; and police officers (sergeant and below). The evidence therefore does seem to support the general idea that job growth fosters feminisation. Given the relatively high skill characteristics of these occupations, it is possible that fast job growth has opened up male occupations to women since the supply of suitably qualified male candidates was exceeded by demand.¹⁵

There are also examples where women enjoyed job growth despite a substantial decline in numbers of men employed in the occupation. For the occupation, 'banking etc. managers', the number of male employees collapsed during the 1990s from around 80,000 in 1991 to a little over 50,000 in 2000. But female employment increased from just over 20,000 to close to 30,000 by 2000.

¹⁵ We want to stress, however, that our sketch of employment trends does not make this finding generalisable; further work is required to test whether or not there is a statistically significant relation between feminisation and job growth. Indeed, some of the strongly male-dominated occupations that have so far proven resilient to change (identified in Table 6.3) also experienced fast job growth, including treasurers/financial managers, marketing and sales managers, security guards, and drivers of road goods vehicles.

Table 6.4 Job growth in feminising male-majority occupations, 1991-93 to 1998-2000

	Percentage change:	
	Total job growth	Women's share of new jobs*
All occupations	7.4	55.9
Administrators - national government	-22.5	--
Personnel, training, etc. managers	53.3	84.3
Computer systems etc managers	62.8	26.8
Banking etc managers	-20.8	--
Other managers & administrators	36.4	67.9
Biological scientists & biochemists	35.7	63.4
Other natural scientists	2.5	--
Planning & quality control engineers	-32.6	--
Medical practitioners	50.1	44.5
Education officers, school inspectors	-8.2	--
Solicitors	46.9	65.5
Chartered & certified accountants	4.6	--
Management accountants	28.7	55.0
Management, business consultants, etc.	90.5	39.3
Computer analysts, programmers	37.0	37.9
Authors, writers, journalists	13.7	89.8
Actors, stage managers, etc.	25.4	82.4
Vocational & industrial trainers	32.8	62.8
Other associate professionals etc	85.2	55.3
Police officers (sergeant and below)	8.2	81.3
Technical & wholesale sales reps	-7.7	--
Other sales reps	-0.6	--

Notes: List of occupations taken from Table 6.1. * Calculation of women's share of new jobs is only provided where both men's and women's employment increased.

Source: Labour Force Survey.

We also need to examine the extent to which feminisation of these male-dominated occupations has been associated with the change in the share of female employees in part-time jobs. Table 6.5 does this for all feminising occupations (defined, as above, as occupations with an increase in female share of at least three percentage

points during the 1990s period) - with separate columns for the 22 male-majority occupations and for the 15 female-majority occupations. At the aggregate level, there was very little change in the proportion of female employees in part-time jobs during this period, from 43.3% to 43.8%. However, among the 22 feminising male-majority occupations, the share of women in part-time jobs increased by more than the average aggregate level in all but five cases. We must treat estimates of part-time shares with a good deal of caution because of small sample sizes. Nevertheless, evidence of the growth of part-time work appears to be especially apparent among administrators in national government (with a rise from less than one in ten women in part-time jobs to close to one in five); management/business consultants (from 4% to 15%); and police officers (sergeant and below) where again, although the sample size is too low to be reliable, the size of the change does suggest a significant rise.¹⁶ 2001 and 2005 data support this rise for police officers (sergeant and below) with a near doubling of women part-timers, from around 4,000 to 7,000, a jump from 12% to 20% of female officers.

Curiously, similar evidence of a rising share of women in part-time jobs is also true among feminising female-majority jobs, as shown in the right hand side of Table 6.5. In 11 of the 15 cases, the part-time share of female employment increased more than the average aggregate level (again, subject to disclaimers about small sample sizes). However, what is clearly apparent is the difference in relative levels between the two columns of occupations. The part-time share of women's jobs in 1998-2000 differs significantly between feminising male-majority and feminising female-majority occupations. Feminising male-majority occupations have part-time shares ranging from 8% to 30%, while feminising female-majority occupations range from 17% to 61%.

Hence, while the increased share of women in part-time jobs in male-majority occupations is part of the story underpinning women's gains in male-majority occupations, on the whole women's share of new jobs has not been strongly contingent upon accessing new opportunities to work part-time. In less than half the 22 occupations shown has the increase in the part-time share of women's jobs been more than three percentage points. Among expanding occupations, the vast majority of women's increased employment was in full-time work. Among police officers, for example, where jobs increased slightly above the national average at 8% during the 1990s, women accounted for four in five of the net gain in jobs and only around one in four of these were part-time.

¹⁶ Pooled data for 1991-93 show 766 female part-timers working as police officers (sergeant and below) and an increase to 8,922 for 1998-2000. This compares to 47,338 female full-timers in 1991-93 and 67,934 in 1998-2000.

Table 6.5 The share of women in part-time jobs in feminising occupations, 1991-93 and 1998-2000

Feminising male-majority occupations	Share of women in part-time jobs		Feminising female-majority occupations	Share of women in part-time jobs	
	1991-93	1998-2000		1991-93	1998-2000
Administrators - national gov't	9.2*	17.8*	Other sales reps	33.4	29.7
Personnel, training, etc. managers	6.8*	10.9	Other financial etc managers	14.9	18.3
Computer systems etc managers	2.9*	9.6*	Education registrars	15.0*	26.9*
Banking etc managers	7.9*	8.8*	Pharmacists, pharmacologists	31.1*	22.4*
Other managers & administrators	12.6	14.6	Special education teachers, etc.	30.8	33.9
Biological scientists & biochemists	15.2*	15.8*	Other teaching professionals	62.8	61.3
Other natural scientists	11.1*	11.8*	Medical, dental technicians, etc.	31.6*	45.0
Planning and quality control engineers	5.9*	8.4*	Legal service & related occupations	14.3*	17.0*
Medical practitioners	26.3*	21.3	Matrons, houseparents	24.9*	30.6
Education officers, school inspectors	11.6*	16.6*	Careers advice, etc, specialists	30.3*	28.9*
Solicitors	13.0*	11.1*	Local government clerical staff	31.5	30.1
Chartered & certified accountants	8.4*	12.8*	Counter clerks & cashiers	34.7	45.9
Management accountants	7.0*	8.2*	Filing & record clerks	33.5	35.1
Management, business consultants, etc.	3.6*	14.6*	Hospital ward assistants	59.1	61.0
Computer analysts, programmers	12.6*	17.7	Routine laboratory testers	31.6*	44.4*
Authors, writers, journalists	14.0*	16.0*	Other related farming occupations	44.8*	52.5
Actors, stage managers, etc.	11.5*	22.1*			
Vocational & industrial trainers	17.6*	23.3			
Other associate professionals etc	18.4*	17.7*			
Police officers (sergeant & below)	1.6*	11.6*			
Technical & wholesale sales reps	17.5*	9.4*			

Notes: Definitions of feminising, male-majority and female-majority follow those adopted above. Figures with a '*' involve sample sizes below 20,000 (for the pooled data) and are therefore not reliable estimates.

Source: Labour Force Survey.

6.5 Changes in relative pay

One reason why women may be able to make inroads into male-majority occupations is that they fail to attract or retain men because their relative pay has declined. In Reskin and Roos' analysis of US trends in the 1970s and 1980s, there was a fairly systematic link between the feminisation of men's jobs and declining earnings for men. Their studies are also confirmed by further statistical work in the US undertaken by Pryor and Schaffer (1999: Chapter 6), which shows that a higher median wage in an occupation was associated with a slower increase in the female share over the 1971-95 period.

Our analysis for the 1990s and early 2000s for the UK suggests a more mixed picture, but one that is skewed in a similar direction with more evidence of falling earnings than rising earnings for men in feminising male-majority occupations (see, also, Bruegel, 2001).

Table 6.6 presents the main results. Gross average hourly earnings (excluding overtime) are presented for male full-timers for each occupation relative to the overall median for all male full-time employees in the UK. Our analysis of data is once again complicated, in this case due to a change in the organisation of earnings data collected by the Office for National Statistics, as well as the introduction of the new occupational classification system in 2000. Thus, we cannot make assured comparisons across the period 1991 to 2005, but we can usefully compare the direction of trends for the two periods 1991 to 2000 and 2002 to 2005.¹⁷

Of the 18 feminising male-majority occupations listed in Table 6.6, men's relative pay declined in 10 cases, showed little movement in four cases and scored a significant improvement in only four cases (medical practitioners, education officers/school inspectors, chartered and certified accountants and technical and wholesale reps). Thus while the pattern of change is not systematic, it would seem that the warnings voiced in the work of Reskin and Roos remain relevant even in the 1990s and 2000s.

¹⁷ 1991 and 2000 data derive from the New Earnings Survey and enable a comparison with the period analysed with respect to the employment data above. 2002 and 2005 earnings derive from the ASHE data. 2002 was selected since it is the first year the SOC2000 definitions were applied.

Table 6.6 Relative pay for male full-timers employed in feminising male-majority occupations, 1991-2000 and 2002-05

	Relative to median for all MFT employees			
	1991	2000	2002	2005
Administrators - national government	1.79	1.77	--	--
<i>Personnel, training, etc. managers</i>	2.27	2.08	2.38	2.21
<i>Computer systems etc managers</i>	2.16	2.23	2.36	2.17
<i>Banking etc managers</i>	2.44	1.94	2.07	2.01
<i>Other managers & administrators</i>	1.86	1.72	--	--
<i>Biological scientists & biochemists</i>	1.63	1.56	1.54	1.58
Planning & quality control engineers	--	--	1.36	1.37
Medical practitioners	2.53	2.61	2.82	3.12
Education officers, school inspectors	--	--	2.00	2.11
<i>Solicitors</i>	2.47	2.42	2.65	2.46
Chartered & certified accountants	1.81	1.82	1.87	1.93
Management accountants	--	--	1.89	1.87
<i>Management/business consultants, etc.</i>	--	--	2.73	2.31
Authors, writers, journalists	1.78	1.76	1.44	1.47
<i>Vocational & industrial trainers</i>	1.27	1.20	1.17	1.10
<i>Police officers (sergeant and below)</i>	1.47	1.48	1.44	1.40
Technical & wholesale sales reps	1.30	1.33	--	--
<i>Other sales reps</i>	1.25	1.19	--	--

Notes: Data refer to average gross hourly pay excluding overtime hours and payments. All occupation titles refer to the SOC 1990 definitions. Occupations with missing earnings data are excluded.

Sources: New Earnings Survey (published data) 1991 and 2000 and ASHE earnings data 2002 and 2005.

The 10 occupations where men's pay has clearly declined relative to the median are highlighted in italics in the table (where the net change over the two periods *taken separately* represents a fall of three percentage points or more). The largest drop in men's relative pay occurred for the occupation 'banking managers' (redefined as 'financial institution managers' for 2000s data). Here, men's average pay fell from 244% of the total median to 194% during the 1990s and from 207% to 201% of the median during 2002-05. It is possible that these drops in pay discouraged men from entering, or remaining in, such jobs and opened up possibilities for women, who increased their share from 22% to 34% during the 1990s and from 31% to 36% during 2001-05. The second largest drop in men's pay occurred for

personnel/training managers where pay fell by almost 20 percentage points in the 1990s and by 17 points during 2002-05. This is especially illuminating, since it switched from a male-majority to a female-majority occupation over the period. Both occupations are large in size, with close to 160,000 employed as financial institution managers (the recoded banking etc managers) in 2005 and close to 130,000 personnel, training and industrial relations managers.

The fact that men registered falls in pay in these occupations contrasts strongly with the general earnings trends during this period - namely that high paid, managerial and professional occupations tended, on average, to be rewarded more highly relative to the median. Men in the highest decile of the wage structure increased their relative pay from 199% of the median to 207% during 1991-2000 and this plateaued at 219%-220% during 2002-05. Also, during the 1990s, median earnings of male full-time employees in the broad group 'managers and administrators' (SOC Group 1) increased from 1.77 to 1.85 relative to the median for all male full-timers.

The picture of declining relative pay suggests men may have rejected feminising occupations in favour of others where relative earnings remained relatively attractive. Such an argument suggests that, for women, the earnings prospects in feminising male-majority occupations must have been good, or improving, relative to other opportunities. However, the earnings data do not lend much support to this claim. In fact, the picture is similar to that for men (Table 6.7). In 11 cases, the relative level of average pay for female full-timers in the occupation has dropped compared to the median for all female full-timers (considering each period separately due to differences in earnings data, as above). Relative pay increased by more than three percentage points in only three cases.

In some cases, women paradoxically seem to have faced an even weaker material incentive to enter these occupations than men. Take the important case of banking managers, for instance. Compared to the median pay for all female full-time employees, women's average earnings as a manager in banking declined over the period and at all times has been at a lower relative position compared to that experienced by men. Thus, falling pay for both men and women has occurred alongside a fairly rapid feminisation for this group. One positive result is that because the fall for men was larger than for women, the gender pay ratio improved among full-time banking managers from 64% to 76% over 1991-2000 and from 86% to 88% over 2002-05 - a clear case of gender equity through levelling down. A similar pattern is apparent for management/business consultants, where relative pay declined and the incentive provided by the relative level of pay is less for women than for men in 2002 and 2005. Decline in relative pay is also evident for female (and male) computer

systems managers, although the relative levels are very similar for men and women - at 218% of the median for all female full-timers by 2005, compared to 217% for men. A notable case where relative pay has declined, but women's relative pay is higher than that for men's, is police officers (sergeant and below).

Table 6.7 Relative pay for female full-timers employed in feminising male-majority occupations, 1991-2000 and 2002-05

	Relative to median for all FFT employees			
	1991	2000	2002	2005
Administrators - national government	1.83	1.81	--	--
Personnel, training, etc. managers	1.79	2.03	2.11	2.08
<i>Computer systems etc managers</i>	--	2.27	2.36	2.18
<i>Banking etc managers</i>	1.99	1.77	1.79	1.77
<i>Other managers & administrators</i>	1.70	1.60	--	--
Biological scientists & biochemists	1.55	1.58	1.64	1.77
<i>Planning & quality control engineers</i>	--	--	1.43	1.30
Medical practitioners	2.56	2.53	2.77	2.78
<i>Education officers, school inspectors</i>	--	--	1.96	1.73
<i>Solicitors</i>	--	2.46	2.65	2.44
<i>Chartered & certified accountants</i>	1.87	1.83	1.88	1.81
Management accountants	--	--	1.73	1.82
<i>Management/business consultants, etc.</i>	--	--	2.30	2.03
<i>Authors, writers, journalists</i>	1.67	1.63	1.50	1.44
<i>Vocational & industrial trainers</i>	1.42	1.24	1.18	1.17
<i>Police officers (sergeant and below)</i>	1.66	1.63	1.52	1.43
Technical & wholesale sales reps	1.36	1.34	--	--
Other sales reps	1.19	1.18	--	--

Notes: Data refer to average gross hourly pay excluding overtime hours and payments. All occupation titles refer to the SOC 1990 definitions. Occupations with missing earnings data are excluded.

Sources: New Earnings Survey (published data) 1991 and 2000 and ASHE earnings data 2002 and 2005.

For some occupations, there is evidence of positive material incentives for women, despite deteriorating relative pay for men. During the 1990s, women's entry into personnel management saw a significant increase in their relative earnings from 179% of the median for all female full-time employees to 203%, compared to a drop of almost 20 percentage points for men. Also, among biological scientists and

biochemists, while men's relative pay declined significantly during the 1990s and only increased marginally during 2002-05, for women, steady gains lifted relative earnings to 177% of the median, well above the level of relative pay earned by men compared to their respective comparator group.

The reasons that relative pay changed in these feminising men's occupations are varied and a full review of change in each of the occupations is beyond the scope of this report. Women's inroads into managerial jobs in banking, for example, have occurred during a period of deregulation, intensified competition and fast technical change in the industry with intensified pressures on managers to develop new financial products and provide services in novel ways. Crompton (1995) has argued that although women made inroads into branch manager positions, this coincided with a downgrading of this role. Also, with the expansion of banking call centres, many new managerial positions in banking have involved a shift from traditional branch banking to telephone banking, with an associated change in the nature of skill from technical banking knowledge to 'people skills' required to manage teams of call centre workers (Beynon et al., 2002). These changes may be a major reason why relative pay for this group has fallen so dramatically during the 1990s and early 2000s.

Segmentation of jobs within the particular occupation also plays a role, and this may be especially the case in professional labour markets characterised by a long history of exclusionary practices establishing sex-typing and undervaluation of women's roles (Crompton and Sanderson, 1990). For example, recent studies of women's position among solicitors suggest that women's successful inroads have not been coupled with equality of opportunity with men in the profession. Sommerlad (2002) reports that average starting salaries for women solicitors in England and Wales were 6% below the average for men and this disparity becomes greater higher up the ladder. Also, segmentation is evident. Men are more likely to be partners and women to be assistant or associate solicitors, and women are over-represented in lower prestige and lower paid areas of legal work (Sommerlad, 2002; Sommerlad and Sanderson, 1998). The statistical analysis of McNabb and Wass (2006) suggests that as much as one third of the gender pay gap among solicitors is caused by inequality in career progression. Also, the apparent reversal of women's entry into the profession as shown by the Labour Force survey data for the period 2001 to 2005 may reflect long hours working constraints generated by the culture of 'open ended availability' and 'workaholism' in many private practice firms (Sommerlad, 2002: 217-18).

6.6 Summary

This chapter is based on the work of Reskin and Roos (1990) who interrogated the association between the feminisation of traditional male occupations and the subsequent downgrading of pay. We explored trends in relative pay for occupations in the UK where women have made significant inroads during the 1990s and 2000s.

The analysis shows that women did make significant inroads into many male-majority occupations, and these tended to be clustered among the high skill and professional end of the occupational structure. Indeed, in several cases male-majority jobs have become female-majority jobs during the period examined, namely for personnel managers, biological scientists, education officers/school inspectors, management accountants, authors/writers/journalists and vocational and industrial trainers. But many more occupations are strongly male-dominated and very little change in female share has occurred over the last 15 years. Our analysis suggests a catalyst for feminisation is job growth in the occupation, perhaps because demand outstrips the supply of appropriately skilled men and so employers hire women from the gendered job queue.

Trends in relative pay in these feminising male-majority occupations shows that the warnings voiced by Reskin and Roos concerning the 1970s and 1980s pattern of change in the US are still relevant in today's UK labour market context. While there is not a universal pattern of feminisation and decline in occupational pay, there is a strong bias in this direction. Men's relative earnings declined significantly in 10 of the 18 feminising male-majority occupations, suggesting that employers may have turned to hire women, in part, because men have moved into more financially rewarding job queues. However, a surprising finding is that women's relative pay has also dropped in the majority of cases (relative to the median pay for all female full-time employees). Thus, women have not moved into male-majority occupations because of improving pay prospects relative to female pay in other occupations. Further research is needed to investigate the many causes of deterioration in relative pay in these occupations.

7. TIPPING THE BALANCE: HOW TO LIFT PAY TO MATCH THE QUALITY OF WORK

7.1 Introduction

We have shown that undervaluation of women's work means that many women are working harder and delivering higher quality of services than is justified for a given wage. In this chapter we ask whether a case can be made on more than solely social justice grounds for employers to act to remedy this situation by improving pay. Of course employers may be more interested in cutting costs than raising them, but many also appreciate the need to develop high service quality, or high manufacturing productivity and the need to match work effort and work quality with an appropriate level of pay.

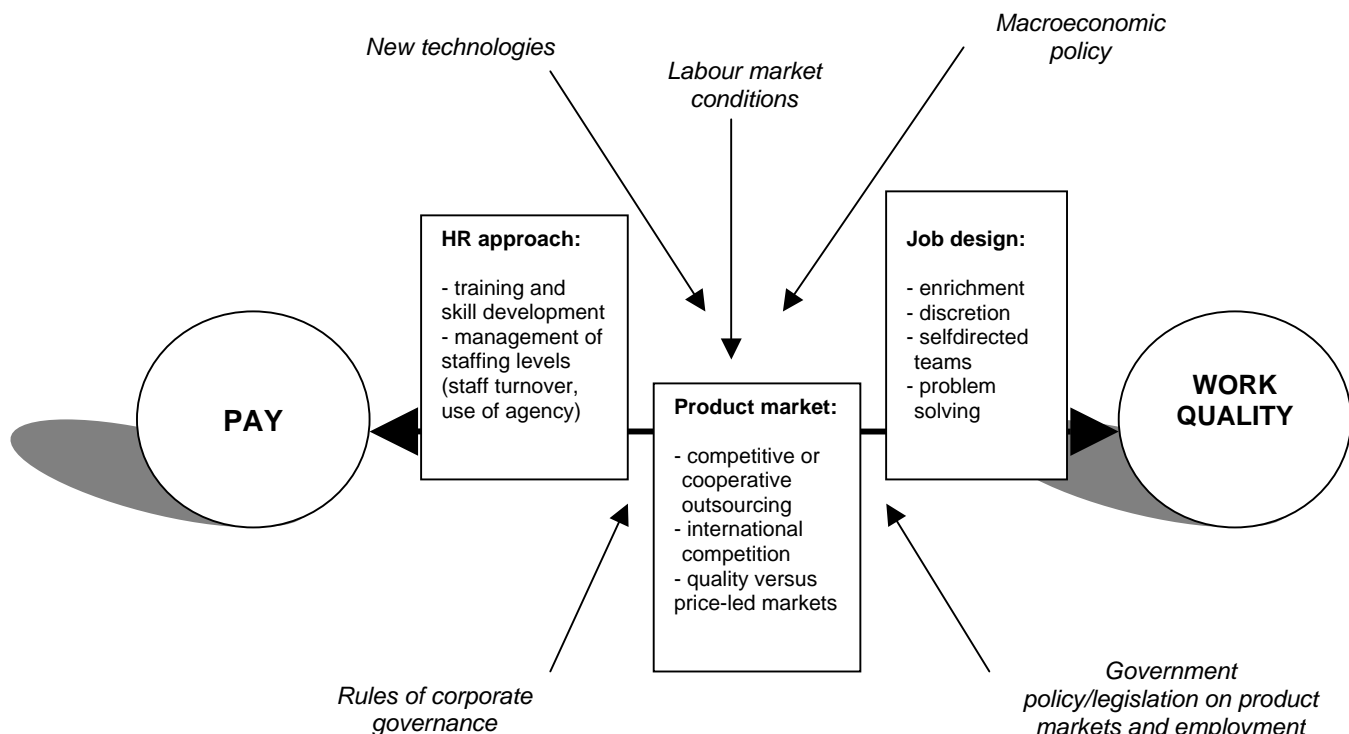
The argument we make in this chapter is complicated because an analysis of the structure of wages in the UK suggests there is not always a direct and determinate linkage between pay and performance. As Chapters 3 and 4 show, a person's wage does not equate to a purely economic valuation of work effort (a measure of skill, experience and contribution to output for a given level of unemployment and technology); rather, social valuation of occupational status and women's status, trade union bargaining power and government regulations, among other factors, all play an important role in shaping the level of pay. Moreover, the relationship between pay and performance may operate in different directions for different groups of workers - as in the old critique of exploitative employers that make the poor work harder by paying them less, but make the rich work harder by paying them more. Undervaluation of work is a form of exploitation and its persistence in the UK does mean that many employers derive economic benefits from the equation of higher quality for a given wage, even if women workers and British society suffer the consequences.

What we seek to demonstrate in this chapter is that a positive linkage between incremental changes to pay and change in work quality is possible (and desirable), but making this happen depends upon a combination of supportive conditions. Conversely, a negative change in pay, introducing or reinforcing undervaluation, may have a negative impact on quality of service and productivity under certain conditions. Figure 7.1 identifies several variables that mediate the pay/work quality linkage. Some reflect the nature of an employer's human resource policies - training provision, skill development and the management of staffing levels, with implications for staff turnover and use of agency staff. These are especially important in a context where trade unions still play a generally weak role in shaping the principles of employment organisation in the British workplace, granting employers strong discretion in shaping the rules of work. Where higher pay is linked with programmes of skill development,

the employer may be more likely to recognise tangible improvements in quality of work. And, by trading off higher pay against high rates of staff turnover, employers can potentially benefit both from attracting more committed staff and from achieving stable, more continuous patterns of services delivery or production. Other employer practices involve job design. An increasing number of studies suggest that a commitment to innovations in work organisation and job redesign - involving teamwork, job rotation and employee involvement, for example - can provide valuable opportunities for aligning improved pay with work quality.

Other conditions reflect the way the market is organised. For example, a firm's revenue may be strongly dependent upon winning large outsourcing contracts to provide services to client organisations. Where the rules of contracting include a judgement on the quality of human resource policies among competing bidders, rather than a sole focus on minimising costs, a positive linkage between pay and quality is likely. Other markets are characterised by international competition and survival may depend upon a reorientation away from price-led markets towards quality-led niche markets more favourable to improving the pay/work quality linkage.

Figure 7.1 Factors that mediate the linkage between pay and work quality



Certain conditions are largely outside the direct control of a single employer, or trade union, but nevertheless impact directly on their capacity, or willingness, to establish a positive pay/work quality linkage. For example, when unemployment is high, employers may be tempted to recruit better qualified workers for jobs that require few skills and may exploit the wider pool of applicants to fill vacancies without raising wages. Because the cost to the worker of losing a job is greater, the employer may replace the carrot of wages with the stick of dismissal to increase work effort. Also, new technologies shape the level of skill required (in a positive and negative direction depending on the interaction with business and HR strategies) and therefore have implications for the rate of pay for a desired level of output, or quality of service. Choice of technology and the mode of adoption influence the quality and skill content of jobs in a firm and play a strong role in its success in the pursuit of a 'high road' (that is, high wage, high value-added) approach to business growth. Other important 'external' factors include the type of regulation on product markets and businesses in a particular sector, including the role of trade bodies and business alliances, and the pressures stemming from financial markets and practices of corporate governance. Finally, government plays a role in shaping the parameters of macroeconomic policy, which shapes the overall stability of economic conditions, and through interventions and legislation, which shape product market conditions, procurement policy and employment policy.

This chapter reviews the empirical evidence in support of the argument that key institutional and economic conditions, as well as business and HR strategies, underpin the capacity and willingness of employers to lift pay to match work quality. The discussion is organised around four key mediating factors, with consideration of the effects of labour market conditions, regulatory policy in different sectors and new technologies threaded through the analysis:

- developing and accrediting skills;
- reducing staff turnover;
- improving job design; and
- cooperative outsourcing contracts.

While we do not claim that the establishment of one of these factors is *sufficient* to ensure employers are able and willing to increase pay to match work quality, the evidence does suggest that one or more of these inter-related conditions are *necessary* to underpin the much needed re-alignment of wage and quality for women's undervalued work.

7.2 Developing and accrediting skills

A range of studies, from mainstream economics to industrial relations and heterodox economics, argue that because improved pay makes it less profitable for an employer to employ low skill workers, it makes sense for employers to invest in programmes of training to ensure pay aligns with performance (Acemoglu and Pischke, 1999; Sachdev and Wilkinson, 1998; Streeck, 1992). An important test of this argument was provided by the introduction of the National Minimum Wage in 1999, which lifted pay for many low paid women workers. In this section we draw lessons from studies which assessed its impact on training provision.

The overall results of several studies are in fact inconclusive with some firms opting to offset the increased labour costs imposed by the minimum wage by cutting training expenditures and others taking the more long term approach of matching higher pay with skill development (LPC, 2003). The problem is that the relationship between pay and training provision is complex, involving incentives and obstacles to change, both internal and external to the firm (Box 7.1).

There are several obstacles. A major problem is institutional. The UK has a long history of under-resourcing of, and patchy political commitment to, its system of vocational training, reflected in the low status of National Vocational Qualifications and problems of coordination of accreditation between employers in a given sector. Many employers in the UK are understandably disillusioned and have had bad experience with formal programmes of training. Such firms may prefer to adopt an informal system of on-the-job learning, which, while potentially raising the prospects of workers in the firm, may impede job moves to other firms because of a lack of accreditation. A further problem is that some employers may be reluctant to provide accredited training because of a fear of skilled workers being poached by competing firms able to pay a higher wage because they have lower expenditures on skill investment. A vicious cycle is reinforced such that the more firms poach, the more firms will 'buy' skills rather than 'make' them, underpinning what Finegold and Soskice (1990) famously called Britain's low-skill equilibrium.

Box 7.1 Managers' experiences of the obstacles to, and opportunities for, improving training provision and pay

Case study research demonstrates that most employers are willing to improve training to align improved pay with high quality work. But a range of *obstacles* interfere, including:

- Poor experience with NVQs

The two [college students on work experience] at the moment are the worst we've ever had. They are being pushed through. I don't know whether the standards are lower or what but they should be taken off it because they are not good enough (owner of small Retail firm).¹

- Fear of poaching

If you invest a lot of time, money and effort in a security officer, you might just end up doing it for somebody else (owner of small security firm).¹

If we advertised for fully trained people ... we would simply be entering the merry-go-round on which a lot of the brand-name hotels are already on. If Hilton advertise four people they are simply going to take them from a competitor hotel and so four people may leave the Marriott... The Marriott will then need to employ four people and they advertise and people will leave Holiday Inn and so the circle goes on (manager of hotel chain).²

For the majority of new intakes, [training] makes them more employable ... [and] there's a substantial number who learn and then move on elsewhere (manager of hotel chain).²

- Limited development of new forms of work organisation

There is no formal training for the shop staff. We see the retail staff role essentially as being a reactive role, responding to the customer care process. Many of the shop staff are more than happy just doing the job, because it's flexible, it's part-time work. (manager of food production and retail company).²

But many studies also reveal a small share of firms that appear to have negotiated these obstacles and achieved a relatively successful transition to a form of work organisation characterised by increased investment in skill development, higher pay and improved work performance. The following quotes illustrate the challenges of new *opportunities*:

We're thinking ... if the training gets better, the staff get better, we're going to get better. ... There's profit there... You've got two choices. We're here trying the second choice of training standards and getting standards up and hoping that will expand us (owner of small security firm).¹

From our point of view, if you're having to pay people a higher level then in some ways it makes sense to pay a bit more on training so you get value for money from them ... rather than being able to employ four people at very low rates to do the job you can employ three people but they'll be much more effective in what they're doing (manager of specialist food retailer).²

Training is an absolute necessity. The quality of training is better now [in the hotel industry] than 20 years ago. The minimum wage has helped us focus on things: if you train, you become more efficient (manager of medium-sized hotel).³

Sources: all quotes are cited in reports commissioned by the Low Pay Commission:

1. Grimshaw and Carroll (2002); 2. Miller et al. (2002); 3. Cronin and Thewlis (2004).

In addition, employers may fail to exploit the benefits of new training provision, because of a failure to develop innovative forms of work organisation which exploit the upgraded skills (see, also, section 7.4 below). One study of the impact of the minimum wage reports a footwear manufacturer that was a recognised NVQ training centre, but nevertheless held rates of pay down because of a stubborn commitment to outdated forms of work organisation, involving a highly detailed division of labour, lack of job rotation and very limited career prospects or opportunities for pay progression; indeed, this particular firm had even campaigned to challenge the industry standards for NVQs, arguing acquisition of skills across a range of tasks was unnecessary (Grimshaw and Carroll, 2006: 40). Slack labour markets, and informal labour markets, also put a brake on positive efforts to use training to bring pay in line with work quality. Ram et al.'s (2004) study of the informal economy in the clothing industry is insightful; here, employers faced few pressures to improve worker benefits because they exercised control over a diverse international pool of labour. One manager of a clothing firm claimed:

I have ten calls a day asking for work, West Indians, Bosnians, asylum seekers. There's a shelter round the corner - as many Iraqis and Kurds as you want.
(cited in Ram et al., 2004: 26).

The variables of training, pay and work quality thus do not operate in a vacuum and employers (and workers) face significant obstacles in improving training provision so as to realign pay with work quality. Nevertheless, the studies of the impact of the National Minimum Wage do point to some success stories. The evidence suggests three conditions open up opportunities for a positive employer strategy that might be developed to address the broader problem of undervaluation of women's work.

First, investment in training can be part of a broader reorientation by the employer towards expanding sales in a quality niche product market. In Rainbird et al.'s (2002) study, training played an important function in supporting the niche market positioning of retail firms, matching higher rates of pay with the need to keep employees up-to-date with new product knowledge and styles of customer service. Also, in Grimshaw and Carroll's (2002, 2006) study, two of the three security firms that invested in formal training programmes believed this underpinned a successful transition to winning contracts in the higher quality market for building services management. One of these security firms had already achieved considerable success; it retrained security guards as higher paid 'building services officers' with industry SITO certification (Security Industry Training Organisation) and developed new skills in a range of activities, including maintenance and repair of plumbing and heating, as well as supervision of cleaning staff (2006: 38).

Second, in a competitive market for good applicants, some managers may find that improved training provision gives an added advantage in recruiting and retaining desirable staff by strengthening their reputation as a good employer in the labour market. For example, a study by Miller et al. (2002) of the impact of the minimum wage on training in three low paying sectors, hospitality, retail and hairdressing, found that firms which increased training were more likely to believe it gave them an advantage when recruiting than firms that reduced training provision or left it unchanged (op. cit.: Table 4.2). Survey evidence from the hotel sector supports this finding. Brown and Crossman's (2002) research suggests that when managers in the hotel industry increased training in response to the introduction of the minimum wage, this was part of a broader strategic decision to adopt a 'quality enhancing', as opposed to a 'cost minimising', approach to employment policy and practice. Rather than simply approaching the management of labour as a cost or as an asset, these findings suggest that a broad approach to enhancing the quality of labour employed has positive feedback effects for the management of labour costs.

A third important condition is largely outside the control of a single employer and concerns the type of statutory requirements for training in particular sectors. Most studies recognise the importance of sector-specific regulatory conditions, as well as sector bodies such as trade associations and business support agencies, in exerting a strong influence on training decisions. The issue is how to ensure that pressures on employers to improve quality of work through policies of accredited training are matched by equivalent pressures, incentives and resources to raise pay in line with raised skill standards. Firms operating in sectors of social care and hospitality, for example, must meet requirements to train staff in health and safety or food hygiene. However, the evidence points to a growing mismatch in worker quality and pay. In many areas of social care, for example, while training provision and skill-mix is strongly regulated (especially following the Care Standards Act 2000 which established targets for NVQ assessment), 'chronic underfunding' (in the words of the current Chair of the National Care Homes Association) means that work is paid at very low rates (Grimshaw and Carroll, 2002). In their study, Rainbird et al. (2002) summarise the opinion of a representative from the NCHA as 'the problem lies in the fact that although the government is prepared to put extra money into training for this sector, this is not much help if staff cannot be rewarded for achieving qualifications because the care sector as a whole is inadequately funded' (op. cit.: Chapter 2). The result is what we might refer to as a 'high quality, low road' approach to care provision in the UK, and this description does seem to reflect the problem of undervalued care work. Current institutions support the development of a high skilled workforce who can deliver high quality services, but there are to date no provisions to improve the low rates of pay earned by those care workers delivering high quality

care. Campaigns are underway to address this situation, but press reports in 2006 suggest ongoing problems due to the unwillingness of many local authorities (for a range of reasons) to negotiate new fee levels with central government.¹⁸

7.3 Reducing staff turnover

One indication of a mismatch between quality of work and the respective wage is pervasive evidence across a variety of sectors that businesses face significant costs caused by problems of high staff turnover and unfilled vacancies. Costs include those related to recruiting and inducting staff, difficulties meeting customer targets, loss of orders and the intangible costs of loss of organisational memory. A series of so-called 'dialogue reports' published by the Department for Education and Skills (DfES) provide an indication of the extent and costs of hard to fill vacancies in several sectors across the UK economy. In retail the survey of employers found more than 30,000 hard-to-fill vacancies (DfES, 2002a: Table 4.2, own calculation) and estimated the average cost to employers of each leaver as £2,500 for sales staff and £4,300 for managers (op. cit.). In the food and drink manufacturing industry, a survey of employers found 9,500 vacancies with 60% defined as hard to fill (DfES, 2002b). And in the hospitality sector, staff turnover was estimated at 48%; the report argues that 'mismanagement of staff turnover actually adds to the problem. Existing staff, forced to cope with heavier workloads and low morale, feel resentful and eventually leave, thus perpetuating a downwards spiral' (DfES, 2002c: 50). Even neoclassical economists would predict that pay ought to rise so that labour supply rises to meet demand, but this does not happen in many segments of the labour market and many women workers pay the price.

These reports make clear that employers and managers can play a role in managing staff turnover and achieving the benefits of a more continuous and stable workforce. However, what is surprising from these surveys of employers is the very small proportion who identify the offer of higher pay as a tool to reduce staff turnover or to fill vacancies (for example, only around 5% of retail employers, DfES 2002a). This conflicts with research evidence in the US where several studies demonstrate a negative relationship between the wage paid and quit rates, on the one hand, and, on the other, a positive relationship between the wage rate and the number of qualified applicants for a job.¹⁹ Appelbaum et al.'s study of low wage workers in US hospitals found that the more highly paid food service workers in 'enhanced jobs' were less likely to want to quit within the next year than comparable workers in lower paid 'traditional jobs' (2003: 101). Moreover, a virtuous cycle is evident, since lower staff

¹⁸ For further details, see www.bettercaring.co.uk/nhca (accessed 12.05.06).

¹⁹ For a review of quantitative studies, see Card and Krueger (1995: 369-83).

turnover increases the adequacy of staffing levels which reduces worker stress from having too many demands on their time caused by understaffing, which in turn reduces the likelihood to quit (op. cit.: 110). Also, a study of 10 manufacturing plants in New York found that the higher paying 'high road' firms tended, on average, to have 'unusually low' turnover rates compared to the other manufacturing firms in the area (Jones et al., 2003: 485).

In general, lessons can be learned from the many studies of 'high involvement workplaces' that suggest high relative pay is one of a bundle of practices that reduces employees' intentions to quit (e.g. Huselid, 1995). Raising retention levels then reduces employers' reliance on costly temporary agency work to fill vacancies at short notice and establishes the conditions for a stable model of services delivery, or production manufacturing. Job stability is not only an important indicator of job quality, but also impacts directly on the quality of work - especially in jobs involving interactive service work, such as social care or health care, for example. Eaton (2000), for example, finds that high turnover of care workers interrupts continuous care and is associated with lower patient care outcomes (op. cit.: 599). Here, both the employee and the patient, or user, are likely to judge the quality of care provided with regard to the continuity and stability of service provision which is shaped by employee behaviour.

The evidence thus supports the claim that pay can be used to reduce levels of vacancies and staff turnover. What the DfES studies and other case study evidence (e.g. Beynon et al., 2002, Appelbaum et al., 2003) appear to show is that many UK firms in low wage sectors have chosen to offer a low wage and to operate with high staff turnover and high vacancies. There are good reasons to argue that this is the wrong choice. There is a need to emphasise the benefits of offering a higher wage and operating with lower vacancies and lower turnover. These benefits include more committed staff and more stable, continuous patterns of services delivery and production.

7.4 Improving job design

A third variable that can help establish a positive linkage between incremental increases in pay and work quality concerns employer strategies to enhance jobs by improving the content of work. Improved job design can increase the opportunity to use one's skills, or, where use of skills is largely unrecognised, it can increase the visibility of skill use. Either way, the result is a catalyst for improving the pay/work quality linkage.

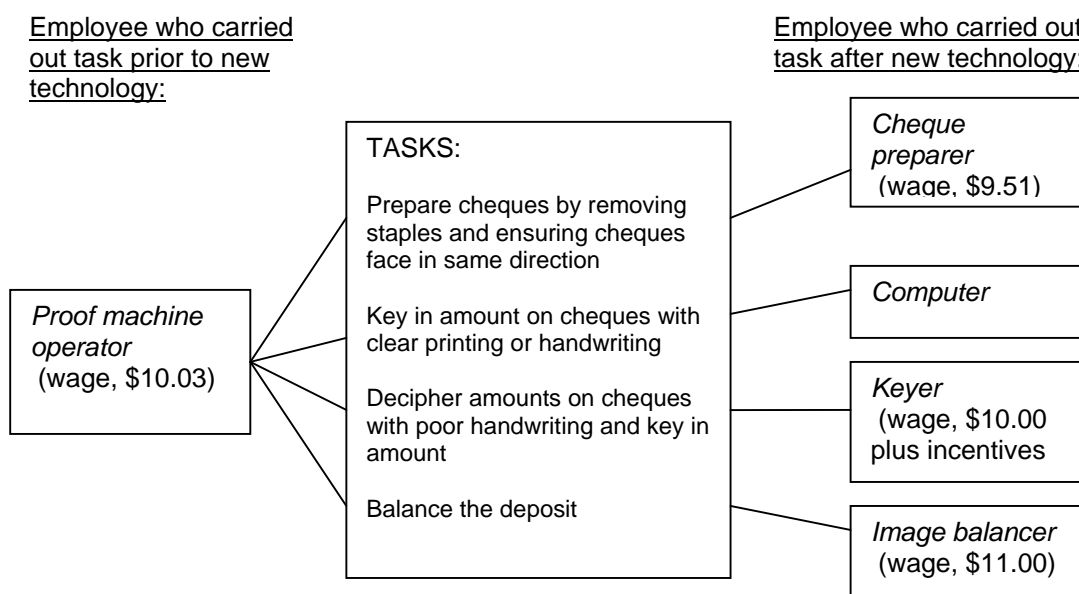
The last few years have seen a growing literature that has sought to assess the impact of divergent approaches to job design on performance, and, in a limited number of studies, on pay. In the main, these studies distinguish between cost-cutting (the dominant approach in the UK and the US according to most surveys) and quality enhancing - although the latter takes on a variety of forms in different studies. The role of new technologies in shaping job design is also central to many of these studies. What is important about the findings is that they contest the evidence from studies that report central tendencies of aggregate datasets - such as the notion that technological change enhances the skill bias of jobs and that this automatically drives up wages of the more educated and experienced workers. Instead, they reveal considerable variance and segmentation among job types, even among firms operating in comparable product markets and with similar technologies. As such, they point to the role of employer choice and open the window for campaigns that urge employers to think more creatively and ambitiously about job design.

A common goal of most quality enhancing approaches to job design is to make the job more interesting and rewarding for workers. One strategy is job enrichment. A comparison of two leading banks in the US (Hunter et al., 2001) illuminates the scope for managerial discretion. It shows that despite similar strategies regarding introduction of ATMs, consolidation of back office functions, segmentation of customers and reorganisation of branch systems, while one bank enriched the job of tellers, the other simplified their job. In their new enriched role, tellers performed the same basic functions, but more quickly with the help of new information systems. This freed up time for new tasks including account changes, issuing ATM cards and arranging electronic payments and transfers. At the other bank, simplification of the job was controversial, with many branch managers arguing for the need to use tellers to improve customer service, but senior management refused to commit the required investment in pay and training (op. cit.: 413-4). The result was that while earnings improved significantly in the former bank, they actually declined in the latter (op. cit.: Tables 1 and 2).

The general lesson that emerges from studies of the impact of new technologies is that their introduction can lead either to new bundles, or to an unbundling, of tasks, with direct implications for wages and work quality. Another study of a US bank shows how new 'cheque imaging' technologies transformed the job of deposit processing by unbundling the traditional set of tasks to be performed by computers and workers in new higher and lower paid positions (Autor et al., 2002). Figure 7.2 shows how, prior to the adoption of the new imaging technology and optical character recognition software, the work of the proof machine operator involved four main tasks. The introduction of the new technologies resulted in an unbundling of these

tasks in the case study bank. Computers performed one of the tasks and new posts were created for each of the remaining specialised tasks, at varying wage levels - below, equivalent to and above the wage of the old proof machine operator. Managerial discretion was at play here, especially in the creation of the new low paid and low skilled job of cheque preparation.

Figure 7.2 Unbundling of skills following adoption of new technologies at a US bank



Notes: Hourly wage rates in 1998 dollars.

Source: Adapted from Autor et al. (2002: Table 4.3).

A broad picture of the impact of innovative job design on pay is provided by Forth and Millward's (2004) analysis of the UK WERS data for 1998. They define a quality enhancing approach to job design as 'high-involvement management', involving nine distinctive practices - three task practices (teamworking, functional flexibility, quality (problem-solving) circles), three individual supports (briefing groups, information disclosure, off-the-job human relations training) and three organisational supports (a preference for internal recruitment, job security and financial participation). One in 20 UK workplaces have at least two practices in all three areas, and these are defined as 'high-involvement management workplaces'. Their regression results show that only two of the nine high-involvement management practices have a significant individual effect on pay - information disclosure and job security. However, when high management workplaces are compared to traditional workplaces, the regression shows a large and significant wage premium of around 8 percent (op. cit.: Table 4). It is also notable that, of the nine possible high-involvement practices, they single out

the guarantee of job security as ‘a necessary condition that underpins the wage premium associated with high-involvement management’ (op. cit.: 116).

Thus, both case study research and analyses of national datasets reach similar conclusions - that job design matters in shaping the level of pay and that employers play an important role in forging these links through complementary practices that establish a ‘quality enhancing’ or ‘high-involvement’ approach to managing employment.

7.5 Cooperative outsourcing contracts

One of the increasingly visible characteristics of the UK economy is the use of outsourcing to coordinate the provision of diverse services and production activities. Instead of organising activities in-house and employing workers in a range of specialist occupations, employers are tending to buy in both professional services - from specialist IT firms, management consultancy firms and HR and accountancy firms, for example - and general business services, such as cleaning, catering, security, estates and building maintenance. The result is a booming economy in business services, characterised by new opportunities for small business start-ups, as well as the consolidation of markets by giant multinational firms.

The problem is that, in many cases, outsourcing is driven by a desire to cut costs, and this is especially true for groups of workers least protected by trade unions or professional associations. If cost-cutting is the principle characteristic of competition for outsourcing contracts, then it is possible that workers delivering these services will experience a worsening of employment conditions. Evidence from research comparing the change in conditions for workers transferred from an in-house arrangement to an outsourced activity with a new employer points to mixed results depending on occupational class. Kessler et al. (1999) found improvements in pay among transferred white-collar workers. However, several studies of contracting out of public sector activities find evidence of a general deterioration of manual workers’ pay (as well as other terms and conditions) (Ascher, 1987; Domberger et al., 2002; Escott and Whitfield, 1995; Quiggin, 2002; Walsh and O’Flynn, 2000).

The need to protect low paid, low status groups of workers at risk from outsourcing has risen up the political agenda in recent years. There is now a need to draw out the general lessons from new progressive policies and practices that improve the terms and conditions specified in outsourcing contracts - what we call here ‘cooperative outsourcing contracts’. By doing so workers are more likely to earn a fair share of the ‘rent’ that accrues to firms as a result of cost-saving outsourcing practices. We

consider lessons from the living wage campaigns, as well as new UK legislation that extends public sector terms and conditions to private sector contractors.

In the UK, the living wage movement has centred on highly effective campaigns in East London to improve the employment conditions associated with outsourcing contracts for business services.²⁰ Establishing a higher wage floor was seen as vital. This was because of the nature of cost competition for outsourcing contracts, where bidders were encouraged to drive wages down to the minimum, regardless of other pressures they might face. These included those arising from external labour market conditions, recruitment difficulties, a need to provide staff with incentives, or, even, a straightforward ambition to pay better wages.

Several large organisations in London, including the Greater London Authority (GLA), banks, hospitals and universities, that regularly sign outsourcing contracts for cleaning, catering and security services have committed to a living wage policy, which means paying the subcontractor a sufficient amount to cover additional labour costs. Since his re-election in 2004, the mayor, Ken Livingstone, has championed the living wage and has taken on responsibility for commissioning research to set the level for London (£6.70 in 2005 and £7.05 in 2006, taking into account additional income received through tax credits or housing benefits, see GLA, 2006). In Canary Wharf and the City of London, so many banks have now committed to a living wage that campaigners, along with the TGWU, are planning to establish 'living wage zones:

to make sure that no-one cleaning in that area has to suffer poverty wages and everyone can be part of a recognised union.
(<http://www.livingwage.org.uk/finance.html>, accessed May 2006).

Also, the living wage has been built into procurement documents for all activities related to preparations for the London Olympic Games. Some of the contracts have been relatively high profile and so while limited numbers of workers are covered, press coverage taps into changing public perceptions of fair wage justice. For example, in the BBC 'Nice Work' series, the Docklands Director of Barclays is quoted as saying:

We take the view that we want to attract, train and retain the best people, and for us that doesn't just mean the people who we directly employ, it means if people work in our buildings, they're important to us.
(BBC 'Nice Work' 22/03/05).

²⁰ For further details, see www.telcociizens.org.uk.

The living wage has proven successful at a local level for two reasons. First, it has established a very effective collective umbrella – bringing together community groups, schools, churches and trade unions - for mobilising low paid workers and maximising their bargaining power in fighting to improve basic pay. Second, it recognised from the outset that the cause of low pay centred on cost-cutting procurement practices and therefore focused its campaigns on the client organisations that purchase cleaning and catering services rather than the direct employing organisation. Its main weakness, however, concerns the difficulties of diffusing this new practice of cooperative outsourcing without massive investment of time and energy (largely unpaid) by campaigning groups in dozens of local areas throughout the country. As Richard Freeman (2005: 17) puts it:

just as local efforts to lower global warming cannot solve the world's climate problem, living wage campaigns cannot solve the problem of low wages broadly.

Nevertheless, important lessons arise from living wage campaigns and it may be that further policies and the actions of trade unions need to devolve solutions to local areas where the capacity for collective mobilisation appears stronger.

Further lessons can be gathered from the more extensive network of living wage 'ordinances' in the US, comprising local city legislation in more than 120 local areas. Most living wage ordinances only cover employees on municipal service contracts, although some also cover employees whose employer is a tenant on city-owned land.²¹ As well as ensuring a higher basic wage, ordinances also typically provide incentives for employer payment of health benefits and paid leave. Given its longer history (beginning with a living wage ordinance in Baltimore in 1994), a number of studies have been conducted on the employment effects of living wages in different US states (for a review, see Thompson and Chapman, 2006). As well as having an obvious positive impact on entry-level wages, research shows that the living wage is also associated with other improvements in the management of employment. Fairris' (2005) study of living wages in Los Angeles found an increase in paid holidays compared to comparable non-living wage firms, lower levels of absenteeism and a decrease in rates of staff turnover; in particular, living wage firms enjoyed one third the level of staff turnover of non-living wage firms (op. cit.: 101). Other aspects of the job worsened, however, including fewer opportunities to work paid overtime and reduced hours of training provision (op. cit.). Most studies find the increase in the living wage has limited, or no, negative impact on the number of jobs - consistent with Manning's (2003) claim of monopsony employers in low wage labour markets

²¹ Seven states, however, have in fact passed pre-emptive legislation barring cities from establishing living wage ordinances (Freeman, 2005: 15).

(see Chapter 2). Brenner's (2005) study of the Boston ordinance suggests that employers instead fund the wage increases through greater productivity (increased morale and effort among affected employees) and, most importantly, through lowering profits (op. cit.: Table 6).

One of the largest living wage 'experiments' concerns San Francisco airport where around one third of a workforce of 30,000 have benefited. Pay for these workers increased by around 22% on average - with some, such as security screeners, benefiting from a 75% increase in total compensation - and the package also included 12 days of paid time off per year and training mandates (Reich et al., 2005). Moreover, the pay increases significantly decreased the fragmentation of pay rates between in-house (airline) and contracted out (airline services) ground-based jobs. These improved 'high road' conditions, also had wide-ranging beneficial effects on worker turnover, productivity and performance that benefited employers (op. cit.). Table 7.1 shows the strong linkage between higher wages and reduced turnover among those employees most affected by the living wage; for example, a 55% increase in the average wage of a security screener converted into an 80% drop in turnover rates between April 2000 and June 2001. Also, a sizeable share of employers at the airport reported significant improvements in overall work performance (35% of employers), employee morale (47%), absenteeism (29%) and grievance and disciplinary issues (44-45%) (op. cit.: Table 10). Employees who were interviewed reported that they were working harder and that their job demanded greater skill. But the research did not provide proof of whether this was because employers were requiring employees to work harder, or employees were doing this voluntarily as a fair trade-off for higher pay.

Table 7.1 Impact of wage increases on employee turnover at San Francisco airport

	Percent increase		Percent decrease	Sample size
	Entry wage	Turnover	Average wage	
Customer service	26	5	17	1,621
Baggage/ramp	27	25	18	1,484
Cabin cleaner	32	44	15	553
Security screener	69	80	55	916

Source: Reich et al. (2005: Table 9).

While living wage campaigns have been very effective in improving basic wages, they are to date limited in scale. But the UK context provides other complementary routes to establishing cooperative outsourcing agreements. Thanks to strong trade

union campaigns, important improvements have been won recently through government legislation on procurement policy for contracting in the NHS and local government, covering a wide number of low wage workers.

In local government, new statutory provisions in 2003 require private contractors to provide all employees with terms and conditions 'no less favourable' than conditions set out in the local government collective bargaining agreement. And in the NHS, a long campaign directed mainly at the outsourcing of staff under the new private sector led hospital building programme, the Private Finance Initiative (PFI), finally led to an announcement by Patricia Hewitt in late 2005 that from October 2006 most workers transferred²² would be entitled to 'terms and conditions no less favourable than' the collectively bargained pay structure (the new 'Agenda for Change' pay framework) for NHS workers. Around the same time, there was also a removal of the obligation for non-supervisory staff to transfer as part of PFI contracts with an innovative policy (known as 'retention of employment'), whereby the private sector manages ancillary staff, but the NHS remains their employer; the main reason for this policy was to protect NHS pensions for these low paid workers.

While welcome as a means to raise wages in line with work quality, the broad thrust of privatisation and market-testing remains central to Labour policy in the public sector and research shows that for low wage workers this acts as a downwards pressure on working conditions (Domberger et al., 2002; Escott and Whitfield, 1995; Walsh and O'Flynn, 2000). More and more women workers formerly working for the public sector will be subject to employment practices in the private sector and, even if they don't transfer employers, their working conditions will be subject to cost-cutting pressures, resulting from the obligation of all public sector bodies to 'test' wage and non-wage conditions against the market. Female part-time workers have borne the brunt of market tendering exercises. While policy reforms now oblige private sector contractors to retain similar basic hourly rates of pay, they are still free to reduce weekly hours of part-time workers, resulting in a significant reduction in weekly earnings. Research on part-time catering assistants in schools, for example, shows that with each round of market tendering, even local authority employed women workers faced cuts in hours with the same volume of work, resulting in greater work intensity and lower weekly earnings (Beynon et al., 2002; Rubery, Ward and Grimshaw, 2005).

²² Workers covered include so-called 'soft facilities management' staff - cleaners, catering assistants, laundry staff and porters. Excluded groups are the 'hard' groups, largely men, of estates and maintenance workers.

7.6 Summary

This chapter set out examples of some of the factors that can enable a positive linkage between incremental changes to pay and change in work quality. We focused on four mediating factors, but also drew attention to the difficulties of not being able to control a raft of other inter-related conditions, internal and external to the organisation. This means that while each mediating factor may be a necessary condition for positive change, it may not be sufficient, as other conditions such as changing technologies, macroeconomic conditions, rules of corporate governance and government policy, intervene.

A first factor is investment in programmes of skill development and accreditation. The evidence suggests that such investment can be effective in aligning pay with quality of work where it is part of a broader reorientation of the employer into a quality niche product market, where it gives an added advantage in attracting high quality recruits and improving retention of staff and where it is underpinned by adequate financing to match acquired qualifications with pay advancement (thus avoiding what we refer to as a 'high quality, low road' approach, as found presently in much of the care sector in the UK).

A second factor is the reduction of high levels of staff turnover. For different reasons, research suggests many employers opt for a combination of low rates of pay and high staff turnover. But there are wide-ranging benefits of operating with lower levels of staff turnover, including more committed staff and more stable, continuous patterns of service delivery and production.

Improving job design is the third factor investigated in the chapter. The adoption of new technologies can be a catalyst for enhanced job design, but the evidence shows that this does not happen automatically, it arises out of a strategic approach to developing higher value bundles of job tasks for employees. And our fourth factor is the need to diffuse more widely the practice of what we call 'cooperative outsourcing contracts'. The lessons from living wage campaigns in East London and living wage ordinances in the US show that first, client organisations that purchase outsourced business services are able to pay higher rates when pressed through collective action and second, higher rates of pay can reduce employer costs associated with staff turnover, absenteeism and industrial relations disputes.

8. POLICY OPTIONS TO REDUCE UNDERVALUATION

This report has found diverse, but strong, evidence that women's work is undervalued. That means that women receive a lower wage for a given quality of labour and that likewise employers gain from access to a higher quality of labour for a given wage.

Undervaluation also means that women receive lower returns to their investments in education and training and to their experience. Undervaluation involves both women being trapped in jobs that fail to utilise their potential and being employed in demanding and skilled work that is under-rewarded. Moreover, undervaluation occurs through the job hierarchy. Undervaluation is not only embedded in the skill and pay hierarchy as a legacy of past discrimination, but also re-emerges in new forms with changes in the organisation of work and employment and changes in women's position in the division of labour.

The undervaluation explanation of the gender pay gap is given less attention in policy circles because of the conventional wisdom of economists that the market should be given the benefit of the doubt and, unless there is overwhelming evidence to the contrary, low wages should be taken as reflective of low productivity jobs and of low productivity workers. The argument we have made here, supported by reference to a range of interdisciplinary literature is that wages in fact are shaped by a range of different and often competing logics, such that there is considerable scope for undervaluation to persist.

There is thus no neat matching between the potential productivity of workers and the productivity of jobs; productivity of jobs may change in different institutional contexts and in many sectors and organisations, the notion of productivity is difficult to understand and difficult to measure. Markets are not open and competitive, but reflect differences in power relations both between types of organisations and types of employees - including male and female labour.

The complexity of the forces shaping pay systems is such that undervaluation is not uniform in its form or its degree across the labour market, nor indeed across societies. However, there is evidence that gender differentiation is a force that not only persists, but continually re-emerges. Policy measures are therefore needed to help reduce current forms of undervaluation and to minimise the likelihood of its re-emergence or intensification under changing conditions of work and employment.

Policies to reduce undervaluation extend the field beyond that of implementing equal pay legislation. To date, equal pay legislation focuses attention on inequalities within the same employing organisation and not on remedying the problems of undervaluation that arise from women's work often being located and concentrated in different sectors and organisations than men's work. Thus policies to reduce and to protect against new forms of undervaluation need to address both the status and pay attached to work done by women and the position of women within the current job and pay structure.

Both these elements of undervaluation need to be addressed at a number of different levels:

- the labour market;
- the occupation;
- the organisation; and
- the workplace or job level.

8.1 Improving the pay and status of work done by women

The labour market level

At the macro or labour market level, the undervaluation of women's jobs can be addressed in two main ways: by reducing the penalties attached to being placed at a low position within the pay and job hierarchy; and by changing the position of women's jobs within the pay and job hierarchy.

Reducing the penalties of being undervalued

Undervalued women are more likely to find themselves towards the bottom of a job and pay hierarchy. These women are likely to be assisted by the establishment of a higher floor to the wage and job hierarchy. Such actions reduce the pay penalty in absolute terms. Undervaluation also implies that pay is low, relative to that received by men. Reducing the overall degree of inequality in the labour market, by addressing inequalities at the top as well as at the bottom of the hierarchy, will tend to reduce relative undervaluation.

A living wage as the floor to the pay structure?

Irrespective of whether large areas of women's work should or should not be labelled as low skilled or of low value, all societies must face the policy issue of what constitutes an appropriate level of pay at the bottom rung of the labour market. What

size of pay penalty should be borne by those who occupy the lowest graded or lowest skilled jobs?

Table 8.1 is drawn from a study undertaken for the OECD on female-dominated occupations and demonstrates that societies make different choices as to the size of the pay penalty paid by workers at the bottom of pay hierarchies.

Table 8.1 Women's pay in female-dominated jobs relative to total average male full-time earnings

Occupation	Per cent of total average male full-time earnings:		
	Full-time	Part-time	All
<i>Sales/shop assistants</i>			
Australia	58.8	57.2	57.8
Canada	55.6	52.5	--
France	59.0	59.0	59.0
Germany	46.4	--	--
Norway	64.0	62.4	63.0
United Kingdom	47.3	43.5	44.4
United States	52.2	50.7	50.4
<i>Nursing assistants/auxiliaries</i>			
Canada	62.6	--	65.3
France	72.9	72.0	72.7
Germany	51.4	--	--
Norway	73.6	79.8	77.2
United Kingdom	63.3	62.2	62.8
United States	51.8	63.1	55.2

Source: OECD (1998: Tables 2.4 and 2.5) based on Grimshaw and Rubery (1997: Tables 13 and 14 and Appendix Table 5).

Table 8.1 shows that the relative pay of retail assistants and of nursing assistants varied from 47.3 to 64.0% and from 51.4 to 73.6% of average male full-time earnings among the seven countries studied (with even wider ranges if part-time pay was included). The UK, along with the US, lies at the bottom of this spectrum.

The questions that need to be addressed include:

- Is it acceptable for there to be large numbers of jobs where the pay is not sufficient to maintain an independent adult?

- Are wages allowed to fall so low that there are negative incentives to develop more productive ways of working and organising?

The likelihood that jobs in the UK will pay below 'living wages' has been directly acknowledged by the government through its decision to develop the working tax credit system to subsidise those not presumed to be supported through family subsidies (primarily the young and women with working partners). Policies to promote the notion of a living wage as the floor to the wage structure would have the benefit that the pay penalties of undervaluation would be reduced. Such policies would also signal once and for all that women are not expected to be economically dependent on men, by being employed in jobs and sectors where, even if they work full-time, they cannot cover their own living costs.

The evidence on the impact of both minimum wages and living wages at the workplace level on organisational practices also suggest that these policies can kick-start a process of improving productivity of jobs and indeed of employees - through training - at the bottom of the labour market.

Reversing two decades of increasing earning inequality?

The high and widening wage inequality in the UK (OECD, 2004 - see Box 8.1) through the 1980s and 1990s contributed significantly to the size of the gender pay gap in the UK and thus to the undervaluation penalty.

The high level of inequality contributes to the undervaluation penalty at each level of the labour market. For example, in the study of graduates by Purcell and Elias (2004), the largest gender pay gaps were found in the highest paying sectors, such as finance. Women seem to be largely excluded from these very high earning levels. One approach to gender pay equality is to focus on breaking down the barriers that prevent women gaining equal access. Another is to question the need for such high levels of earnings inequality and whether such salaries can really be justified on the basis of productivity or scarce skills.

By no means all the advanced countries that face similar pressures for the recruitment and retention of highly skilled workers have gone down the route of such high levels of remuneration for the highest paid workers - primarily men. The European Commission, in analysing the latest Structure of Earnings Survey, has found three particular features of the UK wage structure. These include a large premium for being in a non manual job (34% - the highest premium out of 26 countries), being male (27% - the fourth highest premium out of 26 countries) and a high penalty for working part-time (27% - the joint fourth highest penalty out of 26

countries) (CEC, 2005 - see Box 8.1). It is this trend towards very high earnings at the top of the distribution that has in part frustrated women's efforts to catch up with men, through improved higher education and greater continuity of employment; as the education and experience gap closed, the rewards to a small and primarily male elite continued to increase.

Box 8.1 Earnings inequality in the UK in international perspective

There is now substantial evidence to show that the gender pay gap tends to be larger in countries with more dispersed wage structures (Blau and Kahn, 1992; Rice, 1999; OECD, 2002).

Earnings inequality in the UK is high in comparison to many western European countries. According to the 2002 Structure of Earnings Survey (SES), it has the fourth highest level of inequality - after Luxembourg, Ireland and France - of the twelve EU member states from the pre-2004 15 member states for which we have data. The SES data exclude major employment sectors - particularly public administration, health and education - so that the data are by no means definitive. However, these findings are supported by the OECD Earnings database where the UK has higher inequality than any of the western European countries included, except for Ireland, in the period 1995-99 (OECD, 2004: Table 3.2).

While the UK is at the top end of earnings inequality if we compare to western Europe, it has lower levels of inequality than most of the new EU member states: of the nine new member states for which we have SES data, seven have higher inequality than the UK and two have lower levels of inequality. Earnings inequality is also higher in the United States.

The UK not only has a decentralised system for wage determination, but also appears to have a high tolerance of inequality and secrecy with respect to remuneration (see Mosesdottir et al., 2006 for the extent of transparency in Nordic countries). In this context, it is difficult to develop policies to reverse such changes, as they require compliance at the level of the organisation. Without an institutional structure and without strong social norms, it is difficult both to promote and to monitor compliance.

We will suggest below that moves to improve transparency and accountability in remuneration decisions could help to turn the tide, if combined with pressure on organisations to implement equal pay for work of equal value. It is possible that if organisations are in fact required to fund significant improvements in women's pay, they may prove to be less generous in rewarding the already well-paid.

Protecting and improving the position of women's jobs in the pay hierarchy

Opportunities for undervaluation can be expected to increase in contexts where pay structures are allowed to fragment. One of the functions of trade unions that has been identified by economists, but is often forgotten today, is to provide information on pay levels across the labour market. Lydall (1968) (quoted in Phelps Brown, 1977) commented that where unions are weak, there are often high degrees of market imperfection. These imperfections arise in part from lack of information on organisations' reward policies. Where there is a lack of information on pay levels, there is reduced pressure for comparisons between sectors, organisations or even within organisations between job areas.

Such fragmentation allows undervaluation to occur without justification or even recognition of differences in levels of pay or rates of change in pay. By linking pay in female-dominated jobs to pay in male-dominated jobs, a framework is created for comparisons of pay levels and for promoting increases in pay at similar rates across the labour market. This linkage is an important issue for many female-dominated jobs in service areas that are less likely to benefit from technologically-induced improvements to productivity. In later sections, we will address issues of fragmentation at the organisation and workplace level. Here our main concern is with integrating pay structures across the labour market, primarily through some form of coordinated collective bargaining and wage determination.

Research suggests that coordinated bargaining is more likely to result in a compressed wage structure and lower gender pay gaps (OECD, 2004 and Box 8.2). Coordination does not solve all problems, as sectors and occupations may remain undervalued within the structure, but it does serve two specific functions of benefit to gender equality. First, it ties the evolution of pay in female-dominated sectors to the general trends in pay rises. Second, it limits the impact of occupational crowding, monopsony and fragmentation on pay levels in female-dominated jobs by allowing questions to be raised about relative pay levels, particularly minimum pay rates, in female-dominated sectors compared to male-dominated sectors. Where this issue has not been taken up by the trade unions as a matter of concern (for example, in Austria), coordination in itself is not sufficient to bring about greater gender equality. However, where social norms are in favour of greater equality (by gender and between other groups - for example, in Sweden), coordinated bargaining has tended to promote greater equality in pay levels by sector and occupation.

Box 8.2 Wage setting institutions and gender pay equality

By international standards, the UK has both a low level of collective bargaining coverage (ranked 18th out of 25 OECD countries) and a highly decentralised system of wage setting (categorised amongst the most decentralised) (OECD, 2004). Union density levels are somewhat above average (ranked 13th out of 30 OECD countries). Female pay has been found to be higher in countries with higher union density and wider collective bargaining coverage.

For the UK, there is indirect evidence of the impact of the absence of coordinated bargaining, in the form of a recent study of wage structures in the private sector in the EU25 (CEC, 2005: 188). This report found that the UK had one of the highest levels of dispersion of pay levels by sector, a finding anticipated in societies with highly decentralised pay determination systems.

The UK does retain a reasonably high level of coordination in wage determination in the public sector, through its national bargaining and pay review processes. However, the degree of coordination between areas of the public sector is less than in other countries that utilise a common grading structure across most public sector activities, for example from public administration to education and health (Rubery and Fagan, 1995). This coordination is at risk through the policies of contracting out of public services, so there are major efforts needed to retain and promote integrated pay systems in the public sector - as is occurring within the NHS and across its subcontractors. Change to equal pay laws to allow comparisons across employers could also promote greater integration of pay systems, although these comparisons are likely to be confined to similar sectors and/or the same supply chain, even if some extension of equal value laws were to be mooted.

The occupational level

Undervaluation of women's work is associated with the low valuation and status attached to many of the occupations in which women are concentrated. While the actual valuation of a job depends on the employing organisation, measures that are designed to raise the general status of an occupation can be expected to have some impact on the pay or value accorded the occupation by employers.

One policy approach to undervaluation is therefore to raise the status of women's occupations through strategies to make more visible in these occupations the skills that are required, the stress or work intensity that is involved and the responsibilities that the work carries. This approach could raise the profile of these occupations and thereby promote fairer valuation of the occupations in the pay hierarchy. In some female-dominated job areas, there may be strong grounds for strategies to 'professionalise' the occupation. This involves requiring those working in the

occupation to become qualified to practice - through education, training, work experience or mixtures of these - and to use this professionalisation of the occupation as a basis for raising its value. This was a policy approach adopted by the OECD in its study of female-dominated occupations for some job areas such as care work; in promoting this approach, women are being advised to follow the same process of occupational closure used primarily by men in the past to construct sheltered labour market segments of professional or craft-based work, where entry is restricted to those with appropriate qualifications or experience.

The steps needed to promote professionalisation (OECD, 1998: Chapter 7) were identified as:

- promoting knowledge of the jobs and occupations concerned among the various actors;
- emphasising the skills required;
- developing collective skills, including changes in work organisation to promote skills;
- coordinating initial, further and on-the-job training;
- defining career paths; and
- improving pay and conditions.

Professionalisation may be seen as reducing opportunities for other women who do not have the right qualifications or experience, but there are strong arguments to be made in favour of some forms of it. These can be derived by looking at the costs that are incurred as a result of non-professionalisation. For example, where care work is not accredited through qualification, the results tend to be that neither employers nor the employed women value their skills and experience. As a consequence, there are high rates of labour turnover, with consequent loss of skills to the overall labour market. Professionalising the work could increase not only the value of the job, but also women's commitment to the job, thereby facilitating both horizontal (between employer) and vertical career moves (up the career ladder). These outcomes would help to capture the developed skills within the care sector, instead of allowing the skills to be lost to the sector and the society through job and labour market quits. While full professionalisation may not be appropriate for all occupations, strategies to make skills more visible and to promote initial and continuous training and

development may help to reduce the association between women's work and the absence of skills.

This approach is the counterpart to that addressed in Chapter 5 - where external pressure to upgrade pay may lead to enhanced productivity and professionalisation. Here the argument is to upgrade and accredit skills in order to enhance the value of an occupation. One danger is that, if the strategy is successful, there is the risk of reversing the process of segregation, with men seeking access to the upgraded job area. There is also the associated risk of developing career paths that men will move up the 'glass accelerator' (Williams, 1992) to higher level jobs, even if they form a minority within the occupation.

The organisational level

The value of the jobs that women do are in large part dependent on where those jobs are located - that is on the employing organisations' ability and willingness to pay.

Policies to address problems of organisations with low ability to pay need to identify first the factors that lie behind this 'low ability to pay'. Four different scenarios or circumstances may lead to low ability to pay.

The first and most difficult to address is where organisations are operating in an internationally competitive industry organised around the undervaluation of labour - often female labour - on a global basis. The prime example here is the clothing and textile sector. This tends to be dominated by both female and low paid labour worldwide, although the skills required to make clothes are not necessarily less than those, for example, required to work on a car assembly line as demonstrated by the famous equal pay case of the Ford sewing machinists (Hastings, 2000). To raise value in these sectors, some market advantage in technology or products needs to be developed. This market advantage then should be used to put pressure on the all powerful retailers not to insist on orders at prices which do not reflect the value of the labour required.

A second scenario, that of more internally traded sectors, such as hairdressing or restaurants, offers more scope for improving ability to pay. Here the low ability to pay reflects in part the low wage strategies of competitors. Policies such as minimum or

living wages, if applied to all competitors, may help reduce undervaluation in these sectors without affecting competitiveness.²³

A third scenario is where the value of the work is determined by powerful clients; this is the context in which in the US and in the UK, those promoting living wage policies have targeted the clients of subcontractors (for example, clients of cleaning companies) rather than the subcontractor themselves (see Chapter 7 for examples). It is the powerful clients who are seeking to take advantage of cheap labour supplies by outsourcing work to the lowest bidder. The main way forward in this context is to seek agreement from the client to accept a reasonable minimum wage as the basis for competitive tenders. Similar strategies are being used by trade unions to protect pay for outsourced services in the public sector.

A final and extremely important scenario is that of the public sector organisation providing services that are not suitable for high productivity strategies based around the application of technology. Here, ability to pay depends upon society's willingness to pay, through taxation of both enterprises and individuals, to ensure that those workers providing these necessary services (care, education etc.) are able to benefit from economic growth and development, just as much as those workers who happen to be located in the high productivity drivers of the economy.

Employing organisations may still continue to undervalue women's work even when they do have the potential to pay fair wages. Evidence to support the idea that employers may be less willing to pay if they employ women includes first, the evidence that men may be in a better position to benefit from 'rent sharing practices' than are women (CEC, 2005, Forth and Millward, 2000); second, the associated finding that the low skilled are particularly likely to be low paid in small workplaces belonging to large organisations; and third, the rather general finding that gender segregation at the workplace has a stronger impact on reducing pay than even gender segregation at the occupation or sector level. Moreover, the impact of either gender concentration, or indeed part-time work concentration, in reducing pay levels may spread to all members of the workforce, including both male and full-time employees.

If the low paid workforce becomes the benchmark within the organisation for the pay structure, the potential to use equal pay legislation to provide a remedy is reduced, as comparisons must be made within the same employing organisation. One answer

²³ The issue of whether there is a negative employment effect due to price elasticity of demand is a hotly debated issue. The findings of the presence of monopsony in labour markets (Card and Krueger, 1994) has reopened this debate even among mainstream economists and there is less agreement that there is an inevitable negative impact on employment.

must be to begin to allow comparisons across organisational borders to ensure that the incentives to fragment organisations, so as to pay low wages in gender segregated areas, are reduced. Another strategy could be to require all large organisations, that is those with large numbers of small workplaces, as well as those with large workplaces - to conduct and publish equal pay reviews (see Adams, Carter and Schäfer, 2006, for the most recent EOC survey of such reviews). This would make visible their lack of willingness to pay and provide more information, through for example human capital reports accompanying their company reports, around which employees and trade unions can organise to reduce undervaluation.

The workplace and job level

It is at the workplace level that women's jobs are actually given a value. Undervaluation must therefore be tackled at this as well as at other levels. Equal pay legislation, of course, currently operates almost entirely at the level of the workplace or single employer, so that undervaluation in strict legal terms only occurs if a woman is performing like or equivalent work to that of men and is underpaid. However, our concerns are wider for it may be the organisation as a whole that is underpaying. Furthermore, women's work may not be entirely equal to that of a male comparator, but the wage differential may be wider than those justified by the differences in the work. The equal value element to the legislation only applies if the jobs are of equal value, but this limitation should not detract attention from undervaluation that occurs when, for example, a women's job is 'worth' 80% of a man's job, but is paid at 50% of the wage.

At the workplace level, all of the issues associated with undervaluation - of visibility, valuation, vocation, value added and variance - need to be addressed.

Visibility

A gender sensitive job grading system is needed that makes women's skills visible - through inclusion of women's types of skills and by differentiating between levels of women's work, not just aggregating all women into one grade.

Valuation

In addition to ensuring a fairer ordering of jobs, attention has to be paid to the value attached at each level - to avoid, for example, the disproportionate reward for higher level skills not related to differences in value, as suggested above, and to ensure that all grades' pay levels are not being downgraded by an association with women's work in female-dominated workplaces. Furthermore, valuation involves not just basic pay, but also the system of pay increases. Attention need to be paid to the validity of the system of awarding increases - be it by seniority, merit or performance. A pay

system that is not related to the needs of the jobs will lead to distortions, moving the pay system away from the agreed relative pay for the type of work. For example, distortions will occur if there is individualised performance related pay, but limited opportunity for individuals to really influence performance, or if there are long seniority scales in jobs with limited opportunities to develop skills through experience.

Vocation

Care needs to be taken that women's assumed 'vocation' for emotional or care work is not a thinly veiled excuse for exercising monopsonistic power in the labour market. Paying women at low rates may be 'justified' by employers because they have limited external opportunities, or because they have become committed to their work and are unlikely to quit. The equal pay principle instead suggests that they should be rewarded for their skills and contributions. Furthermore, vocation may not indeed be sufficient to ensure motivation, productivity and commitment and employers - including the government in the case of public sector services - should not assume that productivity and motivation can be achieved without an appropriate reward for the skills and effort involved.

Value-added

It is also at the workplace level that action is needed to increase women's access to high value added jobs - including supervisory or managerial work - rather than allow these to be monopolised by men. A gender sensitive job grading system should in principle mean that reward structures focus more on what the job requires of the employee than on what the job itself contributes to the value added of the company. Thus policies to counter undervaluation at the workplace must also provide women with access to jobs with responsibilities for resources and for employees. This may involve creating new career paths within women's own job areas, as women may be more able to signal their appropriateness to move onto career tracks currently dominated by men if they have already had some opportunities to assume responsibilities within more feminised areas of work.

Variance

Finally, attention needs to be paid to whether those working at variance to the full-time continuous male norm - for example, by working part-time or taking career breaks - are more at risk of undervaluation than others. Part-time jobs may be crowded into low grade categories with limited recognition of differences in skills and experience between part-time employees, or policies such as extended seniority pay, may unfairly penalise those who have had discontinuous or part-time work experience.

8.2 Improving the position of women within the current job and pay structure

The labour market level

A major contributor to undervaluation is undoubtedly the tendency for women to be crowded into low paid occupations as a consequence of both quitting the labour market to have children and seeking a part-time job on re-entry. This career pattern has been strongly associated with occupational downgrading and lifetime pay penalties. Policies to reduce women's vulnerability to undervaluation need to extend women's career choices at the point of childbirth and re-entry to the labour market.

Recent initiatives, such as extending leave entitlements and providing for the right to request to work flexibly, are moving in the right direction as they reduce pressure on women to quit their full-time jobs and seek a job designed for part-time workers. Jobs that are specifically designed as part-time - rather than jobs in which hours arrangements may vary to suit the employee - are more likely to be low paid and regarded as low skilled (White et al., 2004).

More women are now returning to work for their same employer - and may switch within that employment from full-time to part-time work (Hudson et al., 2004; Smeaton and Marsh, 2006). Women in the past were more likely to seek part-time employment with an alternative employer (Callender et al., 1997). Scope still remains for considerable improvement in these policies. The right to work flexibly needs to be both strengthened and extended to include other carers, not just parents of young children (EOC, 2005). There needs to be more positive incentives for men to participate on an equal basis with women, through specific leaves for fathers or other measures. And consideration should be given to establishing a parallel right to request a return to full-time work when care responsibilities change to prevent the crowding of women on to 'mommy tracks' at work (Fagan et al., 2006).

Perhaps most importantly there need to be changes in the culture of work organisation so that parents are able to combine work with personal and family life without having to opt for part-time working. The long hours demanded in full-time work now often leave mothers with few options other than to go down the part-time route. However, there are severe career and pay costs in taking this option (Smithson, et al., 2004). This culture change has to be affected at the organisation and workplace level, but at the labour market level, it could be assisted symbolically and in practice, by the abolition of the opt out from the maximum 48 hour week.

Finally, there is a longer term need to develop a more ambitious agenda under which women who become mothers are positively rewarded for their contributions to society. Parenthood can be regarded as a 'public good' (see Box 4.1), such that it

benefits the wider society, but parents are not able to capture a share of the benefits as compensation. Currently instead of being rewarded, mothers are penalised in pay and employment opportunities. Policies to redress this perverse effect could include giving rights to reduce hours with earnings compensation during periods of responsibility for young children. This approach enables mothers not to become economically dependent upon their male partners, as well as assisting with the costs of caring for children whose arrival and upbringing to productive adulthood confer benefits on society as a whole. This system would have similarities to the Swedish paid parental leave which can be taken on part-time basis. In contrast, in the UK, women are expected to be grateful for being allowed to reduce their hours, and there is no talk of compensating them for reduced earnings.

The occupational level

In a context in which the value attached to female-dominated occupations remains unchanged, the main ways in which women can reduce their risk of undervaluation is either through moves into higher valued occupations, or through improvements to their position within their current occupational pay scale.

Entering higher valued and often male-dominated occupations has proved to be an important and indeed partially successful strategy by women over the past decade (see Chapter 6). Contrary to the view that little has changed in gender segregation, our results show that there are a sizeable number of occupations where women have made significant inroads over the past decade, although many male-dominated professions remain relatively closed to women. These changes also reflect patterns of both change and continuity in educational and training choices. Thus while women are becoming dominant in biological sciences, they still form a minority of physical science students. Progress with respect to desegregation of both education and occupations in part depends on a critical mass of women students or employees forming (Kanter, 1977), such that individual women are not isolated in their struggle against a dominant male culture. It is notable that in the detailed studies of graduates by Purcell and Elias (2004), the one occupational area where there was the highest quit rate by women - engineering - was also the subject in which they still formed a small minority. It is therefore not so easy for individual women to break down gendered barriers to male-dominated occupations. Nevertheless, there is plenty of evidence that women will adapt, and have been adapting, to new opportunities once it has been demonstrated by a significant number of women that they can and have made a successful entry into a new area.

There is still the risk that women will be trapped within these new or previously male-dominated occupations at a relatively low pay band, which is associated with a new

gender divide within occupations. Even so, entry into higher paid occupations is still likely to improve women's economic position, although not fully to close the gender pay gap. There is the further problem that occupations that begin to desegregate may begin to lose some of their relative pay and status. While Kanter (1977) has focused on the importance of women forming a critical mass within an occupation before they can make significant progress and become more than token representatives, Reskin and Roos' (1990) work has highlighted the dangers of occupations tipping over from being male-dominated to female-dominated. Entry into male-dominated and higher valued occupations is not therefore sufficient. There also needs to be policies to ensure that women can move up the hierarchy of the occupation and not be confined to the lower rungs. There also needs to be processes in place to protect the pay and status of the occupation if it begins to be associated with women rather than with men.

Promoting women's position within occupational structures may involve two quite separate strategies. In male-dominated occupations, the main policy needs may be to ensure that:

- women are able to move off the lowest rungs of the ladder;
- they are not so discouraged by the dominant male culture that they leave the occupation; and
- they do not become confined to a specific segment where pay is low or declining relative to the average for the occupation.

In female-dominated occupations the main tasks may be to:

- create more promotion opportunities; and
- prevent those opportunities being monopolised by a minority of male employees.

Desegregation in the reverse direction may lead to the exclusion of women from higher level jobs in their speciality. Men may move up the glass escalator, if prejudices in their favour still persist and are reinforced by notions that men in a minority in an occupation must be encouraged to remain.

The organisational level

Just as women need to be encouraged to, and facilitated in, seeking employment in higher valued occupations, so they need to seek employment in organisations that

have demonstrated an ability and willingness to pay at relatively high rates. Such strategies will only help a minority of women, but nevertheless can reduce the number of women facing undervaluation.

Women may be excluded from such organisations in three main ways: first, in initial hiring, second, if women's job areas are more likely to be outsourced and third, if the culture of the organisation make it more difficult to maintain employment over the period of childbirth and childrearing. Requirements for high hours commitments to work provide one example of such practices. Different problems may apply in individual organisations with some offering flexible options for parents, some offering high rates of initial recruitment, but poor support over the working life for women etc.

There are two main ways to encourage or require organisations to report on their equal opportunity policies and practices: the first is through specific equality or equal pay reviews, as proposed by the EOC's taskforce on equal pay and as required in many Nordic countries (see Table 8.2). The benefits of this approach are found in the specific and detailed focus on equal pay and equality issues. However, enforcement of these requirements have proved to be difficult even in countries such as Finland. Even though there are relatively strong social norms in favour of gender equality in Finland, only a minority of companies have complied with requirements to develop equality plans (Rubery et al., 2002: Box 5.5.).

Another alternative is to mainstream the requirement to produce information on equality within a general reporting framework. The requirement for large companies to include in their Operating and Financial Reviews a report on their human resource policies (see Kingsmill, 2001; and Taskforce on Human Capital Management, 2003) could have helped to promote policies that do provide women with both access to employment and support over their working lives. However the introduction of compulsory Operating and Financial Reviews was cancelled at short notice. Some new system along these lines should be sought and ideally should also require companies to report on equal pay policies. A new version of a global code of practice for reporting on sustainability policies of large companies²⁴ has included this as an additional element for the first time. Already large and high profile organisations are more likely than other organisations to undertake equal pay reviews (Adams et al., 2006), but these need to be undertaken in a context in which overall human resource policies are examined. For example, such organisations need to report on policies

²⁴ The Global Reporting Initiative (GRI) Guidelines for organisations/companies reporting to the public on their social and environmental impacts are currently being revised and include for the first time a proposed guideline on equal pay. These are available at: <http://www.grig3.org/pdf/g3guidelines.pdf>

towards working hours for full-time staff and not simply on the availability of specific options for mothers.

Table 8.2 Equality Plan/Action Plan

	Denmark	Finland	Iceland	Norway	Sweden
Actors	Employers with > 35 employees	Employers with > 30 employees	Employers with > 25 employees	All enterprises	Employers with > 10 employees
Frequency	Every year	Every year	Not specified	Not specified	Every year
Content	Information about wage practices	Information about the situation, measures and evaluation of measures	Efforts to equalise pay	The main aim is equal pay for work of equal value	Current situation evaluation of previous measures and measures to attain equal pay with 3 year period. Cost accounting and time plans
Sanction	No fine	Fine - special amount	None	No fine	Fine - special amount
Supervision	None	The Ombudsman for Equality	No direct	Board of Appeals and the Ombudsman	Equal Opportunities Ombudsman

Source: Mósesdóttir et al., 2006.

The workplace and job level

A key issue for improving women's position within the existing job and pay grading structure is to ensure that the implementation of payment systems is consistent with principles of gender equality. The issue of establishing a relatively fair pay and grading structure has been addressed in section 8.1. Here we are concerned with the implementation of the payment system and the monitoring of the implementation.

Countering undervaluation requires attention to be paid to where men and women are placed initially within a pay and grading structure and how their pay progresses over time. This requires attention being paid specifically to starting salaries, annual increments, the allocation of bonuses and incentive payments, the allocation of unsocial and hardship allowances, the provision of fringe benefits etc. If these multi-dimensional aspects of the reward system are not to frustrate equal pay policies and indeed are to be effectively monitored for gender equality, it is essential that workplaces adopt certain principles that underpin a fair reward structure. These principles include:

- a commitment to equal pay for work of equal value for all staff, not just between men and women;
- a commitment to transparency of pay and reward structures that could include provision of fine grained, if not individual, data on pay levels and other elements of reward;
- a commitment to reward actual performance *at* work, not presumed commitment *to* work, such as willingness to work extra and long hours; and
- a commitment to reward for contribution/ performance in the job and not to base reward on the market power of the employee.

The result of the adoption of such principles would be a commitment to a transparent and a consistent pay system, where the consistent principle is that all employees should be rewarded appropriately for the jobs that they currently undertake. The CIPD in a recent briefing on diversity encourages employers not to stick at equal value between men and women. Dianah Worman, the CIPD's diversity adviser, is quoted as saying (Welfare, 2006) that:

Employers should begin from the principle that all individuals, not just women compared to men, should receive equal pay for equal work.

Gender equality in valuation is much more likely if the same principles are applied to all staff irrespective of gender differences, so that all staff should be able to take complaints of not receiving equal pay for work of equal value.

Removing the secrecy currently attached to reward - particularly under individualised pay bargaining - would provide a major motivation for employers to ensure that their pay practices match up to both their legal requirements and to their own commitments to equal pay for work of equal value. These are often espoused, but are rarely monitored. Cases for market supplements or variations would have to be supported through rigorous evidence, not just based on the perceptions of the employer or the negotiating skills of individual staff.

An important part of the commitment to equal pay for work of equal value is that pay should reflect the job requirements, not the contribution of the job to value-added of the organisation. It is the requirement to undertake a complex and demanding job, not the position of the employee in the organisation's value chain that is relevant. Similarly, a focus on current contribution takes out of the reward equation the temptation for managers to reward staff according to their perceptions of the likely

career trajectories of the member of staff. For example, evidence of long hours at work could be seen not as an indicator of commitment to the organisation and of potential for promotion, but of possible inefficiency in the performance of current tasks.

8.3 Conclusions

Combating undervaluation requires a multi-dimensional policy approach. It involves both changes to the valuation of women's work and changes to the position of women within any given pay and job grading hierarchy. We have reviewed a wide range of policy needs and approaches, but a number of key messages and policy options can be identified that need to be included in the current debate on closing the gender pay gap. The key principles or approaches include policies to:

- reduce the pay penalty for undervaluation at the bottom of the job hierarchy;
- promote integration not fragmentation of the system of wage determination and indeed the production system;
- make women's skills visible and where appropriate take steps to professionalize women's work;
- allow for comparisons across organisational borders, including up and down supply chains, in equal pay cases and in collective bargaining;
- develop gender sensitive pay and job grading systems and ensure payment systems match the needs/demands of the job;
- promote continuity of careers through policies to tackle the long hours culture and strengthened rights to flexible working and rights to request a return to full-time work;
- desegregate occupations, but address vertical segregation within both male and female-dominated occupations;
- require organisations to report on their equal opportunities and equal pay policies through equal pay reviews;
- promote transparency of reward at the workplace;
- commit to a general principle of equal pay for work of equal value for all employees;

- reward job demands, not the productivity of the job; and
- reward commitment at work, not commitment to work.

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APPENDIX

Differences in education and work experience lose their explanatory value throughout Europe

Gender differences in education have traditionally been viewed as a major factor driving gender pay inequality. Over recent years, however, women have been catching up and even overtaking men's educational levels. Among all OECD countries, women make up just 40% of those aged 55-64 years with tertiary education, but among the 25-34 age group this figure rises to 53% (OECD, 2002: Table 2.3). Among EU member states, the female share of the total population with tertiary education is already above 50% in Belgium, France, Portugal and the Scandinavian countries (op. cit.). This increase in educational level could therefore be expected to contribute to a significant narrowing of the gender pay gap. However results of studies by international agencies - the OECD (2002) and the EU (CEC, 2002) - show that education explains very little of the average gender pay gap in the different countries. In the *Employment in Europe* study (CEC, 2002), controlling for gender differences in educational attainment and training would, at the EU level of analysis, only have a marginal impact - but in this case, it would actually widen the gender pay gap by around 1 percentage point (op. cit.: Figure 27).

There are also national studies where women's increases in education have not led to the anticipated closing of the gender pay gap. For example, the Swedish study (SOU, 2001 cited in Spånt and Gonäs, 2002) shows that the narrowing of gender differences in education and work experience between 1981 and 2000 should have led to a narrowing of the pay gap by around 6.5 percentage points, when in fact the gap widened particularly for those with higher educational achievement. Gender differences in education have been found to explain only a very minor, or insignificant, portion of the gender pay gap in many countries (see Table 2.5).

Differences in experience also fail to account for gender pay gaps: in fact national data for Finland show that the pay gap widens from 13 percentage points for workers with 1-9 years experience to 22 points for workers with over 30 years experience (Lehto, 2002: Table 6). Studies have found that women receive lower returns to any given year of experience, compared to men, controlling all other factors, in France (Meurs and Ponthieux, 1999, cited in Silvera, 2002); Spain (Riboud and Hernandez, 1989, cited in Moltó, 2002); Luxembourg - where women only gain from experience up to 20 years, but positive returns to men's experience continue - (Lejealle, 2001, cited in Plasman and Sissoko, 2002); and Portugal (Martins, 1998, cited in González, 2002). Also, seniority in the firm tends to provide higher returns for men than for women. In Belgium, one study shows that human capital accumulated within the firm has no impact on female wages but is significant and positive for male wages (Jepsen, 2001, cited in Meulders and Sissoko, 2002). In Spain, women receive lower returns to tenure (Riboud and Hernandez, 1989, cited in Moltó, 2002).

Indirect evidence of gender discrimination in returns from experience is found in the higher penalties attached to women taking leave, particularly associated with maternity. In Germany, women returning from maternity leave face an 18% drop in wages, but men returning from national military service enjoy a wage gain of 3% (Kunze, 2002 cited in Maier, 2002). In Austria, a period of unemployment between 1993 and 1997 resulted in a reduction in earnings of 2.5% for women and 4.3% less for men in 1997 compared to 1993, but a period of childcare resulted in a loss of 9%, compared to a gain of 20% for women who had not interrupted employment (Gregoritsch et al., 2000 cited in Mairhuber, 2002). The gender penalty associated with experience is particularly marked for women in part-time employment. In a Belgium study, it was even found that female part-timers have negative returns to experience (Jepsen, 2001, cited in Meulders and Sissoko, 2002).

Source: Rubery et al., 2002.