

# Opening Statement to the Oireachtas Joint Committee on Gender Equality

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Chair and committee members, thank you for the opportunity to speak to you today. My name is Helen Russell, and I am head of the social research division at the ESRI and I am joined by my colleagues Dr Paul Redmond and Dr Dora Tuda. I was pleased to be part of the expert advisory group for the Citizens Assembly on Gender Equality alongside my colleague Prof. Emer Smyth. We will focus in our submission on the CA recommendations 32-36 which address the gender pay gap, minimum wages, collective bargaining and flexibility.

## Closing the Gender Pay Gap

The Citizens Assembly sets out ambitious recommendations to reduce and eventually eliminate the gender pay gap. The latest national figures show there has already been a decline in the gender pay gap to 11.3 per cent, this means that for every €1 per hour a man earns, women earn 89 cents. The gap is based on hourly wages and therefore strips out differences in current hours of work. These figures relate to 2018 and there is no Irish data in the latest Eurostat figures for 2020. In 2018, this placed Ireland below the EU average gap of 14.4 per cent.<sup>1</sup> In the past, differences in educational qualifications played a role but women in the labour market now have significantly higher qualifications than men, so other factors are at play.

The gender pay gap varies across occupations and is higher in the private sector than the public sector. It also differs across the wage distribution. Recent ESRI research has found that the unexplained<sup>2</sup> wage gap is widest among higher earners i.e. women in the top 20 per cent of the wage distribution earn considerably less than men in the top 20 per cent of wage distribution (see figure 1 below). In contrast the gap at the bottom of the wage distribution is close to zero. This points to the importance of addressing barriers to occupational and wage progression for women.

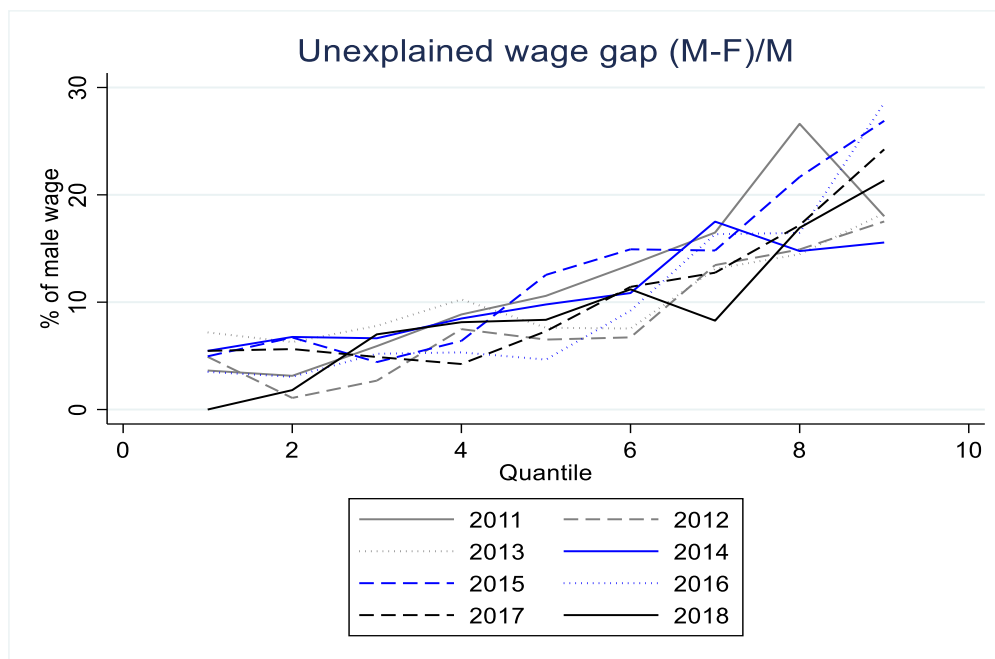
In the following submission we present some of the research findings on the factors behind the gender pay gap and discuss the policy levers for addressing these proposed by the Citizens Assembly.

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<sup>1</sup> [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Gender\\_pay\\_gap\\_statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Gender_pay_gap_statistics)

<sup>2</sup> The adjusted pay gap or the unexplained pay gap, compares hourly wages of men and women taking into account education, work experience, age education status, marital status, Irish citizenship, type of contract (temporary, part-time), public or private sector employment, and years in paid work (Doorley et al 2021). In Ireland this adjusted pay gap is wider than the unadjusted gap.

**Figure 1: Unexplained Gender Gap in Hourly Wages Ireland 2011- 2018**



Source: Doorley et al (2021) Unconditional quantiles calculated using SILC data.

### Flexible working arrangements, Family Leave & Childcare

The gender pay gap is partly, though not exclusively, a motherhood pay gap, with the gap widening for those with children. Tackling the part of the gap that is due to differences in time out of the labour market for caring requires efforts to facilitate the combination of work and care (child-care, elder care supports, flexible working), measures to encourage greater sharing of gender roles of men and women and policies to smooth transitions back to work.

The CA recommended introducing a statutory right to reasonable access to flexible working (**Recommendation 36**). There is a broad body of evidence that employment flexibility facilitates those with caring responsibilities to remain employed, however, flexible working, particularly part time work, is often associated with lower wages, and reduced prospects for career advancement<sup>3</sup>. Therefore, while greater flexibility may facilitate women to stay in employment, this alone is not enough. The increased flexibility needs to occur in high-paying jobs with good prospects in order to reduce the gender wage gap.

Enhanced flexibility also needs to be accompanied by greater take up among men, and a more equal sharing of caring roles between men and women. The introduction of two months **paid parents leave** is an important step in the right direction. However, the take-up of leave among fathers across Europe is strongly influenced by the level of wage replacement. In Ireland, employers are not obliged to pay individuals that avail of parent's leave and the parent's benefit is set at €250 per week. This results in a relatively low replacement rate for many individuals, which limits the take-up.

<sup>3</sup> Fuller and Hirsh (2018), Piasna & Plagnol, (2017). Chung, H. & Van Der Lippe, T. (2018).

The provision of **affordable, quality childcare** is also a key to increasing female labour market participation. There has been a great deal of policy development in early childhood education and care in Ireland, including the National Childcare Scheme and the new Core Funding Model. However, we were starting from a very low base so the cost of childcare to parents remains amongst the highest in the OECD, particularly for those who require longer hours of care, larger families, and those with children under 3.

Doorley et al (2020) estimate that out-of-pocket childcare costs for those with children up to age 12 represent an average of 10% of families' disposable income. Almost a quarter of households paying for childcare face childcare costs of more than 15% of their disposable income. The same research found that the new National Childcare Scheme covers 10% of paid childcare cost on average. However, the design of the scheme means families with two and more children face high withdrawal rates for each additional euro earned above the withdrawal threshold of reckonable income. This will disincentivise parents in this situation to take on extra hours of paid work.

### **Cracking the glass ceiling.**

An important part of the pay gap is due to gender imbalances in senior positions within occupations (vertical segregation). Creating greater balance in senior roles requires addressing gender norms and stereotypes around leadership, tackling long hours cultures, formalising promotions procedures, and ensuring equal access to training and to valued tasks and assignments. On this latter point, in our study of access to top jobs in the civil service we found women in middle ranking positions were more likely to be in service roles, when policy roles were much more valuable for promotion (Russell et al 2017). There is also evidence that mentorship programmes are an effective way for increasing diversity in senior organisational positions. Setting gender balance targets for senior management roles is increasingly used as means of addressing the glass ceiling. Such targets can create a focus on existing policies and workplace culture, importantly it requires regular monitoring and collection of data within the organisation. This information is a necessary building block for greater equality and diversity across the whole organisation and identifying where blockages are occurring.

### **Pay Transparency and the Gender Pay Gap Information Bill**

Lack of transparency in pay creates greater opportunity for biases and discrimination to operate. Transparency in pay scales and the absence of discretionary payments such as bonuses, is one of the reasons for the much lower pay gap in the public sector compared to the private sector.

The citizens recommended the prompt implementation of the Gender Pay Gap Information Act (**Recommendation 33**) which is underway, with employers with over 250 employees required to report on their gender pay gap this year. A study of the effects of introduction of the pay transparency policies in the UK in 2017 (which is very similar to the Irish policy<sup>4</sup>) found that it was associated with a reduction in the gender wage gap. The UK study compared the changes in wages before and after the introduction of the new policy in firms above the 250 employee threshold and those below, where pay transparency did not apply. They found a 1.6 percentage point increase in women's hourly wages relative to those of men i.e., a decline in the relative wage gap from 8.6 per

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<sup>4</sup> Blundell, J. 2021 Wage responses to gender pay gap reporting requirements, Centre for Economic Performance Discussion paper, LSE.

cent to 7 per cent in affected firms. The change was not due to movement of women into larger firms but rather a shift in individuals wages, and primarily a decline in male wages.<sup>5</sup>

### **Minimum Wages and Gender Inequality**

Minimum wages are an effective tool for reducing wage inequality at the bottom end of the wage distribution. Research by Bargain, Doorley and Van Kerm (2019) found the introduction of a minimum wage in Ireland led to a significant reduction in the gender wage gap among low-paid employees.

The CA recommends aligning the minimum wage with the living wage over a period of three years (**Recommendation 34**). In the current year this would mean moving from €10.50 to €12.90 which would be an increase of 23 per cent. However, recent work by Doris et al. (2022) finds that the introduction of a national living wage would have a relatively small effect on the gender wage gap. Minimum wages will not influence the gender gap at higher levels of the wage distribution where the gap is widest.

Minimum wage policy must also be cognisant of creating adverse employment effects. Given that women are more likely to be minimum wage workers than men, such job losses could disproportionately affect women. This trade-off is recognised in the CA recommendation which mentions “considering potential employment impacts on small businesses.” The evidence for Ireland indicates that recent minimum wage increases did not lead to job losses (Redmond and McGuinness, 2021). However, there is evidence of a reduction in hours worked among some minimum wage workers, particularly those working in manufacturing and in the accommodation and food sectors (Redmond and McGuinness, 2022). In a review of the international evidence on minimum wage increases prepared for the UK Low Pay Commission, Dube (2019) points to ‘muted’ effects of minimum wages on employment, but cautions that there is insufficient evidence on larger minimum wage increases. Therefore, such policy decisions require careful consideration.

Whatever level the MW is set at, it is important to ensure compliance with the legislation. The Citizens Assembly rightly identify the role of the WRC labour inspectorate in enforcing compliance. Trade unions also play a key role in ensuring legal standards are met by employers.

The ESRI recently carried out a study of non-compliance with the NMW (McGuinness, Redmond and Delaney, 2020). Compared to other minimum wage workers, non-compliance is greater for workers who are male, Irish, aged over 35, on temporary contracts and work on their own. Those receiving less than the prescribed minimum are also more likely to work in the domestic personnel sector and to be in childcare, personal care or agricultural occupations.<sup>6</sup> The study was based on the Irish Labour Force Survey. However, it is worth noting that workers who are most exploited may not be represented in such surveys.

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<sup>5</sup> A similar policy introduced in Denmark in 2006, was associated with reduction in the gender wage gap, driven by lower male wages. There was also evidence of reduced productivity in affected firms Bennedsen et al

<sup>6</sup> <https://www.tandfonline.com/eprint/VHSSYRANQFJAJGEED89/full?target=10.1080/13504851.2020.1711503>

## Collective Bargaining and Wage Inequality

A key concern of the Assembly was identifying how the situation those in low paid, highly feminised sectors could be improved. In addition to Minimum Wages, strong collective bargaining systems are a feature of most societies where levels of wage inequality is low. Lower levels of wage inequality overall also typically translate into a lower gender pay gap.<sup>7</sup>

The recognition of the legal right to collective bargaining (**CA recommendation 35**) is an important step in this direction.<sup>8</sup> The extension of collective bargaining rights has been recommended by the Irish Human Rights and Equality Commission and is consistent with Ireland's commitments under the European Social Charter and the International Convention of Economic Social and Cultural Rights.<sup>9</sup>

## Conclusion

The causes of inequalities in the labour market are multi-factorial and require the use of multiple policy levers encompassing not only employment policy and regulation, but also family policies, tax and welfare policy, and provision of public services. Actions to address these inequalities are required not only from government but also from unions, employers and the education/training system, and require changes within families in the sharing of care responsibilities. Therefore, to progress gender equality in employment, the recommendations of the CA on paid work need to be considered alongside those on welfare and caring.

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<sup>7</sup> Rubery, J; Grimshaw, D. (2015). "The Forty Year Pursuit of Equal Pay: A Case of Constantly Moving Goal Posts", Cambridge Journal of Economics 39 (2), 319-344

<sup>8</sup> While the constitution confers the right of freedom of association to join a trade union, trade unions in Ireland have no legislative right to be recognised in the workplace for collective bargaining purposes and employees have no right to make representations to their employer through their union.

<sup>9</sup> See discussion in McGinnity et al 2021 <https://www.esri.ie/publications/monitoring-decent-work-in-ireland>

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