The Gender Pay Gap:

Are Equal Pay Audits an Effective Solution?

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Declaration

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Abstract

Equal Pay Audits are the latest tool in the campaign for gender equality at work. I use two pay audits, in a bank and an insurance company, to demonstrate how they can be used and abused, and in the process I explore the reasons for the massive gender pay gap of forty three per cent in the finance sector of the United Kingdom. The conduct of a pay audit allows an employer to claim conformity with government approved procedures, but I ask how reliable those procedures are, and how the process can be improved. The introduction of 'new' payment systems such as performance related pay has allowed employers to claim that pay and promotion are fair because they are determined by 'objective' criteria. The validity of such claims is tested, and other elements of the pay process that contribute to unequal pay sought out. The potential for 'new' payment systems to be transparent is found to be offset by provision for management discretion, but the major contributor to the gap is found to be the development of a two tier workforce following recent restructuring of the industry. This effectively reproduces the gendered divisions that existed prior to the implementation of Equal Opportunities legislation. The women who occupy most of the lower tier are mainly employed in call centres and customer service departments, where they have better pay and conditions than they could expect for alternative jobs in the same locality, sufficient flexibility to accommodate domestic commitments, but a flat career structure with little opportunity for promotion. The few men who join this tier do so as a stepping stone to the traditional departments where promotion provides access to some of the highest salaries in the UK.

Abbreviations and Acronyms

ABI	Association of British Insurers
ACAS	Advisory, Conciliation and Arbitration Service
AMICUS	A general union that incorporates the Manufacturing Science and Finance union
ATM	Automatic Teller Machine
BBA	British Bankers Association
BCC	British Chambers of Commerce
BDM	Business Development Manager
BHPS	British Household Panel Survey
BIFU	Banking Insurance and Finance Union
BITC	Business in the Community
BSA	Building Societies Association
CBI	Confederation for British Industry
CHRC	Canadian Human Rights Commission
CIPD	Chartered Institute for Personnel and Development
DfES	Department for Education and Science
DTI	Department for Trade and Industry
EOC	Equal Opportunities Commission
ESRC	Economic and Social Research Council
FSA	Financial Services Authority
FSB	Federation of Small Businesses
FSSC	Finance Sector Skills Council
GCE	General Certificate of Education
GCSE	General Certificate of Secondary Education
GHS	General Household Survey
HBOS	Halifax Bank of Scotland
HRM	Human Resource Management
HSBC	Hong Kong and Shanghai Banking Corporation
ICT	Information and Communication Technology
IDS	Incomes Data Services
IES	Institute of Employment Services

IFS	Institute of Financial Services
ILO	International Labour Organization
ISA	Individual Savings Account
IT	Information Technology
JCCC	Joint Credit Card Company
LFS	Labour Force Survey
MRC	MRC National Survey of Health and Development
NBPI	National Board for Pensions and Income
NCDS	National Child Development Study
NES	New Earnings Survey
NUBE	National Union for Banking Employees
NVQ	National Vocational Qualification
OFR	Operating and Financial Review
ONS	Office for National Statistics
plc	public liability company
RBS	Royal Bank of Scotland
RDA	Regional Development Agency
SIC	Standard Industry Classification
TUC	Trades Union Congress
UK	United Kingdom
UNIFI	The Finance Sector Union
WERS	Workplace Employment Relations Survey
WIRS	Workplace Industrial Relations Survey

Chapter 1. Introduction

Aims of the research

In this research I examine the potential for Equal Pay Audits to identify the causes of unequal pay in individual organisations. In the process I specifically explore the extent to which changes to pay and grading systems have affected the level of the gender pay gap in the finance sector of the United Kingdom, asking whether they help to eliminate or perpetuate unequal pay. The choice of the finance sector was inspired by the extreme size of the gap compared with the remainder of the country. More than thirty years after the passing of the Equal Pay Act the earnings of all women in the UK are on average eighty two per cent of those of men. In the finance sector the equivalent figure is fifty seven per cent, six per cent lower than the overall UK figure in 1970 (ONS 1970; ONS 2003) and fifty per cent less than the current figure in any other industrial sector (IDS 2003b). Financial services are subject to the same employment and equality legislation as the rest of the UK, their workers have been educated in the same schools and subjected to the same range of cultural influences, and will therefore have similar expectations of equal treatment at work. Could there be some characteristic of the sector that accounts for the disproportionate size of the gap?

For much of the twentieth century employment in the sector was characterised by high pay relative to similar types of occupation, and an openly declared differentiation between long term 'careers' for men and lower level 'jobs' for women (Lockwood 1958; NBPI 1969; Crompton 1989; Pascall et al. 2000). Gendered pay scales were abandoned in 1970 (Brooks 1971; Morris 1986), job evaluation was introduced to determine the relative value of jobs (Waine 1985; Morris 1986), and equal opportunities policies were adopted in the 1980s (Pascall, Parker, & Evetts 2000). There is no longer any explicit bar to women having the same career opportunities and financial rewards as men. Crompton found evidence of increasing numbers of women obtaining the relevant professional qualifications to facilitate their progress to management (Crompton 1989), and the International Labour Office reported the proportion of female financial managers rising from eleven to seventeen per cent during the 1980s (Wirth 2001).

On the face of it reforms such as these should have resulted in a much more significant closing of the pay gap since 1970; however they were not the only changes affecting the industry at that time. During this period the sector was transformed from a group of highly regulated cartels, to one in which the relaxation of regulation has produced intense competition, not only between the established banks, building societies and insurance companies, but also with new entrants such as supermarkets (Ennew et al. 1990; Storey 1995). Restructuring resulted in much flatter organisational hierarchies, with a larger ratio of clerical to management staff and therefore fewer opportunities for promotion (Crompton 1989). Increased competition prompted a much more aggressive management style, with the intention of refocusing employees' purpose from service provision to sales (Snape et al. 1993; Storey et al. 1999), and of promoting greater flexibility in the nature, location and time that work is performed (Atkinson 1984; Hunter et al. 1994). A significant element of the new approach was the introduction of 'new' payment systems, particularly forms of performance related pay. The concept of pay for performance was not new to the industry, merit having replaced age as the basis for progression in 1971 (Morris 1986), but the version implemented for Nat West managers in 1988 was the first to introduce specific performance targets, a concept that was rapidly taken up by most finance sector organisations, and for all grades as a replacement for both annual increments and negotiated cost of living awards (Goodswen 1988; Swabe 1989; Snape et al 1993).

In this thesis I ask two questions about the impact of new payment systems on the pay of women and men. First I ask whether there is any evidence that the use of objective criteria for assessing individual contribution /performance helps mitigate pay differences for jobs judged to be of equal value. Secondly, whether the introduction of meritocratic payment systems facilitates the entry of women into previously male dominated grades and roles, or alternatively whether management strategies for flexibilisation, including the individualisation of pay, have created new working arrangements and a competitive culture with which the predominantly female section of the workforce is either unable or unwilling to comply, and these effectively continue to perpetuate the lifetime pay gap, albeit in new ways.

In theory at least, job evaluation and performance pay can provide a fair method of assessing compensation (NBPI 1968; Lewis 1998), although in practice the implementation of either system may provide opportunities for bias or discrimination (Mcnally & Acker 1984; Acker 1990; Dickens 1998). The potential problems have, however, been well documented, in practitioner as well as academic journals (IDS 2000; Wiscombe 2001; CIPD 2001; Milsome 2003), and are also recognised by trade unions (BIFU 1989; BIFU 1994). Whilst recognition of problems does not guarantee their resolution, why is it that the combined efforts of human resources practitioners and trade union negotiators have failed to achieve a significant reduction in the pay gap?

The problems with job evaluation and performance related pay are as likely to occur in any industrial sector, but the new emphasis on competition in the finance sector may exacerbate one particular problem associated with performance related pay. Competition between employees for the relatively small number of better than average ratings that are available in most systems has been criticised because it can lead to fraud or to aggressive sales techniques that alienate customers (Pfeffer 1998). Pfeffer's critics point to the financial success of companies that reward performance (Zingheim & Schuster 2000). Improved company performance may well result from the implementation of these systems, but it is unlikely that either fraud or excessive aggression are common. A more likely consequence is that workers contribute part of their own time to achieve their targets, arriving early, departing late or taking work home (Wharton & Blair-Loy 2002), and contributing to the establishment of a 'long hours culture'. Analysis of the British Household Panel Survey (BHPS) suggests that working unpaid overtime produces long term financial benefits for individual workers (Campbell & Green 2002), however it may also create a vicious circle, whereby targets exceeded one year are increased the next; and a new divide, between those workers who are able and willing to sacrifice their own time, and those for whom it is not an option. The latter group will be predominantly comprised of women, who are likely to be deterred from seeking advancement by the perception that the pressure to improve performance increases with rank.

The thirtieth anniversary of the Equal Pay Act inspired renewed concern about unequal pay between women and men in the UK. A Task Force was set up, comprising members from industry, trade unions and government, with the remit to identify ways of eliminating that element of the pay gap that was the result of discrimination (EOC 2001b). The Task Force made several recommendations, requiring action by government agencies, employers and trade unions in the fields of legislation, policy, practice and publicity. However there was one recommendation that became the focal point of the Task Force's report 'Just Pay', and that was the creation of a "duty on all employers to carry out an equal pay review". A further review, under the chairmanship of Denise Kingsmill, rejected the proposal to make equal pay reviews compulsory, but agreed that employers should be encouraged to take this action (Kingsmill 2001). Since then, the trade unions, both independently and through the TUC, have concentrated their main equal pay efforts into encouraging employers to conduct audits, and training representatives to assist in the process and/or to interpret the results; equal pay guides for employers have also prioritised the use of audits (see, for example CIPD 2001); and the main focus of the Equal Pay Forum set up by Business in the Community, Opportunity Now and the Equal Opportunities Commission in 2001 is to encourage and assist with the conduct of audits (BITC 2003). Equal Pay Audits have risen to the top of the hierarchy of tools for achieving equal pay that includes gender impact assessments, gender proofing of policy documents and gender-monitoring. As Rees points out, these tools are used "post hoc", and their value must therefore be as a support role to a gender mainstreaming approach in which equal opportunities thinking is integrated into the fabric of policy development (Rees 2001: 194). By using equal pay audits as my main source of data I am able to ask my third question: whether pay audits are capable of fulfilling the role set out for them: not simply whether the data is sufficiently reliable to objectively determine the extent of pay inequality, but also whether it can be enough to find and remedy existing cases of unequal pay without first ensuring that the causes of unequal pay have been eliminated.

Structure of the dissertation

These questions form the basis of the remainder of this dissertation. The first four chapters contain the introduction and background to the research, and the final four describe the empirical research. In this introductory Chapter I describe the context of the research and the development of the research hypotheses, and set out a plan of the substantive work.

This research was originally formulated with the principal objective of identifying the element of the gender pay gap that is attributable to the unique characteristics of the finance sector. However that gap is likely to be superimposed on the same elements of inequality, and subjected to the same constraints that apply in all of the other industrial sectors. In Chapter Two I review the empirical research that has already been conducted into the causes of the gap, and the actions that have been taken by government agencies, trade unions and employers to find solutions to those causes. The main data sources used in these exercises, although numerically large, are limited in that they represent a very small percentage of the workforce. Their results vary according to which data source is used, and which comparisons are applied; nevertheless, I find that there is a broad consensus that vertical job segregation, or the clustering of women in low status jobs, is a significant cause (Anker 1997; Grimshaw et al. 2001a; Blackburn et al. 2002; Walby & Olsen 2002). There is an impact in all types of job and for all levels of educational achievement, but that impact is disproportionately large for part-time workers, whether or not they also happen to have caring commitments, and may be slightly ameliorated by the presence of a trade union.

Many employers have now introduced Equal Opportunities or Diversity Management policies that they promote as having the potential to facilitate women's progress into management. However research shows that these are likely to be ineffective unless accompanied by practical measures to ensure their implementation, and if they are not equally accessible to all employees may even prove to be a deterrent rather than a stimulus (Liff & Cameron 1997; Wajcman 1998; Ward et al. 2001; Felstead et al. 2002). Recent government initiatives have largely focussed on voluntary measures. Even these, like the few enforceable measures to remedy unequal pay, are still chiefly aimed at directly discriminatory pay determination rather than breaking down the stereotypes that contribute to the continuation of 'clustering' (Grimshaw & Rubery 2001; Kingsmill 2001; EOC 2001b).

The corollary of the thesis outlined in the first part of this chapter is that vertical segregation has even greater significance in this industrial sector. In Chapter Three I build on the concepts introduced in the exposition of that thesis, by describing the restructuring of the finance sector. I demonstrate how it has changed from a customer focussed service industry to one in which sales and profit are paramount, and review accounts of how that change has affected working conditions in the industry (Redman et al. 1997; Hudson et al. 1997; Storey et al 1999; Belt et al. 2002; Grimshaw et al. 2002). Among the tools used to achieve the transformation were the introduction of 'flexible' working practices and performance management. I review accounts of how these were implemented, and conclude that any flexibility available for employees is exercised at the expense of a career (Pinch & Storey 1992; Jany-Catrice & Lehndorff 2002), while pursuit of a career has increasingly become associated with long hours, stress and the intensification of work (Simpson 1997; Rutherford 2001; Wharton & Blair-Loy 2002; Campbell & Green 2002).

Chapters Two and Three are essentially a descriptive representation of the specific context of this research. They describe the way in which unequal pay is delivered, but they do not provide an explanation of why women should be treated differently from men in employment. Chapter Four is a review of the literature that proposes explanations for unequal treatment. I look at three groups of theories, respectively these suggest that the responsibility lies with the individual, the social structure or the organisational culture. These groupings incorporate theories that range from the gender equivalent of institutional racism (Acker 1990) to theories of biological determinism (Paglin & Rufolo 1990) and the suggestion that women exercise free choice in making career decisions (Hakim 2002). I conclude that none of the theories is sufficient on its own, but that the structural explanations of patriarchy and capitalism have both influenced and been influenced by the compromises made by both women and men in determining the nature and extent of their work. These compromises may have roots in the restrictions imposed by biology, but are continuing long after those restrictions were effectively lifted. It is the exercise of those compromises that accounts for differential representation of women and men in senior positions in the finance sector.

The first four chapters locate the development of my research questions in existing research and knowledge; the remainder present the results of my empirical research in relation to those questions, starting in Chapter Five with an outline of the methodology. Research into pay is always problematic as it is a sensitive issue, and pay systems generally lack transparency. I recognised the opportunity presented by current government pressure on employers to conduct equal pay audits and persuaded two finance sector organisations to permit access to their databases for the conduct of an intensive audit of their pay and benefits. Much of the previous research into the gender pay gap in the UK has used secondary analysis of datasets such as the British Household Panel Survey (BHPS), New Earnings Survey (NES), Labour Force Survey (LFS), General Household Survey (GHS) and various cohort studies (Anderson et al. 2001). Even where the case study approach has been adopted the researchers have not had access to a complete set of pay and personnel data for the organisation researched (Gilbert & Secker 1995; Colling & Dickens 1998; Fagan 1998; Carroll & Rubery 1998). I obtained access to details of the pay and benefits of *all* employees of a bank and an insurance company, together with performance ratings, length of service, grades and job titles. For the first time it has been possible to see exactly who earns what and to make direct comparisons both within and between all levels of employment.

The quantitative data was supplemented with sufficient qualitative data to help put the numbers into context and to give them meaning. A secondary objective was to explore the potential value of equal pay audits as an instrument for generating transparency in payment systems and identifying the locus of inequality. The model Equal Pay Review recommended by the EOC is limited to comparing the pay of women and men doing equal work (EOC 2003a), but I realised it would be extremely valuable to employers, trade unions and government agencies to determine the full potential for analysis of pay data, as well as the limitations of the recommended model. By restricting the qualitative element of my research to data from interviews, focus groups and publicly available documents, I was able to produce a model of analysis that could be adopted for pay reviews in other companies in the sector.

The following three chapters describe the findings in relation to the research questions. Chapter Six concentrates on the evidence for a horizontal pay gap, the only type of unequal pay specifically covered by legislation. Using the format recommended by the EOC in its Equal Pay Tool Kit, I was able to compare the accessibility of data from organisations with very different payment systems, ranging from relatively transparent to virtually opaque. In neither was I able to obtain all of the data necessary for a thorough audit, and difficulties in determining which jobs were comparable demonstrated how the data could be manipulated to produce a variety of results. It would have been possible to create a situation in which only one small group of workers had a pay differential that would have been classed as statistically significant according to the guidelines. Despite the recommendation in the Tool Kit that differences of five per cent or more should be considered significant, I investigated all differences, disaggregating the available data where possible by job type and location as well as by sex and grade, and controlling for age, length of service and performance rating in order to identify the likelihood of legally acceptable justifications for any gaps found. The result shows that women tend to earn more than men in the lower, clerical grades, and that that situation is reversed in higher grades. Although the criteria of experience and performance provide justification for what would otherwise be illegal pay differences, they are also evidence that highly skilled and experienced women are remaining in low paid clerical grades long after their male counterparts have moved into more senior roles.

In Chapter Seven I use the pay audit data to move beyond the remit of the Equal Pay Toolkit and investigate the extent to which audits can help to explain the vertical pay gap. I find evidence of differential treatment in both recruitment and promotion, and with the aid of focus group data show that issues such as geographical mobility and flexibility are seen still to have different impacts on the working lives of women and men. There is overwhelming evidence that although the barriers to women's advancement are no longer explicit, most employees still behave as though they were in place. In particular I show that a decision to work part-time while children are young can effectively end a woman's likelihood of a career, as part time opportunities in management are almost non-existent. There are examples of women moving into areas that were traditionally male dominated, but like part-time managers, most of these are exceptions to the general trend; where women have broken into previously male dominated roles their status and remuneration has generally decreased soon after.

In the final chapter, these findings are discussed in relation to the current knowledge, in particular the theories of Joan Acker and Catherine Hakim. I find that there is a positive impact of performance pay on the size of the horizontal pay gap, but that its effectiveness is in inverse proportion to the subjectivity and flexibility of the measurement criteria. The movement of women into management is hampered by the perception of the need to participate in the 'long hours culture', but it is continuing to accelerate. However I could find no evidence that meritocratic payment systems have contributed to this acceleration. In fact I find that flexibility and discretion still predominate over consistency and clarity, at best decreasing the transparency of the payment systems and at worst contributing to the perpetuation of the pay gap.

I conclude that the excessively large gap in the finance sector is largely due to the segregation of women into the lowest paid jobs in an industry that has the greatest range of salaries. At the lowest levels pay compares well with the average for similarly skilled women in other industries, but there are better paying alternatives for young male school leavers. Job segregation in these organisations conforms to the ideal 'choice' of the employers rather than of the employees, whose decisions may well be rational and pragmatic, but not necessarily preferences. For women, commitment to a career in the clerical grades of a financial services company is usually better than the alternatives, in terms of pay, hours and working conditions. For many men, however, the sacrifice of early earning power is only justified by the realisation that promotion will give access to some of the highest salaries in the UK.

In order to produce these conclusions, my analysis went beyond that recommended by the EOC, and included the manipulation of the data to make direct comparisons as well as to test the reliability of the results. The range of results I was able to produce convinced me that despite the value of pay audits when used as support for a gender mainstreaming approach, they also have the potential to disguise or distort the results, and induce unwarranted complacency. In addition to practical measures to enable women and men to compete for the higher paid jobs on equal terms, I therefore recommend that the conduct of pay audits should *not* be made mandatory, but that employers should be encouraged to use them to their full extent as tools for monitoring all aspects of equality.

Chapter 2. Unequal Pay

The Gender Pay Gap

The gender pay gap across all industries in the UK in 2003 was eighteen per cent, exactly half of what it had been before the passing of the Equal Pay Act in 1970. The Office of National Statistics base their calculation of an eighteen per cent pay gap between the earnings of women and men on the hourly pay of full time employees in the NES, a one per cent sample of all adults in employment in the UK during one week in April. The sample does not include the self-employed, the unemployed or those earning less than the National Insurance limit, and the pay data does not include overtime or bonus payments (ONS 2003). As it does not reflect time out of the labour market, the data is not sufficient to extrapolate a lifetime earnings gap; however it is the most comprehensive survey of earnings available on a national scale. With the exception of a comparison between part time women and part time men, eighteen per cent is the smallest pay gap that derives from the data. When overtime and bonus payments are included the gap is twenty four point seven per cent on weekly earnings and twenty seven point six per cent on annual earnings, and the inclusion of part-time workers brings the gap on weekly earnings to forty point five per cent. This partly reflects the high proportion of women working part-time (forty three per cent), even though the lowest paid part-timers are excluded from the survey as they are not eligible for national insurance contributions (IDS 2003b). Not only do men work more basic hours than women, they are also more likely to work paid overtime. In 2003, twenty nine per cent of men worked paid overtime, and earned three and a half times as much as the fifteen per cent of women who did so.

The size of the gender pay gap varies across regions and industries, and both within and between occupations. Based on the hourly calculation, it ranges from twelve point five per cent in Wales to twenty three point five per cent in London, and from five point two per cent in the transport industry to forty two point five per cent in financial intermediation. Men earn more than women in two hundred and thirty six of the two hundred and fifty seven occupational classifications, and hold the largest proportion of jobs in nine out of the ten highest paying occupations; eight of the ten lowest paid jobs are filled mainly by women (ONS 2003; IDS 2003b). Generally speaking, the higher the earnings the larger the pay gap. This is true not only in the occupations and regions, but across the whole of the sample. The lowest paid ten per cent of women earn ten per cent less than the equivalent group of men, but the highest paid ten per cent earn twenty per cent less than the highest paid ten per cent of men. In some typical finance sector occupations the difference in the average hourly rate can be as little as three pence per hour for Call Centre Agents, where the average pay is less than £8 per hour, and as high as £4.72 per hour for Financial Institution Managers, where the average male rate is £20.20 (ONS 2003).

The New Earnings Survey is just one of a number of datasets that have been used by researchers to decompose the gender pay gap. Others are the BHPS, LFS, GHS, MRC National Survey of Health and Development (MRC), 1964 Birth Cohort Study, National Child Development Study (NCDS), International Social Survey Programme and Cohort Study of 1980 Graduates. Although this is the most common research method (Joshi & Paci 1998; Swaffield 2000; IDS 2003b) there have also been comparative analyses (Harkness 1996; Grimshaw et al. 2001b), case studies (Colling & Dickens 1998; Fagan 1998; Carroll & Rubery 1998), econometric analyses (Manning 1996) and organisational analyses (Millward & Woodland 1995). Anderson et al (2001) produced a comprehensive review of the research up to 2000, in which they categorised and evaluated the relative importance of the factors contributing to the gender pay gap that have been identified in the research. These are individual characteristics, job characteristics, unionisation and wage setting, and recruitment, promotion and payment systems. In the next four sections of this chapter, I use these categories to describe the most significant of those causes.

Individual characteristics

The individual characteristics that have been identified as contributing to the gender pay gap are human capital, motivation and the impact of motherhood and caring responsibilities (Anderson et al 2001: 39). Human capital theory treats the acquisition of education, skills and work experience as an investment that will produce dividends in the form of income from employment. For example, female students are presumed to anticipate a limited degree of participation in the labour market (Mincer 1993), and have less incentive to invest in a 'market oriented' formal education (Blau 1998: 16). Similarly the theory assumes that working women will not make the necessary human capital investments to progress to higher paying managerial and professional employment, whether because they prioritize their domestic obligations or because employers are unwilling to invest in training for which they may not reap the benefit (Becker 1985; Broadbridge 1997).

Women do still tend to have less work experience than men, not only from taking time out of the labour market for child rearing, but also because of their earlier retirement age. Studies by Swaffield (2000) and Lissenburgh (2000) indicate that the negative effect on earnings of time out of the labour market varies in intensity according to the stage in the individual's career at which the time out occurs, the purpose for which it is taken, and the sex of the individual. For example, the first nine years experience are more valuable to men than to women (Lissenburgh 2000), and time out for education in excess of four years reduces women's earnings, but not men's (Swaffield 2000). Overall, Anderson et al calculate that experience accounts for two to three per cent of the full time pay gap, and five to nine per cent of the part-time pay gap (Anderson et al 2001).

These studies only measure time, but the quality of work experience is also likely to affect future earnings. Part-time work is almost entirely confined to the lowest levels of occupational hierarchies (Crompton & Birkelund 2000; Walby & Olsen 2002; O'Reilly & Bothfield 2002). However, as sixty eight per cent of all women of working age have at least a GCSE A*-C level qualification, thirty per cent are outside the labour market and forty three per cent of employed women work part time (EOC 2003b), a reasonable proportion of those low level jobs must be held by relatively well qualified women. In their analysis of the 1991 sweep of the NCDS, Dex et al (1996) found that women returning to work after a break for childcare frequently accept a downgrading. Using

BHPS data for 1991 and 1995, O'Reilly and Bothfeld (2002) found part-time women who had previously worked full-time were twice as likely as other part time women to move back into full-time work, but according to Burchell et al (1997), that transition was most likely to be made by women with skills or professional qualifications. Neither of these studies was able to establish whether these women moved back into full time jobs of an equivalent status to those they held before going part-time. However, if they were with different employers, they would suffer a further penalty to their earnings by having to revert to the entry level salary (Manning & Robinson 1998).

The 'qualifications gap' between women and men is closing; in 2002 forty one per cent of women and fifty four per cent of men had at least a GCE A level qualification (EOC 2003b). However, Paci and Joshi found that part time women are less well qualified than full timers, and suffer a two per cent wage penalty as a result with a further two per cent due to differential access to training (Paci & Joshi 1996). The evidence regarding the relative proportions of women and men receiving work related training is contradictory. Surveys of individual organisations show women being less likely than men to participate in work related training or to obtain high level vocational qualifications (Felstead 1995; Arulampalam & Booth 1997; Knoke & Ishio 1998). Soon after these results were published, national statistics indicated that in 1998 thirteen point eight per cent of employed women received training compared with only twelve point six per cent of men (Walby & Olsen 2003), and by 2001 that ratio had increased to nineteen per cent women to fourteen per cent men (Clarke 2002). This apparent paradox is clarified by findings from the finance sector, indicating that the focus of formal training is on Information and Communication Technology (ICT) and interpersonal skills (Webster 2001), reflecting recent changes in the type of work performed in the lowest, female dominated grades. If this is indicative of a longer term trend, the cost to the employer of providing the learning facilities could result in an increased interest in retaining the trained workers, encouraging employers to provide incentives to remain in employment following child-birth (Hatt 1997).

The lower level of qualifications, and the consequential pay penalty, of most part-time women contributes to the greater benefit gained by women than men as a result of acquiring degree level qualifications (Purcell 2002). The advantage is in relation to the earnings of lower qualified women, as female graduates still earn less than their male colleagues. There is a difference even between women and men with identical qualifications, made even greater because the subjects women tend to study are attributed with less value in the labour market than those studied mainly by men. In particular from the point of view of this dissertation, women are under represented on the economics and business studies courses favoured by financial institutions (EOC 2001a). Banking, Building Societies and Insurance all have professional qualifications, for which study is normally part-time by serving employees. At one time women were discouraged from acquiring these qualifications (Crompton & Jones 1984), but this policy was reversed in the 1970s, and Crompton and Sanderson (1986) were optimistic that the significant increase in the number of women studying for these qualifications between 1979 and 1983 would result in a similar increase in the number of women managers in the industry. The increase seems to have been short lived, a list of Fellows of the Chartered Institute of Bankers published in January 2004 has sixty two pages with fifty four names on each page, but on no page are there more than three women's names (IFS 2004).

If women genuinely have the opportunities for work related training and professional study, why are they not taking advantage of them? One suggestion is that they lack the motivation, prioritising their domestic responsibilities over paid employment. Swaffield (2000) attempted to gauge the level of women workers' motivation by using their mothers' work history, on the assumption that daughters of working mothers would be most likely to reject the 'woman as homemaker' stereotype. She did find a positive relationship between earnings and having had a working mother, although she also found that 'motivated' women suffered a greater penalty than 'homemakers' did for periods of unemployment.

The use of mothers' work history as a proxy for motivation does not allow for the many other influences on the development of women's attitudes to work, but it is an objective and verifiable criterion, unlike the self reporting relied upon in surveys that show pay is more important to men than to women (Wajcman 1996; Clark 1997). These responses will at best convey the respondents' attitudes to employment at the time of the survey, may well reflect expectations rather than aspirations, and are likely to be influenced by other life style circumstances, which may be of a temporary nature.

The circumstance that has the greatest impact on most people's lives is the birth of a child, an event that brings with it major lifestyle changes for both parents, but usually significantly greater for women than for men. Motherhood has been found to have a negative effect on lifetime earnings, even for mothers who continue to work full-time (Harkness 1996; Waldfogel 1998; Joshi et al. 1999), but fatherhood carries a small earnings premium (Harkness 1996). Although there is no evidence that mothers are less motivated or have less energy than other female workers, many of them do find themselves constrained in the hours and locations that they are able to work.

The majority of part time workers are parents as well as women, but Joshi and Paci found that their low wages were more likely to be attributable to being part-time than to being mothers (Joshi & Paci 1998). They also identified an earnings premium associated with the amount of time spent travelling to work that Anderson et al confirmed, in an analysis of the LFS, benefits men more than women (Anderson et al 2001). Most of the explanations they propose for women's shorter travelling times emphasise the time restrictions imposed by domestic responsibilities, an exception is "the type of work undertaken by women is more likely to be located closer to residential areas" (Anderson et al 2001: 104). The 'type of work' forms the basis of the second category of causes of the gender pay gap.

Job Characteristics

Average earnings of women and men are different both within and between occupations. This is largely due to the tendency for each sex to be concentrated in different occupations (horizontal segregation) or at different levels within the same occupation (vertical segregation). In recent years there have been significant changes in the degree and nature of occupational segregation, (Reskin & Roos 1990; Walby 1997; Millward et al. 2000; Wirth 2001). Using the Workplace Industrial/Employee Relations Surveys Millward et al (2000) show that the proportion of workplaces where women are under represented in management has fallen from ninety two per cent in 1984 to sixty eight per cent in 1998. However Reskin and Roos (1990) found that the entry of women into previously male dominated roles tends to be accompanied by a devaluation of the jobs. This finding is complementary to the thesis that horizontal segregation contributes to the pay gap because women's skills are undervalued by society (Crompton & Sanderson 1990).

A case study of an American bank observed the restructuring, dismantling and recreation of jobs in one of its divisions. Despite the fact that women oversaw the whole operation, the effect was to create a new class of managerial positions, filled mainly by women, but with lower status and salaries than those they replaced. A new sales role, with higher status and salary than the previous equivalent, proved to be predominantly occupied by men (Skuratowicz & Hunter 2004).

In the UK, in their analysis of the 1998 WERS Cully et al (2000) found that at least a quarter of non-managerial employees earned less than £3.50 per hour in twenty one per cent of workplaces where at least half the employees were women, and thirty three per cent of those where more than half worked part-time. Low pay tends to be particularly associated with the smallest firms, where both Swaffied (2000) and Paci and Joshi (1996) identified a gap of between one and two per cent directly attributable to the size of the firm. This association between low pay and unequal pay receives further support from studies showing the gap is smaller in the public sector, where Cully et al (2000) were only able to identify seven per cent of workplaces with any low paid employees (Paci et al. 1995). However the finance sector provides an exception to this rule, having both the largest pay gap and the highest average salaries of all UK industrial sectors (ONS 2004b).

Unionisation and Wage Setting

Historical explanations for segregation include the deliberate policy of male dominated trade unions to exclude or limit the employment of women (Fawcett 1918; Cockburn 1983). More recently a case has been made for unions having an influence on the decrease in the pay gap (Black et al. 1999), based on the greater size of the gap in the UK compared with those Northern European countries where collective bargaining is the norm and pay negotiation is still centralised (Anderson et al 2001). A recent study in the USA also found a potential advantage from unionisation, but restricted to female 'blue-collar' staff in male dominated industries, rather than those women working in industries where they were in the majority (Elvira & Saporta 2001). The results of UK studies do not differentiate by industry; an analysis of the most recent WERS, which was not disaggregated by gender, suggests that pay settlements in the private sector are no higher in unionised organisations than elsewhere (Millward et al. 2001). However in earlier studies there was evidence of wages being higher in unionised companies, and of the influence of pay levels being greater for women than for men, and greatest of all for part-time women (Harkness 1996; Paci & Joshi 1996; Swaffield 2000; Hardy 2001). On the other hand, women are less likely to be unionized than men (Green 1995; Sinclair 1995), and collective agreements are less likely to apply to the jobs they perform (Rubery & Fagan 1995).

Although there is a TUC affiliated trade union in the finance sector (Unifi), it has less than a tenth of the employees in the industry as members. Eighty per cent of its members work in the four major high street banks, and the vast majority of City Institutions do not recognise it for any purpose. Nevertheless, where Unifi does operate it has the same membership density among women and part timers as it does among men, and consequently most of its members are women. Elvira and Saporta suggest that their finding that women in female dominated employment do not benefit from unionisation indicates that female dominated unions are relatively weak. The example of Unison, with a membership ratio of three women to one man, suggests that this is not necessarily the case in the UK (Colgan & Ledwith 2002), and Unifi became more militant during the same period that it was increasing its representation of women (Kelly 1996). Unifi is, however, a highly centralised union. Pay bargaining is the responsibility of a single full time official for each employer, even though most of the employers have devolved responsibility to divisions. An IRS report (IRS 1992) suggested that decentralisation of pay bargaining results in the side-lining of equal pay because of the increased use of inexperienced officials. The same effect may result from the increased workload of the single experienced official.

Recruitment, payment systems and promotion

Direct discrimination in job advertisements and during the interview process is illegal (EOC 2000) and many employers have developed formal procedures to ensure compliance with the legislation (Dickens 1998). However, no amount of formality can remove subjectivity from the process (Webb 1991), and the sophistication of the procedures may even disguise underlying bias and discrimination (Dickens 1998), and "entrench existing patterns of disadvantage" (Jewson & Mason 1986b: 59). Interviewers can be trained not to ask inappropriate questions (Rubin 1997), but there is no way of knowing how much their assumptions and prejudices influence their decisions.

Unfounded assumptions may also influence decisions about the level of qualification required for particular jobs. The majority of new recruits to Investment Banking have mathematics or science based degrees (McDowell 1997; Jones 1998), and new entrants to the Bank of England are generally expected to have an economics degree (Brawley 2002 – personal communication), qualifications that are more likely to be obtained by men than women (EOC 2001c). Even in the lower status jobs where women are in the majority, there is evidence that women are recruited with lower qualifications than men, so weakening their prospects for promotion (Crompton & Jones 1984; Crompton 1989).

Even if employers have pay scales that indicate an entry-level salary, they also need sufficient flexibility to offer salaries that reflect relevant previous experience. Early reports from EOC assessments of Equal Pay Reviews indicate that inconsistencies in starting salaries are among the key issues identified (Neathey et al. 2003). This may be because employers give undue weight to men's experience, but similar findings for young, recently qualified graduates with no relevant experience (Purcell 2002) suggest that the problem is more fundamental. Flexibility facilitates negotiation, but women have been found to both underestimate their own ability (Rosenthal et al. 1996) and to be satisfied with their pay (Clark 1997), so that they are more likely than men to accept what is initially on offer.

Pay scales and grading systems in the UK tend to be firm specific, making comparison between jobs difficult, even when they are in the same industry (Rubery 1997). Most medium and large scale employers use some form of job evaluation to determine their systems (Morrell et al. 2001). The use of a job evaluation scheme can provide an employer with an effective defence against a claim for equal value brought under the Equal Pay Act 1970, so long as it is analytical and non-discriminatory (IDS 1996), yet comparative research shows smaller gender pay gaps in countries where job evaluation is less common (Rubery 1995).

Some companies develop job evaluation systems specifically for their own workforce; others purchase generic systems from specialist providers. In both cases researchers have identified potential for the systems to reproduce or even exacerbate inequalities, rather than eliminate them. In a study of the systems provided by one of the largest international organisations, Steinberg (1992) found examples of evaluation systems introduced specifically to restore the status quo ante, for example, where market forces had driven up the salaries of nurses relative to managerial jobs in a Toronto hospital. More commonly, problems include the valuation of male dominated management functions above those more likely to be performed by women (Mcnally & Acker 1984; Milsome 2003), the deliberate manipulation of the process in order to inflate job values (Milsome 2003; Steinberg 1992), and the failure of schemes to keep pace with changing work practices (Hastings 2000).

The hierarchical structures produced by early job evaluation schemes have largely given way to flatter structures that are considerably wider at the bottom than the top, with even fewer opportunities for promotion than in the traditional hierarchical system. Grimshaw et al (2002) found that those opportunities also tend to be accompanied by a significant intensification of work, including long hours and excessive targets. They found that many staff have rejected that route and chosen to make their way between the "finely divided increments within the grades" (Grimshaw et al 2002: p 111), effectively making a separate career ladder of the clerical grade. Although Grimshaw et al do not differentiate between women and men in this study; long hours are most likely to deter women (Kodz et al. 1998), as a result of which broad banded structures will contribute to the pay gap resulting from vertical segregation.

The theory of job evaluation is that it measures and values the components of a job. Contingent payment systems measure and value the attributes of the workers, typically their performance against pre-determined objectives and their acquisition of job related skills. Pay systems that relate earnings to performance have been credited with being fairer and more transparent than those they replaced, especially as women's employment patterns mean that they are less likely to benefit from seniority payments, and may often be over-qualified for the jobs they perform (Kessler 1994; Dickens 1999; Rankin 2000). Rubery (1995) points out that an essential prerequisite for their successful implementation is an environment where equality is treated as a priority, citing the work of Knudsen and Pedersen (1992) which shows women faring much better in Denmark where there is a "commitment to equality" (Rubery 1995: 651).

Even though the appraisal process has been shown to be liable to gender bias (Strebler et al. 1997), a number of studies have found that women tend to receive a disproportionate amount of higher ratings than men in equivalent roles (Bevan & Thompson 1992; IDS 2000). However, Bevan and Thompson also found that when it comes to placing a value on performance, men received more money out of the process than women did, especially in those systems that give managers discretion to determine pay awards, within the limits of a centrally determined 'pay pot'. Not only is this more likely to discriminate in favour of men, but it also reduces the opportunities to monitor pay trends (Rubery 1995). Rubery also shows that performance pay may discriminate if pressure to perform encourages employees to work additional hours in order to meet deadlines or exceed targets; behaviour that is particularly difficult for many women (Rubery 1995).

Performance related pay rewards the output from work; competency pay is a way of recognising the input. It was developed in the USA as a fairer and more efficient alternative to the use of academic qualifications for employee selection (Spencer & Spencer 1993; Lawler 1994). In the USA, it works in much the same way as National Vocational Qualifications (NVQs) in the UK, but in the UK the skills are primarily determined by company specific criteria.

Opportunities for bias exist in the design, interpretation and assessment stages of competence based systems (Adams 1996). If their development reflects the skills of the existing workforce, they will simply perpetuate existing imbalances (Rankin 2000), and if there are any inequalities in access to training, these will be reflected in inequalities in the acquisition of skills (Strebler et al 1997).

The measurement of performance and competency provides specific criteria that should help women prove they have the necessary qualities for promotion. According to an analysis of the BHPS, women are at least as likely as men to be promoted (Booth et al. 1998). Booth et al controlled for, inter alia, 'effort', which included hours of overtime worked, number of children in the household and marital status. They concluded that occupation was the only variable with a significant effect on promotion prospects, and a subsequent analysis of the Australian and British banking sectors produced comparable results for full time employees (Buttigieg & Walsh 2000). Nevertheless, women still occupy sixty nine per cent of administrative and equivalent occupations, while men fill at least sixty nine per cent of the managerial and professional positions (EOC 2003b). The findings of Booth and of Buttigieg almost certainly reflect the fact that married women with children are unlikely to be able to work overtime, and if they work part-time they are restricted in their choice of occupation, to those from which promotion prospects are most limited.

The structure of most organisations means that there are only enough promotion opportunities for a small proportion of workers, so employers have been found to nurture those they consider to have 'career potential' and discourage the rest (Cassirer & Reskin 2000). Researchers have identified several characteristics that are used to identify career potential, including length of experience (Halford & Leonard 2001), 'commitment' (Dickens 1998; Blackburn et al 2002) and geographical mobility (Grimshaw & Rubery 1995; Anderson et al 2001; Halford & Leonard 2001). The implication of requirements such as these, that women are less likely to be able to fulfil, may be sufficient to deter some women from seeking promotion. Those who are not deterred need to convince their managers that they are suitable for promotion. A study in the UK retail sector found that women are considered to have only one of the three most sought after characteristics for managers (co-operation), but two of the three least valued (emotionalism and manipulativeness) (Traves et al. 1997). A detailed comparison of women and men's actual leadership styles confirmed some assumptions, such as women's higher rating on 'people skills', but also challenged some of the stereotypes, such as women having a weak orientation towards production (Claes 1999). Studies from Australia, Britain and Canada, show that women have to produce evidence of their potential to succeed, whereas a man's ability is more likely to be taken on trust (CHRC 1996; Buttigieg & Walsh 2000).

Once women have achieved promotion, Booth et al (1999) found there was little difference in the pay of recent promotees, but subsequently men's pay increased at a greater rate than women's. Some of this difference may be due to discrimination in performance assessment, but it may also reflect the far greater likelihood of men being able to accept outside offers, which are likely to involve moving house or longer commuting time. The perception that men are mobile but women are not means that men can attract retention payments even if they do not intend to change their employment.

A key issue in most of these is that, for a short period during their working lives, women with children or other care responsibilities have restrictions in the time they can commit to paid employment. The restriction may be to a strict thirty five hour week or to part-time work or to total withdrawal from the labour market for a period. In every case, it limits the occupations and opportunities that are open to them, not just at the time, or when they are ready to return to full participation, but also beforehand, in anticipation of a future period of restriction. There is no obvious explanation for why those occupations and opportunities attract lower pay than those from which women are effectively excluded, or for why the exclusion outlasts the period of restriction.

Legislation, policies and campaigns

Legislation and policy developments over the last thirty years have sought to address these issues and to bring women's earnings closer to men's. Anticipation of the 1975 implementation of the Equal Pay Act 1970 produced a rapid decrease in the gender pay gap, from thirty six per cent to thirty per cent between 1973 and 1975, with a further four per cent decrease in the first year after implementation, but in the subsequent twenty eight years it has only decreased by a further eight per cent. Most large employers, including the major banks, had replaced their separate pay scales with a combined, job evaluated, grading structure that covered the majority of their employees. Most women were in the lowest grade, and paid at an equally low rate of pay as their male colleagues (Egan 1980). However, in addition to basic pay, there was a requirement for all other financial benefits, apart from pension provision, to be available equally to women and men. The Act prohibited employers from reducing pay in order to achieve equality, but they managed to avoid the full potential costs of compliance. Preferential loans for house purchase had generally been available only to married male members of staff, and in some banks, other preferential loans were either denied to married women or needed the husband's undertaking to share the responsibility for repayment. In order to grant equal access to these benefits, the banks increased interest rates, and introduced qualifications such as age, grade or length of service. They also withdrew marriage gratuities, the only benefit that had been available for women (Mills 1976).

Although the union considered that actions of this type were not "in accordance with the spirit of the new legislation" (Mills 1976), there were no legal grounds for challenging them. That was also the case for the typists and secretaries who remained on separate scales. Most of them were unaffected by job evaluation, as its application was considered unnecessary where the majority of the workforce was female (Daniel & Millward 1983). Their work was different from anything done by men in the organisation, so they had no grounds for an equal pay claim under the Act. Even though the National Union of Bank Employees (NUBE) had succeeded in negotiating job evaluation schemes for secretaries and typists in Midland and Barclays Banks in 1975, there were a further four thousand women working in the finance sector for whom neither the equalised pay scales nor the Act had any significance (Snell et al. 1981).

Worringham v Lloyds Bank Ltd [1981][1] was a successful challenge in the European Court of Justice brought by one of these secretaries, in which it was held that the criteria should include "work of equal value" (Rubenstein 2000). Largely because of this case, an amendment to the 1970 Act incorporated the concept of Equal Value, and the use of an unbiased, analytical scheme became a defence to an Equal Value claim.

The Equal Pay Act did not specifically cover every element of the pay and benefits package. Redundancy payments were among those benefits not expressly included, and that employers therefore continued to administer differently for women than for men. It was the referral of another finance sector case to the European Court of Justice, Barber v Guardian Royal Exchange Assurance Group [1990][2] that eventually delivered a clear ruling that redundancy payments are covered by the Equal Pay legislation (Rubenstein 2000).

The Equal Pay Act specifically excluded pensions, as they were in the remit of the Social Security Pensions Act (1975). This promised equal access to pension schemes, but employers interpreted it as applying only to full-time employees. A series of decisions in the European Court of Justice, between 1986 and 1992, eventually established that part-time employees should have the same access to pension schemes as full timers, but it was not until 1995 that legislation gave women an entitlement to the same treatment as men in occupational pension schemes.

Even with the Equal Value amendment, the Equal Pay Act could only address inequalities between jobs on the same level, but the main reason for unequal pay in the finance sector even at that time was the concentration of women in the lower grades (Egan 1980). Their opportunities for advancement were limited by the "...kindly protective attitudes held by senior executives concerning the "real" interests and abilities of women and the kind of work to which they are most suited" (Livy 1980: 254). The Sex Discrimination Act 1975 facilitated some improvements in equal opportunities, by making it unlawful for employers to discriminate directly or indirectly in either recruitment or treatment at work. However discrimination is difficult to prove, and the Act only succeeded in eliminating the most overtly discriminatory practices (Snell et al 1981; Hardy 2001).

Employer led policies and actions

A defence to a claim under the Sex Discrimination Act is that the employer "took reasonable steps" to prevent the discrimination happening. In the EAT case Balgobin and Francis v London Borough of Tower Hamlets [1995][3] a majority decision suggested that reasonable steps to prevent harassment are the provision of adequate staff supervision and the publication of an Equal Opportunities Policy. Most employers now have an equal opportunities, or diversity management, policy (Povall 1986; Liff 1995), but how effective are they? A study on gender equality in Lloyds Bank suggests that these policies have very little effect (Truss 1999), and the views of women interviewees reflect experiences that contradict the stated policy aims. Any improvements to women's working lives as a result of equal opportunities policies, appear to have come about because of the need to remain within the confines of the legislation (Rubin 1997), or as a means of optimising organisational resources by making the most cost effective use of employees' time (Dickens 1998), rather than out of a genuine desire for equality.

The UK approach to equal opportunities has been criticised as 'liberal' (Jewson & Mason 1986a) or 'the short agenda' (Cockburn 1989), because it focuses on fairness of procedures rather than outcomes. The Sex Discrimination Act outlawed positive discrimination, although subsequent amendments have permitted a limited amount of positive action. Employers are now permitted to train and encourage members of one sex to apply for jobs where they are under-represented (ACAS 2003), but if they are to be favoured over the other sex in the selection process their qualifications for the post must be at least as good as those of the other candidates (Hardy 2001).

The evolution of Equal Opportunities Policies into Diversity Management moved the equality agenda on from treating all women as the same, to recognising all of the human differences that are likely to exist in the workforce. In practice, it is proving to be another short-term solution, with the emphasis on dealing with everyone equally, and failing to deal with the prejudice that causes much gender inequality (Liff & Cameron 1997; Hardy 2001). There is a danger that placing the emphasis on women's differences from men will simply reinforce the stereotypes (Wajcman 1998). Diversity management goes no further than equal opportunities in promoting the long-term agenda that might eventually transform organisational culture (Cockburn 1989). However there is some evidence that the fact of having a policy, seems to alert organisations to the possibility of unfair practices existing in their organisation. In a survey conducted for the EOC, organisations with Equal Pay Policies were most likely to recognise the existence of inequality (Morrell et al 2001).

Government Initiatives on Equal Pay

In 1999 the EOC set up a Task Force to identify ways in which the pay gap could be eliminated (EOC 2001b). The Task Force identified the need to raise awareness, reform the legislation, provide practical guidance to employers and trade unions on the implementation of equal pay, publish the outcomes of equal pay reviews, and amend social and labour market policy to complement equal pay measures.

Raising Awareness

The EOC responded by developing a campaign with the National Union of Students, to extend publicity into schools and colleges. A survey by the Chartered Institute for

Personnel and Development (CIPD) confirmed that few employers were aware of the problem (CIPD 2001). Their most recent survey includes a summary of the results of equal pay audits (CIPD 2003b), and their website points to more detailed information sources (CIPD 2004). The websites of the Confederation for British Industry (CBI), British Chambers of Commerce (BCC) and the Federation of Small Businesses (FSB) have no references to the current statistics, no links to sites that would provide that information, and no advice on combating unequal pay (FSB 2004; BCC 2004; CBI 2004). The example of Unifi is probably typical of the efforts made by trade unions with a majority female membership; publicity for the issues includes a dedicated web-site (Unifi 2004), and articles on different aspects of the pay gap in each issue of the Union journal since the campaign began in early 2003.

Legislative reform

The shortcomings of the legislation have long been highlighted (Hepple et al. 1997; Hepple & Coussey 2000), including that it is outdated, that it does not conform to international standards and that it does not oblige employers to monitor the composition of their workforces. The EOC Task Force specifically identified the need for mandatory equal pay reviews, thus monitoring pay as well as the composition.

Following this the government initiated a further review, chaired by Denise Kingsmill, that recommended pay reviews should be voluntary, with private sector employers only encouraged to conduct reviews, although public sector bodies would be expected to lead by example (Kingsmill 2001). Implementation of this recommendation included targets for fifty per cent of large employers and twenty five per cent of medium and small employers to have performed reviews by the end of 2003. A telephone survey during 2003 established that a third of large employers had either conducted a pay review, or had plans to do so by the end of the year, but the majority of all employers have no such plans (Neathey et al 2003).

Practical Guidance

A revised Code of Practice on Equal Pay accompanied the Equal Pay Review Kit when it was launched by the EOC in 2003. The documents provide detailed guidance on the technicalities for ensuring that pay conforms to the requirements of the Equal Pay Act, and advice on producing an effective policy on pay. The conclusion of the Review Kit acknowledges that the exercise may identify other issues that contribute to the overall pay gap, and suggests that it may prompt a review of recruitment and training policies, but no detailed advice is given in relation to this element of unequal pay (EOC 2003a). Guidance for trade unions also concentrates on equal pay for work of equal value. A substantial grant to the TUC from the Union Learning Fund enabled the production and dissemination of training of a network of 'equal pay representatives' to work with the employers to conduct equal pay reviews.

The outcomes of pay reviews

The recommendations for publicising the findings of pay reviews formed part of a second enquiry by Denise Kingsmill, into the possibility of requiring organisations to include information on their Human Capital Management in their annual reports (Kingsmill 2003). The enquiry recommended that information on 'remuneration and fair employment policies' should be included in 'Operating and Financial Reviews' (OFRs). The production of OFRs is to be compulsory for all public sector employers, and private sector companies over a certain size (Kingsmill 2003). Although this is an improvement on the current situation, it falls a long way short of the recommendations of the Equal Pay Task Force, which sought specific reference to the conduct of an equal pay review in companies' annual reports.

Amending Social and Labour Market Policy

Although the terms of reference of the Task Force were limited to the element of unequal pay covered by the Equal Pay Act, they also considered the wider issues that contribute to the overall pay gap. Their recommendations in relation to social and labour market issues included a broadening of the National Skills Agenda, the promotion of training and development opportunities for part time workers and the promotion of patterns of work that facilitate women's employment in the higher paid jobs (EOC 2001b).

The current government has made a significant investment in the first two of these areas, broadening the range of access points for learners through initiatives such as the Employer Training Pilot, Learn Direct and the Union Learning Fund, which enable trade unions to recruit and train 'Union Learning Reps' to source and promote learning opportunities through the workplace (DfES 2003). However, one of the major obstacles for part-time workers is time, and currently there is no right to paid time off for learning (Blakely 2003).

The recommendation for more flexible working patterns emphasises that flexible and part-time work should be available to both women and men in the higher paid occupations. Kingsmill agreed, and added that the opportunities need to be taken up by both sexes as well, in order that "...alternative ways of working are fully destigmatised and that we have not generated a two-tier workforce to the detriment of the further advancement of women's careers" (Kingsmill 2001: 74).

A significant proportion of fathers claim they would like to have the option of flexible working (O'Brien & Shemilt 2003). Some legal rights have been introduced, including paid paternity leave, unpaid parental leave, and the right to request flexible working. It is too early yet to know who will take up the rights, but it is overwhelmingly low graded women who have taken advantage of opportunities provided by their employers (Kodz et al. 2002; Bond et al. 2002; Clutterbuck 2003).

In this chapter I have shown that the gender pay gap is far more complex than the payment of different wages for the work of the same value. That element of the gap was addressed and largely remedied by the Equal Pay Act 1970. Even so, employees and trade unions have had to be vigilant to prevent employers circumventing the intentions of the Act, and it has taken longer than necessary to remedy the omissions of the original, especially as many were not resolved until the cases went to the European Court of Justice.

Just a few years after the implementation of the Equal Pay Act one commentator noted that "... the extent and rate of career progression [had become] the basis of differentiation within the labour force" (Morris 1986: 49). Horizontal and vertical segregation were recognized as being the major cause of unequal pay, yet when a task force was appointed to find ways of closing the gap, its terms of reference limited it to looking at equal pay for work of equal value. Nevertheless the Task Force drew attention to the need to tailor work to fit the workers, as well as providing the workers with the skills to move into better-paid work.

Many employers, as well as the State, have adopted formal policies that promote the type of working environment in which it is believed women are more likely to prosper. Yet, instead of an increase in family compatible working hours, most British workplaces, especially in the finance sector, are characterized by a 'long hours culture' (Coyle 1995; Simpson 1997; Cully et al. 2000; Kodz et al 2002; Hatter et al. 2003) exacerbated by the use of paid overtime to compensate for low pay and the expectation that working additional unpaid hours will boost performance and enhance performance related pay. It is a culture that has developed at the same time as the industry has undergone a major restructuring exercise. In Chapter Three, I examine the nature of that restructuring and its impact on the working conditions of finance workers.

1 [1981] ECR 0767
2 [1990] IRLR 240
3 [1995] IRLR 401

Chapter 3. The Changing Finance Sector

> "The financial services sector is about halfway through one of the most dramatic periods of restructuring ever undergone by a major industry — a reconfiguration whose impact has carried well beyond shareholders of the firms involved into the domain of regulation and public policy as well as global competitive performance and economic growth."
>
> (Walter 2004: vi)

Until the 1980s, the structure of the UK finance sector had changed very little for many years. Despite government efforts in 1971 to increase competition (TUC 1986; RBS 2004), clearing banks, merchant banks, building societies, insurance companies and finance houses each operated in a distinct market, with clear lines of demarcation between them (Taylor 1980; TUC 1986; Ashburner 1988). Eighty per cent of the eight hundred thousand employees in the sector in 1983 were employed in clearing banks, insurance companies and building societies; the largest concentration, approximately one hundred and eighty thousand, were in the 'big four' banks – Barclays, Lloyds, Midland and National Westminster. Although they were always commercial organisations, there was also an element of public responsibility in the conduct of business, allowing branch managers to give advice without necessarily trying to maximise the banks' financial interests (Morris 1986). Part of this social role was fulfilled by having branch networks that provided access for the majority of the population. Between them the 'big four' had over ten thousand branches, dealing with all the banking requirements of both commercial and personal customers in the locality (Ashburner 1988; Storey et al 1999). Although the number of branches had decreased to under nine thousand by 1990, employment in these four banks had increased to over two hundred and fifty thousand (Storey et al 1999). The one hundred and sixty seven building societies that existed in 1985 employed another sixty five thousand staff (Ashburner 1988). They were all still owned by their members, and building society legislation limited their objects to raising funds from those members for the express purpose of financing house purchase (TUC 1986; Cook & Waters 1998). As not for profit organisations they were able to offer only limited competition to one another and even operated an interest rate cartel (Cook et al. 2001). The business and structure of the insurance sector was also essentially the same as it had been for a century, although most companies had cut both staff and branches following the 1973 oil crisis. The dominance of a profit motive is clear from the reluctance of 19th century companies to accept high risk working class customers (Prudential 2002), and the resolution of this risk by instituting a home collection service to coincide with pay days (Pearson 2002). In 1983 there were eight hundred and seventy insurance companies in the UK, employing approximately two hundred and seventeen thousand staff, twenty seven per cent of the total in the sector (Ashburner 1988).

The organisation of work in the individual institutions was also still much as it had been for more than a century. A certain amount of mechanisation had been introduced into the back offices of all types of institution; since the 1960s most account information had been held centrally on main frame computers, ATMs had started to appear in bank branches, and the cheque clearing system had been automated (Morris 1986). Nevertheless branches still performed all of the clerical and administrative functions relating to the business conducted in that branch, and life insurance companies still maintained a 'home service' for the doorstep collection of premia and generation of new business. In this chapter I show how the changes that have taken place to both the structure of the industry and the organisation of work in the twenty years since 1983 have impacted on the nature of employment in the industry.

The finance sector in 2004

Mergers and acquisitions characterise the development of most of the world's financial institutions in the last two decades, and have contributed to the breakdown of the traditional boundaries between banks, building societies, insurance companies and finance houses (Storey et al 1999; Onno Ruding 2002; Walter 2004). The period has also seen an influx of new organisations in the sector, including existing UK businesses diversifying into financial services, and foreign corporations expanding into the UK markets. The City of London is regarded as "the pre-eminent international financial centre", rivalled only by New York and Tokyo (Clark 2002), and employing over one million people (ONS 2004a). Nevertheless it is still possible to identify banks, building societies and insurance companies as the major employers in the sector.

The banks

Of the three hundred and eighty five banks in the UK in 2001, one hundred and eighty four are incorporated in the UK, eighty nine are from other European states and the remainder are branches of banks from the rest of the world (BBA 2004c), There are still four major clearing banks, but Barclays is the only one that retains the same identity that it had in 1979. Midland was taken over by the Honk Kong and Shanghai Banking Corporation in 1992; Lloyds Bank merged with the Trustee Savings Banks in 1997 and has also taken over the Cheltenham and Gloucester Building Society, United Dominions Trust finance house and the Scottish Widows insurance company; the Royal Bank of Scotland acquired Nat West Bank in 2001 (BBA 2004b). Despite the overall increase in financial services employment, the 'big four' now have little more than two hundred thousand staff and approximately seven thousand branches (BBA 2004a). Competition from de-mutualised building societies has introduced five new banks to the top ten banking groups as defined by the British Bankers' Association (BBA 2004b). In the ten years from 1989 to 1999 the total number of branches of all banks in the UK, including the converted building societies, fell by thirty two per cent, contributing to a ten per cent reduction in operating costs (Willis & Marshall 2001).

The variety of work performed by branch based staff has diminished, first of all by the removal of corporate business to specialist regional centres, and the clustering of branches in a locality under a single manager (Ennew et al 1990). This was followed by the centralisation of routine tasks to regional, then national and, more recently, international data processing centres. The locus of customer service has also been removed from the branch counter, to telephone call centres that can be anywhere in the world. Several new entrants to the banking sector are operating successfully without any branches at all (Willis & Marshall 2001). At the same time as the branch network has been decreasing, the ATM network has increased; in 2001 the major British banking groups had more than twenty five thousand throughout the UK, eight thousand five hundred of which were located away from the branches (BBA 2004a). The new technology that has facilitated the removal of banking functions from the physical branches has also enabled the development of new products and services, including credit cards, debit cards, e-commerce and online banking. Together with the products of those building societies and insurance companies that have been taken over by the banks, the sale of these new products has become a principal function of branch based bank employees (Storey et al 1999).

Building societies

In 2002 there were just sixty five building societies left in the UK, employing thirty eight thousand two hundred staff in two thousand one hundred and three branches. Ten of the largest societies used the provision of the 1986 Building Societies Act to either convert to public liability companies (plcs), or transfer their undertakings to existing plcs, three were removed from the building societies register, and the remainder had amalgamated with other building societies (BSA: 2004). Even though the whole sector lost six hundred and ninety branches between 1989 and 1999, the average of thirty two point three branches per society has hardly changed, (Willis & Marshall 2001). Centralisation and computerisation of administration and processing has been just as extensive as in the banks, but the branches have been retained, and all but eleven societies have refrained from installing ATMs, in order to maximise customer contact and the opportunities for cross-selling (Willis & Marshall 2001; Marshall et al. 2001). Forty six of the societies are authorised by the Financial Services Authority (FSA) to sell regulated savings products, and as a result thirty six per cent of cash ISAs are sold by building societies. Instead of closing branches, the larger societies have developed a range of different types of branch, including 'full service', mortgage shops and automated branches.

Insurance companies

Despite the incursions of banks into their traditional area of business, by 2003 employment in the UK Insurance industry has risen to three hundred and fifty three thousand people in eight hundred and six companies. The majority of these companies are still specialists – six hundred selling general insurance, one hundred and sixty dealing in life insurance and pensions, and only fifty four able to issue all types of policy; the majority are also very small – eighty nine per cent of the long term business and eighty six per cent of the general business is conducted by just forty companies (ABI 2004). The major banks all feature in this group of forty, as do several representatives of the 'international mega-corporations' that are coming to dominate the global insurance business (Pearson 2002). The AXA group, for example, is registered in France, has over one hundred and thirty thousand employees in fifty countries (AXA 2001), and its UK operation is the result of the amalgamation of ten smaller companies. Notwithstanding extensive competition from within the insurance sector, it was one of the banks – the Royal Bank of Scotland – that first started using direct marketing techniques to sell car insurance through its subsidiary Direct Line (RBS 2004). Unlike the banks and building societies, sales has always been an essential function for insurance companies, and this remote method of reaching potential customers soon supplanted the 'Home Service' agents (Pearson 2002). The introduction of strict regulations for the qualification of sales representatives and the conduct of sales by the Financial Services Act 1986 changed the nature of the role such that fifty per cent of the sales force resigned from at least one company in the year after it came into effect (Knights & Morgan 1990).

The impact on employees

Although each of the sub-sectors of the finance industry discussed above still has distinctive characteristics, there are some common themes to the nature of the changes that have taken place in the last twenty years. Firstly, deregulation of the money markets has produced a competitive environment in which the importance of sales has outstripped all other functions, and all customer facing employees are expected to get leads for the personal bankers and financial consultants to follow up. The second major change has been facilitated by advances in information and computer technology, whereby most of the routine work has been taken away from branches into massive data processing and telephone call centres, many of which are open for considerably longer hours than the traditional branch. The effect has been to bring the working environment of banks and building societies into line with that of the insurance companies, abandoning the stability of a service culture in favour of a new orientation to profit.

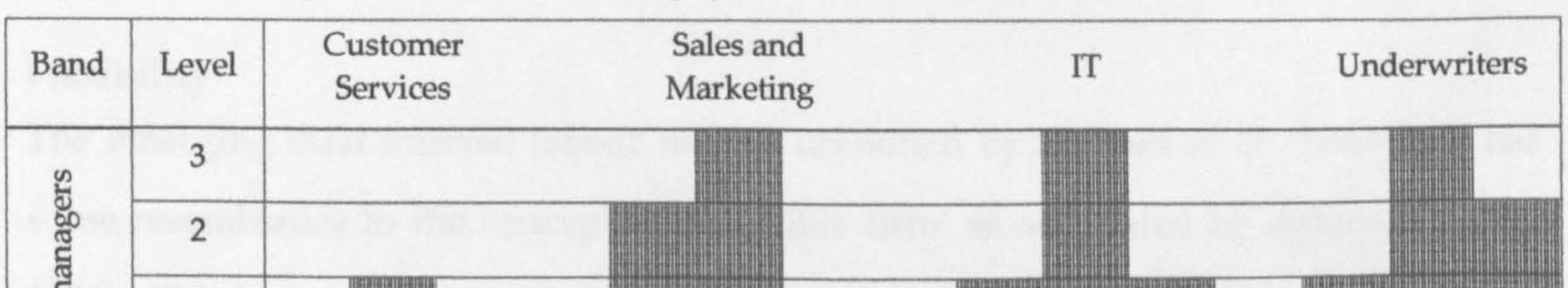
Before these changes industrial relations and personnel management in the finance sector had been stable, and overwhelmingly paternalistic. In return for a generous package of benefits, employees were expected to demonstrate loyalty to the organisation, in some cases to the extent of seeking the branch manager's approval for marriage plans (Morris 1986; Cressey & Scott 1992). Loyalty was reinforced by an informal 'no poaching' agreement between the banks, restricting employees' opportunities for alternative employment. Male employees could expect their experience to be rewarded, not just through the incremental salary structure, but also by the reasonable certainty of progression up the career ladder, with fifty per cent achieving management grades (Morris 1986). The career path was the same for all, because of the concentration on creating generalists rather than specialists. New entrants all started by learning each of the clerical tasks, before progressing to the counter as cashiers, after which the men started to work their way up through the ranks to management (Halford et al. 1997). The workforce stability produced through this combination of paternalism and career certainty meant that 'manpower planning' was an essentially reactive process, whereby employers simply recruited or made redundancies as and when required. All of these elements featured in accounts of the changes necessary to transform the management styles of banks and building societies to respond to the new competitive culture (Macey & Wells 1987; Cressey & Scott 1992; Cave 1997). The remainder of this chapter reviews accounts of the measures employed to move to a performance culture in which the criteria for reward and promotion are directly related to individual achievement, and the practice of 'manpower planning' provides a flexible workforce within a flatter organisational structure.

New career structures

The restructured branch banking career described by Halford et al (1997) features a relatively small number of routine clerks at the very bottom of the ladder, with a considerably larger contingent of cashiers above them, approximately half of whom work part-time. Above that they have a further three layers similar in size to the routine clerks. The first level is a group of specialist clerical staff, who are beneath two layers of three different categories of manager: selling officers who can progress to lending and specialist officers; senior branch clerks, who may become branch managers; and securities clerks for whom the next step is operations manager This model is an early representation of the segmentation of finance sector employment, which has contributed to the development of a "dual internal labour market", with severely restricted opportunities for promotion from the clerical grades (Baethge et al. 1999). The clerical labour market culminates with the senior clerical grades, who have a relatively high degree of job security, and who can earn premium rate overtime payments for any extra hours worked. Beyond that level job security decreases, job holders are expected to work extra hours whenever necessary, but without any overtime payment and the intensity of work increases, (Halford et al 1997; Green 2001; Grimshaw et al 2002). Previously, the limited opportunities for promotion had been managed by explicitly excluding or discouraging women; by making managerial work unappealing, employers may be substituting a new method of 'policing promotion' for one which has been outlawed by equality legislation (Halford et al 1997: 125).

Halford et al only looked at the branch network of their case study bank, simply noting that the jobs and workers in 'specialist units' have separate career structures. Some of these were described in a study of work organisation in call centres. Frenkel et al (1998) found a similar, informal career structure in all of the centres they studied, whereby trainees progressed to fully fledged agents, and eventually team leaders, with the possibility of becoming trainers, senior agents or supervisors if vacancies should arise. All of these options are within the clerical classification, beyond which they found the career path to be effectively truncated, with all management jobs advertised in the external labour market. Despite the similarities, there is no single employment system for all of these centralised units, even within the same sector. Purcell and Kinnie (2000) studied four telephone call centres, one of which was part of an established bank, and another a completely separate on-line subsidiary of another bank. In the first case the centres were set up in locations where they could use displaced branch staff, using the same terms and conditions and managed by bank managers. As the managers gained experience of working in a call centre environment they negotiated a degree of autonomy in human resource management, and implemented new terms and conditions and different criteria for recruitment and promotion, that recognised the different staffing requirements. The online bank took a completely different approach to employment than either its parent company or the in-house call-centre, with three distinct groups of employees. The only people directly employed by the bank were the managers and team leaders; a managed service organisation was used to recruit and manage most of the customer service agents, and most of the routine clerks were temporary agency staff, whose salaries were twenty per cent below those of the customer service agents. From the bank's point of view outsourcing most of the personnel function limited the risks associated with operating in a rapidly evolving industry, but from the majority of the employees' point of view this segmentation effectively creates a substantial barrier to promotion. In at least one of the major banks segmentation of the organisation has resulted in the creation of twenty three different business units, each of which has its own distinct career structure and pay bargaining arrangements (Sweeney 2003). An increasingly popular method of conveying an impression of standardisation in segmented organisations is the use of broad-banded grading structures and job families. Figure 3-1 is a hypothetical example, typical of the systems described in practitioner literature (CIPD 2000; Armstrong 2001a; 2001b). It shows how the varying concentrations of employees in different departments can produce differentiated career ladders within a pay scale that applies throughout an organisation.

Figure 3-1 - example of a broad-banded pay structure



In the call centres researched by Frenkel et al (1998) there was an official point of view that call centre experience could be a useful preparation for work elsewhere in the organisation, and in the finance sector it is now the norm for all job vacancies to be advertised throughout the organisation (Hirsh et al. 2000), yet Frenkel et al found no evidence that such moves were commonplace (Frenkel et al. 1998). This is unsurprising given the limited amount of training available for most call centre agents; even team leaders and supervisors are given little if any management training, even though they are unlikely to have prior management experience (Belt et al 2002). The routine, mechanistic nature of the work, which often involves little more than the reading of standard 'scripts', does little to impart the level of knowledge likely to be needed for the more specialist roles.

Although segmentation and specialisation may serve to limit the opportunities for promotion within an organisation, new opportunities have opened up through the abandonment of 'no poaching agreements' by the banks. The open advertising of job vacancies means that instead of two or three entry points depending on educational qualifications, in theory at least new entrants can join the organisation at any point for which they are suitably qualified (Baethge et al 1999). This new opportunity is, however, limited by the degree of mobility of the individual employee, and that tends to be greater for men than women (Booth et al. 2002).

Flexibility

The emerging dual internal labour market identified by Halford et al (1997: 123) has some resemblance to the concept of a 'flexible firm' as advocated by Atkinson (1984; 1986). This featured an organisational structure in which core workers perform the key activities, and are expected to have sufficient 'functional' flexibility to adapt to changes in those activities brought about by technological or commercial developments. In return they are given appropriate training and development opportunities, have a degree of job security, and can expect reasonable pay and conditions. The peripheral workforce performs the routine, monotonous tasks that have become commonplace as the result of computerisation. The volume of this type of work is prone to fluctuate, whether seasonally or across the working week, and the employment of an entirely full time, permanent workforce would result in paying people during idle periods. The requirement for 'numerical flexibility' means that the workers are likely to be on short-term, temporary, part-time or zero-hours contracts, and any job security that they have depends on their ability to be flexible in the times that they are available for work. These two groups of workers could equally be described as, respectively, multi-skilled and de-skilled. External workers could be either, but working for a different employer who specialises in sub-contracting one specific function, such as cleaning, data processing or telephony, providing the third version of flexibility, designated 'distancing' by Atkinson (1984).

Part time and temporary workers are the main methods used in the industry to cover peak periods of activity (Ackers et al. 1996). Fourteen per cent of all employees working in the sector are part-time women, and a further nine per cent are employed on temporary or short term contracts (ONS 2004a). Although often used as an example of numerical flexibility (Purcell et al. 1999; Coyle 2003: 21), part-time work is not really flexible, as the hours to be worked are precisely defined in the employment contract and therefore entirely predictable for both employer and employee. Purcell diffentiates between structured and unstructured flexibility, with part-time work falling into the former category (Purcell et al 1999), as do fixed term contracts, which account for more than one per cent of employment in the finance sector (Cole 2002b). With unstructured flexibility working hours are variable and can be changed to match fluctuations in work load. During the 1990s most of the finance sector employers adopted some form of unstructured numerical flexibility. Among the earliest examples in unionised companies was First Data Resources Ltd, an American data processing company that had taken over the Access credit card processing business of Lloyds, Nat West, Midland and Royal Bank of Scotland. 'Work Schedule Bidding', involved the projection of hour-by-hour labour requirements for the coming six month period in order to compile detailed tables of work schedules. Employees then bid for their preferred work schedule and allocations were made in accordance with employer-defined criteria including seniority, performance and attendance. By the end of the decade Nat West and the Co-operative Bank had introduced annualised hours, and in another six banks the contracts of new employees were for thirty five hours to be worked on five out of six or seven days a week. At least two of the banks, Royal Bank of Scotland and HSBC, offered existing employees a financial reward in return for accepting the new contract terms. In theory, flexible working gives employees some control over the hours they work (Ackers et al 1996). In practice, schemes that offer employees a degree of autonomy in deciding the minutiae of their working time are most likely to be available to those with skills that are expensive to replace (Fagan & O'Reilly 1998; Dex et al. 2002). The most commonly available flexible working patterns are more likely to benefit the employer than the workers (Mennino & Brayfield 2002; Jany-Catrice & Lehndorff 2002; Coyle 2003), and in practice are likely to be used by managers to change working arrangements at short notice (Sweeney 2002). A much more useful form of flexibility for the working mother, who may have to deal with unplanned medical or school visits, was the flexi-time system that operated in some of the larger departments. These had given genuine flexibility in determining their start and finish times as well as the opportunity to work additional hours in return for time off in the future. These systems have now been abandoned in most banks, and in at least two they were abandoned at the same time as the introduction of flexible contracts (Sweeney 2002).

Government initiatives to improve 'Work Life Balance' almost all depend on the voluntary implementation of appropriate policies by employers. Several finance sector organisations have taken this step or are planning to do so (Sweeney 2003), but the evidence of a survey in one major bank suggests that awareness of the options is very low, and that local management are reluctant to implement them fully (Fisher 2002). Data from the 1998 WERS indicates a significant difference in the level of awareness between women and men. In addition to questions about part time work, which was predominantly low skilled and performed by women, the survey asked about access to flexi-time, job-sharing, home-working, parental leave and assistance with childcare. At least one of these was available in approximately half of the private sector organizations surveyed, but forty two per cent of women and fifty seven per cent of men reported having no access to any of the arrangements (Cully et al 2000:146), seemingly women are more likely to believe they have an entitlement that does not exist, and men are more likely to be unaware of the entitlements that they have. Whatever the entitlements, other researchers have found that take-up of these arrangements is very limited, mostly by women (Kodz et al 2002; Bond et al 2002), and almost entirely in the lower grades (Clutterbuck 2003), and is most likely in organizations where there are no limits to eligibility, no managerial discretion regarding either eligibility or availability, and there is a written policy on working time arrangements (Kodz et al 2002: 34-35). Nevertheless a significant proportion of fathers claim they would like to have the option of flexible working (O'Brien & Shemilt 2003) suggesting that recent legislation obliging employers to consider requests for flexible arrangements might encourage an increased take up. DTI statistics show that although eight out of ten applications were granted during the first year, only ten per cent of fathers with children under six requested flexible working, compared with thirty seven per cent of mothers (Palmer 2004). However while we still have a two-tiered (by gender) workforce, fathers will continue to be reluctant to request concessions that are likely to damage their future career prospects (Hatter et al 2003; Reeves 2004; Saunders 2004).

Like the more traditional strategies of employing part-timers and temporary workers to cover peak periods, work life balance options are used in workplaces that are predominantly staffed by women. If flexibility is required in male dominated areas it is more likely to be through overtime or shift work, with the additional possibility of annualised hours (Dickens 1998; Fagan & O'Reilly 1998), all of which are work patterns that are difficult for workers with domestic responsibilities. This distribution of working hours not only exaggerates the difference between women and men's earnings potential, it also perpetuates the gendered distribution of domestic work (Siriani & Negrey 2000; Duncan et al. 2003). Most British workplaces, especially in the finance sector, are characterized by a 'long hours culture' exacerbated by the use of paid overtime to compensate for low pay, and the expectation that working additional unpaid hours will boost performance and enhance performance related pay (Coyle 1995; Simpson 1997; Kodz et al 1998; Cully et al 2000; Hatter et al 2003). This culture is predominantly the preserve of men, as many women are excluded by virtue of their domestic responsibilities (Rutherford 2001) and the most disturbing aspect from the point of view of eventual redistribution of these responsibilities, is that the longest hours are worked by men with dependant children (Cully et al 2000: 155).

A Performance Culture

The shift in emphasis from service to sales in the 1980s was resisted by most bank staff over the age of forty (Storey et al 1999). Not only was the nature of the work completely different from the work they had been trained for, but there was also an element of fear that selling new products would eventually lead to job losses (Brubakk & Wilkinson 1996). Concerns over the professionalisation of sales in the insurance industry were of a different nature, but equally disruptive, resulting in an accelerated staff turnover (Knights & Morgan 1990). CIPD surveys consistently show that most employers consider support for business goals to be the most important function of payment systems (CIPD 2003a). Payment systems such as performance pay and payment by results, which tend to individualise the employment relationship, are used to raise employee commitment and increase output (Waddington & Whitston 1996). In the finance sector, at the end of the 1980s, most of the banks introduced individual performance related pay as the motivation for achieving sales targets (Cressey & Scott 1992). As Brubakk and Wilkinson noted, the branch managers who would normally be expected to mediate both procedural and cultural changes were as likely as their staff to feel threatened by the changes (Brubakk and Wilkinson 1996: 41), so it was initially implemented for just the managerial staff (Goodswen 1988), but extended to all staff once the managers had become accustomed to it.

Individual performance related pay is one element of the 'New Pay', that was advocated as a method for securing the employee behaviours and attitudes deemed necessary to achieve current business objectives (Lawler 1995; Ledford 1995). Employers were advised to conduct a continual review of pay policy, possibly involving frequent changes to payment systems, from a portfolio including performance related pay, competency pay, and 'cafeteria benefits' (See Appendix One for an description of the different payment systems). According to the annual reports of Unifi between 1991 and 2003, most of the major employers have implemented changes to their payment systems at least once since the original implementation of performance related pay. The changes include moving from individual targets to team objectives; from performance related to competency based pay or a combination of the two; from a matrix based assessment of bonuses and increments to managerial discretion, and the consolidation of Christmas bonuses and territorial allowances into basic salary. During the period a version of profit related pay had been introduced and abandoned by most of the large banks, and at least one stopped paying the annual 'profit share' bonus. Particularly in the larger banks, segmentation was intensified by reference to different markets for the determination of the appropriate level for salaries, using both regional and vocational criteria.

In addition to changes that were implemented as part of everyday personnel management, several employers in the sector have been involved in mergers and acquisitions that have required harmonisation of all terms and conditions, including payment systems. In Lloyds TSB the complete process took three years; and the result was a broad-banded structure with pay levels linked to the external market. In the Royal Bank of Scotland Group the merger with Nat West was used as an opportunity to change the approach to benefits, from what they described as the traditional paternalistic approach of the finance sector whereby staff were deemed to have an entitlement to a range of benefits, to a flexible benefits package whereby employees choose from a range of benefits and receive an end of year statement detailing the value of their total package (Personnel Today 2003). When Norwich Union merged with CGU the management decided against harmonisation in favour of a completely new structure, that offers performance related increments based on individual skills, knowledge and behaviour, a non-pensionable bonus related to the achievement of individual and/or team performance objectives, an all-employee share option scheme related to company performance, and local incentive awards (Milsome 2002a).

Insecurity, work intensification and stress

Despite the variety of payment systems in operation and the frequency with which they are varied, almost all of those in the finance sector now include some element of pay for performance. Aside from the potential for bias that is present in both the design and implementation of these systems (Bevan & Thompson 1992; Winstanley & Stuart-Smith 1996), they also introduce an element of risk from the employee perspective, because of the uncertainty of payments that are contingent on performance, especially when the performance in question is outside the direct control of the employee, as in team pay, or bonuses linked to company performance (Heery 1996). It is not only pay that is insecure in the new workplace. Much of the reduction in the size of the individual workforces has been achieved by redundancy programmes, in which the principal targets were the longest serving supervisory level employees (Grint 1998: 317). During the 1990s most finance sector organisations outsourced ancillary tasks, such as cleaning, catering, and security, and towards the end of the decade data processing operations such as cheque clearing and payrolls were also performed by independent contractors (BBA 2001). Rapid improvements in information and communication technologies have reduced the time needed to perform many tasks, and have also enabled the outsourcing of call centre operations to the Indian sub-continent (Holliday 2003). Keith Grint highlights the contradiction between the increased insecurity at work, and the Human Resource Management (HRM) concept of the motivational power of employee commitment (Grint 1998: 315). Another perspective on this situation is that the presence of insecurity may actually augment the motivational power of the new payment systems. On its own the appeal of performance related pay to the individual is based purely on acquisitiveness, and if base pay is adequate, some employees will decide that the extra effort is not warranted. With the addition of job insecurity, it is in the interests of all employees who want to retain their jobs to present themselves as excellent performers. In some of the call centres, such as the online bank studied by Purcell and Kinnie, performance targets are met without any financial incentive (Purcell & Kinnie 2000). Electronic monitoring of all work processes ensures continuing awareness of performance expectations, and probably contributes to the high annual staff turnover. Nevertheless seventy five per cent remain in employment each year, and most meet the increasingly stringent targets (Brannen 2001; IDS 2003a).

Julia Brannen gave a graphic account of the hectic life of one banking call centre supervisor, who frequently worked through her lunch break and took boxes of work home with her, where she combined her work with the domestic 'duties' of a wife, mother and daughter (Brannen 2001: 7-9). The increasing intensity of work towards the end of the twentieth century has been well documented (IRS 1996; Burchell et al. 1999; Green 2001; Green & McIntosh 2001), and shown to be greater for women than for men (Bielby & Bielby 1988; Green 2001). Green uses WERS to show that a principal reason for this increase is technological change, which allows both the detailed monitoring of output and the efficient allocation of tasks (Green 2002). Green also found that, in service sector establishments employing less than one hundred permanent staff, the introduction of performance related pay has a significant impact on work intensification. He does not define his use of the word 'establishment' but, as he refers separately to organisations, I take it to include discrete workplaces within organisations. In the case of the finance sector this would include most branches, regional offices and even some of the call centres.

It has been argued that rather than creating a 'high commitment workforce', the use of HRM practices amounts to "management by stress" (Parker & Slaughter 1990; Green 2002). Surveys conducted for the Health and Safety Executive show that approximately twenty per cent of the population report suffering work-related stress (Smith et al. 2000a; 2000b). Although there was no significant correlation with gender, stress was more likely to be reported by full time than part-time employees, and one of the occupational groups most severely affected was financial institution managers. A survey of Unifi members in Barclays' Business Banking Division found that eighty one per cent of respondents considered they had suffered from stress during the previous year, thirty six per cent had visited the doctor as a result and sixteen per cent had been signed off by the doctor. A report by the European Agency for Safety and Health at Work summarising extant research on work related stress suggests several possible psychological causes that could be relevant to finance sector workers (Cox et al. 2000). Role conflict, such as a bank clerk being expected to switch from customer service to sales, is most likely to affect white collar workers (Cooper & Smith 1986). Job insecurity, particularly the threat of redundancies when there is still an expectation of employee commitment (Porter 1990); payment systems that are related to the rate of working (Kasl 1992) and long working hours (Spurgeon et al. 1997) have all become common place in the industry, and have all been cited as potential stressors.

In the space of little more than two decades the financial services sector has changed from a group of highly regulated cartels operating paternalistic personnel policies, to a highly competitive industry in which employees are a tool for achieving business objectives. In this chapter I have shown how the restructuring of the sector has reduced the opportunities for advancement, whilst ensuring that only the most 'committed' employees progress into those opportunities. The requirement to achieve 'stretching' targets means that ambitious employees are unlikely to take advantage of any flexible working opportunities, and will instead work extra, unpaid, hours in order to meet, or even exceed those targets. Failure to perform at this level is likely to be seen as lack of commitment; success will often result in serious stress related illness. A large proportion of the workforce will remain in the comparatively less aggressive subordinate grades for most or all of their careers; some may expressly reject the competitive performance culture but there will be others who cannot get promotion despite having all of the necessary qualifications and experience. Whatever the reason, the vast majority who remain in the clerical grades are women. In Chapter Four I review the literature that attempts to explain why women and men fare differently in the employment relationship.

Chapter 4. Explanations for Women's Lower Pay

> "The workings of the labour market are complex and, for this reason, no theory alone can explain the gender pay gap: a whole range of factors must be examined if any sense is to be made of its existence and persistence..."
>
> (Anderson et al 2001: 35)

The original decision to employ women in the finance sector was the result of an economic calculation by the employers (Zimmeck 1986; Anderson 1988; Dohrn 1988). Faced by rapidly increasing business expansion early in the twentieth century, the employment of women on a separate, lower pay scale was a cost effective solution. The lower wages reinforced a perception of women as a secondary workforce, who should not therefore have any expectations of progression to management, thus avoiding the alienation of existing male employees, who might otherwise have seen a dilution of their promotion prospects (Heritage 1983; Povall 1985; Morris 1986). Although separate pay scales for the same jobs have long since been prohibited by legislation, vertical segregation continues to be considered as a major source of wage differentials between women and men (Hakim 1996a; EOC 2001b; EOC 2001e).

The subsequent prevalence of employers' strategy of workforce feminisation does not explain it, or why women seem to be preferred as a source of cheap labour. Gender is a relatively new topic for debate in the sociology of work, having been largely ignored by the classical theorists Marx, Weber and Durkheim (Oakley 1974; Walby 1986; Grint 1998; Penn 1998). The exclusion of gender from social analysis has been justified on the grounds that women's position in employment is determined by their position in society, which in turn is determined by the social status of their husbands (Parkin 1972; Goldthorpe 1980), or that women are not a homogeneous group within society (Lockwood 1986). Regardless of the validity of these arguments in themselves, neither of them explains why women continue to earn less than men of the same class and performing the same work. Even when the categorisation of 'women's work' has changed, and women have moved into jobs traditionally performed by men, the relative wages and status have tended to adjust to reflect this distinction (Harrison 1990; Reskin & Roos 1990; Kirkham & Loft 1993; Skuratowicz & Hunter 2004).

The aim of this chapter is to seek clarification of how women may be constructed as being of lower value, and why the differentiation persists in the twenty-first century. The theories that have been developed over recent years can be grouped into two broad categories. Explanations based on individual characteristics derive largely from neo-classical economics, and suggest that the roles women fill in the labour market are determined by gender specific characteristics, whether natural or acquired, or 'chosen 'according to their personal preferences (Webb 1891; Bergman 1974; Filer 1983; Becker 1985; Killingsworth 1990). Structural explanations look to society for the sources of inequality, represented by patriarchy, capitalism or a combination of the two (Firestone 1970; Eisenstein 1979; Walby 1990), and resulting in organisational cultures that are intrinsically gendered (Acker 1990).

Individual factors - preference or destiny?

Preference Theory

Hakim (1995; 1996a; 1998) argues that there are three distinct 'types' of working woman: 'committed' or 'work-centred' and 'non-committed' or 'drifters', and a third group, which she describes as totally 'home-centred'. Hakim subsequently developed her 'preference theory' to suggest that there are approximately ten to twenty per cent of women at each end of the spectrum, who are either totally 'home-centred' or totally 'work-centred'. The majority (now called adaptives) drift between the two, willing to accept low paid, part-time jobs where that will facilitate a balance between the two (Hakim 2002). She argues that this is a luxury not enjoyed by men, for whom the only socially acceptable choice is to work.

Critics of Hakim do not deny that women make choices, but argue that they are obliged to make those choices within limits and constraints that are the result of the cultural and structural barriers erected by patriarchy and/or capitalism (Bruegel 1996; Ginn et al. 1996; Crompton & Harris 1998a; Walsh 1999). Some barriers may have been lowered, but they still exist. The 'emancipation' provided by the contraceptive pill has mainly benefited middle class women (Marks 2001), and the UK continues to have the highest incidence of teenage pregnancies in Western Europe (Scally 1999). Every year one hundred thousand girls have to choose between abortion, adoption and entering adulthood with the responsibility for a child as well as themselves. Families may be smaller, but parents still have to balance the potentially conflicting needs to care for and to provide for their children. The relative earning potential of each parent, together with the cost and availability of childcare, are important criteria that may well take precedence over the preferences of either parent. So too are the prevailing social and moral discourses about the type of behaviour considered right and proper, which vary between particular social, religious and ethnic groups (Duncan 2003). If Hakim is right that fathers have no choice but to work, the decisions of mothers must be constrained by the demands of childcare. Beck's thesis that issues of marriage and the family are affected by "work, profession, inequality, politics and economics" as well as "sexuality, affection, marriage, parenthood and so-on" (Beck 2000: 103), also applies in reverse.

There are reports of an increasing incidence of young women demonstrating a commitment to career development (Walby 1997; Bradley 1999) there is also evidence that some young men are electing to play a more prominent role in child care (Hatter et al 2003; O'Brien & Shemilt 2003), however these are still the exception to the general rule. Even households without children have household chores to perform. Rather than reducing the workload, 'labour saving devices' resulted in an increase in the expected standards of housekeeping, and a reduction in the number of people available to perform it – whether domestic servants, unmarried sisters or daughters (Cowan 1983). Traditionally even men who were out of work were unlikely to 'help out' (Hartley 1987). More recent research indicates that women and men who become unemployed increase the time spent on domestic chores by similar amounts (four point four hours and four point one hours respectively), however those hours are on top of the eighteen and a half hours performed by working women and the six hours by working men (Kan 2001). Kan also found that the most likely factor to produce a decrease in women's housework hours was increased income, as opposed to increased employment hours. With no comparable increase for men, it would appear that women's 'double burden' is only likely to be relieved by the ability to employ domestic labour. As the housework gap remains, even when the pay gap is closed or reversed, the 'choices' made by most women still involve a balancing act between the demands of domesticity and those of paid employment. Even though the impact of contraception and household technology may not have been sufficient to give women the absolute freedom to choose between domesticity and career, it has probably contributed to the significant increase in the numbers of women in paid employment (Oakley 1974; ONS 2004a).

Hakim's thesis goes on to suggest that women who 'choose' to be career oriented are now able to pursue those careers in the same way as men because of the existence of equal opportunities policies. In practice equal opportunities policies and diversity management tend to be most effective when introduced as a response to business demands such as labour shortages (Mason 2002). In a study of seven finance sector companies, only five out of forty five interviewees were aware of the content of the companies' equal opportunities policies (Ozbilgin 2000). Although the companies had equal opportunities departments with responsibility for auditing, monitoring and reporting, they did not have the authority to implement changes (Ozbilgin 2000: 61). Organizational changes are dependent for success on the support of senior managers. A survey by the Industrial Society in 2001 found that although sixty seven per cent of UK human resources managers claimed to regard equal opportunities as a high priority, only eighteen per cent felt that their senior managers had extensive knowledge of their companies' policies, and a third felt senior managers to be a significant obstacle to the implementation of the policies (Ishmael 2001). If equal opportunities is no more than a policy to be put into practice when it suits the business, its impact on the 'choices' of women can only be very limited.

Gender specific characteristics

Hakim's theory attempts to explain why not all women follow a full time, linear career. Biological determinists go a step further, arguing that women have physical and/or psychological characteristics that lead to them having a natural predilection for certain types of occupation, such as caring, teaching and serving (Killingsworth 1990). Their preferences are credited with causing them to congregate in these jobs, raising supply relative to demand, and thus reducing the price of their labour (Reskin & Padavic 1984). Compensating differential theory further justifies the lower wages by suggesting that the attraction of comfortable working conditions serves to offset the wage differential. Such arguments ignore the six thousand women and girls who were employed underground in coal mines in 1841, in the same conditions but for lower wages (Hobsbawm 1968), and disregard the fact that women were both physically and psychologically able to take on all types of work during the two world wars (Reskin & Padavic 1984; Bruley 1999). Sex role socialization theory suggests that children's preferences and talents develop as a result of adjusting to conform to the stereotypical sex role models that they encounter throughout their upbringing (Chodorow 1978). The concept of gendered attributes being acquired in this way does not conflict with the different degrees of conformity that exist in society, unlike the argument that socialization merely reinforces natural differences. For example, Paglin and Rufolo (1990) claim girls would continue to fare worse than boys at mathematics even if they overcame their conditioning against this traditionally male dominated subject. Since it has been compulsory for both boys and girls to study mathematics to level two, girls have begun to achieve as many A to C grade GCSEs as boys (EOC 2001a; EOC 2001d). Women are not a homogenous group of workers, they differ from each other, and their priorities and preferences differ over their life course (Elder 1978; Brannen 2001). It may even be that they differ by generation; Harriet Bradley (1999) suggests that the feminization of the work force is producing a generation of young women who have both the qualifications and the will to pursue a life time career path.

Human capital theory

Although the theory of sex role socialization acknowledges that gender traits are not biologically determined, there is little room for individual agency if the conditioning is completed during a child's early years. Human capital theory implies a degree of personal involvement in the process (see Chapter Two). The proposition that workers are paid in proportion to their investment in human capital assumes the existence of a perfect labour market. This assumption has been challenged on the grounds that the assessment of skill can be influenced by factors other than the purely technical (Phillips & Taylor 1980; Cockburn 1983). Phillips and Taylor suggest that, because they are more powerful than women in the workplace, men are likely to get greater recognition for the acquisition of skills requiring similar amounts of training. Cockburn gives the example of a strong union having the ability to resist the reclassification of work, even though it has diminished in technical complexity due to technological innovation. She cites the printers, who were able to retain the highly skilled classification even once their work had become no more complex than that of a copy typist. By contrast, in the finance industry only the insurance sector was unionised at the end of the nineteenth century, yet it was in this sector that women were first recruited in any large numbers. It would appear that in this argument it is the strength of the union's organisation, not merely its existence, which is of paramount importance.

There is evidence to suggest that, in the finance sector at least, the historical failure of women to make the necessary human capital investment by acquiring professional qualifications was largely a result of active discouragement by the employers (Crompton & Jones 1984: 145), rather than as a result of deliberate choice by the women workers. This theory is supported by the significant increase in the proportions of women taking the professional examinations of the Institute of Bankers, the Chartered Insurance Institute and the Building Societies Institute between 1979 and 1983, after this policy of discouragement had been abandoned (Crompton & Sanderson 1986). Women, especially part-timers, are still slightly less likely than men to receive employer funded training that leads to a qualification (Blundell et al. 2000), however there is also evidence that they are more likely to participate in self-funded training in their own time (Callender & Metcalf 1997). This suggests that it is employers' attitudes rather than those of the women employees that are responsible for women having less employer-funded off the job funding. A consequence of human capital theory as an explanation for the gender pay gap would be that men and women benefit equally for the acquisition of the same qualifications. This is not the case for either full time education (Purcell 2002) or subsequent employment related training (Blundell et al. 1996). Between 1981 and 1991 the impact on wages for men in the National Child

Development Study (NCDS) was an increase of sixty four per cent (five point one per cent per annum), compared with forty five per cent (three point eight per cent per annum) for women (Blundell et al 1996), and human capital was found to account for less than ten per cent of the overall pay gap of women and men in the NCDS and the National Survey of Health and Development (Joshi & Paci 1998).

These theories that purport to explain gender difference tend to be descriptive of the mechanics of inequality rather than explanatory. Theories of biological determinism that developed out of the work of Charles Darwin and Gregor Mendel have been largely discredited, as anthropologists have demonstrated that the criteria for determining the distribution of work between the sexes is neither universally nor temporally consistent (Davidoff 1986; Crompton 1997; Stainton Rogers & Stainton Rogers 2001). The segregation of women and men into different occupations does not explain why women's jobs have a lower value than men's (Crompton & Sanderson 1990); human capital theory does not explain why women and men are considered to have different abilities and skills (Anderson et al 2001; Walby & Olsen 2002), and compensating differential theory does not explain why women should be more likely than men to sacrifice financial reward for non-monetary benefits (Anderson et al 2001). The 'explanation' that the crowding of women into a restricted range of jobs means that supply outstrips demand and keeps the price low (Bergman 1974) should work equally well for those jobs preferred by men, yet it is consistently 'women's jobs' that are low paid.

Structural explanations for the existence of the gender pay gap

Structural explanations suggest that society is arranged in such a way that women's 'choice' of jobs is restricted. There are two main strands to this group of theories; patriarchy, which can be applied to any historical time and in any economic order, and a further group of theories that specifically address the impact of capitalism on women's income.

Patriarchy

Patriarchy describes a system in which men are regarded as the dominant members of all hierarchies, whether family, state or corporation. Even though most men are in the lower levels of hierarchies, their identification with those at the top creates a sense of solidarity between them, allowing them to control women (Hartmann 1979). The theory attributes the subordination of women to the debilitating effects of their biological role in reproduction (Firestone 1970); in its most extreme construction men are portrayed as actively seeking the exclusion of women from the best jobs (Walby 1986). During the 19th century, the concept of male superiority was supported by contemporary scientific theorists, including biologists, anthropologists and physicians (Harrison 1990). More recently, critics accuse patriarchs of the use of both physical and psychological tactics to sustain this hierarchy. The use of sexual harassment, the increased availability of pornography (Hadjifotiou 1983; Walby 1990; Halford & Leonard 2001) and the encouragement of many women's obsession with their physical appearance (Bartky 1988), are all seen as reinforcing women's acceptance of their inferiority to men. Anderson and Tomaskovic (1995) argue that men's efforts in this direction may be moderated by powerful women, the formalization of industrial relations, or by employers who recognise the business sense in adopting an egalitarian approach. They find that patriarchal pressures are greater in those jobs with higher pay and/or status: "Women get access to men's jobs only when men do not have a strong interest in entering them" (Anderson & Tomaskovic 1995: 348). The power to get the best jobs includes the power to refuse the low paid and those personal service roles that are commonly regarded as demeaning (Walby 1988; Crompton & Harris 1999).

Sociological functionalism attempts to explain the position of employed women in relation to their role in the patriarchal family. It suggests that the use made of its resources by the typical family unit will be that which is most beneficial for both the family members and for society as a whole (Parsons & Bales 1956; Pahl 1984). The theory dates back to a period when it was still seen as a deviation for married women to work (Oakley 1974), so the unstated assumption is that the most beneficial allocation of resources is for the wife to devote her energies to caring for the home and family. Even if she does need or choose to work, the pre-existence of gender pay inequality means that in most cases the man will be able to command the highest salary, so his career will take priority over any aspirations of his spouse. Her job will therefore be of secondary importance in the family and she will be restricted to work that can be easily combined with domestic and caring responsibilities. The demand for such jobs keeps their market value low, and serves to maintain the gender pay differential, creating a vicious circle of low pay and domesticity (Anderson et al 2001).

Critics claim that patriarchy as an explanation for women's subordination "underestimate[s] women's agency and overestimate[s] men's agency" (Blackburn et al 2002: 521). It is unrealistic to conceive of all men as a single collectivity, dedicated to the preservation of their advantage. Some suggest that patriarchy is a description rather than an explanation (Blackburn et al 2002), however a more plausible account is that the description has become so entrenched that it has become the discourse of a social system, with the result that both women and men believe that the roles of men and women are unavoidably pre-determined, and act appropriately.

Capitalism

Patriarchy is a system that pre-dates capitalism by many centuries (Hartmann 1979; Grint 1988), although it has not necessarily been universal throughout time or space (Firestone 1970). The pre-existence of a patriarchal culture would account for men becoming the dominant movers in the emerging capitalist society, but there are also theories that suggest women have been isolated by capitalist employers to help divide and rule the workforce (Firestone 1970; Edwards 1979) Marxist analyses of gender inequality tend to be a subset of their overall critique of capitalism, women are treated as an inferior and relatively insignificant class of worker, who are even more susceptible to exploitation than are their male counterparts. Promotion of the concept that a woman's principal responsibility is in the domestic sphere, enables the capitalist employer to ensure the maintenance and reproduction of the labour force (Seccombe 1974). It is argued that feminisation of the workforce is accompanied by deskilling, or task degradation, (Braverman 1974; Beechey 1977; Bruegel 1979; Bradley 1999).

Deskilling

Braverman (1974) describes deskilling of occupations as a form of managerial control by capitalist employers, enabling the work to be performed by lower skilled workers for lower wages. If, at the same time, it is possible to perform traditionally domestic functions (clothing manufacture, baking, etc) more economically under mass-production, women become available to take those deskilled jobs. Because of women's relatively late entry into the capitalist labour market they became available in vast numbers, thus allowing the law of supply and demand to re-enforce any pre-existing tendency to low pay. He argues that the eventual result will be a convergence of the proportions of men and women in the labour force as the lower paid women force out the men. Early critiques of Braverman accused him of failing to take account of the range of managerial controls that employers have available to them, and suggested that deskilling is not sufficiently inevitable to ensure the fulfilment of his prediction (Friedman 1977; Elgar 1979; Wood 1982). However the finance sector and the clerical career provide prime examples of work evolving from an exclusively male, high status, high income profession to a predominantly female, low status and relatively low paid occupation (Lockwood 1958; Kirkham & Loft 1993). Just as today it is said that women have the ideal 'soft' skills for the new call centre operations (Belt et al 2002), so a century ago it was said that their patience, docility, gentility and accuracy made them suitable for routine clerical work (Guerriero Wilson 2001). It was also pointed out that women were cheaper, so it was in the employers' interests to promote the work as suitable for women. Whatever the reason, the employment of women for clerical work continued to increase throughout the twentieth century; their representation in the finance sector exceeded fifty per cent by 1970, making Braverman's prediction appear a conservative estimate (Morris 1986; Duffield 2002). Alternative management controls, in particular outsourcing of some of the routine operations, facilitated by deskilling strategies such as automation, are also used (BBA 2001), but although this has resulted in the creation of an even lower paid group of workers in the industry, there is no evidence of any deceleration in the feminisation of the UK finance sector.

Reserve army of labour

Braverman theorised that women were being used as a long-term reserve army of labour, to replace the more expensive male labour. Marx had identified three types of labour reserve that capitalism uses to control wage costs: floating, comprised of workers who have become unemployed from capitalist industry; latent, comprising workers who have never been employed under capitalism but have become available due to changes in the relations of production; and stagnant, or those who only enter the labour market intermittently. Beechey (1977) argued that women fall into the latter category, particularly once they have married, because they "have a world of their very own, the family, into which they can disappear when discarded from production" (Beechey 1977: 57). Bruegel (1979) developed the concept of a stagnant reserve army of women with particular reference to part-time workers, specifically in the electrical engineering industry, where she demonstrates greater fluctuations in the part-time element of the workforce than occur among the workforce generally. Her thesis is supported by the findings of O'Reilly and Bothfield (2002), that approximately twenty five per cent of women in the British Household Panel Survey in 1991 who had worked part time at some point between 1991 and 1995, had dropped out of the labour market in 1995, and only seventeen point six per cent had moved into full time employment Nevertheless, the concept of a reserve army of women has been criticised firstly on the empirical evidence, that women have not been the first to go in downsizing operations (Milkman 1976; Walby 1989), secondly, because it would defeat the object of reducing wage costs if the lowest paid workers were let go first (Bruegel 1979; Anthias 1980), and thirdly because in a sex segregated labour market it is difficult to replace experienced men with inexperienced women (Grint 1998). These critiques presume that a reserve army is by nature only intended to be temporary, however the terminology employed by Braverman refers to "a reservoir of labor for the new mass occupations" (Braverman 1974: 385), and implies one whose value to capital is its availability at a time of need, but for the long term. I would argue that this is closer to a latent army than stagnant, and reflects the position in the finance sector for much of the twentieth century when expansion created additional demand for low skilled labour. That army has now been largely utilised, as women have smaller families and are more likely to return to work after a period of maternity leave. Seventy three per cent of working age women were economically active in 2003 (ONS 2004), so even the floating army, of women who are ready to return to employment after a break for childcare, is diminishing. Employers now have to look further afield for a new source of cheap labour, and thanks to advances in information and communication technologies, some have chosen to locate part of their operations in Asia and the Indian sub-continent (BBA 2001; Holliday 2003).

The family wage

Jane Humphries (1977) argues that the exclusion of women from the labour force was a strategy to enable the working class as a whole to control the supply of labour and consequentially increase its market value. The male "breadwinner wage" would enable a sole male wage earner to earn as much as his whole family would otherwise have been able to earn; and allow women to concentrate on their social reproduction role as mothers and home-makers (Humphries 1977). The ideal of a family wage was a concept endorsed by the TUC in 1897 (Davis 1993). It was assumed to have been achieved when the government was designing the national insurance scheme in 1942 (Land 1994) and as recently as the 1970s pay claims for low paid workers stressed the need "to maintain the standard of living of a married man with two children" (Barrett & McIntosh 1980: 51). However it is unlikely that the quest for a family wage was an original cause of the lower pay of women, indeed it has been claimed that the lower pay of women was a contributory factor in the origination of the family wage campaign (Creighton 1996). Failure to achieve the required standard on a universal basis is clear from the continuing need, throughout the twentieth and into the twenty first century, for a social benefit system to supplement wages. However, by continuing to strive for the ideal and thereby keeping women's wages even lower than men's, the campaign almost certainly contributed to the poorest families being unable to achieve a living wage even when both partners worked. The finance sector effectively met the demand for a family wage, but out of concern for security rather than philanthropy. In order to limit the temptation to steal, the Banks refused permission for male clerks to marry until they had reached a specified salary level (Winterton 1969; Blackburn et al 2002). This would also have provided justification for the continuation of the marriage bar, as there would have been an assumption that the woman's husband would be earning sufficient to support a wife.

Labour market segmentation

There are several variations of labour market segmentation theory, but essentially they all agree that the labour market is divided into two sectors, with the deliberate objective of dividing and controlling the workforce (Edwards 1979; Anker 1997). Those sectors are variously described as 'primary' and 'secondary' (Doeringer & Piore 1971; Edwards et al. 1975), or 'formal' and 'informal' (I.L.O. 1972). Primary sector employers are those with a high degree of market power, and are more likely to provide job security, career progression and relatively high earnings. In contrast, secondary sector employers operate in the most competitive markets, and the jobs are more likely to be part time and low paid with little or no prospect of advancement (Anker 1997). Primary sector employers are presumed to have the pick of the labour market, and to favour men because they are better educated and more experienced than women (Anker 1997). Voluntary mobility between the two sectors is unlikely, because secondary sector employees are likely to be regarded unfavourably by primary sector employers because of their association with low productivity (Anderson et al 2001), and moving from primary to secondary would incur financial penalties for the employee. The main exceptions to this stability are those women who move out of the primary sector following childbirth (Burchell & Rubery 1989), and the involuntary transfer of primary sector workers to a secondary sector employer as a result of outsourcing. Internal labour markets are said to mimic the dual labour market model, with the language of 'core' and 'peripheral' workforces becoming common (Atkinson & Meager 1986). A government inquiry in 1965, into the salaries of Midland Bank employees, actually recommended a similar arrangement and suggested separate pay structures for the women employed for the routine work, from that of the men in "more responsible posts" (NBPI 1965: 53), however the banks implemented a single pay structure to cover all employees. In his critique of Atkinson's flexible firm model Legge (1995) suggested that flexibility has become part of management rhetoric, covering a wide range of labour use strategies with the purpose of maximising competitive advantage. Even in call centres, where the broad based, flattened hierarchy and requirement for round the clock staffing seems to favour the 'flexible firm' model, Bain and Mulvey (2002) found that more than ninety per cent of employees were on permanent contracts, and that the temporary workers performed the same tasks as the permanent. In the finance sector call centre they studied, the use of temporary staff was partly a buffer against the possibility of staff cutbacks, and partly a way of assessing potential recruits for permanent positions (Bain & Mulvey 2002: 6). Temporary contracts are also commonly used for information and communication technology employees; in 2003 approximately fifteen per cent of all UK ICT employees were classed as either 'non-permanent' or self employed, but rather than being on inferior terms and conditions, these contractors earned one point eight times more than permanent employees (e-skills UK 2003).

'Dualist' approaches

All of the theories above tend to base the subordination of women on either the patriarchal hierarchy of typical families, or the efforts of capitalist employers. Hartmann (1979) argues that capitalism developed by borrowing many of its structures from the already well-established system of patriarchy, and since that time the two systems have interacted to maintain the relative status of women and men. For example, when four of the clearing banks set up the Joint Credit Card Company (JCCC) in 1970 to administer the Access Credit Card, there was no certainty of the quantities of work that would be created. The solution used by the new organisation was to recruit the non-working wives of the male bank employees to function as a "housewives' panel" to be available to cover peak periods and emergencies, in the expectation that the exercise of patriarchal relationships in the home would facilitate their availability at short notice (Joss 1998).

Hartmann's analysis provides an account of two systems operating in parallel to influence the market for women's labour. Walby (1986; 1990) takes the interdependence of capitalism and patriarchy to a more complex level, by including the effect of racism and suggesting that, rather than operating in parallel, the various systems are intertwined and will interact in different ways at different times and in different contexts. Although complex, this model is the most satisfactory version of the theories because it allows for both the heterogeneity of women, and the volatility of capitalist economies.

The theory of gendered organisations

All of the structural theories rest on the assumption that women are disadvantaged as a result of their actual or perceived biological and psychological constitution. At the beginning of the twenty first century there is no longer any necessity for the reproductive process to cause major disruption to women's careers; girls are leaving school with similar or better qualifications than boys; the government advocates employment for all, including single mothers, and employers profess themselves to be equal opportunities employers. Nevertheless women are still paid less than men. Joan Acker (1990) explains the continuation of inequality with the theory that organisational culture is intrinsically gendered, but that fact is generally concealed by the dominant organisational discourse, which is gender neutral. The result is the automatic gendering of even the best intentioned of management processes. She demonstrates that job evaluation schemes are dependent on the concept of workers who have no distractions from their dedication to work. This explains the low status of 'women's jobs' and the preservation of gendered hierarchies, (Acker 1990: 150-152); her logic is equally likely to apply to the development of the performance criteria and competencies used for determining individualised pay awards, and to the criteria for recruitment and promotion.

Despite being the originator of the theory of gendered organisations, Joan Acker was not the first to recognise the differential impact of organisational culture on women and men. Rosabeth Kanter (1977) designated "... the nature of organizations, not men or women as individuals, as the [cause of women's inequality in organisations]" (Kanter 1977: 291); Szafran (1984) used organizational and community characteristics to account for the proportion of women and ethnic minorities occupying managerial positions in twenty four US banks; and Mills pointed out that "... gender discrimination, far from being obvious and overt, is embedded, more-or-less unconsciously, in the processes that make up an organization's culture" (Mills 1988: 356). These processes range from the most sophisticated to the completely informal.

The gendered nature of the values and practices that constitute an organisation's culture may reveal itself in the conduct of staff meetings (Alvesson & Due Billing 1997), the dress code of the office (Cockburn 1991) and the language of official communications (Alvesson & Due Billing 1997; Parker 2000). Even the appearance of the working environment can convey the gendered nature of an organization. Neutral, impersonal and purely functional designs can be interpreted as masculine, while the introduction of colour and softer lines are less likely to alienate women (Alvesson & Due Billing 1997).

Gender, culture and change

Itzin (1995) and Acker (1990) contend that the power in an organisation is always going to be gendered, and will remain so unless there is a fundamental change to the capitalist model of organisation. As Beck (2000) explains, the institutional structures of industrial society have inequality incorporated in their design, and equality between men and women requires those structures to be "thought through and changed to reflect the vital requirements of families and relationships" (Beck 2000: 124). Others point to the potential influence of women on culture creation, citing a few exceptional examples, in which feminine qualities such as interpersonal relationships and power sharing are valued and the barriers to women's progress have been lowered (Grant 1988; Rosener 1990; Anderson & Tomaskovic 1995). It is nevertheless the case that most cultures have been shaped by men (Bajdo & Dickson 2002).

The more progressive organisations are, as yet, unlikely to be found in the finance sector, where the most influential people are still men, who have been immersed in the capitalist culture for generations, and for whom the overriding objective of their work is to make a profit. Despite the introduction of equal opportunities and work life balance policies, whenever they come into conflict with this objective they are likely to be sidelined. The main focus for contrived culture change in the finance industry since deregulation has therefore been the attempt to implement a sales culture (Storey et al. 1997; Storey et al 1999). In the most prestigious sectors, such as investment banking, even the recruitment process is still overwhelmingly gendered (McDowell 1997; Jones 1998) The impact of the few women who have been appointed to senior positions is likely to be far more subtle, especially if they have reached those positions by immersing themselves in the existing male culture. Even when restructuring changes the established order, there is evidence that the proportions of women and men in the new jobs adjust so that men once again dominate the higher graded jobs. One such restructuring of an American bank, supervised by two women managers, was the subject of a case study by Skuratowicz and Hunter (2004). The branch management role came out with lower status and salaries, and a new sales job was created with high pay and status. The representation of women in branch management increased significantly, and a larger proportion of men were appointed to the sales job than had been the case for the equivalent jobs in the previous structure. Gendered assumptions had been built into the jobs, picked up by the employees who responded by applying for the appropriately gendered role, and appointments were made in accordance with the assumptions. The process of appointing candidates of predominantly one gender served to reinforce the original gendered assumptions and ensure their reproduction. These findings support those of Bradley, that even though young women have the qualifications to challenge male power in the work place, "women and men are led into replicating patterns of gendered difference at work through processes both of (imposed) gender stereotyping and of (active) feminine and masculine identification" (Bradley 1999: 213).

In this chapter, I have set out the various debates about the fundamental causes of unequal pay. These emanate from theories of culture, of structure and of agency, and there is a growing school of thought, which I support, that these perspectives are complementary (Crompton 1997; Crompton & Harris 1998b; Evetts 2000). This is a challenge to the conventional approach of treating 'dualisms' such as 'action versus structure' , 'structure versus culture', and 'theory versus empirical material' as if they were in opposition (Glucksmann 2000). It recognises that there are many circumstances affecting women's position in the labour market, producing "opportunities as well as constraints" (Evetts 2000: 65), which together form what Glucksman describes as the 'total social organisation of labour' (Glucksmann 2000).

Chapter 5. Methodology

> "...Research on pay inequality is methodologically attractive because levels of pay are easily quantifiable and generalisable across all manner of jobs and employees. ... Obviously, knowledge of the patterning of pay inequalities is extremely valuable and has considerable policy relevance. However, what is missing from most of [the industrial relations] literature is any attempt to explain why sex segregation comes about and how it is maintained".
>
> (Wajcman 2000: 186)

I question the 'ease' with which levels of pay can always be quantified. Not only are payment systems complicated by performance bonuses, commission payments and other additions to basic salary, but often non-monetary benefits, such as working environment, learning and development opportunities and provision for improving 'work-life balance' are included in the 'total reward package' (Milsome 2002b). These complications are compounded by a 'conspiracy of silence about pay and bonuses' (Mellor 2003), to the extent that forty one per cent of private sector organisations do not allow their employees to discuss their pay with colleagues, and twenty eight per cent do not tell their employees how their rate of pay is determined (Neathey et al 2003: Tables 4.7 and 4.8). Nevertheless I agree that it is much easier to quantify levels of pay than to determine the reasons for different treatment of women and men, whether that is sex segregation, direct discrimination or something completely unrelated to gender. The approach described in this chapter is intended to make the connection between all of the elements of the employment relationship so that inequalities are both described and explained.

Overall strategy

A long term objective of this research project is to contribute to an improvement in the "condition of the lives of [working] women" (Brunskell 1998: 39), starting from the position that, in the employment field at least, women are at a disadvantage compared with men. In this respect, the conception of my research could be described as coming from a feminist perspective, where 'feminist' refers to "those who see women as exploited, devalued and oppressed" (Oakley 1998: 725). Wise and Stanley (2003) express concern that some feminist research is tending to concentrate on "discovery and change", implying that this approach precludes developing an understanding society (Wise & Stanley 2003: para 2.8). Rather, I suggest that it is necessary to understand the organizational and societal roots of women's disadvantage in order to discover the elements of the employment relationship that need to be changed. In particular, I was aware of the potential conflicts between different elements of the complex employment relationship that might demand compromise and long term, rather than immediate, programmes for change.

My research was partly funded, through the medium of an ESRC CASE studentship, by Unifi, the finance sector trade union. It followed that my enquiries also touched upon areas of industrial relations, insofar as I was dealing with trade union officials, industrial relations managers and the products (agreements and policies) of collective bargaining. The traditional approaches of these two disciplines have been somewhat divergent. Some feminist researchers emphasise that the concept of value free research is not only implausible, but may also be inappropriate for achieving the objectives of the research (Duelli Klein 1983; Mies 1993). They tend to favour qualitative methods rather than "The Three Ps" of positivism, power and 'p' values (statistics) (Oakley 1998), and address issues of culture and subjectivity (Wajcman 1998; Brunskell 1998). Industrial relations research is more likely to come from the traditional positivist or 'scientific' perspective, and concentrate on the "... institutions and structures of industrial relations [rather than]... the social processes which gender organisational logic, culture and structure" (Ledwith & Colgan 2002: 2).

My approach has therefore been to integrate an understanding of the gendered character of work into my research agenda (Wajcman 2000), rather than favour one field over the other. Ann Oakley argues that "The underlying gendering of structural inequalities that occurs in most societies could not be discerned using qualitative methods on their own" (Oakley 1998: 723). It is not reasonable to discuss potential inequalities of pay without quantifying those inequalities. It was my intention to conduct that quantification in as much detail as possible, in order to identify trends that may help to explain, as well as describe, the relative pay of women and men. National datasets were available that confirmed my conviction that women are disadvantaged in their pay, however these covered at best a one per cent sample of the working population. I accepted that a more detailed examination might reveal circumstances in which the reverse was the case, or where there would be parity. Such divergences would not necessarily disprove my conviction, but would provide me with fresh avenues to explore, that might reveal anything from the successful implementation of equality strategies to new ways of disguising inequality. Rather than either 'value free', 'objective', or even open-minded, I would prefer to describe this approach as the application of critical realism, recognising that "the social world is reproduced and transformed in daily life" (Bhaskar 1989: 4).

As useful as the quantitative approach is in establishing the extent of inequality and its potential causes, I realised that my personal values must influence this quantitative stage, for the simple reason that I was the only person involved in it, and in determining the ways in which I would interrogate the data. Instead of adding subjectivity, the subsequent use of qualitative methods to explain the results of the data analysis served to both increase the validity of my own conclusions, and enabled the consideration of alternative explanations, challenging my own, and causing me to reassess my position. Whilst this does not amount to a systematic implementation of grounded theory as proposed by Glaser and Strauss (1967), it is sufficiently reflexive to produce a theory that is grounded in the data (Bryman 2001).

The size and heterogeneity of the finance sector precludes the possibility of conducting research that would be generalisable to the whole of the sector, so I decided to concentrate my research in a small number of organisations. The desired improvement to the working lives of women throughout the finance sector is a long term project, and I anticipate that the detailed findings from the current case studies may be used to inform similar investigations in other companies. I considered three different approaches to my research, all of which had some advantages. An evaluation research frame of reference, such as that used by Bryman to evaluate the impact of performance appraisal in Universities (described in Bryman 2001: 281), would have been a useful method of assessing the impact of specific elements of payment systems. However its value would have been limited to evaluating those elements and have overlooked the contribution of any other aspect of the employment relationship to pay inequality. An action research approach also had some attractions, because of its emphasis on securing improvements to organisational procedures through the involvement of all participants in the research process (Hart & Bond 1995; Greenwood & Levin 1998; Griffiths 1998). I was confident in the commitment of Unifi to act on my findings, but was less certain that the employers would be willing to cooperate with any proposals. I therefore determined that my aspirations for achieving change should be long term, and that for this particular piece of research I should be content with producing recommendations without committing myself to securing implementation.

A case study approach fulfilled the requirements of being suitable for a small-scale project and of being sufficiently flexible to incorporate both qualitative and quantitative methods. A particular advantage of the case study method is that it provides data that can be retrieved later for further research in a longitudinal or action research project (Blaxter et al. 2001). The biggest disadvantage of the method is its poverty of both internal and external validity (Bryman 2001). I addressed the issue of internal validity by using both quantitative and qualitative methods to provide support for any indications of causality. I was already aware that I would not be able to conduct research of sufficient magnitude to be generalisable to the whole industry, but I decided that a case study would at least provide some theories to inform future challenges to unequal pay in other organisations. At the same time, the intensive nature of the research would enable some positive, actionable results for the women in the case study organisation(s). A multiple case study could improve both the internal and the external validity of the research by providing the opportunity for comparisons but, more importantly, it introduced a wider range of organisational characteristics and payment systems into the analysis.

Design detail

My immediate aim in designing this case study research was to produce a model capable of showing the extent to which outdated ideologies and discourses impede the implementation of practical measures designed, whether deliberately or incidentally, to promote gender pay equity. The original working title encompassed the possibilities that new payment systems may have effected a change in the relative pay of women and men, whether positive or negative, or may simply have reproduced the status quo. A longitudinal research design was considered, as it could be capable of encompassing data from the old as well as the new payment systems (Hakim 2000). Apart from the logistical difficulties of obtaining more than one set of data in the time available, I decided that too many factors in the employment relationship are liable to change, even over a one year period, to allow for any reliable inference to be drawn from such a study. It would be affected by, inter alia, staff turnover, promotions, sickness and maternity absence and changes in the way peak workloads are handled (e.g. overtime or temporary agency staff). The consequential reduction in the number of subjects who could be included in the study would therefore limit the accuracy of my analysis, so I rejected this method for the current study. Nevertheless I was able to identify a cohort of new recruits who could become the subjects of a future longitudinal study should the opportunity for further study materialise.

Much of the previous research on the gender pay gap has utilised secondary data such as the New Earnings Survey (NES) (e.g. Grimshaw & Rubery 2001; EOC 2003b); the Labour Force Survey (LFS) (e.g. Anderson et al 2001; Hardy 2001); the British Household Panel Survey (BHPS) (e.g. Booth & Francesconi 1999; Lissenburgh 2000); or the Workplace Employee Relations Survey (WERS) (e.g. Anderson et al. 2001). These have the advantage of providing time series data and enabling a retrospective longitudinal study, however they have a number of disadvantages making them unsuitable for this particular research. The diversity of payment systems, and the frequency with which they are changed, means that in order to be able to assess the impact of payment systems it is necessary to be able to identify the specific employers. It is not possible to disaggregate any of these data sets to that level, and most go no lower than the Standard Industry Classification (SIC). The sample sizes (the largest is the NES, with one per cent of employees), whilst large for studies that are looking for trends generalisable to a whole industry, are inadequate for providing reliable data on the impact of a specific criterion, especially as there is a risk that not all categories of workers are represented (Mata Greenwood 1999). The most detailed information is in WERS, which does have fully linkable surveys of both employers and employees in over two thousand companies (Mumford & Smith 2001), and includes reference to both performance related pay and flexible working. The innovation of the employee survey in the 1998 WERS is a valuable addition to publicly available data on employee relations, but as they only interviewed a maximum of twenty five employees in each workplace, it would not be sufficiently representative of any single finance sector employer for my purposes. As the researchers themselves said "we trust that in-depth case studies will help to establish the conditions under which the statistical associations we have found arise" (Cully et al 2000: 2).

The terms of my collaborative studentship included a commitment from Unifi to provide access to all relevant sources of information, including securing the necessary introductions, an invaluable advantage for any researcher wishing to do research in white collar organizations (Crompton & Jones 1988). The potential components of my research design facilitated through this relationship included a survey of union members, the secondary analysis of data held by the union, the analysis of current payroll data and personnel documents and qualitative interviews with representatives of both management and staff. With access to Unifi's membership list, I could conceivably have surveyed all of the members in a selection of organisations. The main advantages of this proposition were that I would not require employer co-operation, and it would have allowed me to collect data on attitudes to pay and performance at the same time as actual pay data. These advantages were countered by several disadvantages:

1. Small sample size – Unifi's membership represents little more than fifty per cent of the total workforce in most of the organisations where it is recognised,

and typical return rates on their own postal surveys tend to be well below fifty per cent. Regardless of my own aspirations, this would fall into the 'not acceptable' category in Mangione's classification (Mangione 1995: 60-61). Although face-to-face surveys would have a better response rate (Oppenheim 1992), the additional time needed to conduct the interviews would reduce the potential sample size still further.

2. The unreliability of self completed data (Oppenheim 1992; Newell 1993), especially if I were to ask for retrospective as well as current data, which would be increased if people had changed jobs during the previous twelve months.

3. The costs of producing and distributing postal surveys.

4. The time and effort needed to collate the responses and to enter and check the data.

Unifi held a small amount of information about the distribution of annual pay awards for the four major high street banks, disaggregated by gender, for at least one year since 1995. In each case, there had been changes to the payment systems after the first of these reports, providing an opportunity for a retrospective longitudinal study. In one case, the bank had supplied the data regularly for several years, so in theory it would have been possible to use secondary data for the whole of the analysis. The banks had supplied this data to Unifi in confidence, for the purpose of collective bargaining, so it would have been unethical to proceed with this course without their express permission. I therefore determined to seek access to two of these banks in order to conduct a comparative case study using current data, with the possibility of incorporating the historical data if permission could be obtained. I was aware that at least two of the four banks were intending to conduct equal pay audits in accordance with the recommendations of the Equal Pay Task Force (EOC 2001b), and prepared a presentation based on the anticipation of being able to share the results of those audits.

Following a presentation of my proposals, the senior full time officials responsible for pay negotiations with the two banks agreed to make the necessary introductions. They made initial approaches in March 2002, and I followed these by making a presentation to the respective Industrial Relations managers. Initial reactions were very positive, but by the end of July, neither of these organisations had been able to make a decision about granting me access. I had made repeated telephone calls, sent both letters and e-mails, and had even re-supplied a copy of my presentation to one of the organisations. Interventions on my behalf by the union officials were equally unsuccessful and, although it was never at any time denied, access was never agreed. In retrospect, I can see that my timing was unfortunate. Guidelines on conducting pay audits (the Equal Pay Tool Kit), promised by the EOC for that summer, did not materialise until September, and the new Code of Practice did not appear until November. One of the banks was planning to use a consultant to conduct a pilot audit, at a time when the few experts in the field were not only in great demand, but also involved in designing the EOC Tool Kit. I also believe it to be possible that at the time neither organisation was confident that it could accurately anticipate the outcome of the audits, and they were wary about agreeing to share data that might make them appear in a bad light. Furthermore, even though I had given an undertaking not to share any of their data with the union without their express permission, I suspect that knowledge of my close association with Unifi over several years may have made them sceptical of my protestations at a time when they were feeling vulnerable. Had I embarked on this research a year later I may have found a more positive reception, however I did not have the luxury of waiting to find out.

Reflecting on the possible reasons for the reluctance of these two organisations to provide me with access to the results of their pay audits inspired me to offer to conduct pay audits myself in return for the use of the data in my research. This solution had the advantage that I would be able to influence the extent of both the data and the analysis used in the process. The model Equal Pay Review eventually produced by the EOC was limited by its terms of reference to the identification of unequal pay for work of equal value. I was confident that a detailed analysis of pay data could reveal far more about the nature of pay inequalities in the organisations audited, and realised that if I were to adopt this approach I would be able to both evaluate the effectiveness of the EOC model, and explore the potential of a more in depth analysis.

Up until this time I had been anticipating conducting my research in two of the major High Street banks. Organisations of that size are likely to have suitable resources internally to conduct pay reviews so, for that reason as well as the practical one of wanting to keep the data sets to a relatively easily manageable size, I resolved to seek case study companies with no more than five thousand employees. At that time a Unifi colleague happened to be discussing the government recommendation for Pay Audits with the Employee Relations manager in one of the Insurance companies, which I will refer to as Global, who told her that he would like to conduct an audit, but didn't have the expertise or resources to do so. She recommended me, and it took just one telephone conversation and an exchange of emails to produce an agreement to my proposal.

I was still convinced of the desirability of a comparative case study rather than a single organisation, in particular because it would enable research into a wider range of payment systems. My exploratory interviews with union officials had alerted me to the possibility that support would be forthcoming from a demutualised building society, which I will call New Bank, now among the ten largest of the UK retail banks. Within a week of re-contacting the official, I had a meeting with the Personnel Director, who was able to agree my access there and then. At that time, the proposal was that I would assist with the conduct of their pay audit, and have access to interview staff based on the results of that audit. Subsequently, faced by delays in the conduct of the audit, I offered to do the work for them, and they readily accepted. This meant that I would have control of the analysis in both organisations, with complete freedom to interrogate the data as I wished, a huge improvement on the original plan to utilise the results of employer initiated pay reviews.

The Research Organisations in Context

New Bank

New Bank converted from a building society to a public limited company in 1997, when it became the ninth largest retail bank in the UK. As an 'amalgam' of fifty three building societies and one bank, its core business continues to be the provision of residential mortgages, which it offers throughout the UK through a network of branches, specialised regional mortgage centres, by post, telephone and on the internet. It also deals in household insurance, personal lending, retail savings and commercial mortgages. Profits and assets under management have grown each year since de-mutualisation, and the company has the lowest operating costs in Europe, with a cost-income ratio of twenty nine point eight per cent in 2003 (this compares with forty seven point five per cent for its largest competitor bank, HBOS).

Costs have become a major concern of the organisation since demutualisation, as was mentioned by all four of the interviewees, from both company and union. Containment is partly achieved by the concentration of employment in the North East of England, where the workforce in its headquarters and call centres will have expanded from one thousand eight hundred in 1997 to four thousand five hundred by 2005. In the rest of the UK the branch network was cut from one hundred and fifty six to fifty six between 1995 and 2003. In 2002 the unemployment rate in the North East was two point four percentage points higher than the national average, and the average earnings of men in non-manual occupations was eighteen per cent below the national average, and for women the disparity was fourteen per cent (Stone 2002). The region was the worst affected by the collapse of the manufacturing industry in the 1970s and 80s, amounting to a reduction of fifty four per cent of all manufacturing jobs in Wearside, a decline that has continued at twice the rate as in the rest of the country (Robinson 1994; Stone 2002). In an attempt to create alternative employment the Regional Development Agency (RDA) has actively promoted the area for the development of call centres. The financial services sector, which now accounts for thirteen per cent of all employment, has the largest number of call centres in the region, although the telecommunications sector employs a larger proportion of the workers

(Richardson et al. 2000). The attraction of low wages and subsidised premises in enterprise zones has been augmented by a proactive approach to training, including the foundation of a specialist 'call centre college' and training outlets in 'electronic village halls' located in housing estates for the benefit of the 'socially disadvantaged' (Richardson & Belt 2001). New Bank participates in this by providing pre-employment training which aims to encourage under-represented groups, such as lone parents, and to assist them through New Bank's recruitment selection process, regardless of their previous work experience or educational standard.

In addition to low labour costs, call centre managers told Richardson and Belt that their firms expected low staff turnover rates because of the high level of unemployment in the region (Richardson & Belt 2001: 78). Most would not say whether that anticipation had been realised, but in 2001 New Bank acknowledged that it had an unsatisfactorily high turnover rate of forty per cent in its mortgage call centre, accompanied by a high rate of absenteeism. A focus group participant indicated that the problem was the level of wages, which he considered to be low even for the area:

> *David: "I remember when I was made permanent I was specifically told this is your starting salary - you must not discuss your salary with anybody. I wouldn't have dared, I was that embarrassed of it, couldn't have sat in the pub and told my mates this is what I'm on".*

Rather than increasing the rates of pay, the company hired a management consultancy to promote their work life balance policies, with the stated intention of becoming the 'employer of choice' in the region. New Bank has since been awarded platinum ranking in the 2002 Opportunity Now benchmarking exercise, and was ranked sixth in a survey of the 'Best Work Life Balance Employers in Britain' (UMIST 2001; RightCoutts 2002).

The company also promotes itself as an equal opportunities employer; as part of its Corporate Social Responsibility accounting, it produces an annual 'Community Report', which in 2002 included a commitment to "equality ... across all aspects of working life". New Bank is managed by a board of four male executive directors, and eight non-executive directors, one of whom is a woman who joined the board in 1999. In her response to the news of being short-listed for a 'Framework for Action' award by Opportunity Now the Assistant Director for Personnel and Training claimed that New Bank was "very close to achieving an even gender split in management roles and above". The actual split in 2002 was forty six per cent women to fifty four per cent men in management grades, but women still only comprise twenty seven per cent of the senior management grades. One of the manager interviewees also commented on the relatively high proportion of women in management compared with other companies in the sector, and suggested it may be due to the company's 'grow our own' policy. Outside of the call centres New Bank employs a number of specialist workers, such as underwriters, surveyors, valuers and credit scorers. The bank is the only large finance sector employer in the region, so is unable to recruit experienced specialists from the local labour market. Compared with offering salaries that would attract experienced staff away from the financial centres, their strategy of training inexperienced graduates and internal recruits in these specialisations is cost effective, because the lack of local demand keeps staff turnover in these areas very low.

New Bank recognises the finance sector trade union Unifi as the "representative and negotiating body on behalf of graded staff on matters relating to salaries, hours of work, holidays etc". Both the current and previous full time union officials contrasted the relationship between the company and the union with the confrontational approach of the clearing banks they had previously dealt with:

> *Rob "I went from that culture of confrontational negotiations ... to an organisation which was very keen to reach agreements with the trade union, not one that was antagonistic towards the trade union, one which on the whole encouraged good relations with the trade union".*

> *Gwyn "They quite openly will come to us and ask us for our ideas, our help and our input, so for example if they're revising sickness absence policy they will prefer to start with us right at the outset, so that is very satisfying, so if its something that they want to drive then we get lots of input, [they are] more open to share problems than *** ever were"*

Global

Global is the UK general insurance division of a large multi-national corporation, selling motor, home and commercial insurance products throughout the UK. It was formed in 1998 following the merger of two large global insurance companies, which resulted in the parent company becoming one of the largest insurance and asset management companies in the world, with operations throughout Europe, North America and the Asia Pacific region. Following a further merger in 1999 Global had over seven thousand staff, reduced almost immediately to five thousand three hundred by the first in a series of redundancy exercises, and to four thousand eight hundred by 2002 when this research was conducted. The cutbacks were partly in response to a ten per cent group wide cost cutting exercise, but also as a result of the poor performance of Global, represented by an overall decrease in both gross and net premium income in 2001. Since the pay review was conducted Global has announced plans to outsource up to two hundred and thirty jobs to the parent company's operation in India.

At the time of the pay review Global had five large offices, four call centres, six claim centres and a network of nineteen small branch offices. Although there are also large offices in the North West, approximately one third of all employees work in London and the South East. The town in which the head office is based had an unemployment rate of three point eight per cent in 2002, approximately fifty per cent higher than in the rest of the county and region. Together with the reductions in the overall workforce this may explain how the company manages to maintain its employment levels despite paying average salaries (£385pw) that are lower than those that apply to non manual workers throughout the county (£414pw) as well as the regional (£459pw) and national (£464pw) averages (ONS 2002).

The company has an equal opportunities policy that states that it covers: "sex, marital status, disability, age, religious or political beliefs, race, colour, nationality, ethnic or national origins or sexual orientation". It includes a commitment to training, fair selection criteria for recruitment and promotion, and to seeking opportunities for flexible patterns of work for all staff. The twelve members of the board are all men, although the employee relations manager informed me that immediately post merger there had been one female director. Women occupy thirty per cent of the lowest two management grades, and twenty per cent of the two senior management grades.

Global recognises two trade unions, AMICUS and Unifi, which have been working together in a partnership agreement with the company since 2000. As a result of the agreement recognition was extended to all sections of the company, and the unions are consulted at an early stage in the development of new policies. They were included in the management of a pilot equality and diversity project in the Northern region, but a subsequent independent evaluation concluded that both unions and management still had a "muddled approach to equality" and was able to find "no evidence of commitment from the whole organisation or [the unions] to the implementation of equality" (Cole 2002a: 82 - 84).

Although they both have a national presence, I have included brief details of the local economies of the regions where most workers are employed, as this can influence the priority given to recruiting, training and retaining women in employment. Global and New Bank have many features in common. At the time of this research they employed a similar number of employees, most of who were based in economically depressed areas of the country. Both have a co-operative relationship with their trade unions, and profess a commitment to equal opportunities. For admittedly different reasons, each company places an exceptionally high emphasis on cost reduction, even for an industry in which a high cost-income ratio is recognised as a common problem (Peppard 2001). The source of the pressure on costs is one of the major differences between the two companies, in New Bank it is internal pressure to maintain or improve their position in the top ten of UK retail banks, and in Global the pressure comes from the parent company, to reverse poor company and group performance. Although neither of these companies could be described as typical of UK finance sector organisations, their size is sufficiently large to encompass the full range of retail banking or insurance activities, but small enough to be able to conduct a detailed analysis at all levels.

The eventual design was a comparative case study of these two finance sector organisations, incorporating:

- A detailed analysis of the pay and personnel data of each organisation to determine the size and location of any pay differences related to gender, and to identify any obvious justification or cause for those differences,

- Focus groups with the leading union activists in each organisation,

- Semi-structured interviews with relevant trade union officials and managers.

The purpose of the interviews and focus groups was to aid my interpretation of the data, so they were to be held after I had completed the audits, but before the results had been made available to management (any distribution of the data to the union representatives was to be made by management).

Preparation

During the months that I had been arranging access for my empirical research, I had been able to conduct some preliminary focus groups and interviews with union activists and officials. This proved to be extremely useful, both by providing an insight into the existing knowledge in the union, and giving me the opportunity to practice these research methods. In addition to many general conversations, I interviewed five National Secretaries and conducted four focus groups. The overall intention was to determine the level of awareness of the gender pay gap among the most informed people involved in the union, and to discover their theories about the causes or the reactions of the uninformed on being advised of the full extent of the problem in the industry.

As well as confirming my suspicion that the level of awareness was extremely low, especially among lay activists, these interviews served as a pilot for the qualitative element of my research programme. Initially I had thought that I would develop questions out of the responses received in this preparatory stage, but the rich data that

I obtained from a relatively unstructured approach convinced me that this was not necessary. I realised that my respondents had sufficient experience to be able to make reasoned and reasonable contributions even if they had not previously considered the problem of unequal pay.

Sample selection and recruitment

The 'selection' of New Bank and Global for the pay audits, with only nine thousand employees between them, gave me the opportunity to access data for every employee. This placed me in the privileged position of being able to compare the wages of women and men in much more narrowly defined occupations than has been the case for most equal pay researchers (Robinson 1998). Realisation of that fact added weight to my conviction that my analysis should include one hundred per cent of the employees in each organisation. Neither of the organisations objected to that suggestion, and they both supplied data for every employee on the payroll, including the directors and the newest recruits. My main concern with this level of recruitment was the ethical consideration of confidentiality. It would not have been possible to remove all identifying features from the data, as it was necessary to be able to check back to personnel files if data errors or discrepancies were encountered. That could be done perfectly well with just identification numbers, and all names were removed before the data was supplied to me. As an additional precaution, the spreadsheets were password protected and I was rigorous about closing down the computer whenever I was away from it.

It was important to me that the interviewees and focus group participants should have an understanding of how the payment systems operate and some knowledge of the issues that concern members in their organisations. The risk of sample bias inherent in selecting from a limited source (Morgan 1997), was outweighed in my mind by the value of that experience, and the most obvious candidates were union activists, specifically the officials who dealt with the two companies, and the members of the union's National Company Committees. Even though my preparatory work had shown that the level of awareness was low even among the most active of lay officials, these participants were more likely to be aware of speculation about the causes of unequal pay than would a more random sample of union members. The selection of National Company Committee members also meant that, with the co-operation of the full-time official, I could schedule the focus groups to coincide with committee meetings, and ensure a reasonable attendance. It had the additional advantage that, with the advice of the full time official, I was able to predict the group dynamics and, in particular, be ready for the likelihood of one member trying to dominate in one of the groups. I was aware of the risk that the principle of informed consent can be overlooked in this type of recruitment situation (Bloor et al. 2001). To ensure that no one felt they were coerced into attendance, I personally briefed them on the purpose of the interview and offered them the opportunity to decline participation. The other disadvantage identified by Bloor et al in using "formal pre-existing groups" (Bloor et al 2001: 33) is that the researcher may lose control, particularly concerning the environment. As the meeting room requirements of a committee are not much different from those for a focus group, I decided that the advantages far outweighed this risk.

The different levels of analysis I had been able to perform in the two host organisations determined the choice of interviewees on the management side. In New Bank I had been able to analyse the data at departmental level, could therefore identify two departments with significantly different results, and chose to interview an operational manager from each of those departments. Out of respect for the operational requirements of the business, I left the choice of interviewee to the personnel manager with whom I was liaising. This had the obvious risk of allowing the selection of a manager who would be biased in favour of the company. However, as I had already been given payroll data for every employee including the managing director, I was confident that there was unlikely to be any deliberate attempt to mislead. The lowest level of analysis in Global was London versus 'Regional' (everywhere other than London), so there was nothing valuable to gain from speaking to departmental representatives. Instead, I was more interested in the overall picture, and chose to interview the Employee Relations manager, accompanied by his assistant, as the two people most directly involved in the overall employment process.

Data Collection

The pay audit

In her work on mainstreaming equality in the European Union, Rees emphasises the importance of disaggregating statistics, "not simply by gender, but by gender cross-tabulated with other variables to reveal the structural disadvantages experienced by smaller units of analysis" (Rees 1998: 193). In order to perform as comprehensive a pay audit as possible, including ethnicity, age and educational qualifications, I requested all of the data listed in Appendix Two from both organisations. The fact that not all of it could be supplied highlighted an important caveat to the value of pay audits for establishing the locus of unequal pay, being their dependence on the nature and quality of record-keeping. In common with other researchers, I have had to accept that some data is simply not available (Anderson et al 2001), or would take too long to obtain. The data that was available, and provided to me in Excel spreadsheet format, was as indicated below.

Demographics

Although gender would appear to be an obvious necessity for an equal pay audit, it was initially omitted from one set of data. The omission was a genuine oversight, but resulted in a further delay to my work. Both organisations provided the actual hours worked, so that I was able to distinguish between full and part time workers, and also calculate full time equivalent salaries. Although less important as demographic information for this particular project (but see below regarding age), age, disability and ethnic origin would have enabled a much richer analysis had they been available. However, both organisations were unable to provide any information on ethnic origin, and only one was able to supply the date of birth of employees. New Bank had the information, but not in a format that could sufficiently easily be supplied to me for the analysis.

Measures of experience

According to Mumford and Smith "Measures of experience are ... usually assumed to be positively related to wages via the ability to acquire skills over the time period the employee has spent working" (2001: 14). As data on actual experience is not usually available for large studies, some, such as WERS, calculate potential experience by using the equation age – [infant years + years spent in full-time education] (Mumford & Smith 2001). Where the actual length of work experience is available, such as in the BHPS, it is possible for calculations of the gender pay gap to reflect the impact of periods of labour market inactivity, and this can reduce the unexplained element of the pay gap by as much as twenty five per cent (Swaffield 2000). Even this measure cannot accurately indicate experience in the current job, especially for those women who take long periods away from the labour market to care for children, and may return to a very different occupation.

In order to optimise the measurement of experience, I requested three data elements: age, date started in current role and date started employment with the organisation. Both organisations provided data which suggested that no-one had been in the current role for more than two years, not, as I had presumed, because of a recent re-organisation in which all job titles were changed, but because of a failing of the payroll software, which I subsequently found to be a common problem for employers in the finance industry. In the event, I decided that I would be content to use the date started employment with the company as proxy for experience, rather than a formula incorporating age and length of service, so that I would be producing comparable data for both organisations.

Measures of Job Value

The legal requirement for equal pay relates to jobs of equivalent value. Whilst there is doubt in some quarters about the equity of employers' evaluation processes, (Heneman 2003), I did not feel that I had either the time or the expertise to verify those used by the host organisations. Instead, I satisfied myself with asking for grade and job description, which I felt should indicate the relative values of the jobs according to whatever processes are in use.

Global has a comprehensive job evaluation system in place, whereby all jobs fit into one of nine grades according to their score, each grade having a range of salaries attached to it. In order to cater for variations in the market rate there are two further sub-divisions, one relating to the geographical location of the job – employees based in London are on a higher pay scale than are those in the rest of the country - and the other allocating separate pay scales for general staff, underwriters, secretaries and IT staff. Only sales staff were outside these scales, in a grade with no published rates of pay. Global supplied the grade, location and job type for every member of staff.

At the time of the audit, New Bank did not have an analytical job evaluation scheme for the majority of its staff. Instead, it had three broad grades covering clerical workers, junior managers and managers, a similar structure for IT staff and it was only the manager grades in the branch network which had a clearly defined hierarchical scale, incorporating five grades. In addition to the grade, New Bank supplied me with the job description of every member of staff.

Measures of earnings

I requested details of basic pay, allowances, overtime and bonus payments for a recent twelve-month period, but only received basic pay, allowances and commission. New Bank provided one month's data on overtime, which had only limited value because of the tendency for overtime to fluctuate both seasonally and by department. These omissions were unfortunate, as they are elements of pay that are considered more likely to be earned by men than women (Kodz et al 1998). I considered the credibility of continuing with the research in the absence of this data, and concluded that as no previous study of basic pay had included all employees in an organisation, it would still be a valuable contribution to the identification of the causes of unequal pay.

Both organisations supplied their salary scales; for Global this was a series of ranges with a minimum, target and maximum figure. The New Bank clerical grade scale had ten scale points, which were effectively spot rates, and the other grades had a minimum and maximum salary.

Measures of Performance

Both organisations operate a form of pay for performance for at least some of their employees, but only Global Insurance was able to provide the last performance rating. Neither was able to identify the amount of the last pay increment so I could not establish a direct, quantifiable link between performance and pay. Global also operated a competency-based system for some staff, and provided the skill level as well as the performance rating where appropriate.

Other data

Only New Bank supplied details of the departments in which each employee worked, which was useful for distinguishing areas in the company for more detailed research, particularly into occupational segregation. Global has undergone a series of mergers in recent years, so there was a distinct possibility of historical explanations for pay differentials, and they were able to provide me with the original employer of each employee.

In addition to those already mentioned, there were two significant omissions from the data. Qualifications, or at least highest qualification, would have been particularly useful for comparing starting salaries as well as providing an additional demographic control. Historical data on maternity leave and/or pay would have allowed me to distinguish between the amount of any gap directly attributable to 'the mother-gap' and any other reasons for pay differences between women and men (Joshi et al 1999; Davies et al. 2001).

Focus groups and interviews

The purpose of the focus groups and interviews was to collect qualitative data from people in a position to be aware of the way in which their organizations implement their pay systems. They were only very loosely structured, in that I started each interview with the question "Do you think there is likely to be a pay gap in your organization/department", before telling them the overall figure and asking them to speculate on the causes. I had an aide-memoire, so that additional questions could be introduced, relating to the appraisal system, promotion process, training and Work Life Balance, if not covered in the discussion. The format was similar for the management representatives, although I also asked about recruitment practice and staff turnover.

I decided to use a tape recorder to record all of the interviews, because my preparatory work convinced me that union officials and lay activists tend to be self-confident respondents, who tend to forget about the presence of the recorder after the first few seconds. In fact, I found that conversation flowed much more freely than when taking verbatim notes, because the act of note-taking is visible and can easily detract from the interaction between interviewer and respondent(s). Permission to tape the proceedings was obtained from all respondents, and they were given the opportunity to check my transcription, although none took it up. In addition to the recordings, I made brief notes summarising my impression of the main themes as I was travelling home from the focus groups.

I conducted the focus groups during a recess from the committees' regular meetings, in order to optimise attendance and reduce the costs. I was able to use the same meeting room that the committees were using for their regular business, and in both cases these were private and quiet rooms, in which the participants were seated around a central table, ideally suited to the conduct of tape-recorded focus groups (Morgan 1997).

I transcribed the tapes myself, partly from cost considerations, but also because listening to the discussion again soon after the event helps to focus on exactly what was said and start to identify themes, an ideal preparation for analysis (Bloor et al 2001). I recorded all of the audible contributions, including laughter, 'ums, and ers', and overlapping speech, but as my analysis was to be substantive, my transcription did not need to be as rigorous as that demanded for conversation or discourse analysis (Bloor et al 2001)); I did not record the timing of pauses.

Data Analysis

The Pay audits

Although the data was supplied in Microsoft Excel, I converted it to SPSS for analysis. This involved considerable initial preparation, but it produced a data set that was much easier to manipulate than it would have been in Excel. As my objective was to identify pay gaps as low as the individual level, I chose the mean as my preferred summary statistic, rather than the median, which would have failed to reflect the extreme ends of the distribution (Anderson et al 2001) Additionally I chose also to use the range, as even the mean can overlook extreme values if they are balanced at opposite ends of the scale.

I decided to compare mean annual basic pay rather than hourly or weekly wages, for no scientific reason other than it is the format with which I am most comfortable. The impact of part time workers was eliminated by using the formula '[salary/hours worked]*35' to calculate a notional salary for the equivalent of a thirty five hour week. In addition, I compared the mean notional salaries of part-time workers with those of full time women and full time men. To calculate the pay gap I expressed the mean women's notional salary as a percentage of the mean men's notional salary, subtracted from one hundred. To indicate that women earned less than men, I prefixed the result with a minus sign and in those cases where women actually earned more than men this was indicated by the use of a plus sign.

I also used the notional salary and salary scales to calculate the following variables, reflecting position in the salary scale:

Notional salary as percentage of starting salary
Notional salary as percentage of target salary
Notional salary as percentage of maximum salary

I made the comparisons at company, grade, department and job type levels, in order to distinguish the gaps resulting from both horizontal and vertical occupational segregation. Mindful of the wide-ranging levels of experience of the people who would be working with the report, I chose to use graphic means to look for a correlation between any remaining pay gap and the possible justifications, rather than present tables of regression results. The potential justifications that I looked for included performance, experience and historical reasons, and from the scatter charts produced, I was able to identify groups or individuals whose pay appeared to be unjustifiably out of line with their colleagues.

Having produced these basic reports for the two organisations, I then manipulated the data further in order to group clerical staff, junior managers, managers and senior managers in each company. The primary purpose of this part of the exercise was to compare the results of the two companies, to determine whether there was any evidence to suggest that any remaining pay gap could be attributed to the different payment systems. I realised that the decision making process was arbitrary, and another analyst may well not have produced the same results. If the purpose of this research had simply been to identify and explain unequal pay, this would have been problematic; however I was also evaluating pay audits, and this allowed me to test the value of audits in companies where there is no clearly defined process for valuing jobs.

The interviews and focus groups

The interview data was a qualitative addition to the essentially quantitative pay audit, so I could have chosen to forego any formal analysis, and simply pick out relevant passages to illustrate points made by the pay analysis. However, I was concerned that I might miss spotting a potentially important theme, so I chose to code the data. I collated the results of that coding using a process I developed myself in Microsoft Excel.

Reflections

The research design that eventually emerged from my reflections and re-evaluations was very different from that which I first envisaged. It developed from an idealised method of inquiring into the processes of an abstract organisation, to a practical solution for a real situation. By adapting my plans to deal with changing circumstances I created a situation in which I had access to more detailed data than I could have hoped for from my original target organisations. The smaller size of the two companies meant that I was able to compare a range of different finance sector functions, rather than just the one or two that I would have been limited to in a larger organisation. In addition to optimising the extent to which I have been able to explore the impact of new payment systems, I have been able to use the process to evaluate the potential for Equal Pay Audits to contribute to closing the pay gap.

I have created a research design that will achieve my immediate objectives as well as prepare the ground for my longer-term ambitions. There are some things that I would do differently if I were starting again, in particular I would start negotiations for access much earlier, with more organisations, and I would be less dependent on my trade union contacts. Preparation for this study has shown me that it was even more complex than I had envisaged, and the greatest difficulty has been learning to say no to myself. I resisted the temptation to indulge in a detailed analysis of the culture of the two organisations, or to evaluate the various payment systems. Instead, my design has allowed the identification of the most likely of the many contributors to the continuation of the pay gap. Further research will take place, as one of the organisations has already sought my help in conducting further pay audits. Whether the results will be in the public arena is still to be seen, but at least one group of women will benefit from this approach.

Chapter 6. The Horizontal Gap

Any gender pay gap in an organization is likely to be comprised of a combination of vertical and horizontal pay differentials. In other words, there are two groups of reasons for pay differences; firstly women are paid less than men for the same (horizontal) levels of jobs and secondly, they are less likely than men to climb the (vertical) ladder to the higher paid jobs. It is only the first that is covered by Equal Pay legislation, and which the EOC Equal Pay Review Model is designed to reveal. However, the official published statistics, of an eighteen per cent overall gap and forty three per cent in the financial services sector, reflects the sum of all influences on pay (Bulman 2003), and I therefore determined to include both in my review of salaries in Global and New Bank.

It is the horizontal pay gap that would be identified by an Equal Pay audit that follows the guidelines produced by the EOC. Although the scope of my pay audit process was determined before the publication of the EOC model, I found that my model incorporated most of the same factors. In this chapter, I will show the extent to which the implementation of personnel policies and practices is a causal factor in the horizontal gender pay gap in the two case study organisations. In the course of doing so I will show how the pay review model guidelines would have succeeded in describing the location, extent and causes of the horizontal pay gaps, and also demonstrate how different results may be obtained from different approaches.

Determining the scope of the review

The first step of the EOC pay review process is to determine the scope of the review. This is a three-part process including the aspects of equality to be reviewed, the personnel to be included, and data to be collected. Whilst explaining that the Equal Pay Tool Kit was developed to deal with the gap between the pay of women and men, it suggests that employers might also want to look at ethnicity, disability and age. This would have been my preference, not only because there are concerns regarding pay parity in each of these categories, but also because of the likelihood that interaction between them could result in different gender pay gaps. Although I asked for that data, neither of the organisations was able to provide any information on either disability or ethnicity, and only one had age in a format that could conveniently be supplied electronically. The EOC include a caveat that it "can be helpful to consider the quality of the information available about the ethnicity, disability status and age of the workforce and whether this is adequate for the purposes of carrying out a wider review".

The most obvious deficiency is this complete absence of information, but during my preparation of the data I also discovered several examples of inaccuracies. In particular, there were employees whose hours or grade had not been adjusted on the personnel file following a change, and there were allowances that were pro-rated for some part time staff but not others. At the time all such amendments were the responsibility of either line managers or the human resources/personnel department. Shortly after I completed the audit, Global implemented a new system whereby employees became responsible for updating their own personal details on the computer, including disability status, ethnic origin, marital status and name. One year after the system had been implemented no more than fifty per cent of employees had entered their ethnic origin on the system, and a personal acquaintance informed me that, several months after her marriage, she had not 'got around to' changing either her marital status or her name. Whilst preparation of the data for the review resulted in many errors being discovered and corrected, there is no guarantee that less obvious errors had been found.

The decision about which employees to include was not mine to make, however my recommendation that the audit should encompass all employees, including the directors, was accepted by both companies. Neither was I in a position to dictate who would be involved in the review exercise. The EOC suggests that it may be appropriate to set up a project team and to involve employee representatives in the process. Neither Global nor New Bank put a project team in place to deal with the results however Global did share and discuss the results with the trade union.

The EOC suggests that the information to be collected for analysis falls into two categories – all the elements of pay, and the personal characteristics of each employee, and that difficulty in obtaining all of this information "may be an indication that pay systems do not meet the requirement for transparency". In both Global and New Bank there was information that I requested but could not be supplied, including annual figures for overtime, the amount of the previous year's increment, educational qualifications and the length of time employees have been in their current grade. Although the initial failure of New Bank to indicate whether employees were male or female was remedied, the oversight was indicative that the disaggregation of management information by gender is exceptional rather than automatic. The same message came from Global when I asked the Industrial Relations manager about staff turnover, and he was surprised to find that the detailed report supplied by his own statisticians made no reference at any point to gender.

Determining where men and women do equal work

The second step in the pay review model is to determine the basis on which pay is to be compared. The Equal Pay Act (as amended) provides three different bases: 'like work' relates to work that is the same or broadly similar, and 'work rated as equivalent' is work that has been given a similar score in an analytical job evaluation scheme. 'Work of equal value' is also likely to have been determined by job evaluation, being work that makes similar demands, in the form of skills, knowledge, mental and physical effort and responsibilities.

All of the jobs in Global had been assigned points in an analytical job evaluation scheme that had been agreed with the union, and the range of scores was divided into nine grades. With the exception of the two highest grades (directors), the number of points encompassed by each grade increased at each step, so for example jobs in Grade B have between one hundred and twenty one and one hundred and fifty seven points, while those in Grade F have between three hundred and fifty five and four hundred and sixty four points. The job evaluation scores reflect the demands of the job, but in order to also reflect the vagaries of the labour market, Global has four different sets of pay scales, three of which (General, IT and Underwriting) encompass all eight grades, whilst the secretarial salary range only included Grades A to C. A further sub division, between National and London, allowed the insurance company to address the higher cost of working in London. At each point in these scales there was an entry-level, a target and a maximum salary. Although the job evaluation scheme had been agreed with the unions, concern was expressed to me by one of the union officials that the process of slotting people into a relevant point in the scale had been at best haphazard following each of the recent company mergers.

> *Dave: "Every time there's been a merger, although they've done new job evaluation schemes and got it felt fair, that way round, what we've done is we've always transposed where people were on their existing salary grades into quite a broad band salary structure"*

In other words, people have been slotted in to the scales in accordance with their salaries, rather than their job content. Sometimes called red-circling, this problem of how to integrate widely differing salary scales is not uncommon in an industry where mergers and acquisitions are commonplace, however it should not detract from the fact that, in Global, there was a clearly defined structure that I believed would be sufficiently transparent for any such anomalies to be identified. I was therefore satisfied that I could use the structure as an indication of where women and men were doing equal work.

The situation in New Bank was less straightforward. A new payment system had recently been implemented for clerical staff, using a single, broad-banded salary scale with ten scale points. The entry point varied according to which of five occupational groups (Customer Service/Admin, Direct Sales, Retail (Branch) Sales, General and IT) individuals worked in and whether they were classed as trainees, operatives or team leaders. There was no point system to determine the appropriate point in the scale for each job, but from whichever point an individual started, they could expect to progress to the top of the scale by one point each year, so long as they achieved satisfactory performance. Two of the occupational groups, IT and Branch Sales, had scales which continued for supervisory and manager grades. Grades S6 to S10 covered all of the supervisory and management employees in the branches; Grades T2 and T3 were for junior managers and managers in IT. For the majority, however, beyond the clerical grades employees were simply classified as junior managers, managers or senior managers. For the first two of these there was a minimum and maximum salary, and senior managers were on personal salaries. In none of these groups was there any process for determining where within that range any particular job should fit, with managers having discretion to determine the appropriate salary for their appointees. Nevertheless there was also an absence of any incremental stages, so that the appointment salary remained the rate for the job until the employee moved on to another post. According to the union official and the lay chair of the union committee, the result was a promotions process that was open to abuse:

> *Gwyn "... senior managers have been promoting people just on the basis of their own personal opinions and recommendation".*

> *Dora "there has been, we know, money spent on people being promoted or whatever else, but not against any set criteria, its really been a case of well so and so's really done well, so I've given them a bit more responsibility this year, and any manager could go and make a case for anybody to get a bit of money out of the promotions pot"*

In the absence of an analytical job evaluation scheme, I was obliged to find an alternative basis for comparing jobs in New Bank. Unlike Global, the bank had given me the job title and department of every individual in the bank, so I decided to make my comparisons at departmental level. As there were two hundred and fifty three different job titles throughout the company, I made the initial comparisons according to the grades of the employees in each department, reserving job titles to help explain anomalies at the fourth step of the Equal Pay Tool Kit. I was satisfied that this was the most appropriate way to make my comparisons in New Bank, however it was not as satisfactory as the comparisons in Global for two reasons. On a practical level I would potentially be making two hundred and twenty comparisons in New Bank instead of the maximum fifty seven in Global, and from the point of view of the analysis, I had no reliable basis for comparing jobs in different departments. In an attempt to compensate for the second deficiency in the process, and to determine where jobs from different departments were of a similar value, I decided to group the job titles together. Using an arbitrary process based purely on the semantics of the job title, I produced eleven sets of jobs, including a 'general' classification that covered everything that did not fit comfortably in any other category, and excluding directors and senior managers who were on personal grades. Spread over three grades, this gave me eight clerical 'jobs', seven for junior managers and three for managers. Although the value of this analysis for employees of New Bank was limited to identifying potential problem areas requiring further investigation, it had a significant value to me. The difficulties that I encountered in determining where men and women were performing similar jobs demonstrated the importance of having a transparent pay system in order to be able to place much confidence in the results of a pay audit.

The Equal Pay Tool Kit is designed to compare pay within single organisations, but I also needed to make some comparisons between my two case study organisations. Although the pay and grading systems were very different, it was possible to distinguish the same four classifications in Global that featured in the New Bank system, and I grouped Global's Grades A and B as clerical staff, C and D as supervisory/junior management, E and F as managers and G, H and I as senior managers. Although the terminology may not necessarily reflect Global employees' conception of the jobs done by people in those grades, this provided the closest match to New Bank in terms of both relative pay and the numbers of employees in each classification.

Collecting and comparing pay data to identify equal pay gaps

The next step was to compare average basic pay and total earnings in each of the main groupings of staff that I had identified as doing equal work. After discounting those groupings where all the employees were of the same sex, I was left with thirty one groups in Global and one hundred and fourteen in New Bank. I made the comparison by calculating a 'full time equivalent' salary for every employee in order to ensure that both part-time workers and those who worked more than the standard thirty five hour week were compared on the same basis. Within each group of employees I then calculated the difference between the average men's salary and the average women's salary as a percentage of the average men's salary.

Even though it acknowledges that "averages can conceal important differences between individuals", the Equal Pay Tool Kit suggests that differences of five per cent or more are sufficiently significant to warrant further investigation, or three per cent if that level of difference is consistent across the whole organisation. There was no consistency in the results in either New Bank or Global, so if I were following the EOC model I would only have investigated differences of five per cent or more; which occurred in eighteen of the Global and fifty six of the New Bank groups. However I was not satisfied that the smaller differences were necessarily insignificant, as calculations using averages can disguise wide variations in scale. The guidelines to the Tool Kit suggest a number of statistical methods that can be used for further investigation where significant gaps have been found, such as the range and scatter plots charting salaries against length of service. By including the range in my initial analyses, I found that even though there were forty groups of staff in New Bank with gaps below five per cent, and twelve in Global, there were only eight and one groups respectively where I was satisfied that no further investigation was necessary.

All of the gaps in Global were under eleven per cent, as were three quarters of those in New Bank. Although there was a difference in the average pay of women and men in most groups, it was not necessarily always men who were paid the most. In Global there were four groups where it was the women who were the highest paid, and in New Bank there were forty four. The range of gaps in New Bank was from eighteen per cent favouring women to fifty eight per cent favouring men, however the majority of the most extreme gaps were in areas where just one or two people of the 'highest paid' sex were employed on salaries that were above the median but below the maximum. If I had made the comparisons simply by grade across the whole of each company the range in New Bank would have been from four point six per cent favouring women to thirty four per cent favouring men; excluding directors the largest gap would have been ten point five per cent, and only four out of eleven grades would have had a gap exceeding five per cent. In Global, the result of the analysis would have been only one grade out of eight with a gap large enough to warrant further investigation according to EOC guidelines.

My initial analyses, the equivalent of that recommended by the EOC, only compared employees covered by the same pay scale (Global) or working in the same department (New Bank). I had not included Global employees who were doing jobs with the same job evaluation score but in different pay scales (i.e. Grade B IT staff with Grade B underwriters). I was particularly concerned that this approach meant that the secretaries, who were all women, were omitted from the analysis. A calculation of the pay gap for each grade produced pay gaps very similar in range to those produced by the main analysis, however the relatively small numbers of employees in the specialist grades meant that their impact on the total salaries in each grade was minimal. My solution was to compare the rate at which men and women progressed through the grades. This was done by calculating full time equivalent salaries as a percentage of the target salary, and then comparing the results for individuals with the same length of service and of a similar age. For example, a Grade B secretary with one year's service and earning £14,658 was being paid ninety four per cent of her target salary of £17,425, while a similarly 'experienced' Grade B underwriter on £15,517 was earning one hundred and seven per cent of his target salary of £13,905. Even though the secretarial scale looks better than the underwriters scale, the male underwriter was better off both financially and relatively. I identified sixty six examples where the difference was greater than ten percentage points, and in fifty nine of those it was the woman who had the lowest relative salary.

This level of analysis was only possible because the job evaluation and clear pay scales in Global gave me reliable data to work with. In New Bank I only had job descriptions, which I had narrowed down from two hundred and fifty three categories to eleven, and beyond the clerical grades just a minimum salary for each grade. Within each grade I compared the length of service of women and men in the same category and with similar salaries, and this process also facilitated comparing the length of service of similarly paid employees in different categories. So, for example, I could see that female specialists on clerical Scale Point 7 had an average of nine point seven years service, men with similar job titles and the same pay, had only two years service, and in the 'assistant' category women on clerical Scale Point 7 had six years service, compared with two point nine for men. As in Global, there were examples where women seemed to be progressing faster, but in most cases it was men who had the shortest service. Although this process did not identify individuals with different salaries, it did indicate which jobs needed to be looked at more closely. The greatest value of an analysis along these lines must be in organisations where the absence of a job evaluation scheme makes the evidence from the straightforward comparison of means at best unreliable. From my point of view, in relation to these particular case studies, it provided me with an early indication that women were paid less than men relative to their level of experience, a theme that will be explored more fully in the next section.

When I reduced the categories for analysis to the equivalent of the four 'general' grades across all employees in both organisations, some of the most extreme differentials from the initial analysis disappeared. In both cases the clerical graded women earned slightly more than men (shown in pink and with a plus sign in Table 6-1), but only by one per cent in New Bank and two per cent in Global. The gap for managers was also similar, at six per cent and five per cent respectively, but the aggregation of the two junior manger and three senior manager grades makes Global appear to have much larger gaps (fifteen per cent and fourteen per cent respectively) at these levels than is the case in the individual grades or in one of the equivalent grades in New Bank (see Table 6-1). New Bank still had the largest grade level pay gap, but the difference was less than half the size of the difference in the more detailed analysis.

As nearly as possible I made the same levels of comparison in both New Bank and Global. In both companies the results from the different approaches varied from one another, but the variance was much greater in New Bank than in Global. The relative consistency of the results in Global demonstrates the value of having a reliable and transparent basis for making comparisons; however the variations show that it is also important not to rely on a single basis for comparison, but to interrogate the data in as many ways as possible.

Table 6-1 - staffing complement and horizontal pay gaps in New Bank and Global

Grade	New Bank					
	Women		Men		Total	Pay gap %
	N	%	N	%		
Clerical	1883	72	718	28	2601	+1
Junior managers	482	62	302	38	784	-5
Managers	190	46	219	54	409	-6
Senior managers	50	27	137	73	187	-27
Total	2605	67	1376	33	3981	-32
	Global Insurance (Actual Grades, all job types)					
	Women		Men		Total	Pay gap %
	N	%	N	%		
A	330	75	108	25	438	-3
B	1478	73	555	27	2033	+4
C	569	55	466	45	1035	-5
D	280	32	583	68	863	-9
E	93	38	149	62	242	-2
F	37	22	130	78	167	+1
G	13	17	65	83	78	-5
H	4	17	20	83	24	-4
I	0	0	8	1	8	0
	2804	57	2084	43	4888	-32
	Global Insurance (New Bank Equivalent Grades)					
	Women		Men		Total	Pay gap %
	N	%	N	%		
Clerical	1808	73	663	27	2471	+2
Junior managers	848	45	1049	55	1898	-15
Managers	130	32	279	68	409	-5
Senior managers	17	15	93	85	110	-14
Total	2804	57	2084	43	4888	-32

Establishing the causes and justification for any pay gaps

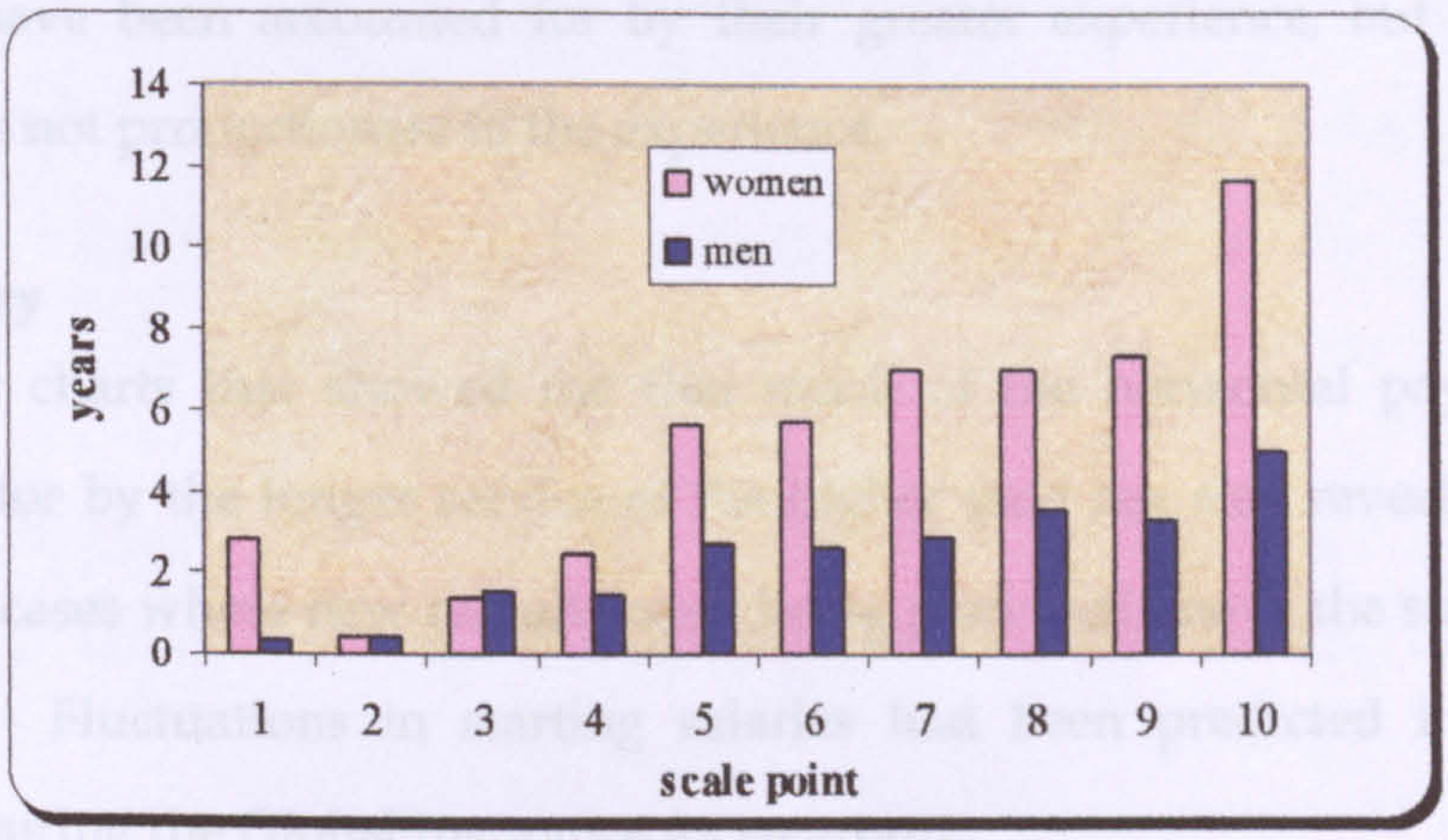
The Equal Pay Act recognises that some circumstances can amount to justification for differences between women and men's pay. Such circumstances include different levels of experience and/or performance, the vagaries of the labour market and historical reasons such as the integration of two or more pay scales following a merger or takeover. Such reasons will not amount to justification if, for example, experience and/or performance were valued using gendered criteria, the labour market can be shown to reflect embedded gender bias, or if the 'pay protection' processes used to 'phase in' integrated payment structures do not have a clearly defined and/or reasonable time scale. The fourth step of the Equal Pay Tool Kit is concerned with determining the extent to which considerations of this nature influence the size of any significant pay gaps in the company, as well as the extent to which pay structures contribute to the gaps. My own investigations followed a similar pattern to the EOC recommendations, except that I examined pay gaps far smaller than those covered by the EOC definition of significance. By plotting salaries against data such as length of service, age, performance rating and the original company (of Global employees) I identified those apparently unjustifiably high or low salaries that needed further investigation by the companies. The majority of the gaps were proportionate to length of service, but I also found evidence of inconsistency in the starting salaries of new recruits and promotees, even in those cases where pay scales provided clear guidance on the correct rate. In the remainder of this chapter I explore in greater detail the explanations for horizontal pay gaps in the case study organisations.

Experience

In almost every case where I identified a pay gap, I found that most salaries were proportionate to the length of service of the employees. This was most pronounced in the clerical grades of both companies, where it was also most likely that women would be the highest paid. In the clerical grades of New Bank women earned two per cent more than men; their average length of service was four point three years, but for men it was only one point seven years. At departmental levels as well, comparisons of average salaries and length of service show that women's longer service satisfactorily accounts for a significant proportion of their higher pay in the clerical grades in New Bank.

The structure of the New Bank clerical grade pay scale allows for this analysis to be conducted in detail. Progress through the grade was by way of ten pre-defined steps, and each point in the scale was associated with a specific level of experience for the particular job. Seventy two per cent of women in New Bank worked in the clerical grades, and twenty one per cent had worked their way through to team leader, on Scale Point 7 to Scale Point 10. Half of all men in the bank were also in the lowest grade, but only nine per cent were earning salaries in the higher scale points. As can be seen from figure 6-1, those men who did progress to the top of the clerical grade did so in a much shorter time than most of the women, the average length of service of men on Scale Point 10 being less than that of women on Scale Point 5. Although clerical graded women have longer service and were paid more than men, in fact their salaries relative to experience were actually lower.

Figure 6-1 - average length of service of New Bank clerical staff



The ratio of experience : salary in New Bank clerical grade suggests that there could be different recruitment practices for women and men, and this was confirmed by the analysis of length of service by job category. Out of forty six comparisons, there were only five where men had longer average service than women, and in three of those the difference was less than one year. Most women started at the lowest scale point and progressed through the grade at a rate of approximately one scale point per year, with just a few recruited straight into the more highly valued jobs on salaries in the middle of the scale. Few men recruited on the lowest scale point remain in the clerical grade for more than two years before they move to either another grade or another company, and they were more likely than women to be recruited straight into the more highly valued jobs.

In Global there were four groups of staff where women were paid more than men, but in three of these it was because there was only one woman, whose salary was above the median but well within the scale. The remaining positive gap was in the most heavily populated of the clerical groups, Grade B General staff on the National scale. Just as in New Bank, women spent longer than men in the clerical grades, with some examples in both Grades A and B of continuous service exceeding thirty years. The difference in the average length of service for women was not so great as in the New Bank clerical grade, but neither was the pay gap. Men's average length of service was approximately two thirds that of women and across the whole of grade B women earned on average one per cent more than men. As in New Bank, women's higher pay may have been accounted for by their greater experience, but the size of the reward was not proportionate to the experience.

Pay on Entry

The scatter charts that showed me that much of the horizontal pay gap could be accounted for by the longer service of the higher paid sex also revealed a significant number of cases where new recruits were being paid well above the starting salary for the grade. Fluctuations in starting salaries had been predicted in the following exchange during the Global Insurance focus group:

> *Frank: "I think one of the things there is that we're only recruiting people from other companies, where they're doing the same as us, where they're paying the men more. If you want to recruit somebody, if somebody comes in for an interview on fifteen thousand you know you're going to have to offer him more money to come, it's the same, its just a knock on effect on all the companies that are offering more money, and it goes back to the thing that you know for a man it's a career, but for a woman it's a job, and it's the family cycle again that the woman's sometimes got one eye on the family, whereas the man's going to be the money earner. He's got to further his career, get more money in to the family, whereas she's going to be at home, looked on as to bring up the family".*
>
> *Gladys: "But if you take that, you're a manager say, and you've got three people coming for a job, and you need those three people, and you've got vacancies for all three. Two of them's female, one of them's male; given the manager knows the market rate, right, the market rate in Manchester's a spot rate, he knows that he's going to have to pay let's say sixteen grand to get an underwriter in at that level I know I'm going to have to recruit at round about the sixteen grand mark. So he interviews, and the three comes up to standard, he knows he's going to offer the three jobs to two females and a male, do you think that male's going to get more money than the two females?"*
>
> *Fiona: "If he stands there and says I need eighteen grand, or I'm not coming".*

Gladys: "But not automatically, they're not automatically going to give him more money, if he negotiates it then maybe yeah, cause you need the staff, but same if the woman negotiated. But if the manager's got one eye on his budget, he's going to offer each individual as little as possible, he could end up with three people on the same job at three different prices".

Barry: "Which is what I'm saying, under the current system he can actually offer the three people the exact same job at entirely different starting salaries".

Individualised pay was a feature of the pay structure of junior managers and managers in New Bank, but the evidence from the pay audit was that it was also occurring by default in Global, despite the existence of a clearly defined and potentially transparent payment structure. There may, of course be valid reasons for giving managers discretion in setting starting salaries, as suggested by one of the New Bank union activists:

Clare: "Depends what skills you've got, if you've got IT skills, or other skills that there's a shortage of at the time".

Both the New Bank Call Centre manager and the Global Insurance Industrial Relations manager agreed that it could be necessary to pay above the minimum in order to get experienced staff:

Nigel: "I think often the real driver at that level is if we're trying to recruit people from outside, what are they being paid at that minute, and what is it we'd have to pay them to get them to make that move, because most people will not move unless there's an increase there".

Sherina: "Which might account for some of the inconsistencies here, because someone isn't going to move if they're going to pay them less than the company where they already are".

Nigel: "Yes, yes, yes that's right and I think it is true that if you have a person that's been working for you for six months and the market's moved on a bit, you go out in the market and you try and recruit someone in that same job you might be prepared to pay them more than the person you've got already because assuming that person you've got already is reasonably happy doing what they're doing, you'd think that's not such a big risk, whereas you have to pay some kind of premium to actually get the person to leave their existing employer and come and work with us".

The New Bank Call Centre manager also acknowledged that this might happen, although his response was more cautious:

> *Paul: "I suppose hypothetically yes, but we are very cost conscious, we'd have to have a very good reason to employ somebody at a higher salary....I think if they have an extremely strong, relevant experience for the job you're looking at. If for instance you had a situation where in the call centre where last year we were bringing in a sort of sales culture, say you had a section manager vacancy and we wanted to bring in somebody who had a particular sales experience, for instance and they came from a background where they'd done a lot of sales, then I could see us breaking the rules for that, its probably what you'd do if you want to bring in somebody who's new to the area where we think we haven't got those skills within the area now, otherwise we have to ask the question why haven't we got those skills if its something we should have in the first place. So that's the sort of thing I can imagine where you might say right I'll pay them a little bit more, to attract that person, but by exception I would think".*

In neither of the organisations was there any formula in place for determining starting salaries of experienced external recruits, nor was there any central monitoring of the salaries being paid, beyond the requirement for the total departmental salary bill to be within budget. Even formulae have the potential to favour one sex over the other, for example they might be based on qualifications that are more likely to be held by men than women, or if they only take into account recent work experience they might discriminate against women who have been out of the labour market caring for young children. Nevertheless, if these criteria are explicit they can be challenged. When there are no formal criteria in place enhanced salaries are only likely to be agreed following a negotiation initiated by the interviewees. In such circumstances the potential for the results to be biased is even greater, the size of the salary largely determined by the negotiating skill of the interviewee. It has been suggested that women have a predisposition to underestimate their own ability (Rosenthal et al 1996), and to place less value than men on material rewards (Purcell 2002), a combination that might deter them from negotiating an increased starting salary, or lead them to be satisfied with the salary on offer.

In 2002, Global Insurance agreed to pay sixty nine per cent of men and sixty two per cent of women starting salaries at least ten per cent above the entry level, and in New Bank it was twenty one per cent of men and twenty per cent of women. In both cases many were appointed at salaries exceeding those of the incumbent employees. Although these numbers were high, the relatively even distribution between women and men does appear to contradict the suggestion that men are more likely than women to negotiate a higher starting salary. Rather than being a contradiction of the previous research evidence, however, I believe my data signals a changing attitude among women. Several of the female New Bank focus group participants, all of them over forty and, as union activists, accustomed to being forthright with management, were quite clear that they would never consider negotiating:

> *Evie: "A man has to argue for his family, if he came along on the same job offer, he would need, they think he needs more because he's got children, I come along, whether I've got a husband beside me or not, children or not, and they automatically say that she doesn't need quite as much, and would offer less to see if I would take it. A woman would accept it, I would accept it, if it was what I needed, ... It's just male and female, its not sex discrimination, that's the way of the world unfortunately I think ...".*
>
> *Barbara:"Women haven't got the confidence".*

These comments suggest that women's difficulties with the concept of negotiating pay are a relic of the 'family wage' discourse, from a time when a woman's wage was a supplement rather than an essential component of a household's income. Not only was it something that women were not accustomed to doing, but it required a degree of assertiveness that would have been classed as 'unladylike behaviour' until fairly recently (Oakley 1972). It would have required a strong sense of injustice and of self worth to overcome the stigma, whether actual or perceived. While this discourse lingers among the older workers, it is more than possible that there could be some gender differences in pay that reflect recruitment salaries from several years ago. The data on recent recruits, together with the following focus group contribution, suggest that there is a new attitude among some younger women:

> *Mike: "When I was in Personnel I used to interview, and before I came to [New Bank] I used to be in Personnel, and women traditionally would not negotiate their starting salaries, whether its appointment or promotion, you'd tell them and they'd accept it, where men, men don't always negotiate either, but there's a bigger predominance of men are negotiating salaries than women. That's just a trait, that'll change, but now, where I work now I work with as many bolshie women as I work with bolshie men, and the younger ones are not as soft, and they're starting ... that's it, over the years, going right back till I was in industry, I never, ever saw women negotiate, its only the last two or three years I've seen it".*

Even if the proportion of female job applicants who are prepared to negotiate starting salaries is increasing, this is not a development that will help close the pay gap, but rather one that might create a new divide. If it is happening, and salaries are being paid which cannot be justified by measurable skills or experience, it will simply add to any lack of transparency in the payment systems. Both pay audits provided evidence of men and women with less than one years' service being paid salaries well in excess of the relevant minimum, but it was most pronounced in New Bank's junior manager and manager grades. The main features of the payment system in operation at the time of the pay audit were a fully discretionary approach to the determination of salaries and an absence of any incremental stages, so that the appointment salary remains the rate for the job until the employee moves on to another post. The impact was described by one of the focus group participants:

> *Bob "...because the scale for junior managers for example went from fourteen to twenty two, me and Lin, junior managers, I could be on twenty two and Lin fourteen, you know that, that was the problem there".*

Discretion may not be explicit in Global, or in New Bank clerical grades, but the range of salaries paid to new entrants demonstrates that it is exercised. Women recruited in Global during the twelve months prior to the audit were earning between eighty six and two hundred and fifty eight per cent of the minimum salary for their grades, for men the range was between seventy nine and three hundred per cent. In both companies discretion is limited only by the line manager's direct responsibility for maintaining staffing levels within budget. The pressure to meet budgetary targets means that high starting salaries need to be compensated for in other parts of the salary bill. The salaries below the minimum were noteworthy because they provided further evidence that there had been no systematic monitoring of starting salaries, but not sufficiently common to make much impact on the total salary bill. However the absence of criteria for calculating appropriate salaries means that it is quite feasible that experienced candidates who do not attempt to negotiate were placed on the lowest point of the scale.

Pay progression

Discretion

The rate of progression through a pay scale provides another opportunity for the rates of pay of women and men doing the same work to diverge. I have already explained that for the junior managers and managers in New Bank this is not a possibility, as there were no increments in this pay system. Nevertheless, a comparison of the correlations between length of service and notional salary of women and men in these two grades suggests that the salaries of male managers and, to a lesser extent, junior managers, are more closely linked to length of service than are those of the women in these grades. The relationship for all junior managers was significant at the one percent level, at point three three six for women and point three five six for men. In the managers' group the only significant relationship was point two nine six for men, while the relationship between salary and length of service for women was only point one five six. This could indicate that in the past men were more likely than in recent years to be awarded higher salaries than women for similar jobs; however there is another possible interpretation of these correlations. Although there is no formal incremental scale, it is possible of salaries to increase because of promotion within the grade. Just as with appointments into these grades, the process is discretionary, based on the personal opinions of the senior manager in the departments:

> *Dora "there has been, we know, money spent on people being promoted ... but not against any set criteria, its really been a case of well so and so's really done well, so I've given them a bit more responsibility this year, and any manager could go and make a case for anybody to get a bit of money out of the promotions pot"*

The relative informality of this discretionary system could easily mask, as well as contribute to, inequalities in pay. For example there is no mechanism to avoid the exercise of the 'doppelganger' and the 'crony effect', whereby the predominantly male senior mangers would be most likely to promote in their own image or their acquaintances. The higher salaries of the men could, therefore, represent a greater likelihood of promotion within the grade, rather than, or possibly as well as, higher starting salaries. There was no way to determine the relative impact of these two possibilities from the data provided for the pay audit. In order to reliably determine the causes of these gaps it would have been necessary to provide the date each individual started in their current grade, and the salary that they started on in that grade. I would also need to have known the level of any intervening cost of living rises that had been awarded during the interim period. Whilst it is not inconceivable for all of this data to be available, my experience shows that companies have difficulty in providing historic data. Even if it had been provided, the complexity of the calculations would have increased the time and effort needed to conduct the audit, making the exercise even less appealing to employers than the basic, EOC model audit.

Performance and Competence

In the clerical grade of New Bank, and all Global grades, pay progression is dependant on performance. The payment system recently implemented in New Bank means that all of the clerical workers progress at the same rate, so long as their performance is satisfactory. This meant that the failure of the bank to provide appraisal ratings was less of a problem than it would have been in a system where ratings were used as a determinant of the size of increments. It also meant that, despite the difficulty of making comparisons between departments, the system was sufficiently transparent that individuals could easily confirm that they were being paid the correct rate for the job. This almost certainly contributed to the appearance of pay parity that the pay audit produced for this group of employees, which was not a surprise to the Union official, who noted:

> *Gwyn "I'm tending to find that junior level staff ... have a clear understanding of the method of pay and because its clear and structured and people understand it, it seems to bring decent levels of reward",*

It would, nevertheless, have been interesting to compare the numbers of women and men failing to achieve satisfactory performance, and it would also have been useful to see the performance ratings of those women who have been in the clerical grade for significantly longer periods than most of the men. The unavailability of this data from New Bank means that even though there is an appearance of pay equity in the clerical grade, there can be no certainty that women and men are treated equally.

Progression within each grade in Global Insurance is based on a combination of performance and competence. Two parallel systems for measuring these criteria were in the process of being introduced at the time of the audit. Not all of the employees had been put on these programmes, and some were on one but not the other, but with approximately fifty per cent of staff on each programme, they were capable of contributing a significant contribution to the size of the overall gender pay gap.

The performance measurement process gives only limited guidance to managers on the assessment of their employees' performance so, as with pay on entry, the major constraint on the exercise of discretion is the departmental budget. The process results in the award of one of four possible ratings, ranging from Level 1 (exceeds expectations) to Level 4 (unsatisfactory). Most employees were rated Level 1 or Level 2 (achieves expectations) with only seven per cent on Level 3 (improvement required) and only four people classed as unsatisfactory. Seventy seven per cent fell into what can effectively be described as the middle category. This overall pattern does not vary much when disaggregated by sex, although men were slightly more likely to be in the two extreme categories (see table 6.2).

Table 6-2 - overall distribution of performance ratings in Global

Rating	Women		Men	
	Count	%	Count	%
1	167	14%	191	18%
2	975	80%	781	74%
3	80	6%	85	8%
4	1		3	

When the data is disaggregated by grade, it is only in the very lowest and the two most senior grades that there are greater proportions of men than women receiving Level 1 ratings (see table 6.3). Most of the Grade A appraisals would be performed by the lowest level of supervisor, the majority of whom were women, so this is not an indication of 'doppelganger' bias. Five of the twelve men were aged over forty, and four of those had been with the company for less than three years. The high proportion of Level 1 ratings almost certainly reflects either actual or perceived experience from a previous career. In Grades G and H both women and men were more likely to be awarded high ratings than they were in any of the other grades, and the relevance of this to the vertical pay gap will be considered in the next chapter. The small number of women in these grades means that the disproportion is actually insignificant, as it would be reversed if one more woman had been awarded a Level 1 rating.

Table 6-3 - distribution of appraisal ratings by grade in Global

Grade (Pay Gap)		Women		Men	
		Count	%	Count	%
A (2.76%)	1	16	8.2	12	15.4
	2	159	81.5	56	71.8
	3	20	10.3	10	12.8
B (-3.58%)	1	52	10	7	5.5
	2	441	84.8	107	83.6
	3	27	5.2	14	10.9
C (4.55%)	1	32	13.9	19	11.9
	2	176	76.2	124	77.5
	3	22	9.5	17	10.6
	4	1	0.4		
D (8.6%)	1	24	17.3	59	16.8
	2	107	77	259	73.8
	3	8	5.8	30	8.5
	4			3	0.9
E (1.8%)	1	23	27.1	26	18.1
	2	60	70.6	111	77.1
	3	2	2.4	7	4.9
F (-1%)	1	13	40.6	38	32.2
	2	18	56.3	75	63.6
	3	1	3.1	5	4.2
G (4.64%)	1	3	25	21	35
	2	9	75	37	61.7
	3			2	3.3
H 4.4%)	1	1	25	9	52.9
	2	3	75	8	47.1

Several of the apparent anomalies identified in the detailed analysis could be explained by reference to the performance ratings of the individuals concerned, and in those grades where women earned more than men they also received more of the Level 1 ratings. However the reverse was not necessarily the case. The only grade where the overall pay gap was large enough to be considered significant according to EOC guidelines was Grade D, in which the proportions of women and men receiving Level

1 ratings were almost identical, at seventeen point three per cent of women and sixteen point eight per cent of men, and more women than men were awarded Level 2.

The lack of consistency in the proportions of each rating awarded within each grade, suggests that managers have sufficient flexibility to award ratings based on their interpretation of the assessment criteria. Although this is more likely to promote confidence in the system than if it was constrained by quotas, it could also mean that assessors could be less rigorous than they might otherwise be. Nevertheless the pattern of distribution provides no evidence of intrinsic bias in the rating process.

There is some research evidence of bias in the translation of ratings into pay (Anderson, Forth, Metcalf, & Kirby 2001), and it would have come as no surprise to the industrial relations manager or to the focus group participants if I had found the same:

> *Nigel: "We've got other staff in the business who are on performance related pay, based on appraisals, and I personally think that that is a problem, with consistency".*
>
> *Barry: "...and [pay gaps] will be perpetuated is when you go onto performance management, where managers have actually got discretion as to how much people actually get".*

However the industrial relations manager was careful to point out that inconsistency in exercise of discretion would have more to do with the economic law of supply and demand than with gender bias:

> *Nigel: "... the going rate, or the pressure on salaries, in say Morecambe or Darlington, is lower than the pressure is in say Reading, therefore, even if the pay rates, ranges might be the same, pressure to push people along faster will be greater in Reading, because if we don't, we'll lose them, whereas in Darlington or Morecambe we may be the biggest employer around, so those would be factors".*

I was unable to assess the impact of geographical pressures in any detail, as I did not have the size of the most recent increments, and the data I had been given only allowed discrimination between employees in London and those in the rest of the country. On those criteria, however, the main distinctive feature of Table 6-4 is that men in London were more likely than those elsewhere to be rated at Level 1. This is not the case for women, amongst whom the regional distribution of ratings is almost identical. The inference from Nigel's comment is that retention is most problematic in relation to male employees in London.

Table 6-4 - percentages of women and men receiving each appraisal rating, by location

	1		2		3		4	
Region	Women	Men	Women	Men	Women	Men	Women	Men
London	8.24	15.00	69.41	65.00	7.06	5.00		
National	8.67	6.98	70.54	72.81	6.51	5.21	0.9	0.4

The impact of performance appraisal on salary is cumulative, and there is no guarantee that an employee will be awarded the same or even a similar rating every year. Ideally a pay audit would include all appraisal ratings since appointment to the current grade, and at least the previous year's salary so that increments could be calculated. In this case I only had the most recent appraisal rating, and could not ascertain the level of each individual's pay award. Nevertheless I would have expected to find a relationship between high performance and high salaries when controlling for length of service. To simplify the analysis I used the calculated variable, 'notional salary as percentage of entry-level salary', so that I was able to represent all employees who were in the performance management process in the same exercise. In fact I found that there was a small, but statistically insignificant, negative correlation of point one zero three between notional salary and performance rating for the one thousand eight hundred employees in the performance scheme. As in most statistical analyses there were a few 'outliers' at both ends of the scale, but these extreme cases could not account for the counter-intuitive result, or for the fact that the gap between the pay of women and men in this group was thirty five percent, three percentage points higher than for all employees,

The absence of a direct relationship between current salary and current performance has a number of underlying causes. The discretionary element means that appraisal is neither transparent nor consistent, and that lack of consistency detracts from the integrity of the system so that its value in underpinning a meritocratic payment system is at best limited. Ratings can fluctuate from year to year, but there were no procedures for determining whether the fluctuations were due to different interpretations of the performance criteria by different assessors, or to genuine fluctuations in performance. The acquisition of skills, however, is a linear process, and it is unusual for them to be lost while people continue to do the work for which they are relevant.

Competencies

Performance assessment measures the quantity of work produced, but a competency system is concerned more with quality. It rewards the acquisition of job related skills with pre-specified increments within the relevant pay scale, resulting in a similar pay system to that in the clerical grade of New Bank. The competency framework in Global applied to ninety one per cent of employees in Grades A-D; approximately half of the same group were also on the performance management system, having achieved the highest skill level applicable to their job. The framework sets out detailed standards of skills and knowledge, including the level of supervision required at each level in each job role covered by the system, and explains what the employee needs to do to prove that the competency has been acquired. Pay increments can be awarded at any time during the year, and in theory an employee could achieve several competency levels during a single year.

The distribution of skills between women and men is roughly in proportion with their distribution in the workforce, except for the highest Skill Level, 6, which were mainly held by men. If competencies truly reflect the job related skills of the employees, it would be reasonable to expect the higher skill levels to be found in the higher paid grades. As predicted, nine of the eleven men with this competency were in Grade D, and the other two in Grade C, however two of the three women on Level 6 were general staff in Grade A. The advantage of a competency based system is that it provides a mechanism for recognising and rewarding employees' skills, yet these two women were both earning salaries below the entry level of Grade C. It is possible that the women in Grades A and B with long service remain in those grades from choice, but when they also make the effort to acquire skills that are not required in their current grades they must surely do so in order to progress. An effective equal opportunities monitoring process should have identified these anomalies, and ensured that the women were directed to jobs where their skills could be fully utilised.

The focus group participants had predicted that I would not find a significant pay gap for those employees who were on the competency system:

> *Barry "... in the main, you will find that where there are skills ladders there will be less of a pay gap"*
>
> *Andy: "because it is set, set wages for each level actually on basic pay until you've reached [the performance system], and then you are at a level of discretion".*

Table 6-5 - Global pay gaps by method of calculating increments

Grade	sex	Total in grade		Performance		Competence	
		Count	Gap%	Count	Gap%	Count	Gap%
A	women	330	3	195	2	99	2
	men	108		78		16	
B	women	1478	+4	520	+1	1030	+2
	men	555		128		408	
C	women	569	5	231	10	326	6
	men	466		160		220	
D	women	280	9	139	7	106	10
	men	583		351		189	
E	women	93	2	85	2		
	men	149		144			
F	women	37	+1	32	+2		
	men	130		118			
G	women	13	5	12	5		
	men	65		60			
H	women	4	4	4	4		
	men	20		17			

At sixteen per cent, the overall pay gap was indeed lower for this group of employees, than the thirty two per cent for the total population. This was partly because the competencies group did not contain any representatives of the four most senior grades, where women were significantly under-represented and differentials were most acute. Although the correlations between notional salary and competency was quite small at point three zero eight, it was positive, and larger than that for performance. Table 6.5

shows that the pay gap for employees in the competency pay scheme is also much closer to the overall pay gap than was the case for performance pay. In Grades C and D it is one percentage point higher than the overall figure, but in both of these grades approximately one third of the men are in both schemes, compared with less than twenty per cent of the women.

Pay Protection

Both the performance system, and the competency framework in Global were implemented on top of the existing pay structures, so however fair their design and implementation, any existing inequalities would have been perpetuated or even magnified. Global Insurance was an amalgam resulting from a series of mergers and takeovers. Nigel explained how the current payment system was the result of amalgamating not just payment systems, but different attitudes to pay, and different ways of working:

> *Nigel "you've got a situation where there was a big organisation, ..., that was taken over by a smaller organization in the UK, and Global in turn had been the amalgamation of two smaller organizations in the UK only a year or two before, so as you can imagine there were different pay systems, different ways, different views, different specialisms, different locations, all of which had historic influences on pay, and the different pay stance as well, because Global's pay stance certainly used to be to aim for the lower quartile in terms of salaries, and offer more in terms of incentives. ... the other, the bigger employer's stance was median, market median and big bonuses. Upper quartile salaries in some cases, but that tended to be in the like management grades. I would say that [XXX] was quite a big payer, heavy payer, and Global was quite a light payer, so you put those two things together and you have inequalities, and you just can't sort out so quickly."*

There are always going to be difficulties in bringing together such diverse salary structures, and in the guidelines to the EOC review kit it is recognised that there may be justification for 'red-circling' the pay of some individuals who are above the new rate for the job. The view of the focus group participants was that the process had been more haphazard than red-circling, and effectively involved broadening bands to incorporate all levels of pay:

Barry: "The reason you'll find a pay gap at Global is relatively simple and straight forward, its purely historical, every time there's been a merger, although they've done new job evaluation schemes and got it felt fair, that way round, what we've done is we've always transposed where people were on their existing salary grades into quite a broad band salary structure. So all the discrimination that was in the [previous] system is still within the Global Insurance system".

Andy: "With engineers there's a discrepancy irrespective of whether you're male or female, and that's because of what Barry was talking about earlier on, nobody brought it together when we merged"

Table 6-6 - average salaries of employees from constituent companies of Global Insurance

original company	Sex	Average salary	pay gap
ABC	Female	13751.83	16.28
	Male	16426.85	
	Total	14286.83	
DEF	Female	14517.16	30.22
	Male	20803.17	
	Total	17055.16	
GHI	Female	16406.06	12.30
	Male	18707.11	
	Total	17212.16	
JKL	Female	19026.37	28.53
	Male	26621.02	
	Total	22765.9	
MNO	Female	18615.97	31.48
	Male	27169.88	
	Total	24232.17	
PQR	Female	11930	46.16
	Male	22157	
	Total	17043.5	
STU	Female	16994.67	41.18
	Male	28892.06	
	Total	22515.06	
VWX	Female	16013.34	43.00
	Male	28091.5	
	Total	19966.19	
YZA	Female	15780.33	48.17
	Male	30448.71	
	Total	27860.18	
BCD	Female	36666	37.32
	Male	58501	
	Total	47583.5	

My analysis confirmed that there were pay differences that appeared to be related to this historical factor. There were a total of ten different companies involved in the amalgamation, and I was able to compare the average salaries of women and men with a background in each of them. The gender pay gaps in this disaggregation ranged from twelve point three to forty eight point two per cent (see Table 6-6), and the largest pay gaps were for people who had worked for companies that paid the highest salaries.

Despite these variations in the pay gap, there was little difference in the numbers of men and women who were earning above the maximum salary for their grade. In all there were seventy six women and eighty six men in this position. More than half of these (forty one women and forty seven men) had joined the company since the latest merger, and have therefore already been discussed in relation to 'pay on entry'. Of the remainder all but eight women and eleven men were within ten percentage points of the maximum salary. These are likely to be back within the range in three or four years if their salaries remain frozen and scale maxima continue to increase at about two point five to three percentage points per annum. However there were also eight women and eleven men earning between one hundred and eleven and one hundred and seventy four percent of the relevant maximum salary. The chances of any of these salaries coming within the relevant salary scales in the foreseeable future are at best remote.

There are alternatives to protecting the highest salaries in a merger. It might be possible to promote the employees to roles that are consistent with their salaries, but that depends on the employee having the appropriate skills. It might be possible to offer a severance package, but for the longer serving members that could be more costly than continuing to pay the high salary. The option to use the highest salaries as the benchmark rate for the job is unlikely to be considered a practical solution, especially as mergers are often motivated by a desire to cut costs, so normal practice is to protect the salaries that are over scale. For 'red-circling' to be a valid justification for unequal pay, however, the protected salaries should be clearly identified, and the process should be time-limited, and accompanied by a plan to achieve parity within a reasonable and defined time period. I asked the Industrial Relations manager what the timescale was for removing the differences in Global Insurance:

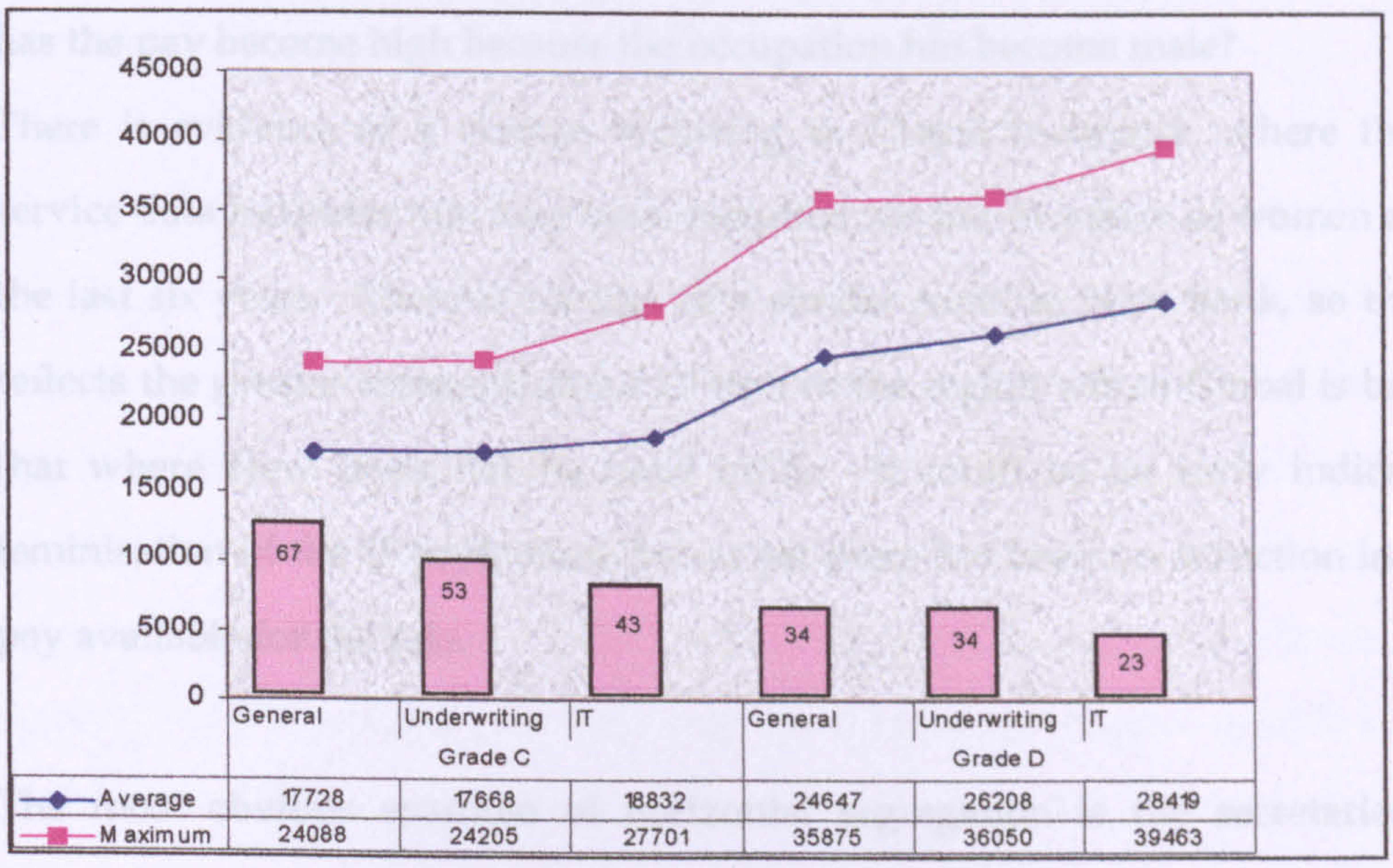
> *Nigel "Don't think we have really, we've got a timescale that says gradual, but another factor is business performance has not been good for the last two or three years, its not been brilliant at all since the merger, so, if you're making loads of money, you can say right I'm going to take this problem on board and I'm going to deal with it. If you're actually backs to the wall and you're not making lots of money and you're trying to squeeze budgets and costs by about twenty per cent, which is where we are now, trying to reduce it by twenty per cent, reduced it by twenty per cent this year, then people say we can't do that, we can't devote money to doing that, and even if you might believe there's a longer term advantage from doing it its easy to say it's a long term advantage but people will say we need the money this year, if you don't save the money this year we won't be here next year or the year after, so it doesn't really matter about the longer term advantage, and that's certainly the position we've been in recently...".*

This vague approach to dealing with pay protection is not uncommon in the industry. Employer participants in a finance sector seminar on equal pay admitted to having no procedure for the central monitoring of protected pay, yet the industry continues to be highly susceptible to mergers and takeovers. The worst case scenario is that, without adequate documentation, anomalies will be carried forward into future amalgamations or company restructures, and the difference attributed to the most recent change, thus prolonging the period of protection. Monitoring of pay protection, as well as performance pay and pay on promotion, can be included in an annual pay audit, by the relatively simple method of recording previous salary, date of last increase and reason for last increase and including these in the data to be analysed.

Market factors – horizontal segregation

The different salary scales for General staff, Underwriters, IT staff and Secretaries in Global provide an example of enhanced salaries being paid for jobs with the same job evaluation score. The economic explanation is that where skills are in short supply it is necessary to offer higher salaries to attract sufficient staff. The impact is that the most remunerative jobs have the largest proportions of men. Figure 6-2 shows how this works for Grades C and D in Global. Women, represented by the bar chart, were in the majority in Grade C General and Underwriters, and in these grades both the average and the maximum salaries were almost identical. The rate of female employment decreases with seniority, and it is smallest in the IT grouping, which has a significantly higher maximum salary than either of the other grades.

Figure 6-2 average salaries of junior managers in Global and percentage of women



In the 1950s the emerging IT profession was regarded as an ideal opportunity for women, who then constituted almost fifty per cent of programmers and systems analysts. It required skills, such as problem solving and communication, which were seen as being gender neutral, and as an emerging occupation it was considered to have no cultural baggage (Buchanan 1993). By the 1990s this opportunity for desegregation of the labour market appeared to have passed by; women were working with IT, but most were using the low level skills such as data entry that were replacing the traditional pen and paper or typewriter based clerical operations. Training for the high level skills that command the high salaries was mainly being undertaken by men, and as a result Rees was able to state that "... whereas horizontal and vertical segregation by gender in other sectors is declining or at least steady ... it is increasing in IT occupations in the UK" (Rees 1992). By the time I conducted these audits the proportions of women working in IT in both Global and New Bank were just thirty per cent, halfway between the national estimates of twenty two per cent by the LFS (Bevan et al. 1997)) and thirty eight per cent by Wilson et al (2004). There were also more than four times as many young men as women studying Computer Science at University

(EOC 2004), an improvement since 1994 when only fourteen per cent of the students on IT related courses were female (Rees 1992), but still extremely low. Somehow, despite the efforts of government agencies, schools and universities, Information Technology has become a 'male' occupation, but was this because the pay was relatively high, or has the pay become high because the occupation has become male?
There is evidence of a change occurring in Global Insurance, where the length of service data indicates that they have recruited similar numbers of women and men for the last six years. There is no sign of a similar trend in New Bank, so this probably reflects the greater competition for IT staff in the region where Global is based than in that where New Bank has its head office. It could be an early indication of the feminisation of the IT profession, but as yet there has been no reduction in the level of pay available for the role.

The most obvious example of horizontal segregation is the secretaries in Global Insurance. There were no male secretaries in Global, and they have their own salary scales in which the maxima were even higher than those for IT staff, and in each grade the average salaries were higher than those for either the men or the women in the rest of the same grades. The difference between the secretaries and the IT staff was that the secretarial grades stop at Grade C, and further promotion requires a change of occupation. The ceiling on secretaries' promotion opportunities reinforces the conception of women's jobs as inferior to men's, as does the absence of any men in the lowest IT grade. The majority of IT workers were in Grade D, where they were earning considerably more than any of the secretaries, and can aspire to at least another four promotions within their chosen specialisation.

Most of the Grade C secretaries, especially those based in the London Head Office who were likely to be the secretaries of senior men, were being paid well above their target salaries, and close to the maxima, suggesting that in practice, if not in theory, they were valued more highly than the job evaluation process was designed to recognise. In the IT groups there were only two staff employed at Grade B, both of them women. It was suggested to me by the industrial relations manager that these two women were probably incorrectly graded admin staff working in an IT department. One of them was earning more than most of the staff in the next IT grade, and was very close to the maximum salary for the grade. Her value to the department was apparently much greater than the evaluation system would acknowledge for the stereotypically female admin classification.

This comparison between the salaries of secretaries and IT staff in Global highlights the possibility of gender bias being reflected in job evaluation, and also shows how managers can avoid the rigidity of the system by using what discretion they have to pay some of their staff above average salaries. In the instances I have just described it was women who benefited from that discretion. These particular women stood out because they were in grades with very small populations, but the importance of the finding is that it demonstrates how individualisation can happen even in an apparently well-regulated system. In New Bank there was little regulation and no formal job evaluation, so the only bases I had for comparing jobs were the job titles. When I compared the average salaries of women and men in those jobs that had more members of one sex than the other I found that most of the female dominated jobs in the junior manager grade had average salaries lower than most of the male dominated jobs, and all of the female dominated manager roles were paid less than the men. I identified four jobs that had a relatively large numbers of both men and women in two grades. Three of them, Underwriter, Co-ordinator and Business Development Manager were populated with mainly women in the junior manager grade, but mainly men in the manager grade, all of the Customer Sales Advisers were women in both grades. Table 6-8 shows the average salary and the percentage of employees that are women in each of these job categories. The average salary of manager grade underwriters and co-ordinators is double that of their junior manager colleagues, the salaries of the Business Development Managers (BDMs) only increased by thirty per cent in the higher grade, but the junior manager BDMs were the most highly paid women in the grade. Customer Sales Advisor, the one job that was a 'woman's job' in both grades was the third highest paid junior manager job but the second lowest in the manager grade.

Table 6-7 – average salaries of jobs that occur in two New Bank Grades

	Junior Managers		Managers	
Job title	% Women	Average salary	% Women	Average salary
Underwriter	55	14847	14	29302
Co-ordinator	100	15801	10	30384
Customer Sales Advisor	100	17533	100	21477
Business Development Manager	85	20978	39	27394

The large pay differential for underwriters can be explained by the company's policy of 'growing their own' specialists, particularly if the junior manager grade represents the training stage. The Risk Department manager explained to me that they have only once recruited an experienced underwriter, as they prefer to recruit suitable candidates internally and train them in-house:

> *Paul: "We've always looked round and thought that we could develop from within people who knew New Bank methods, rather than, groom them to have underwriting skills, rather than going outside, getting someone with underwriting skills and grooming them to the New Bank way of doing things".*

This policy has opened up a traditionally 'male' job to women, and a recent recruitment drive has resulted in twice as many women starting out on this training programme than were previously in the department. They are paid the minimum salary for a junior manager, but so are the men who were taken on by the same means. Even so the salaries of the trained, and mainly male, underwriters are very high relative to all of the female dominated manager roles. By comparison, the separate pay scales for underwriters in Global have almost the same ranges as the General scales, and women are represented in both groups in similar proportions. The fact that Global has these two separate but similar scales suggests that at one time there was a more significant differential, but that salaries have grown closer together as women have gained access to the job. If there had been an equivalent reduction in salaries when 'women's jobs' become available to men, it might be possible to infer that the increased availability of underwriters was the reason for the relative reduction in their wages, the price of labour going down as the supply increases. Instead, it looks more like confirmation of the hypothesis that the entry of women into an occupation results in its devaluation. If this is the case it highlights a particular 'Catch 22' situation in relation to equal pay. In its checklist for market factors, the EOC Equal Pay Tool Kit warns against continuing to pay 'outdated market premia', but when the reason for those premia becoming outdated is that women have gained access to the job, ceasing to pay them contributes to the apparent devaluation of the job. As women are becoming better represented in the underwriting role in New Bank and in IT in Global it would be informative to monitor the relative pay differentials over a period of time. As with the monitoring of protected pay, comparisons of this nature are another example of the potential value of regular equal pay reviews over and above identifying the locus and cause of pay gaps.

Conclusion – the payment systems

Between them New Bank and Global provide examples of a wide range of 'new' payment systems – in Global the combination of performance related pay and competencies operate in a broad-banded set of pay scales determined by the use of analytical job evaluation and with reference to market forces. Despite the number of elements involved in the total package, it is clear and easy to understand, and has potential to be a transparent payment system, except for two drawbacks. Firstly, it was implemented before the pre-existing payment structures had been audited, so that the all the faults and inconsistencies of those systems have been perpetuated, and secondly it allows for an element of discretion in the setting of starting salaries and determination of performance awards, without providing clear guidelines or a process for monitoring the results. There was no systematic job evaluation in New Bank, however the new broad band clerical grade in which employees were paid the rate for the job and progressed in pre-determined steps was not only transparent, but preparation for its implementation had included bringing current salaries into line so that gendered pay differentials were all but eliminated. In the old system that was still in operation for New Bank managers and junior managers, there was no job evaluation and wide ranging managerial discretion. The system was too opaque to reliably determine whether there were pay gaps, let alone their extent or the manner in which gender bias still flourishes.

The biggest advantage of having so many different payment systems to analyse was the opportunity it gave me to experiment with different levels of analysis, and to explore the potential for interrogating the type of data that can be supplied by employers. In particular I was able to show that it is inappropriate to claim that a pay gap, however small, is insignificant merely on the basis of a comparison of means. The new payment systems that have been implemented in Global and New Bank may appear to be operated fairly, with no evidence of any systematic gender bias, but the most important message from the audits is that even in the best regulated of payment systems things can go wrong. It is not enough to be confident in the fairness of a system; it is also necessary to check that they are operating correctly and remedy any deviations before they get out of hand.

Chapter 7. The Vertical Gap

> "...occupational segregation by sex is detrimental to women. It has an important negative effect on how men view women and on how women view themselves. This in turn negatively affects women's status and income and, consequently, many social variables such as mortality and morbidity, poverty and income inequality. The persistence of gender stereotypes also has negative effects on education and training and thus causes gender-based inequalities to be perpetuated into future generations".
>
> (Anker 1997: 315)

Like Blackburn (2002), Anker stresses that the impact of segregation is much wider than just pay inequality, and that there are many other causes of pay inequality than just occupational segregation. Nevertheless segregation is a highly visible aspect of women's employment, and as such it provides the stereotypes that influence their expectations; this propensity for self-perpetuation means that segregation must not be overlooked as a major contributor to pay inequality.

The previous chapter identified the ways in which it is still possible for women to be paid less than men for jobs that have the same intrinsic value. Where such differences can be identified and shown to be unjustified the affected women have a remedy in law under the Equal Pay Act. Employers are being encouraged by government to use pay audits to identify and remedy problems of this nature. The EOC's "Business Case for Equal Pay (EOC 2004) emphasises the importance of meeting (and exceeding) statutory obligations and reducing the risk and cost of litigation, but makes no reference to vertical segregation as a cause of unequal pay. It does, however, include employee motivation and retention as reasons for having a "transparent and equal pay system", benefits that I would contend are at least as likely to accrue from ensuring women have the same opportunities as men to work at all levels in an organisation.

In this chapter I will be examining the personnel and payroll data gathered for my equal pay audit to discover how its use can be extended to locate and explain the crowding of women into the lowest paid jobs. If women are deliberately kept out of the best paid jobs because employers believe their domestic responsibilities detract from their commitment and reliability, they may be able to use the Sex Discrimination Act for a remedy, but in most cases the rationale for the 'crowding' is not that obvious. If Catherine Hakim is to be believed, that women 'prefer' these jobs because they fit better with their domestic responsibilities, then there can be no redress, and there is unlikely to be a change to this distribution. I suspect that for most women the reality is somewhere in between these two extremes, at a point which varies over their life-course. I will be looking for patterns in the distribution of women and men on the hierarchies of the two case study organisations, and seeking to use a combination of the data from the pay audit and that from the qualitative interviews and focus groups to explore how much of that pattern can be attributed to organisational structures, and how much to the individual agency of women.

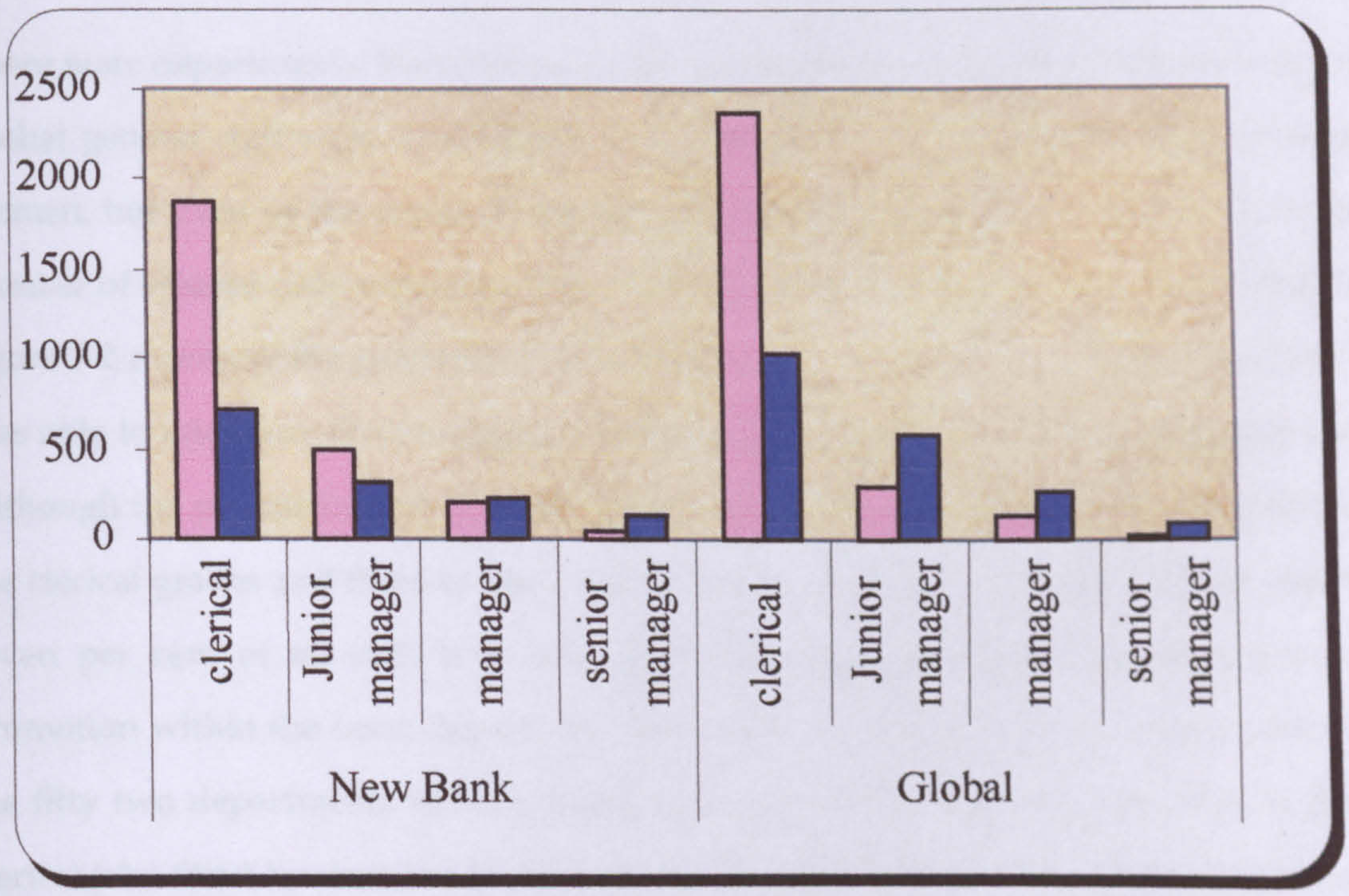
Distribution patterns of women and men

The grading structures of both Global and New Bank have been flattened by recent restructuring exercises, so that at the time of the audits there were nine grades in Global and just four for the majority of employees in New Bank. For the purposes of comparison I have condensed the nine Global grades and seven New Bank sales grades into the equivalent of the New Bank general staff structure, and will use the categories clerical, junior managers, managers and senior managers for most of the analysis in this chapter.

One impact of the flattening of organizational hierarchies is a reduction in the opportunities for promotion. With sixty five per cent of all employees in New Bank and sixty nine per cent in Global working in the clerical grades, at the very best there can be management opportunities for no more than half of them. As both companies recruit directly into the senior positions, as well as promoting internally, the realistic expectations of clerical staff are even lower than that. Assuming that the original recruitment criteria are the same for women and men, the relative proportions in the higher grades should at least resemble the proportions in the clerical grade.

The actual distribution of women and men between the grades is shown in Table 7-1. It follows a similar pattern in both organisations; the largest numbers of both men and women are in the clerical grades, but although that is less than half of the men, it is over sixty per cent of the women in New Bank, seventy five per cent in Global. New Bank still has slightly more women than men at junior manager level and not many less in the manager grade, but in both cases the representation of women is vastly out of proportion with their numbers in the clerical grade.

Figure 7-1 - distribution of women and men in New Bank and Global Insurance



The uneven distribution means that only twenty five per cent of Global women and thirty eight per cent of those in New Bank are likely to have any chance of being promoted to any level of management, compared with more than ninety per cent of the men. This was identified by the interviewees at New Bank as a major reason for the pay gap:

> *Bob: "...it is traditionally a male dominated company, it always has been, I think for thirty odd years it has been, the higher you go there's very few senior managers, assistant directors, directors and nobody above director level, possibly two female directors, no executives ..."*

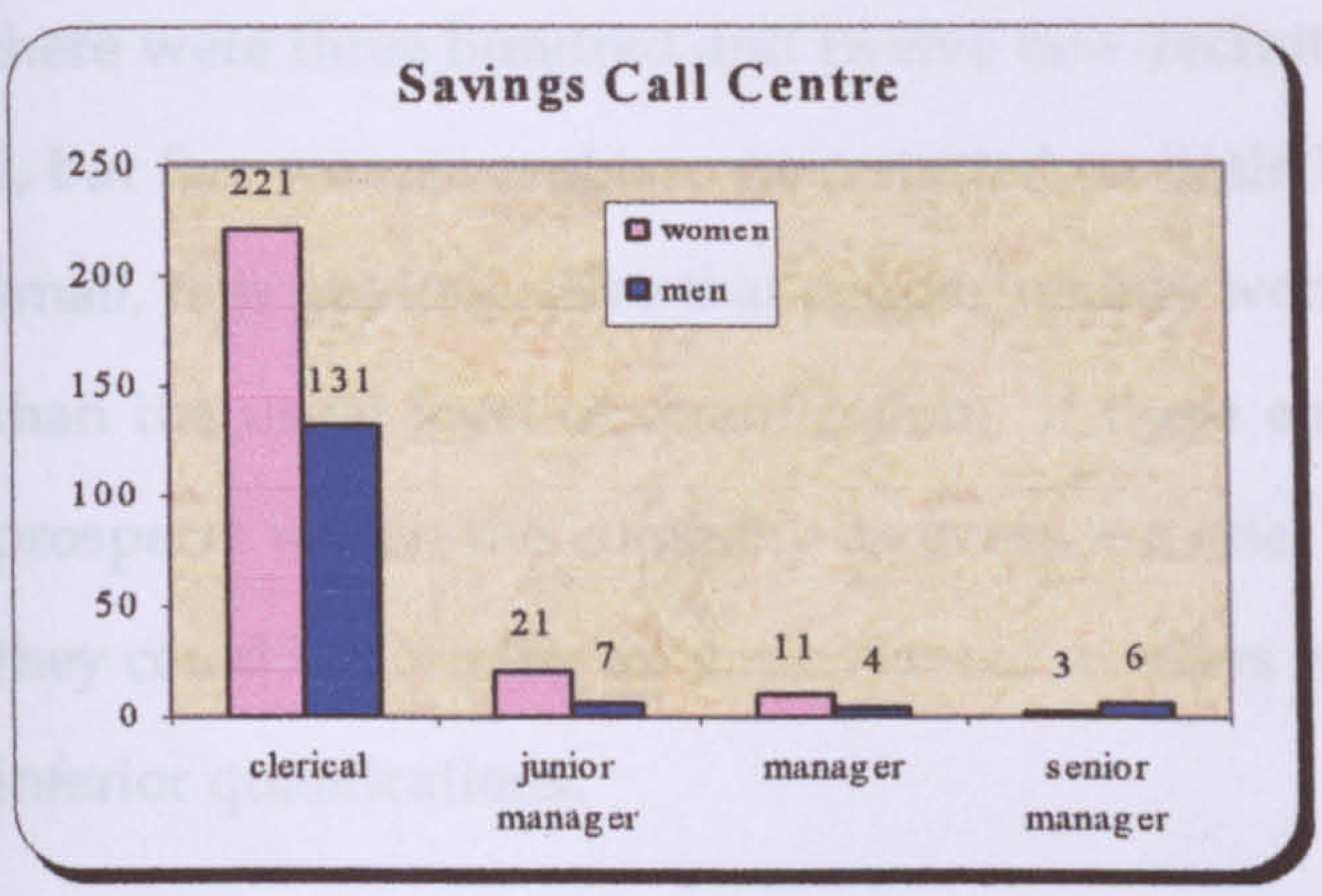
> *Alan: "... we've only had one female on the board of the company in fifty years, and she's since left ..."*

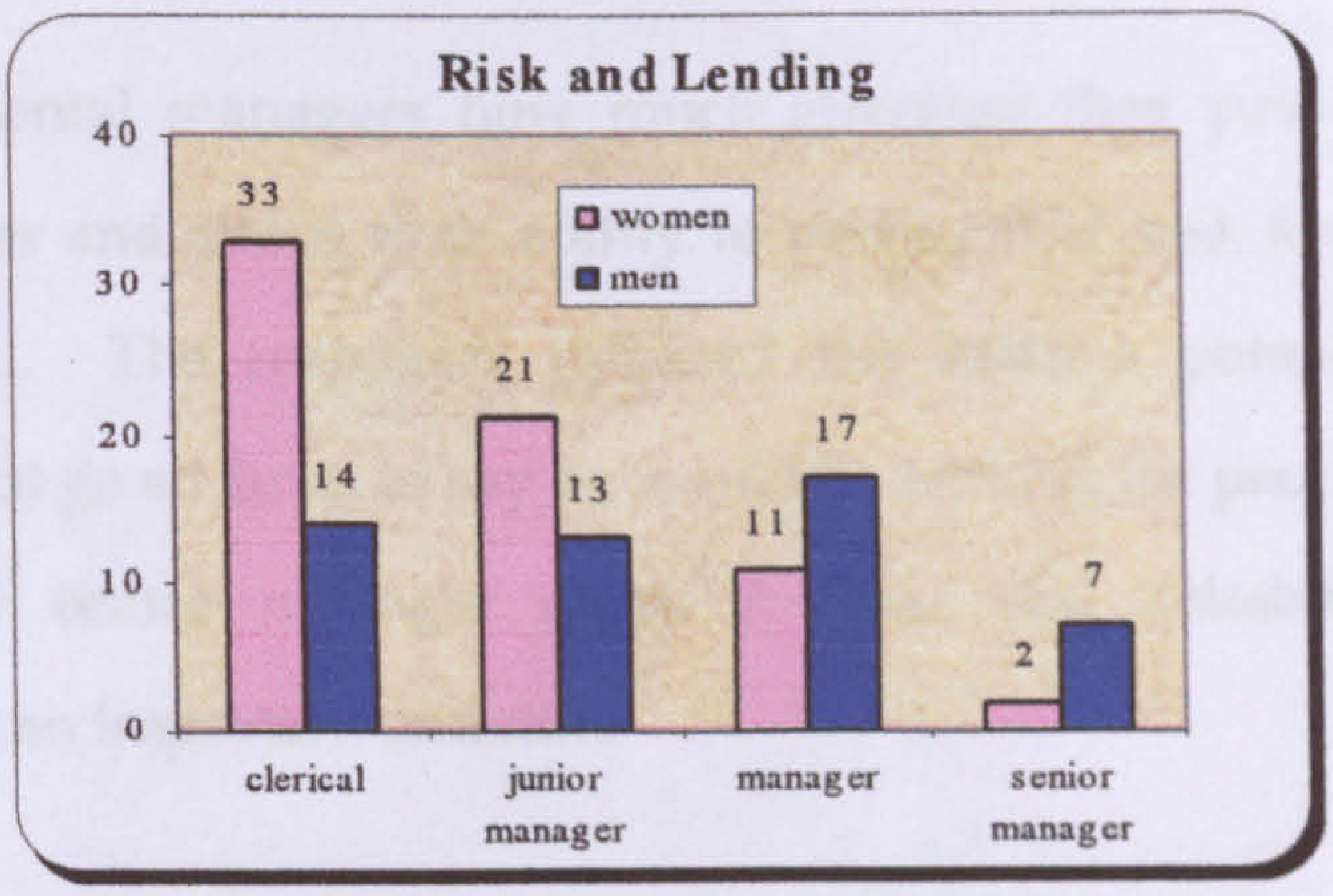
Similar remarks were made by Global contributors and, as the industrial relations manager pointed out, this is not only a direct cause of the pay gap, but the absence of role models to encourage women to seek promotion is also likely to have an indirect impact on the numbers of women in management.

> *Nigel: "...it would be really great if this company had a female member of the executive, and it doesn't have, and it hasn't had for three years, there was one once, three years ago, and after a short time she left and there hasn't been a female member of the management board in fact for that time, and that doesn't send the right signals".*

There were departmental fluctuations in the distribution pattern. Three quarters of the Global general staff were in grades A to C, and more than two thirds of those were women, but most of the underwriters and IT staff were in Grades C and D, with the number of women only exceeding the men in the Underwriters Grade C. The charts in figure 7-2 represent the gender distribution in the two New Bank departments where I was able to interview the managers. In the call centres the hierarchy is relatively flat. Although the proportions of women and men in each grade are similar, at f to two in the clerical grades and three to one in the manager and senior manager grades, eighty seven per cent of all staff is in the clerical grades, making the opportunities for promotion within the same department even more remote than in the wider bank. Of the fifty two departments in New Bank, forty one had at least fifty per cent of their clerical jobs filled by women. In seventeen of these at least seventy five percent of all jobs were in the clerical grade and only in eleven were less than thirty three per cent of employees in the lowest grade. Even where the statistics suggest there should be the opportunity for promotion women are less likely than men to become managers. In the Risk Department, only forty per cent of employees were in the clerical grades, so it should have been possible for all of them to aspire to at least a junior management role. Nevertheless there was only one more woman in the three management grades than in clerical, but more than twice as many men.

Figure 7-2 - distribution of women and men in two departments of New Bank





Recruitment

At one time banks and insurance companies specifically recruited two different classes of employee into their clerical grades. The largest group were predominantly women with GCE 'O' level qualifications, destined to spend their careers in the lower grades, and the second predominantly young men with 'A' levels, who could expect eventually to reach management grades. Any distinction between the levels of qualifications sought now is dependent on the requirements of the job that candidates are recruited for, rather than their future prospects. Neither company published minimum educational requirements in their job advertisements, but New Bank did make a commitment in its Corporate Social Responsibility Report, that under qualified but otherwise suitable candidates could be considered, but would be offered a lower salary. Although none of the clerical employees was earning less than the minimum for that grade, there were several jobs where new recruits had been appointed on lower scale points than the majority with the same job description. Without information about the qualifications of all employees it is difficult to draw many reliable conclusions from the data. However, in the customer service assistant job description, there were three hundred and twelve new recruits who went straight onto Scale Point 2, but five women and two men started on Scale Point 1. Although these numbers are small, they are indicative that people, mainly women, are still being recruited with less than the usual level of qualification. If these employees then have exactly the same prospects within the company as everyone else, then it should not be a problem, but they could be forming an underclass of workers with limited prospects because of their inferior qualifications.

I asked both of the departmental managers how much attention they paid to the potential of job applicants over and above their ability to perform the task for which they were being interviewed. The responses reflected the relative potential for advancement. While he did not go so far as to say he would be looking for people with limited aspirations, the call centre manager made it clear that suitability for progression in the job was not an important criterion:

> *Alan: "I think on balance if it was just a clerical grade it would be much more to do with can they do the existing job, but I would say, if we ask them questions about aspirations and the potential they have to go ahead, people would say anything they think you want to hear really".*

This approach was reflected in the response of the Global industrial relations manager, in relation to appointments to the lowest grades. His attitude reflects recognition that the flatter career structures of the modern finance sector mean that for most people there is no career structure. Instead of the relative certainty for a select few that management opportunities will arise, the possibility of promotion is more like a lottery for all:

> *Nigel: "I think it's the job that's here and now, rather than the future, at that level I think that's the primary criteria, ... the main role at grades A and B is to say we need a certain amount of people to do a certain amount of work, ...and if we get enough of those people there will be sufficient in there, there'll be people in there that we can pick out, so we go out with a big net and get loads of these people in and then we pick out*

> *when they're working the people that we can push forward, it will be the people that make team leaders and the future managers".*

In the Risk department of New Bank, however, where there are far more opportunities for advancement, the manager's response showed that there is at least an element of selection for future potential:

> *Paul: "Well what we don't want to do is to recruit someone to a job and [for them] to stay in it for the next twenty or thirty years so the idea would be to develop these people through, ... the idea isn't just that they stay at the one level, its to move them through".*

The proportion of women who are managers is considerably larger in the Risk department than the call centre, yet it is still much smaller than the proportion of men who are managers in the same department. There are more employees in management grades than in clerical, and the potential to progress is a criterion in the clerical staff recruitment procedure, so promotion should be a reasonable expectation for all clerical workers, yet women are far less likely than men to proceed beyond the most junior management level.

Even in the Call Centre, where women and men appear to progress at the same slow rate, a more detailed analysis shows a different picture. Eighty six per cent of the men in the clerical grade have less than five years service, and only one man has been with the company for more than ten years. Only fifty eight per cent of the women have less than five years service, and eighteen per cent have between ten and twenty six years. As none of the men in the junior manager grade has more than eight years' service in the company, it seems likely that the fourteen per cent in the clerical grade, together with most of the women, are destined to remain there until they leave the company.

This picture is similar in the clerical grades of both companies, and in all departments. In the previous chapter I showed how longer service accounts for the higher average pay of women compared with that of men. This interpretation overlooks the underlying question, of why women in the clerical grades tend to have longer service than do men. It could be used to support Catherine Hakim's thesis that most women opt out of the linear career pattern, whether from 'preference' or from a tendency to 'drift' (Hakim 1996b; Hakim 1998; Hakim 2002). It is certainly the case that most women worked in the seventeen New Bank departments where the hierarchy had been flattened to the extent of having more than three quarters of their staff in the lowest grade, and that most of the employees in those departments were women. However there were also fourteen departments with a more traditional 'pyramid' shaped hierarchy, with less than half of their staff in the lowest grade and therefore offering the opportunity for a linear career, where most employees were women. They are being recruited into departments where there are opportunities for promotion, but it is taking them longer than the men to achieve the higher grades. The pattern could be a reflection of Joan Acker's contention that all organizations are intrinsically gendered (Acker 1990), and that the barriers to advancement are far greater for women than for men.

Promotion

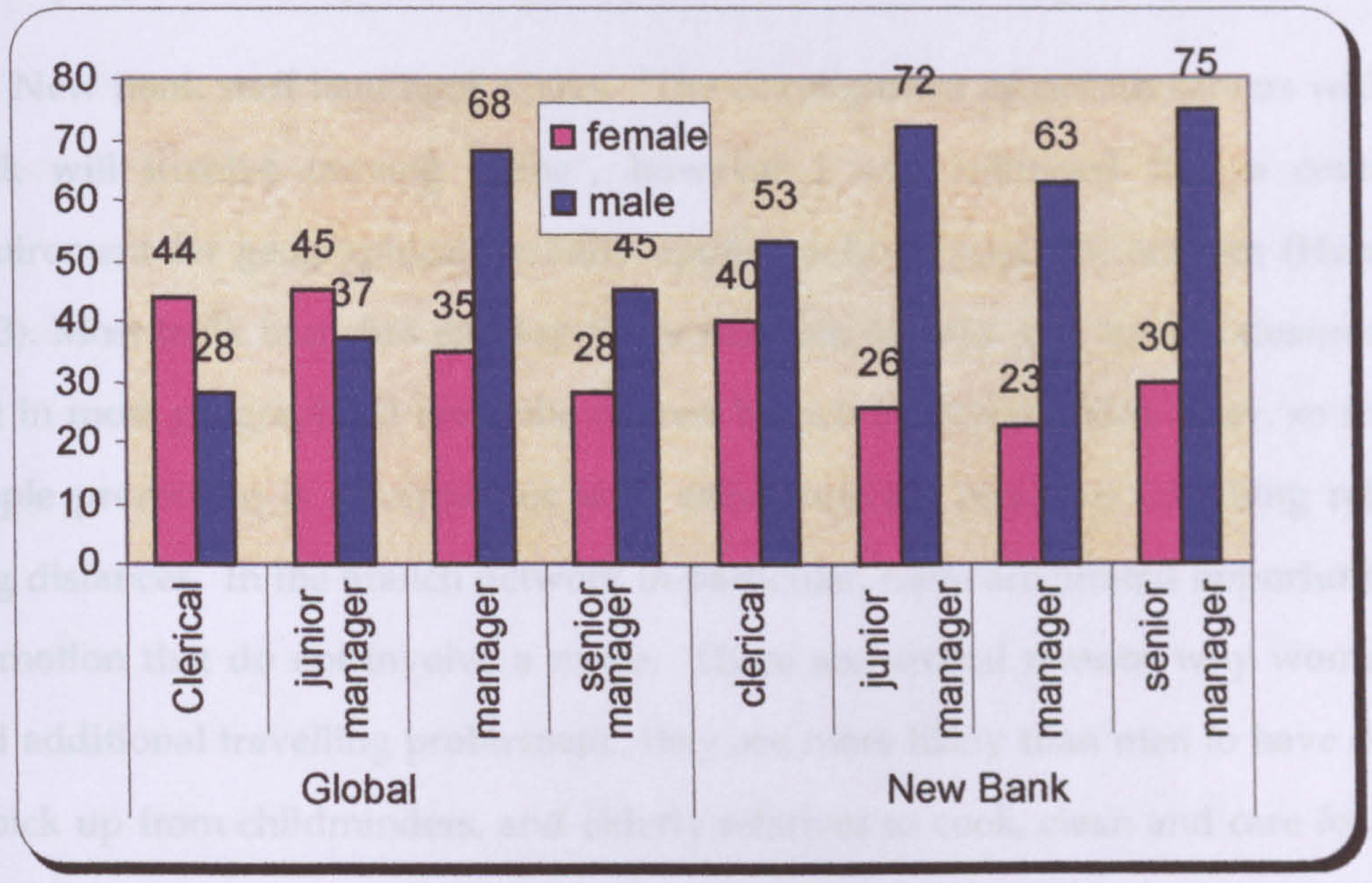
There are several possible reasons for women staying longer than men in clerical grades. These include that they do not have the skills for the senior roles, that they are not being promoted as quickly, or that they are less likely than men to seek alternative employment, whether because they are more likely to be satisfied with the company or because they expect their opportunities in the external labour market to be limited. In the previous chapter I presented an analysis of the performance and competence data from Global which showed that the proportion of women and men with the highest levels of performance and skill are very similar. There were actually one hundred and twenty nine women who had achieved the two highest skill levels, but only ninety three men, however in Grade E, the first manager grade, there were ninety three women and one hundred and forty nine men. Even discounting the skill levels of those employees who were not at that time covered by the competency system, there were enough women with the appropriate technical skills for the same proportion of women and men to be promoted to management grades.

The rates at which women and men are promoted can be determined with reasonable confidence from the data. According to a recent analysis of the General Household Survey, full time women in Britain are as likely to be promoted as men, (Booth et al

1998), and similar results have been found in the banking industry (Buttigieg & Walsh 2000). Although these reports are counter-intuitive, there is no recent evidence to the contrary, although it should be stressed than in both studies the results were different for part time women, and women did not benefit financially from their promotion by anywhere near as much as the men. The overall evidence from my case studies is contradictory. Although specific data about promotions was not available, I deemed it reasonable to assume that those employees with less than one year in their current job and more than one year in the company had been promoted during the year. Using that presumption, in New Bank sixty five per cent of women and sixty per cent of men changed jobs either within or into their grade during the year, but in Global Insurance it was thirty seven per cent of women and forty seven per cent of men. Although these were not necessarily all promotions, it is probable that the majority involved at least an improvement in earning potential. Booth et al were working with the British Household Panel Survey, so their findings could not take full account of organisation specific characteristics. With access to the whole personnel file, it has been possible to relate the number of movements within or into each grade with the total number of women and men employed in that grade.

When the 'promotion' figures are disaggregated to grade, figure 7-3 shows that in most grades there is far more career mobility among the male employees than the females. At no point have more than forty five per cent of women in a grade changed jobs in the past year, yet sixty eight per cent of the male managers in Global, and at least sixty three per cent of all employees outside the clerical grade in New Bank have been in post for less than a year. The only classification where women seem to be overtaking men is from clerical to junior manager in Global, but this is also the first point where there are more men than women in the grades, so although the percentage of promoted women is higher, the actual numbers are half those of the men.

Figure 7-3 - 2001/2 career mobility of women and men as % of totals in grade



Geographical mobility

The main reason advanced by New Bank focus group participants for the under-representation of women in senior grades was women's comparatively reduced mobility. Mobility is no longer an explicit term of many employment contracts, even though the Global staff handbook states that it might be in certain cases. There is, however, a new emphasis on flexibility, which is a portmanteau word that can easily incorporate mobility.

> *Dave: "It's mobility isn't it ... I started as a branch manager as grade 7 moved to a Grade 8 and moved on to a Grade 9, so that I got promoted ..."*
>
> *Anna: "But each time you had to geographically move..."*
>
> *Dave: "Yeah that's right, from Scotland to England ... not many women have been able to take the same route".*
>
> *Anna: "Its just the way women aren't prepared to move, its not as easy for women with a family ... if the husband gets a job chances are the wife's either part time or in a lower paid job and it's a lot easier to uproot her and her kids than if she gets promoted and he's not prepared to move, that's why, that's just the way it is, for men and women ...".*

> *Charlie: "...over the years I've noticed, I've been twenty one years, there've been very few female employees moving around to become branch managers ..."*

The New Bank staff handbook states, "The development of certain careers with New Bank will involve moving home", however I was informed that a contractual requirement for geographical mobility applies only to graduate trainees (Henderson 2003). Most bank branches employ fewer than ten people, and branch closures mean that in most geographical areas the nearest branch is several miles away, so for most people promotion is synonymous with either moving house or travelling relatively long distances. In the branch network in particular, there are limited opportunities for promotion that do not involve a move. There are several reasons why women may find additional travelling problematic; they are more likely than men to have children to pick up from childminders, and elderly relatives to cook, clean and care for. If the family has only one car it is likely to be the higher paid partner who has priority over its use; low paid workers, especially part-timers, may find the financial burden of using public transport too great. They are even more likely than men to be engaged in further education in their own time (Callender & Metcalf 1997; Joss 2004), a commitment that is far more difficult to re-arrange than are social and sporting activities. In a survey of finance sector workers conducted for Unifi thirty two per cent of all branch based women who had not been promoted in the last five years believed that they needed to be able to travel further in order to get promotion, compared with just sixteen per cent of men (Joss 2004).

New Bank has an extensive branch network with offices from Aberdeen to Brighton, most of which employ fewer than ten staff. From figure 7.4 it is clear that the hierarchy has an even broader clerical base than does the Savings call centre, with seventy five per cent of employees in the clerical grade. Women hold approximately the same percentage of manager grades in the branches as in the whole company, but they occupy ninety per cent of the clerical and seventy seven per cent of the junior manager roles. The average length of service of clerical women in the branch network is twice as long as in the rest of the bank, which is itself twice as long as the length of service of male clerical workers (see Table 7.1). In the whole of the Retail Sales Division there are only forty nine male clerical staff, however there are sixty nine male managers, suggesting that the company looks outside the branch network for a large proportion of its managers, even though it has a pool of highly experienced women and professes to operate a 'grow our own' policy. Clearly, women in the branch network are not being promoted, and an important contributory reason is that they do not consider themselves to be in a position to either move or to commute to a more distant office.

Figure 7-4 - representation of women in two departments of New Bank

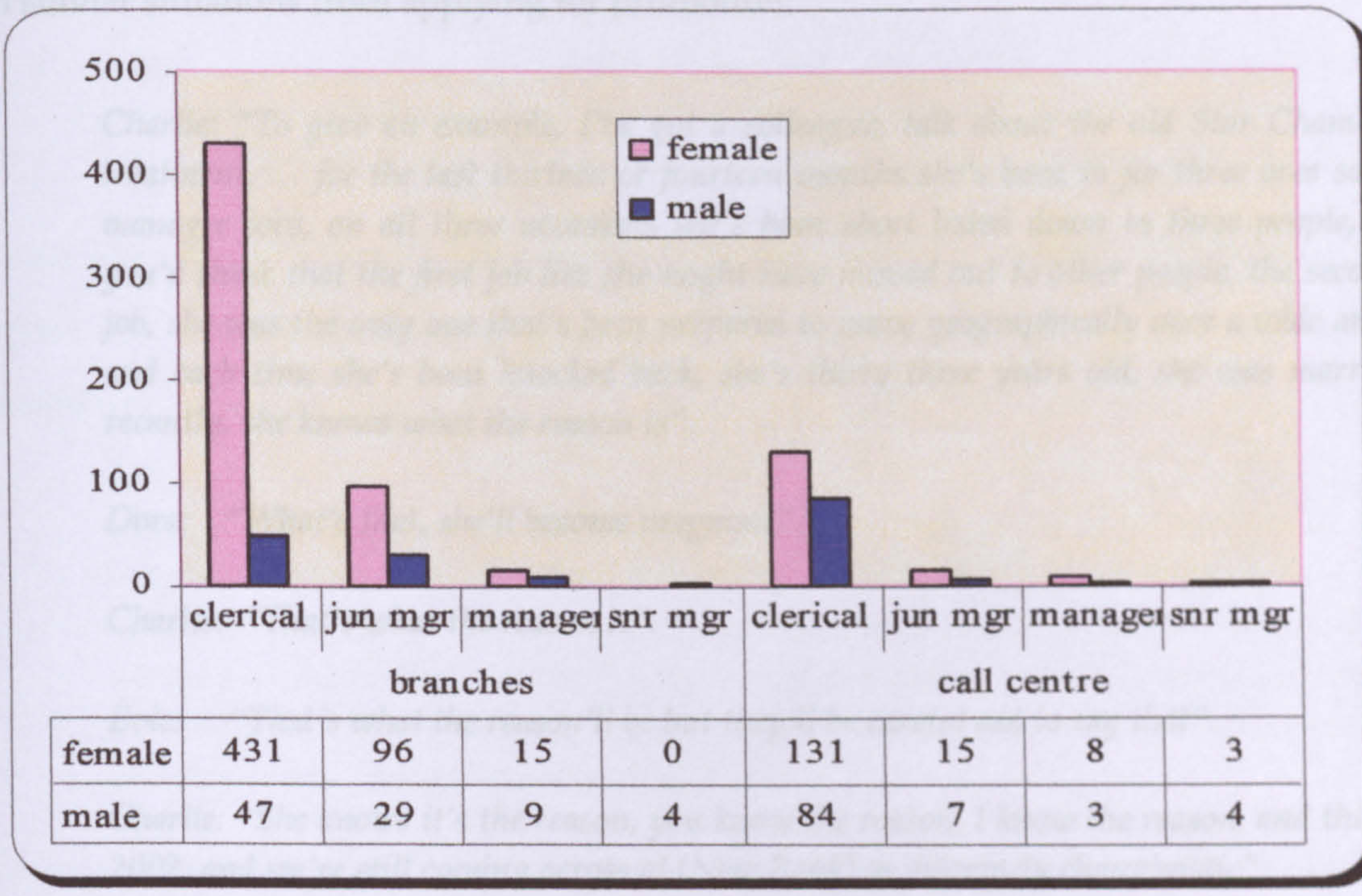


Table 7-1 - clerical grade service in New Bank Branches compared with the rest of the bank

	gender	Mean years	Maximum years	Median years
Branches	women	7	33	4
	men	0.7	5	0
Rest of New Bank	women	3.5	37	2
	men	1.7	34	1

Global respondents also identified travelling as a barrier to promotion for women, whom they felt would be less able to comply with the requirement than men, in whatever area of the bank they worked:

Frank: "The higher up the scale you go in [Global] you're obviously away from home more and more, and that's obviously a male thing".

However they were also aware that women are just as likely to suffer from stereotypical perceptions of the impact of family responsibilities on their commitment to work. Charlie from New Bank had no substantive grounds on which to base his claim that a colleague was consistently failing in her attempts at promotion because she might soon become pregnant. However this is the sort of conclusion that most people would make, so that even if it were not true it might discourage many women in similar situations from applying for promotion.

Charlie: "To give an example, I've got a colleague, talk about the old Star Chamber treatment, ... for the last thirteen or fourteen months she's been in for three area sales manager jobs, on all three occasions she's been short listed down to three people, so you'd think that the first job like she might have missed out to other people, the second job, she was the only one that's been prepared to move geographically over a wide area, and each time she's been knocked back, she's thirty three years old, she was married recently, she knows what the reason is".

Dora: "What's that, she'll become pregnant"?

Charlie: "That's what the reason is".

Evie: "That's what the reason'll be but they'll be careful not to say that".

Charlie: "She knows it's the reason, you know the reason, I know the reason, and this is 2002, and we're still coming across at [New Bank] as extremely chauvinistic".

Flexibility – the 'long hours culture'

The emphasis on the need for flexibility in the 'new workplace' is one that requires the employees to be flexible, in the time they spend at work and what they do there, as well as the time they spend getting to and from it. It differs completely from the concept of flexibility that women with children or elder care would find a valuable aid to managing the conflict between their responsibilities. It is this conflict that was seen by Barry from Global as being a significant criterion for senior managers involved in the selection process:

Barry: "... through hypocrisy of senior managers, where you've got, well, 'I've got two applicants for this job, the likelihood is that I will need them to work from 6 in the *morning to eight o clock at night for three months of the year, or when its really busy when the brown stuff's hitting the fan, and I'll not be sure that a woman can do that, given that she may have children, or she may have caring responsibilities, she may have grand-children to look after', again its just down to immature hypocrisy and lack of understanding about flexible working, work life balance ...".*

The Industrial Relations manager did not disagree that decisions may be made in this way, although he made a valiant attempt to defend senior managers by suggesting that any discriminatory decisions were made unconsciously, implying that any blame should lie with the organisational culture rather than the individual managers:

> *Nigel: "...it's a kind of traditional industry and probably a lot of people are unconsciously discriminating when they make appointments, they think woman, man, and make some kind of decision on that when promoting people to be like team leaders".*

Nigel went on to suggest that women have been actively rejecting the prospect of promotion because the demands of the job have become incompatible with their other priorities:

> *Nigel: "...certainly in the last few years, being a team leader or a manager in this company has been very, very hard in terms of commitment, the hours people tend to put in and all the rest of it, I would suspect there's an awful lot of women who still in society bear the most of the kind of family commitments are saying we're not getting on that train, sorry we're just not, I'm not going to work twelve hours a day and go home and do all this, I'm just not going to do it".*

Nigel's observation that team leaders and managers in the company are working twelve hour days mirrored the comments of the personnel manager from New Bank. Maureen was insistent that in New Bank it is possible to succeed without participating in the 'long hours culture'. She cited her own success as a personnel manager who had decided to work strictly within her contractual hours on becoming a mother. Her argument would have been more persuasive had she not worked in the one department in the organisation that would be fully aware of the flexibility debate. Nigel's concerns that the culture is entrenched and will need a tremendous effort in order to achieve change are probably more realistic if less encouraging:

> *Nigel: "I still think there's an undercurrent in the business and I'm not sure how easy it will be to overcome, that equates hours spent at work with performance as opposed to*

> *delivery of performance, and that's quite endemic in our society, so its going to be quite hard to overcome".*

The union activists on the Global focus group were actually more optimistic than Nigel. They thought that the attitudes of managers are changing, and that most are now responsive to challenges to the 'long hours culture'. Even so, Gladys felt that those who are seen to work long hours are still assumed to be more committed to their work:

> *Barry: "I think there's a change, in a number of the managers that I speak to anyway, and I'm saying that, you know, you really have to challenge the managers that have the perception that you need long hours to do the job".*
>
> *Gladys: "Yeah but I think there's a difference between needing and taking ... I think managers are impressed, and I know for a fact that a member of staff was quoted to me as 'after all she's still here at six o clock'".*

If there is a conflict between written policies and practice, most people will believe what they see happening rather than the policies. Women might be more likely to apply for more senior roles if there are role models demonstrating that working contracted hours is acceptable. Advertisements for graduate opportunities in New Bank stress that the bank has been classified as the sixth best employer for work life balance and promise '... a truly supportive working environment', yet there was a perception among the focus group participants that flexible working options do not apply to managerial staff:

> *Clare: "...the cut-off is that managers are not entitled to use the flexi time system*
>
> *Charlie: "...That's what they say, but they can't substantiate it because there's nothing in procedures saying you don't get paid ... there's nothing to back this..."*

It is not enough to nominate a senior woman to act as a role model unless she is genuinely committed to the cause. The most prominent woman in Global Insurance has the role of 'gender equality champion' in her portfolio, and in that role identified a problem with meetings being held out of hours, yet called a meeting at her own house while she was waiting to go into the labour ward. As Andy said:

> *Andy: "what [she] did was identified a problem, an issue, but didn't address it, and perpetuated it herself"*

A realistic solution requires even more than senior women demonstrating a common sense approach to work. Just as: "equal pay for women ...will be secure only when its justice is adequately understood and practiced by men" (Wedderburn 1986: 503), while it is mainly women who leave work on time to collect their children, take their full allowance of parental leave and require working hours that are compatible with other calls upon their time, then such behaviour will continue to classify them as second class employees. Charlie explained that in New Bank there are men who want these opportunities, but that in practice they are treated differently from women in relation to work-life balance options. His concern was for the men, not just that they should be able to participate fully in family life, but also because women on flexi-time can refuse to work additional hours without pay, whereas men are expected to work unpaid overtime:

> *Charlie: "... one of the biggest rows in [New Bank] at all is at Head Office, where they've refused to allow sections of staff flexi-time and this is causing major problems cause there's guys we work with take their kids to work, collect their kids from school and such like, and they're being told absolutely you can't have flexi-time, but not across the board, the women have flexi time, we expect the men to work overtime unpaid, except we have to pay women. Those sort of stupid things go on so yes there needs to be work life balance in more than one, across both sexes, because we've got as many men now, sharing their lifestyle with their wife, sharing their workload ..."*

Part time work

The conventional method of resolving the work life balance problems of employees is to offer them 'part-time' employment. Table 7-2 details the distribution of part time and full time staff between the grades in Global and New Bank. In both organisations the vast majority of part-time employees are in the clerical grades, and more than ninety per cent of them are women. Although there is little if any difference in the size of the pay gap for part-timers compared with full-timers of the same grade, the gap between the average full time equivalent salaries of part time women and full time men was forty per cent in New Bank and forty two per cent in Global. This was because only twelve per cent of New Bank part-time workers were outside the clerical grades, compared with thirty three per cent of full time workers, and in Global it was only four per cent part time and twenty per cent full time. In almost every case the average length of service for part-timers was longer than it was for the equivalent full timers, suggesting that part-time work is effectively a ghetto, in which women's opportunities for advancement are at their lowest.

Table 7-2 - distribution of full and part time staff in New Bank and Global Insurance

		New Bank			Global Insurance		
		N	% of all in grade	%of all employees	N	% of all in grade	%of all employees
Clerical	full time	1967	76	49	2715	80	68
	part time	635	24	16	699	20	18
Junior manager	full time	725	92	18	839	97	21
	part time	59	8	1	22	3	1
manager	full time	391	96	10	392	98	10
	part time	18	4	0	7	2	0
Senior manager	full time	182	97	5	246	100	6
	part time	5	3	0	0	0	0

Alan, the manager of the New Bank Call Centre, believed that the part time workers in his department were content to be confined to the clerical grades, and put this down to their personal choice:

> *Alan: "I think if you work in a part time job, you're not really looking at career movement as much as looking at your personal circumstances. The job wasn't what you were looking for, the job fits your life rather that the other way round sometimes, and perhaps that led to them being more satisfied with what they were doing, or willing to put up with it, is the other side of it, and therefore they stay longer, they're not as keen to move to the next job to get a career, what they really want perhaps is to get a job that fits the rest of their life".*

One of the Global union activists shared Alan's interpretation that women who work part time also choose to remain in the clerical grades. However her reference to the stress of working as a team leader introduced an explanation for those choices that goes beyond Alan's suggestion that it is simply a case of not wanting a career. A desire not to be subjected to unnecessary stress is a reason that might apply to people of either sex, but conventional attitudes to women and men at work mean that it is far easier for women than men to resist it.

> *Harriet: "I think a lot of people go part time because they feel that's the most commitment they want to give to the job, and to be a team leader or something, it would be very stressful to try and do it in these days"*

For most of the focus group participants, however, the relevance of part time work to the gender pay gap was that, whatever the reasons behind the decision of women to work part time, they could not do so unless they stayed in or returned to the clerical grade. Bob had attended a work life balance focus group held by New Bank, where a woman manager had said about part-time workers: "I just won't entertain them, there is no way I'll have a part time team leader". He succinctly summed up the consensus of opinion:

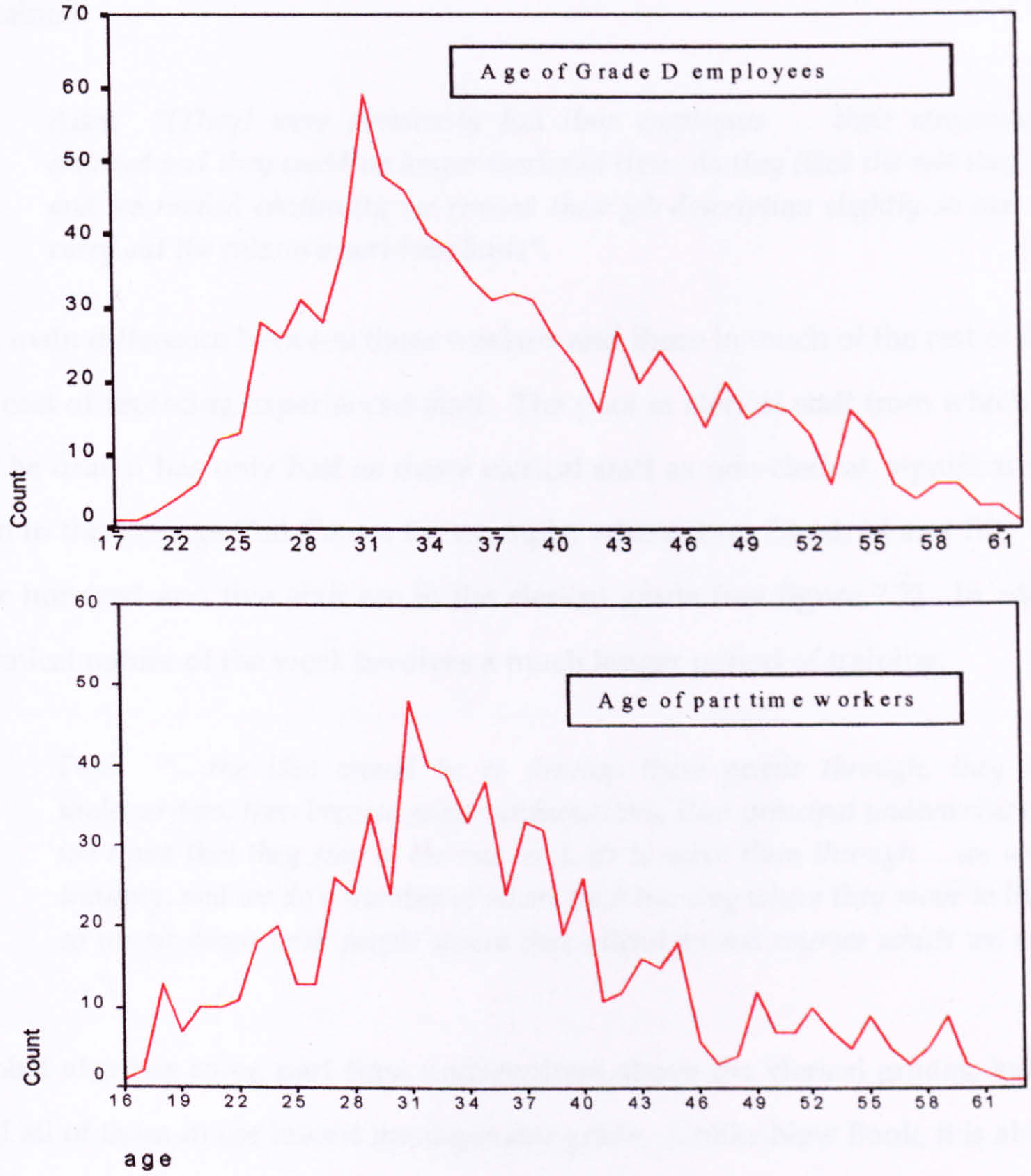
> *Bob: "There's not enough opportunities for part time people to be promoted into jobs, there isn't enough flexible working, and until you get reasonable job sharing you'll not start to close the gap".*

In New Bank there were at least efforts by management to publicise their work life balance policies, however unsuccessfully. Andy, a Global activist, doubted whether the insurance company had ever seriously considered the potential benefits of offering part time contracts outside the lowest grades:

> *Andy: "I don't think the company has necessarily at any stage explored whether some of the more senior jobs could be done part time, that from a cost savings point of view might actually might have been a good idea, to have done, do we need five day team leaders, or do we need five day business development managers, could the business manage with possibly a three day job in some branches".*

Few women actually start their careers as part-timers; Seventy five per cent of the part time workers in Global are aged between twenty and forty, compared with sixty three per cent of the full time staff, adding weight to the assumption that the majority take that path following childbirth. For most the transition is not permanent either, but even if they return to full time work once their other responsibilities permit, they may well have blighted their future career prospects. In figure 7.5 I show the age profile of all employees in the first management grade of Global. Forty six per cent of these workers are aged between twenty five and thirty five, a pattern that is almost identical to that for part time workers. At the point in their careers when women with promotion potential could expect to be entering on a management career, they are likely to be working part-time, and there are very few opportunities for part time work beyond Grade C.

Figure 7-5 - age of Grade D employees and part time workers in Global



Sheena, the assistant to the Industrial relations manager in Global, was confident that, wherever possible, the family commitments of their employees are accommodated, but the statistics in table 7.2 make it clear that this does not extend to enabling part time workers to hold managerial positions. This may well account for the situation that Nigel considered to be central to the problem of vertical segregation in Global Insure:

> *Nigel: "One of our biggest problems is that we do not have good role models at senior manager levels of women who have had families and come back".*

The ability to analyse the data at departmental level in New Bank reveals some striking exceptions to the general distribution of part time staff. In Risk and Lending there are a total of fifteen part time staff out of sixty-seven women, including a senior manager, six managers and two assistant managers. When asked why this department was willing to entertain the idea of part time managers, the departmental manager explained:

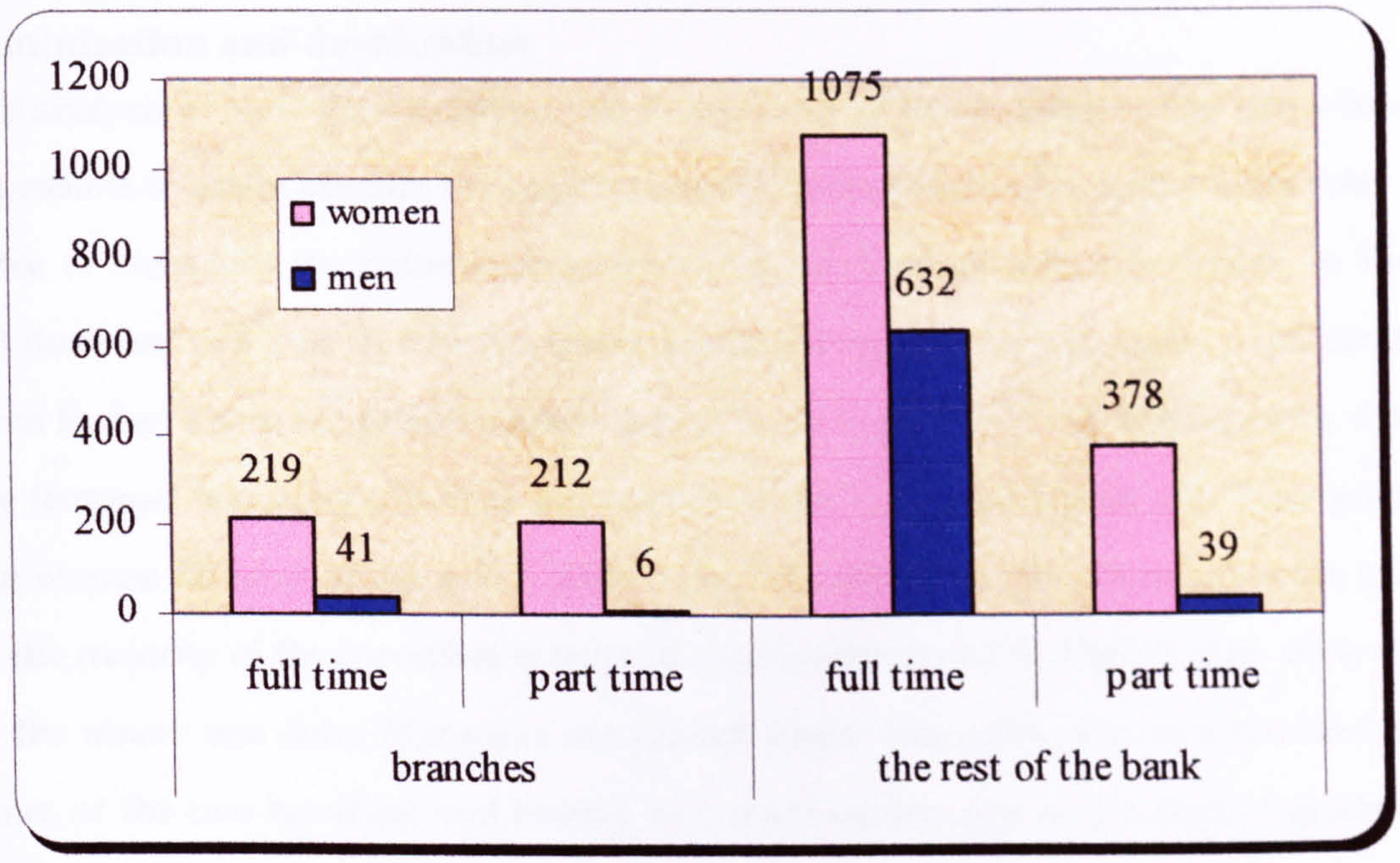
> *Alan: "[They] were previously full time employees ... their circumstances have changed and they could no longer work full time. As they liked the role they were doing and we needed continuity we revised their job description slightly so that they could carry out the role on a part time basis".*

The main difference between these workers and those in much of the rest of the bank is the cost of replacing experienced staff. The pool of clerical staff from which managers can be drawn has only half as many clerical staff as non-clerical, significantly smaller than in the Savings Call Centre for example, where three hundred and fifty two of the four hundred and five staff are in the clerical grade (see figure 7.2). In addition, the technical nature of the work involves a much longer period of training.

> *Paul: "...the idea would be to develop these people through, they come in as underwriters, then become senior underwriters, then principal underwriters, so the idea isn't just that they stay at the one level, its to move them through ...we use on the job training, and we do a number of others (sic) training where they move to the next level, so we sit down with people where they attend formal courses which we run in house ...".*

Global also has some part time underwriters above the clerical grades, but only five, and all of them in the lowest management grade. Unlike New Bank, it is able to attract experienced, full time, staff from the external labour market, so does not need to make special arrangements for women who want to work part-time. The example of New Bank shows that when the part-time opportunities are provided, women are willing to undertake managerial roles at the same time as they are allocating some of their time to family responsibilities. There may be some women who do not want the additional stress, as indeed there are some men, but if they are not given the opportunity it is not appropriate to suggest that the decision to work part-time in a clerical grade is the exercise of a preference.

Figure 7-6 - part time employment in New Bank clerical grade



At the other extreme of part time employment is the branch network. Forty eight per cent of all clerical grade women employed in the branches work between fourteen and thirty three hours a week (see figure 7.6), yet there are only seven part-time assistant managers and one part-time manager. The average length of service of the part time clerical staff is two point three years longer than their full time colleagues, so they are even less likely to seek alternative employment than their full time colleagues. In their research into careers in (inter alia) a retail bank, Halford et al suggested that the introduction of part time work has formed part of a "... new way of policing promotion" (Halford, Savage, & Witz 1997: 125), to replace the explicit exclusion of women that was possible before the 1970s. In the branch network in particular, a relatively large workforce of clerical and junior management grades is required to operate the branches, compared with the size of the management group. It is not in the interests of the business to have either a dissatisfied workforce or a high staff turnover rate, so they need to be able to manage the expectations of this important group of workers. The provision of part-time opportunities helps to retain experienced women who might otherwise leave the bank following childbirth, and if they subscribe to the mobility discourse, they are unlikely to have expectations of furthering their career in the short term.

Feminisation and devaluation

The analysis of New Bank employment by job description reveals just five jobs where it is possible to easily identify the opportunity for linear progression in the same role. In three of these jobs the patterns of women and men's employment is similar. In Table 7.3 there are two jobs in which women are clearly in the majority, sales manager and team leader. These are predominantly based in the highly feminised call centres, where the flattened hierarchy provides few opportunities for advancement into these grades, but women fill most of those that do become available. In both of these roles the grade of the majority of the incumbents belies the status conveyed by the job title. Sixty-four of the ninety one Sales Managers are graded junior managers, and two hundred and three of the two hundred and twenty two team leaders are in the clerical grade. In total there were three hundred and six jobs in the junior manager grade designated 'manager' and two hundred and ninety eight in the manager grade. Women were in four fifths of the junior manager posts, but less than half of the manager grades, making it difficult to resist the conclusion that women are being given management jobs in name, and probably responsibility, but without the appropriate financial compensation.

Table 7-3 - jobs with potential career progression in New Bank

Job description	Sales manager		Team leader		Analyst		Business Development Manager		Underwriter	
Grade	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
Clerical	7	3	145	58	10	16			3	1
Junior manager	48	16	11	4	72	155	11	2	12	9
Manager	5	2	2	2	5	5	36	47	2	12
Senior manager							3	12		

The representation of women among the New Bank analysts is quite high for an Information Technology based job, but it appears to be a role where there is little or no opportunity for progression, with just a few trainees in the clerical grade and five managers of each sex. The pattern is very similar in Global, where there were similar numbers of women and men in the lowest grade, but most of the employees were male junior managers. In Global, however, there were a larger proportion of managers than in New Bank, and two thirds of them were men (see Table 7-4). The skill levels of the Global women give a clue as to why they were less well represented than men in the higher grades. Ten of the Grade C women and eleven of those in Grade D had not yet acquired any skills, and most of the rest were still on the lowest three rungs of the ladder, suggesting that they were new to the role, and that this was an area that was in the early stages of feminisation. This interpretation gains additional support from the performance ratings of the more experienced women. For women to survive in a 'male' occupation, they need to perform at least as well as the men. From Table 7-5 it can be seen that in this case their performance was significantly better, with twenty five per cent of them gaining Level 1, compared with just fifteen per cent of the men.

Table 7-4 - employment distribution in Global Insurance specialist roles

Grade	Underwriters		IT Staff	
	Women	Men	Women	Men
Clerical	227	201	19	25
Junior managers	58	115	25	86
Managers	13	62	14	38
Senior managers	4	21	0	6

Table 7-5 - performance ratings of Global specialists

		Level 1	Level 2	Level 3	Level 4
IT	Women	9	24	2	1
	Men	10	49	3	1
Underwriters	Women	15	90	14	1
	Men	49	168	21	

Underwriting in New Bank is another area that is becoming feminised. Even though it is a minority occupation in the bank, the scarcity of appropriate skills in the local external labour market has led to them 'growing their own'. Whilst this policy is not designed specifically to benefit women, it does tend to have that effect, as the clerical work force from which the labour is drawn is predominantly female. In Global, underwriting is one of the major job roles, and most of the Junior Underwriters are women, so despite the relatively low numbers in the senior grades it is not so likely to be regarded as a 'male' job as it had previously been in New Bank. The performance ratings in Table 7-5 suggest a possible reason for the under representation of women, as their overall performance is below the average for the company, with only twelve point five per cent on Level 1, compared with over twenty per cent of the men. However, the more objective competency system seems to contradict these results, as a much larger proportion of women than men are climbing the skills ladder.

Promotion of Business Development Managers in New Bank is dependent on achievement of targets. Out of concern that there might be equal opportunities issues in the system the union has monitored its operation since it was implemented early in 2001. The only problem they identified was that Business Development Managers in affluent parts of the country could meet their targets more quickly than colleagues in North East, because of the relative size of mortgages. This was the only group of employees in the bank that had clear criteria on attainment of which they could be certain of promotion; so long as it is carefully monitored it should provide equal promotion prospects for men and women. It is a situation that could be replicated for all staff in Grades A to D in Global, if the competency system was linked in to promotion as well as to work and wages. Instead there were three hundred and twenty seven women in Grade B, who had obtained skills in excess of those required for their current jobs, yet there were only thirty nine in Grade C with those competencies. As yet the system is not delivering its potential to reduce the impact of vertical segregation.

Although I do not have specific data on attitudes and preferences, the overall picture of vertical segregation suggests that, contrary to Hakim's suggestion that women prefer to stay in the lower grades, where they are given the opportunities together with appropriate training, women take them. However the advance of women into more senior positions of New Bank has not necessarily been as advantageous to women as the statistics might imply; in the branch network in particular both full time and lay union officials suggested that the management roles which women moved into were of a lower status and commanded lower salaries than those typically occupied by men:

Charlie: "...over the years I've noticed, I've been twenty one years, there've been very few female employees moving around to become branch managers, they've always tended to get to the level of assistant manager as it was then, before they became customer service managers, and therefore that level of pay's lower than what you'd find in respect of the male counterpart would be on being a branch manager ..."

Rob: "...towards the latter part of the eighties, the traditional branch manager role disappeared to be replaced by customer service manager roles, which I've found it very hard to come across a man in that position, and what you've then got there is that culture started to spread to the head office departments and as certain previously senior roles disappeared and weren't replaced, slightly junior strata of managers assumed their responsibilities, and they were predominantly women".

Gwyn: "...its coming across more and more that a branch manager tends to be female, she may well be at the lowest level of junior management pay, and she'll have a team of at least five or six or more to manage. She's got all the different strands of sales, recruitment, staff recruitment this is, of looking after the premises, the cash, the coaching of staff and everything else and is still being paid at the low end of the pay scale ...".

Although I did not have data on the responsibilities of each of the managers and junior managers in the branch network, I have been able to make a rough comparison of the status of male and female branch managers. In table 7-6 the number of staff is used as a gauge of the size of the branch, and the matrix details how many of each size branch are managed by each category of junior manager or manager.

Table 7-6 - New Bank branch management

women	Number of staff in branch													
men	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**14**	**17**	**total**
Junior manager		3	3	11	8	1	5	3	2	2	2			40
Managers		1			1	1	4			1	1	2	1	12
Junior managers	1		3	2	2	3		1	1					13
Managers	1				2	4	1	5						13

There were a total of one hundred and thirty Customer Sales Managers in New Bank, thirty seven men and ninety three women, but only seventy eight branches. In those cases where there was more than one manager in the branch, the grade of the most senior manager was used. As predicted by the interviewees, women managed most of the branches, yet more than three quarters of those women were in the junior manager grades, compared with only half of the males. Four of the female assistant managers, and five of the managers were managing larger branches than any of the men, and there were no women in the most senior manager grade.

This chapter has shown that both organisations still reflect a distinct vertical segregation between the sexes, which contributes a significant proportion of the gender pay gap. I have found examples of women moving into some areas that were previously male enclaves, but mainly in circumstances where the move is beneficial to the economic interests of the organisation, and sometimes accompanied by a devaluation of previously high status roles.

Chapter 8. Discussion and Conclusion

In Chapter One I posed the three questions to be addressed by this research:

- Does the use of 'objective' criteria for assessing performance help mitigate pay differences for jobs judged to be of equal value?
- Does the introduction of 'meritocratic' payment systems facilitate the entry of women into previously male dominated grades and roles?
- Are Pay Audits capable of fulfilling the role set out for them?

In the previous two chapters I have described the results of my research into the pay of women and men in Global and New Bank, and made some preliminary observations. In this chapter I expand on those observations and discuss them in relation to the three research questions and the existing knowledge in the field. I conclude with recommendations for further research, and practical measures that can be taken by employers, trade unions and the state.

Jobs judged to be of equal value

In Chapter Three I described the development of career structures in the finance sector from those in which all employees of the same sex followed the same career path, acquiring experience in all elements of the business, to a situation where employees now specialise in specific aspects of the business, with no guarantee of advancement regardless of sex. In the original structure it was reasonable to assume that individuals with the same length of service were performing similar roles, so pay scales were related to age or seniority. Specialisation meant that this assumption was no longer reliable, and most of the employers in the industry began to use formal job evaluation systems to determine the relevant salary scale. The potential for these systems to produce gender neutral evaluations is disputed (Mcnally & Acker 1984; Acker 1990; Steinberg 1992; Hastings 2000), but they do provide a framework on which to base comparisons. This framework was only available to me in Global, with a less formalised system being in place for some grades in New Bank, and the remainder being subject to personal contracts. In the latter case the judgement of equal value had to be made by me on the assumption that similar job descriptions represented similar jobs. For these it is clear that my judgement could be faulty but, in keeping with Joan Acker's reservations, *all* of my findings about the size of the horizontal pay gap must be subject to the caveat that the assumption of equal value is not proved.

The first question asks whether the use of performance measurement to determine pay helps mitigate gendered pay differentials. Although there is nothing new about payment by results, until recently it was a system used primarily in the manufacturing industry, where output is tangible. In such cases the process of measurement, whether or not approved by the workers, is likely to be sufficiently explicit to allow them to understand and check the calculations. Individual performance related pay as introduced into the finance sector in the 1980s is often associated with relatively intangible outcomes, such as customer service or dealing with change Even when the criteria are apparently clear, such as the value of sales, they may be considered unfair according to the context in which they are viewed. For example, the New Bank trade union activists explained how bonuses based directly on the monetary value of mortgage sales discriminate in favour of agents in London and the South East, where house prices are highest. No doubt the agents in London and the South East would justify the larger bonuses on the grounds that they have to live in the region and pay the higher prices. Whether justified or not, inequalities of this nature affect women and men equally, and if the outputs to be measured are directly related to the work individuals were appointed to perform, women should be as capable of achieving them as men. The appraisal process used in Global to determine some clerical and most management pay awards assesses the achievement of individual objectives, agreed in advance by the employees and their managers, and directly related to each individual's job. If operated as intended it is sufficiently flexible to reward everyone fairly, however the element of flexibility in both the appraisal and award process, allows for the possibility of bias to emerge. The competency system also has a certain amount of flexibility. Based on the observation and testing of practical skills relevant to the next level of the job, there is no compulsion on employees to acquire additional skills, and no theoretical restriction on the speed they are acquired. The acquisition of specific skills is rewarded by a pre-determined salary increment, so each employee covered by this system knows what they need to achieve and how they will be rewarded. As with job evaluation there is scope for the skills traditionally associated with men to be valued more highly than those associated with women, but with that caveat there is little room for the exercise of discretion in the process. However, the emphasis on individual responsibility for self-development, and the need to take time out for training, can present an additional barrier to those (mainly women) employees who are unable to be flexible in their working hours. The procedure used by New Bank for clerical workers combines elements of performance and competency with seniority based increments. Employees are assessed annually on their progress in acquiring the necessary skills for their job, and success in reaching the expected standard is rewarded by a fixed rate annual increment.

In summary then, all of the clerical staff in New Bank and the majority in Global have their salary increments determined according to explicit fixed criteria, but there is flexibility, and therefore a much greater degree of subjectivity, in the process used for some Global clerical staff and all of their managers (New Bank managers do not receive salary increments). The gender pay gap is proportionate to the level of subjectivity; it is smallest for New Bank clerical staff, slightly larger for Global clerical staff and largest in the manager grades. There are exceptions to these general trends, including several groups of clerical graded women who earn more than their male colleagues, but on the face of it, even though there was no evidence of systematic gender bias in the award of appraisal ratings, the answer to the first question is yes, the use of *clearly defined* performance criteria, such as competencies, does appear to be associated with a reduction in the size of the gender pay gap.

However, performance is not the only influence on the level of pay, and my analysis of the horizontal pay gap revealed two others that have the potential to contribute to differences in the pay of women and men. The element of performance that contributes most to pay differences is management discretion, particularly in the calculation of salary increments. Discretion is not confined to the appraisal process; it is an element in most aspects of salary determination, including the level of starting salaries, and in decisions to protect the pay of 'over-scale' employees following restructuring exercises.

The calculation of starting salaries

I have shown that there were wide variations in the salaries paid to new entrants and that, although there was no obvious gender bias to these variations, they severely reduced the transparency of the payment systems, and consequently obscured the results of the pay audits. Before the 1970s the majority of new recruits to the industry went straight from school into the trainee grades, and would remain with the same company for as long as they remained in the industry, so it was only in exceptional cases that there was any variation in the initial salary paid. This 'balkanization' of the sector meant that there had not been any need for industry wide conformity of job descriptions with skills, or any common system for measuring skills and experience. The abandonment of the traditional 'no-poaching' agreements meant that it became possible for experienced workers to migrate between employers, and the increasing specialisation of finance sector employees made this possibility an attractive option, opening up a wider range of opportunities. There is no longer any limit on the number of entry points into an organisation, and therefore employers increasingly have to calculate starting salaries that reflect experience and skills gained elsewhere.

With no common grading or qualification systems employers are dependent on job candidates' own account of their abilities, in application forms and interviews. The result is that the salaries of successful candidates are more likely to reflect their skill in completing application forms and negotiating in interviews than job related skills. The Finance Sector Skills Council (FSSC) has among its objectives the promotion of "the development of an integrated national standards framework for financial services", and publishes a list of 'appropriate examinations' on its web-site (FSSC 2004). These include a range of specialist National Vocational Qualifications (NVQs) as well as more general qualifications where appropriate, and extend to degree level and beyond. The FSSC recognises that several finance sector companies, like Global, have developed their own competency systems, which relate just to the requirements of those companies, but suggest that the national standards can be used to complement the customised versions, citing among their uses "Recruitment and Selection" and "Designing Reward Systems". As Rees explained, with reference to training for the 'new information technologies', the external systems "Tend to produce highly transferable skills: in-firm training is more context specific" (Rees 1998: p112). There are problems with the NVQ system (Eraut 2001), not least the lack of a systematic requirement for regularly updating the assessment of skills (Kidd 2003), and the finance sector has been slow to take them up, (Blakely 2004) but if they were adopted across the whole industry these could be overcome, providing common criteria for determining starting salaries of experienced new recruits. When I conducted these audits New Bank had started to encourage Customer Service employees to take the relevant NVQs, and they were evaluating the Call Centre NVQ; by the time I wrote this paragraph, the FSSC was in the middle of a drive to recruit affiliates from the employer community, but few companies had agreed to participate (Blakely 2004).

Resolving the pay protection conflict

A solution for 'red-circling' that satisfies all parties is less easy to identify. The changing shape of the finance sector, which I discussed in Chapter Three, is the result of mergers and takeovers, as well as internal re-organisations and a re-alignment of business objectives from service to profitability. The main purpose of these exercises is to cut costs, and therefore the integration of payment systems almost always results in the lower pay scales being adopted when there are differences. In any payment system there will be a number of employees who are paid at the top of the scale, and who will therefore become 'over-scale' following such integration. It is likely that most of the highest paid employees are male, contributing to an increase in the gender pay gap, but even if they are not, these relatively high salaries distort the overall pattern of pay and add to the opacity of the payment systems. The normal method of dealing with such cases is to freeze the salaries until the new scales catch up with them. The alternatives present both employers and trade unions with conflicts of interest. Reducing the individual salaries would resolve the pay parity issue but, to be acceptable to the affected employees, the size of any one off financial compensation would need to be a realistic compensation for loss of future earnings, and would therefore represent a large financial outlay for the employers. Placing the employees in jobs that command their salaries in the new scales, even if they have the relevant skills, is likely to give offence to other employees, who might be equally or better qualified, and is also likely to be in contravention of equal opportunities practices. It may not even be in the company's financial interests to offer voluntary severance, as many of the affected employees will have sufficiently long service to command maximum severance payments.

Three years after the most recent merger there were still over seventy employees in Global whose service pre-dated the most recent merger and whose salaries were in excess of the new scale maxima. Nevertheless the company had no realistic plans to deal with the problem, and no process in place for monitoring it. Red-circling of itself need not be a problem, and properly implemented it can be a material factor in defence of an equal pay claim. However, even with the inadequate monitoring at Global, it is the most visible example of inequalities resulting from restructuring. Both union and management representatives acknowledged that insufficient attention had been paid to equality during the integration process and, as the union representative explained, the result was that "when [Global] came about you'd actually got seven or eight historical, discriminatory pay structures coming together as one, and what we've never done is wiped that out". There are likely to be more mergers in the near future (Walter 2004), and in all probability the further integration of disparate pay scales will produce more examples of this nature. If the management of red-circling continues to be as vague as is generally the case currently, the problem will be compounded and attempts to increase the transparency of payment systems frustrated.

Prior to restructuring its clerical grade, New Bank had reviewed the salaries of all clerical staff in each department, and made funds available to departmental managers for "exceptional increases" if any salaries were found to be out of line with those for similar jobs. This exercise was admittedly less complex than a merger, and it was not specifically aimed at eliminating gender inequalities, nevertheless, it appears to have achieved pay parity for the largest group of employees in New Bank. The identification of inconsistencies was left to departmental managers, so inter departmental variations would not necessarily have been identified but, in the absence of an analytical job evaluation system, the process was the best possible way to ensure that the new structure was free of any form of bias at the outset, making it easier to identify the reasons for any subsequent differences. It also demonstrates that preparation of this nature is not only possible, but effective. There is a cost implication, but early identification of problem areas should enable those costs to be managed, and evidence of a properly researched and managed programme would provide a defence to a claim under the Equal Pay Act.

Women's access to 'men's jobs'

One finding from my pay reviews that has been common to most of those reported to date (Neathey et al 2003; Brett & Milsome 2004), is that in the lowest paid grades pay gaps are very small and often it is the women who earn the most. However, rather than this being an indication of progress towards eliminating the pay gap, cross-tabulating the pay data with length of service showed that this finding had more relevance to my second question than to my first. If length of service can legitimately be used as a proxy for experience, the salaries of men are generally higher than those of women relative to their experience, at all levels in both companies, and the experience level of women in the clerical grades was significantly greater than that of their male counterparts. It was clear that clerical graded women's salaries were higher than men's because they were less likely to be promoted out of the clerical grades into management or technical roles.

The second question introduced in Chapter One was based on the hypothesis that the use of meritocratic payment systems leads to the recognition of women's abilities and facilitates their access to jobs and grades traditionally viewed as men's territory. In Chapter Four I reviewed the main academic explanations for women's lower pay, and concluded that there are effectively two main schools of thought, both of which would anticipate a negative answer to this question. The 'preference theory' of Catherine Hakim attributes the segregation of women and men to the exercise of individual choice by the women (Hakim 1996a; 1998; 2002), and the 'theory of gendered organisations' favoured by Joan Acker suggests that the superimposition of payment systems on intrinsically gendered processes merely serves to recr possibly even disguise, the gender imbalance (Acker 1990; 1992).

Despite a substantial increase in the representation of women in management grade since the 1970s, it is still significantly out of proportion with the numbers in the lower grades. This was the case in both companies, although greater progress had been made in New Bank, where the performance management system for non clerical workers was relatively unstructured, but forty five per cent of all managers were women. Global had well documented performance and competency systems in operation, the results of which indicated that the proportion of women with the high level skills and performance was sufficient for women to be represented in the same proportions in all grades. Fifty eight percent of the two hundred and twenty five employees in the clerical and junior manager grades, A to D, who had achieved the two highest competency levels were women, but women accounted for only thirty eight per cent of the two hundred and forty two Grade E managers. The competency system is relatively new, so it is possible that women have not yet seen the benefit of their skills being demonstrably equal to those of their male colleagues. However, a comparison of the gender distribution in these two companies suggests that there is no evidence that the introduction of meritocratic payment systems facilitates the entry of women into previously male dominated grades.

My analysis of the pay data did allow me to make some judgements as to the reasons why women are still not being promoted as quickly as men, despite the availability of objective criteria for assessing candidates' technical skills. I found that there are essentially two reasons: the jobs for which the majority of women are recruited have only limited direct promotion opportunities, and the hours that a substantial minority of women employees elect to work are not available beyond the clerical grades. I also ound that where women have broken through the barriers, there is a tendency for the ıs to become devalued.

'Women's work'

Although women were in the majority in most jobs in the clerical grades, that majority was much larger in the departments where there was least opportunity for promotion within the same department. It was particularly large in the branch network, where the alternative promotion route of moving to a different department would involve either a house move or a long commute. The result was that only twenty five per cent of women working for Global, and thirty eight per cent of those in New Bank, could reasonably expect to be promoted out of the clerical grade, yet ninety per cent of the men who started in the clerical grades in both companies have the opportunity to progress to at least junior manager level. Clearly the recruitment process is responsible for this situation, but is it because women are the preferred candidates for the jobs with limited prospects, or because men do not apply for them? Neither of the companies was able to give me the gender breakdown of job applications, so my conclusion is based on extrinsic factors, particularly the wording of job advertisements and the state of the local labour market in the North East, and is therefore largely speculative.

Despite the decline of the manufacturing industry in the North East, it is still the largest employer of male labour. In 2002, twenty eight per cent of employed men worked in manufacturing, earning an average weekly wage of £346 (Unions North 2002). Although this was below the average non-manual wage of £457, it was considerably higher than the £198 earned by New Bank's clerical men, and even the £306 of their junior managers. The low pay was referred to in the focus group when David said that he would be too embarrassed to discuss his salary with his mates. In a region that is still overcoming the legacy of the macho male culture associated with heavy manufacturing industry, the additional embarrassment of low wages must need to be justified by the expectation of the higher rewards available for managers. For women in New Bank however, the average clerical salary was only £8 below the average manual salary of £215 in the region, and the highest clerical salary was only £26 below the average for all non-manual women. The combination of relatively good pay with comfortable working conditions, in spacious modern offices, must make clerical work in New Bank an attractive option for women whose alternative is the factory bench.

The fact that the clerical jobs with little prospect of promotion to management are an attractive option for women in the North East, but not for men, does not preclude women being the preferred candidates for these jobs. An advertisement for vacancies in this category emphasises the flexibility of working hours and the generous holiday entitlement, describes the basic salary as 'good' and refers to the possibility of progressing up the career ladder of the clerical salary structure. A contemporary advertisement for a specialist 'senior voice analyst', is far more business like, including the salary range for the job, the actual holiday entitlement, and the provision of pension scheme, profit share scheme, staff restaurants and company gym. Flexibility is mentioned, but in the context of being able to work under pressure, and work life balance is the very last phrase in the advertisement. Although neither of these advertisements is overtly biased to one sex or the other, the first one is clearly aimed at people for whom working hours are a major consideration, and who would be unlikely to have the time to use the company gym, in other words people with caring commitments, most of whom are women. The second advertisement leaves no doubt that the job holder would be expected to put the job first, to be more interested in the financial rewards than work life balance, yet be able to find the time to use the gym. It does not rule out applications from women, but it is unlikely to attract those with young children to consider.

Most of the jobs with poor promotion prospects are based in customer service environments, such as call centres and high street branches, and require some of the 'soft' skills traditionally associated with women, such as communication and counselling. By pitching the salaries at a level that are attractive to women, but not to men, in a broad clerical band that incorporates its own career ladder, I believe that New Bank has succeeded in attracting their ideal employees. As Belt found, there is a common perception among call centre managers that women over forty and those with children were the ideal candidates to be call centre agents because it was felt they would not be interested in promotion (Belt 2002). The ability to progress from clerk, through team leader to team manager helps to sublimate the aspirations of all but the most ambitious. It leaves the more financially rewarding promotions available for those who are willing and able to put their careers before the rest of their lives.

The combination of New Bank's geographical location and its grading structure made the distinction between the two classes of recruit relatively easy to identify, however I believe that similar factors operate in most medium to large finance sector companies, especially where call centres and branches are located away from the major financial centres, often in green field sites. Whether or not they are 'interested' in promotion, women with domestic commitments experience practical difficulties in commuting long distance or moving house, and such restrictions are less likely to apply to men. Average salaries may be low compared to elsewhere in the organisations, but they are usually competitive with the local alternatives of shop or factory work.

Working hours

The New Bank job advertisement for customer service and telephone staff offered a choice of full-time, part-time, evenings, week-ends, temporary or permanent, and all with the possibility of flexi-time. Twenty five per cent of all women working in each organisation were part-time, and most of them were employed in the clerical grades (seventy nine per cent in Global and eighty eight per cent in New Bank). It was the acceptance of low paid, part-time jobs that Hakim claimed marked out the majority of women workers as 'drifters' or 'adaptives' with no commitment to company or career (Hakim 1996b; 1998; 2002). That interpretation was shared by the call-centre manager, who believed that women who chose to work part-time were effectively declaring that they had no further interest in pursuing a career. The data from the Global pay audit suggested a very different scenario, in which the majority of women who worked part-time were between the child-bearing ages of twenty five to thirty five, and that either side of that peak women were more likely to work full time. Some continue with reduced hours for the rest of their working lives, but for most it is simply an expedience, to help them manage at a period when their domestic workload is particularly heavy.

The age band twenty five to thirty five was also the peak period for workers taking the first step into management by becoming junior managers. As the union official for Global made a point of telling me: "if you haven't got onto that rung by the time you're thirty, you're never going to", and although that statement was an exaggeration, it was true that there were very few junior managers in Global over the age of thirty five. None of this would matter if an accommodation was made for management jobs to be performed on a part-time basis, but as one Global focus group participant pointed out, even teams of part-time workers were managed by full time managers. Similarly, in New Bank Paul confirmed that there had never been any part-timers outside the clerical grade in his call centre. Approximately a quarter of all New Bank employees work in the customer service environment, such as call centres, where the staffing hierarchy is very flat. Ninety four per cent of the workers were in the clerical grade, and they comprised over sixty per cent of all clerical workers in the bank. The jobs do not take long to learn, and there are few or no department specific technical skills required for the few supervisors and managers, so there is a large pool of suitable candidates from which to select, and there is unlikely to be any difficulty in filling vacancies with full time staff.

In the Risk department of New Bank the situation was somewhat different. The hierarchy takes the more traditional pyramid shape, with more people in the junior manager and manager grades combined than in the clerical grade. The bank's 'grow our own' policy means that a considerable amount of time and money is spent on training these members of staff, and they are therefore expected to progress through the grades regardless of their sex. When an individual's circumstances have become such that a thirty five hour week is no longer convenient, Alan is willing to make the necessary arrangements to accommodate part time working rather than lose valuable skilled staff. There are also part time managers in IT, another department in which employees need to be highly skilled. It seems paradoxical that none of the call centres in either company has part-time managers, even though they have a large contingent of part-time staff working in part-time teams. The only explanation that makes sense is that the management logic is based purely on economics, if there is no cost benefit from employing part-time managers no effort will be made to facilitate part time working. If they are operating on the assumption that part-time workers are not interested in a career they will continue to advertise the vacancies as full time, and part timers will only apply when they are in a position to increase their hours. It is clear from the examples in Risk and IT that part-time work and ambition are not necessarily exclusive, and there is no reason why that should not be true in other departments. The failure of women to actively seek promotion when they are given no encouragement or opportunity can hardly be described as having a preference for low paid clerical work, but rather a pragmatic acceptance that there are no management jobs for part-timers.

In one of my exploratory focus groups I encountered some strong feelings from female participants that part time workers lack commitment to the job. These comments were based simply on the fact that part-timers work their contractual hours, coming in and going home 'on-time'. Even though it was understood that most part-timers have time sensitive obligations before and after work, the perceived pressure on full-timers to participate in the 'long hours culture' caused resentment against those who were automatically excluded from it. There is no doubt that the 'long hours culture' is still prevalent in the industry generally, including in my two case study organisations. Work life balance policies are in place, but their implementation is at best erratic. I received reliable accounts of managers who denied the possibility of part-time work, of departments where flexible options were denied to male staff, and of employees who were convinced of the need to be seen arriving at the office early and leaving late. I have personal experience of mandatory weekly breakfast meetings and knowledge of two occasions when laptop computers were taken into the labour ward. This is no longer the culture of 'the jacket on the back of the chair' to create the impression of being a hard-worker. The extra hours are being worked for no extra pay in order to cope with the intensification of work that has affected many British workplaces since 1980 (Green 2001). The situation is exacerbated by a desire to maximise the potential reward from performance related payment systems (Wharton & Blair-Loy 2002). Clerical workers are not exempt from the 'long hours culture', but almost every one that I have spoken to believes that the stress on their supervisors and managers is significantly greater than their own. The prospect of even greater work related stress to add to the stresses and strains of home and family is another factor to be considered by a woman considering the pros and cons of promotion. While there are no role models of either sex working part-time or using flexible working to improve the quality of their lives, it is a perception that is unlikely to change.

In Chapter Two I described attempts by the government to limit the impact of the 'long hours culture' by amendments to social and labour market policies and legislation. Measures include a limit on the average length of the working week, provisions for parental and paternity leave and a right to request flexible working. In practice there are two distinct categories of flexible working: the first allows employees to choose and adapt their work patterns to fit with the rest of their lives, and includes flexi-time, working thirty five hours in four days, reduced hours and an allotment of parental/carers leave over and above the legal minimum; the other category is designed for the benefit of the employer and allows for work schedules to be decided at short notice in response to business 'peaks and troughs' (Coyle 2003). The second type is of no benefit to people with caring responsibilities who need to be able to plan for childcare, hospital visits and school sports days, but if the first version of flexibility were fully implemented throughout an organisation, more women might consider promotion to be a viable option. If the options are available, but men are, or feel that they are, discouraged from taking advantage of them, their use is likely to be seen as evidence that women who use them are an inferior class of worker needing special treatment in order to be able to perform their jobs. The worst-case scenario is that the 'long hours culture' is allowed to continue unchecked, and that eventually all but the most determined of either sex will decide to opt for the relatively easy life of a clerical career, with its added attraction of still being able to attract premium rates of pay for approved overtime. Not choice, possibly pragmatism, but I believe that for most it is more likely to be resignation, or 'making the best of things' in recognition of circumstances beyond their control.

Feminisation

The alternative to 'preference', discussed in Chapter Four, is Joan Acker's 'theory of gendered organisations' (Acker 1990). After explaining how even the best intentioned of apparently gender neutral policies and practices can be tainted by an underlying gender culture, I described the recent restructuring of employment in an American Bank. In a carefully monitored exercise the status of branch management was reduced, along with the associated pay and benefits, and a new, high status, sales job was developed. All jobs were advertised, and the gender balance of branch management switched from male to female, while most of the sales jobs went to men. This process of devaluation associated with feminisation has been recorded since the expansion of clerical work at the end of the nineteenth century, but the recording has been an historical rather than contemporary exercise. It appears to have happened in the branch network of New Bank, and with the underwriters in Global, where there has been an influx of women into these previously male dominated jobs. In New Bank the women who are managing the branches are in a lower grade than the men they have replaced, and in Global, the differential between the pay scales of underwriters and general staff has been almost completely eroded. I also found evidence that women are beginning to move into the IT structures of both organisations, but as yet the pay scales remain well above those of the general staff. If I am right, the identification of this movement in its early stages has provided an opportunity to monitor the impact on wages and, if necessary, prevent the devaluation of the jobs.

The economic explanation for the price of labour decreasing when women enter the market is that there is no longer a shortage of candidates for the positions, so it is not necessary to pay enhanced salaries to attract employees. The experience of the feminisation of clerical work has been for men to move away from those jobs that women move into (Guerriero Wilson 2001), so the pool of potential workers is unlikely to change much in size. Instead of the laws of supply and demand affecting the price of labour, there still seems to be an assumption that if women can do the job, it requires little skill. This way, if demand outstrips the supply of women it can be met by employing a different, and cheaper, class of men than those the women replaced, such as part-time students, or older men made redundant from other industries.

An Evaluation of the Equal Pay Audit Process

I identified the possibility of an incursion by women into the IT jobs because my analysis of the pay and personnel data supplied by the companies went well beyond the recommendations of the EOC in their Equal Pay Tool Kit. The third question this research was designed to answer was whether pay audits are capable of fulfilling the role set out for them. A recommendation by the Equal Pay Task Force that all employers should be obliged to perform pay audits was adopted in a diluted fashion by government, which decided to encourage rather than compel. The 'Pay Review Model' or 'Equal Pay Tool Kit' was produced as a guide to the process in July 2002. By the end of 2003 an EOC commissioned report on progress found that approximately fifty percent of employers still had no plans to conduct a review; of the fifteen per cent that had done so, only a quarter used the Tool Kit, although most followed a similar process. Only one fifth of these companies found that they had any significant pay gaps (Brett & Milsome 2004), and it is the reliability of that result that I want to challenge in the first part of my answer to this question. There are two elements to this part of the question: who is compared and what is significant?

The reliability of the results

The basis for comparison

The most reliable basis for making comparisons is to use the results of a job evaluation exercise, although even these need to be reviewed for bias. A job evaluation system that is operated consistently across an organisation allows comparison of jobs with the same score but in different departments. In Global, I was not only able to compare the salaries of everyone on the same pay scale, but by calculating actual salary as a percentage of the target salary of the scale I could make reliable comparisons of employees whose jobs had the same job evaluation score, but for labour market reasons commanded different salaries. These differences can be justified in terms of the Equal Pay Act, but nevertheless it is reasonable to assume that individuals would progress through those scales at similar rates, that is (for example) if it takes a male underwriter four years to get to the target salary, but after the same period of time a female analyst with the same job score is only half way to her target, even though she may be on exactly the same salary, I would suggest that there is a potential equal pay issue.

Without job evaluation, especially in a broad banded scale with multiple entry points such as that used for New Bank's clerical staff, that level of analysis is not possible. New Bank is one of the almost sixty per cent of private sector companies that do not have a job evaluation system in place (Milsome 2003). Of the companies that had conducted a pay review by the end of 2003, sixty per cent relied on job evaluation, and thirty per cent used a review of job titles (Brett & Milsome 2004). In Small and Medium Enterprises (with up to two hundred and fifty employees) this might be a realistic option, but when I attempted the exercise in New Bank, with over four thousand employees and two hundred and twenty two job descriptions, the task was at best daunting. Although I managed to condense these descriptions into eleven classifications across three grades, the process was intuitive rather than scientific, and introduced a significant element of doubt as to the reliability of inter-departmental analysis.

There is still a majority of employers who have no intention to conduct pay reviews, and a similar proportion without a job evaluation scheme (Milsome 2003; Neathey et al 2003; Brett & Milsome 2004). Two thirds of those without job evaluation schemes in Milsome's survey had not considered equal value, so it is reasonable to conclude that a significant proportion of the employers who have not conducted pay reviews do not have a job evaluation scheme in place. Neathey et al considered a review of job titles to be an acceptable basis for a pay review, but they did not have the experience of trying to conduct one. Without the relative transparency associated with an analytical job evaluation scheme, the value of equal pay reviews is limited to inter-departmental reviews, a useful analysis but far short of the ideal.

New Bank has adopted a broad band for its clerical employees, and has only one grade each for junior managers, managers and senior managers. Partly for purposes of comparing the results in the two companies, but also to see what effect it would have on the analysis, I mimicked the New Bank system in Global, by combining the grades which comprised the New Bank scales. In this particular case, two out of the four 'combined' grades had larger pay gaps than any in the original classification. I produced yet another set of results by comparing the salaries of all workers in the same grade regardless of which scale they were on. The different results produced by manipulating the data in this way demonstrated to me that even with a job evaluated system, the results of a pay audit can be manipulated. In particular they depend on where the cut off point in each pay grade occurs; If there is a job close to the cut off point, filled predominantly by members of one sex, the size of the gender pay gap could vary significantly depending on whether it is placed at the top end of one grade or the bottom of the next. It was this potential for initial findings to be deceptive that prompted me to question what level of pay gap should be considered significant.

How big is significant?

According to the EOC, gaps of five per cent and above are significant, three per cent if the gap is consistent. These figures were almost certainly chosen by reference to the statistical usage of the word significance. When statisticians set α at 0.05 they are guarding against the likelihood of making a Type II error by deciding to retain a false null hypothesis (Pagano 2004). Statisticians are looking for trends, but the purpose of a pay audit is to identify potential locations of unequal pay, where further investigation might reveal that just one employee in a large department is unfairly paid. In these circumstances I felt that it was more important to avoid making a Type I error, or rejecting a true null hypothesis. I decided that the only way to be sure was to look at every set of results except those with absolute parity. By looking at the range of actual salaries in each comparison as well as the average, and by producing scatter charts of salaries against length of service, I identified potential anomalies in more than forty groups of employees who would have been excluded from further analysis had I adhered strictly to the Tool Kit guidelines.

Most of the companies who contributed to Neathey et al's report, which had concluded their pay reviews and found pay gaps, were reluctant to discuss the size of those gaps, but twenty one of the thirty five claimed to have identified no gaps at all. In the 2003 report of Brett and Milsome, sixty eight per cent of employers claimed they had found no unjustifiable gap. While I accept that there may be some organisations with total pay parity, it is implausible for that to be the case in such a large proportion of companies. It seems more likely that at least some of them have relied on the EOC recommendation that only gaps of five per cent and above should be considered significant. In view of my own experience this may well have meant that some genuine discrepancies were overlooked, and induced a sense of complacency that may not be justified.

The limitations of pay audits

The value of a pay audit is dependent on the quality of the data and, particularly in large organisations that have never before conducted an exercise of this nature, it would be surprising if there were no problems. In both Global and New Bank I encountered a number of obvious errors in the data, which I had to refer back to the employer before proceeding with the analysis. The biggest problem was that all employees were shown as having started their current job within the last two years. It turned out that in both cases this was a software error, and could not be resolved in time for my analysis, so I had to use length of time with the company as a proxy for experience, rather than length of time in the current job.

A pay audit can only present a snapshot of the pay of women and men at the time of the audit. That pay will reflect a whole range of events during each person's career, which cannot practically be taken into consideration. For example, I had the details of every woman who had received maternity pay in the previous twelve months, but could not determine which women had taken maternity leave prior to that. I had no way of telling what salary people started on, unless they had less than one years' service, and I could not judge whether this year's outstanding performers were consistently outstanding, or whether they'd just been lucky this year. A single pay audit, however detailed the analysis, will reveal some instances of unequal or unfair pay, and it might give clues about the reasons, but it won't resolve inequality. It should be used as a tool to identify the underlying problems in areas where changes need to be made, and be repeated at regular intervals to ensure that those changes are having the desired effect. It is in danger of being used simply to identify potential equal pay cases, where the immediate problem can be resolved with money, but could return in a few years' time. Just as formalisation of the recruitment process can actually disguise discrimination and bias rather than eliminate it (Jewson and Mason 1986b; Dickens 1998), so it could even be possible for pay audits to present a false impression of pay parity. This is not to say that the process is not valuable, simply that the value of pay audits is in identifying potential problem areas, and they should not be acceptable as stand alone evidence of pay equality. So long as audits are conducted regularly the quality of the available data will increase. It should be possible to make comparisons over the years, possibly even identify a cohort of women and men to track over a period of years, building up a picture of career changes, maternity leave, part time interludes and salary progression.

Conclusion

In the opening paragraphs of Chapter One I asked whether there could there be some characteristic of the sector that accounts for the disproportionate size of the gender pay gap in the finance sector. I have looked at the structure of the industry, discussed changing organisational priorities and considered the impact of external labour markets. The sector is by no means unique in its increasing globalisation, in its emphasis on profit over all other considerations or in its experimentation with 'new' payment systems. Instead I propose that the reason that the finance sector is at the top of the league for unequal pay, is that it is also at the top of the league for pay generally (ONS 2004b: Table E14). A relatively low status job in a bank, building society or insurance company is still a 'good job for a girl'. It still has a relatively high status, working conditions are comfortable and part-time or flexible work schedules can usually be accommodated. It is the best paid job available without professional training and, in theory at least, relevant training can be undertaken whilst employed. Employers in the sector have found that they can attract the quality of worker they need for customer service roles by offering slightly better salaries than are available for those women in competing industries. What is more, while that advantage remains in effect, there is unlikely to be much in the local labour market that is more attractive, so that even with very limited promotion opportunities, this section of the workforce remains loyal.

Nevertheless, I believe that I have identified some areas where improvements can be made to the prospects of those women who are trying to break through into the male strongholds, and earn the same salaries. There is nothing revolutionary in the next few paragraphs. For the most part I am proposing that a greater effort is made to improve the use of structures and processes that already exist; for employers to be challenged to demonstrate that their commitment to equal opportunities is genuine, not simply the rhetoric that they currently appear to be.

Promotion of Industry Wide Qualifications

Wide differentials in entry level pay for experienced new entrants can only be eliminated if employers have reliable and objective criteria with which to assess the level of that experience. The examinations of the relevant professional bodies are still taken by some career oriented employees, and there are some occupations which are 'regulated', meaning that the employees need a standardised qualification in a specific element of their job. Apart from these most training is in-house and job specific. Where competency systems have been developed, they may provide a basis for assessing existing employees for promotion, but they need to be aligned to an industry wide qualification scheme if they are to be of value for external recruitment. The FSSC has already embarked on a programme to "promote the development of an integrated national standards framework for financial services", which incorporates relevant general, vocationally related and occupational qualifications, covering all aspects and levels of work in the industry. My recommendation is that Unifi and Amicus should encourage all employers in the industry to subscribe to this framework, and ensure that all employees have equal access to the necessary training.

Guidelines for preparing to integrate salary structures

If my first recommendation was to be adopted, it would also facilitate the integration of payment systems following the mergers that are predicted to continue for some time (Walter 2004). A period of integration is hectic and stressful for most people in the affected companies, so it is not surprising that some issues are overlooked. Unfortunately, until gender and race have been genuinely 'mainstreamed', equality is usually one of those issues. Trade unions produce negotiators' guides precisely to ensure that nothing gets overlooked at such times, and I therefore recommend that the unions prepare such a guide detailing the ideal process for preparing to integrate two or more pay structures. It needs to incorporate a realistic comparison of jobs, not just the 'felt-fair' process described by the Global focus group participant, a pay review, and a detailed plan for dealing with pay protection, including a process for monitoring its implementation.

Improving 'work life balance'

Both the Personnel Manager in New Bank and the Industrial Relations Manager in Global were in agreement that the 'long hours culture' is not and should not be necessary, yet part-time work and flexible working options are still confined, in practice, to the lower grades. It is not impossible for this sort of culture to be turned around, it happened in IBM Germany, following an intensive campaign by the Works Council, with the support of senior managers, but it cannot happen without high profile role models providing the evidence that it really is alright to go home on time. Ever since I first heard of the Ich Bessine Mich (I come to my senses) campaign at a Conference in 1997, I have been trying to promote similar ideas in this country, so I realise that there is little chance of achieving anything on such a grand scale. However, what can be done, by both unions and employers, is to ensure that high profile, positive publicity is given to those managers who are working part-time, or managing not to work unpaid overtime. Furthermore the unions should make it clear that they will pursue grievances on behalf of members who are denied the opportunity to work part-time, job-share or take advantage of flexible working options just because they are employed in managerial roles.

Promote and extend Equal Pay Audits

When I started this research I was confident that I would be recommending that the government mandate the conduct of Equal Pay Audits. Having conducted two, and realised the amount of commitment that is needed to perform a truly effective audit, I can see that mandating could actually be counter-productive. It is quite possible to do a basic audit, following the five steps of the Equal Pay Tool Kit, and produce a set of results that seem to say there is no problem. If the company recognises a trade union that prioritises equal pay, then they might be persuaded to look a little more closely at the figures, but there are many companies that do not recognise any trade union, and there are also trade unions that are not fully committed to achieving equal pay. As a result these companies would be able to justify their assertions that they do not have an equal pay problem, and most potential claimants would be deterred.

Instead I recommend that the policy remains one of encouragement, but that the guidelines are extended to incorporate a more detailed analysis of the horizontal pay gap, and the vertical pay gap. If audits are repeated on an annual basis it should even be possible to track a cohort of employees in order compare the actual progress of women and men, rather than making assumptions based on length of service. Most importantly of all, it needs to be made clear that an equal pay review is, ideally, a tool for monitoring the implementation of gender mainstreaming, not a substitute.

Monitoring the feminisation of Information Technology

A longitudinal cohort study provides the opportunity for further research in all elements of the employment relationship. The data from both of these audits suggests the possibility that women are beginning to break through into the male dominated IT specialisations, but that so far there has been no deterioration in the relevant levels of pay. I would therefore recommend that, if any employer can be persuaded to include such a cohort study, they pay particular attention to changes in the pay differentials, role and person specifications, recruitment practice and gender balance of IT jobs compared with other roles in the company. The process of intensive monitoring would almost certainly slow down the process of devaluation, but it should still provide a valuable insight into how it actually comes about.

But what about the future? If the latest cost cutting exercise of several major banks and insurance companies proves successful, and is emulated across the sector, the gender pay gap might almost disappear. The outsourcing of routine and telephonic activities to 'off-shore' establishments in the third world could result in a decimation in the number of women employed in the sector, and most of those who will be displaced will be among the lowest paid. If this were to happen a pay audit would reveal hugely improved statistics, but the displaced women will probably be earning even less money in other industrial sectors. Pay equity is far more complex than a simple comparison of the pay of women and men in the same companies, and will not be achieved merely by conducting, or even acting upon, equal pay audits, however exhaustive.

APPENDIX 1. The New Payment Systems

Job Evaluation

Job evaluation is a system for comparing jobs so that they can be placed in rank order according to their degree of difficulty or responsibility. Jobs have always been differentiated, but although standard systems were available from the 1950s, it was not until the late 1960s that their use became common in the UK (Hastings 2000). Although there are many variations, they all fall into one of two categories, sometimes described as quantitative and non-quantitative (Waine 1985 p 303), but more commonly as analytical and non-analytical (EOC 2000a). The main difference between the two types is in the degree of objectivity with which the exercise is undertaken, which will tend to be greater in the quantitative or analytical methods.

Pay Structures

Pay structures are the framework whereby an organisation groups different jobs, for the purpose of assigning pay rates or scales. There are five types of structure that commonly operate in the UK, namely grading, broad banding, job families, spot rates and pay spines.

Grading systems

In a traditional grading system jobs are grouped according to the skills they require. This has the advantage of facilitating different pay scales to reflect market forces, however, in a large organisation it could eventually result in an excessive number of different pay scales (IDS 2001).

Broad-banding

Put at its most simple, broad banding is "the compression of a hierarchy of pay grades into a small number of wide bands" (Armstrong 2001a: 1). The most common reason for their introduction is to promote flexibility, in roles, working and pay, although they may also be used to "support strategies for organisational and cultural change..." (Armstrong 1996: 226-227).

The number of bands is typically four or five, but can be as extreme as a single salary band. Individuals are able to make progress through the band, without having to obtain a formal promotion. Line managers may have increased discretion to manage pay and careers within the bands, subject to budgetary limitations and general guidelines (Armstrong 2001a), however they are often introduced in conjunction with a competency framework, whereby progress is dependent on the acquisition of relevant skills (Hastings 2000).

Job Families

Whereas broad banding is usually a means of reducing the hierarchical structure of an organisation, job families link jobs of a similar nature but retain "differentiating factors that distinguish the various levels of work" (Armstrong 1996 p 178). In other words each of the different jobs within a family is associated with a particular grade or band in a company-wide grading system, although as can be seen from figure A1-1 adjacent positions are not necessarily in consecutive grades (IDS 2001).

Figure A1-1 - example of job family structure

Example Job Family: Collections		
Position	**Brief Outline Description**	**Grade**
Regional manager	Leadership of the overall professional collections function ...	9
Department manager	Leadership of a specific collections function ...	7
Team Leader	Management of a team of specialists ...	5
Collector	Responsible for activities which minimise arrears ...	3
Clerk	To provide data input and support ...	2

Source: IDS 2001

Spot Rates

Although spot rates are relatively new to the finance sector, they are a long established structure for manual workers. There is a single rate for each job, with no provision for increments. The rate may go up or down in accordance with whatever criteria is determined by management, and any additional payment for performance is likely to be separate from the base rate, for example a performance bonus. Their use for non-manual staff has been described as giving management "... the maximum scope to pay what they want (Armstrong 1996: 201).

Pay Spines

A pay spine is an incremental system whereby a sequence of pay levels is arranged to provide annual progression. Although there may be more than one spine in an organisation, a single spine can range from the highest to the lowest paid jobs. This system is favoured by the public and voluntary sectors, but is rare in the private sector (CIPD 2003b).

Pay progression

The type of payment system that was the norm in the finance sector for most of the twentieth century was one of salary progression, featuring a scale for each grade, along which each worker progressed by incremental steps until either they were promoted, or reached an absolute maximum for the grade. These increments were paid in addition to and separately from any pay rise awarded to compensate for increases in the cost of living, which were the only type of increase received by the majority of manual workers other than by promotion. The method for calculating increments changed from age or length of service to merit in the early 1970s, but cost of living awards continued to be negotiated with the unions on an annual basis until the last decade of the twentieth century.

The CIPD survey conducted in 2002 shows that employers now use a combination of criteria to manage pay progression. 'Cost of living' has been replaced by 'market movement', the traditional service related increments and the strategic links with market rates and company profit also feature, but there is now a high dependency on 'contingent' pay, such as performance related and competency based systems (CIPD 2003b).

Performance Related Pay

A survey by Select Recruitment Agency in 2000 (Personnel Today 2001) found sixty four per cent of companies operating a Performance Related Pay scheme in 2000 compared with thirty six per cent in 1999. Performance Related Pay can take many forms, but is essentially either individual Performance Related Pay or Team Pay.

Individual Performance Related Pay

Performance Related Pay is:

> "... a system in which a individual's increase in salary is solely or mainly dependent on his/her appraisal or merit rating. ... an average performer receives an average increase, an above average performer receives an above average increase, while a below average performer receives less than the average, and a person whose work is unacceptable may receive no increase at all"
>
> (Swabe 1989: 17).

This represents two significant changes to the incremental system that finance sector staff had enjoyed for some time. Not only would they now have only a single pay review each year, instead of the customary two, but there was now no guarantee that they would eventually reach the scale maximum.

Performance is normally measured against a set of agreed objectives, and points awarded, which are then used to determine the distribution of a 'pot' of money allocated for the purpose. In some cases a matrix will be provided that plots the appraisal rating against current salary with the intention of restricting pay levels to maintain their relationship with the market rate.

Team Pay

Midland Bank (now HSBC) for many years rejected the individual performance related pay model for clerical staff as being "incompatible with team working" (Storey, Cressey, Morris, & Wilkinson 1997: 36), although it had been introduced for managers. Instead, members of a business unit, or team, received an increase based on the performance of their team, and this was given the title of 'Lets Reward Success'.

Many finance sector employers also pay an annual profit share based on the overall performance of the organisation; this has occasionally been as high as 15% of salary in the Bank of Scotland, although it can equally well be very small or non existent if profits are not sufficiently high. Since 1997 even the Co-operative Bank has introduced this system, despite it being seen by some critics as "incompatible with the ethos of the co-operative movement" (Storey, Cressey, Morris, & Wilkinson 1997: 36).

Competence based pay

Performance related pay rewards staff according to the outputs they achieve, usually measured against pre-designated objectives. Competence pay is designed to reward the acquisition of skills, or the 'inputs'. It is increasingly used in conjunction with performance measurement as part of the annual appraisal, and is only rarely used independently (CIPD 2003b).

Where competencies are used to facilitate progression through a broad band the measurement process may be as formal and structured as the acquisition of qualifications such as NVQ/SVQ, but where they are only a part of the appraisal process they may just involve a supervisor's assessment of a range of generic skills.

Cafeteria Benefits

Cafeteria benefit plans allow employees to choose from a variety of benefits and designate a set amount of money from their salary to pay for those they select. It can be used as a way of dealing with the conflict between parents and other employees over the provision of child care benefits. Critics point out that it creates a conflict for individual employees, who may be choosing between the immediate benefit of a crèche, and future considerations such as pensions or insurance.

APPENDIX 2. Proposal document for pay audits

Scope of the recommended review

All employees should be included in the review process
In addition to gender, analysis should include race and disability.
I would also recommend the inclusion of age as a unit of analysis.

Preparation

I would require access to:
Details of the pay and grading system(s) in operation
Details of the Job evaluation system
Copies of any relevant collective agreements in force
Information about any red or green circling arrangements that may still be affecting the pay of individuals.

Data

The following information would be required for every employee in the organization (the details may vary slightly depending on the pay and grading system in operation):

Payroll number, or other unique id.	Gender
Race	Whether registered disabled
Age or date of birth	Academic qualifications (or highest qualification)
Professional / vocational qualifications	Grade
Job description	Date joined organisation
Date appointed to current grade	Department
Number of hours contracted to work	Shift details if other than a standard 9-5 or equivalent flexi-time
Last appraisal rating	Last performance related increment
Basic pay for 12-month period	Overtime pay for 12-month period
Overtime hours for 12-month period	Bonus pay during 12-month period (a separate entry for every different type of bonus paid)
Maternity pay during 12-month period	Any employer's contribution to a pension fund (total for 12-month period)
Length of maternity leave during 12-month period	Total length of maternity leave during employment

Monetary value of any other benefits enjoyed during 12-month period (e.g. car, subsidised child care, health insurance etc.)

Data format

The data will be required in spreadsheet format, preferably Microsoft Excel or Access. Multiple tables are acceptable, so long as each record in each table includes the payroll number.

Data Analysis

Data will be exported to Statistical Package for the Social Sciences (SPSS) for detailed analysis.

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