

# Equal pay in the financial sector

23 June 2020



Febelfin



WOMEN IN FINANCE  
BELGIUM

## Meet the speakers of today



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# Round table

- Short introduction of yourself and your company...
- Where do you stand with the gender pay gap in your organization?
  - a. We have strong policies in place whereby the gender pay gap is frequently measured by using a robust methodology and potential discrimination cases are deepened analysed
  - b. We measure the gender pay gap, however some doubts remain on the methodology that we use
  - c. We don't know where / how to start
  - d. Other...
- Expectations for today?

# ***Agenda & expectations***

## **WORKSHOP 1**

- Round table
- Equal pay: what's the case for it?
- How to measure the gender pay gap?

## **WORKSHOP 2**

- What are the root causes of gender pay differences?
- How to close the gender pay gap?

### **Learning objectives for today**

- Fact-based and contextual understanding of the gender pay gap
- Practical insights and ideas on how to assess and bridge the gender pay gap
- Critical thinking on the benefits organizations can gain from addressing the gender pay gap

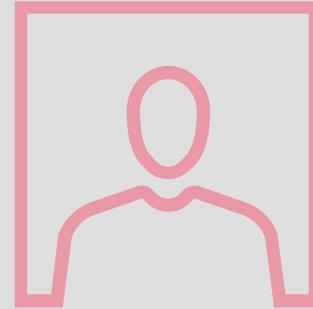


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Introduction



What is the difference between the gender pay gap and equal pay?



# Gender pay gap vs. Equal pay

## *Equal pay for equal work*

Men and women being paid the same for equal work or work of equal value.

Equal treatment between genders is enshrined in the Belgian constitution and in the Gender Discrimination Act which prohibits any *direct* or *indirect discrimination* on the grounds of gender, including in employment relations.

National-level collective bargaining agreement on equal pay, focusing on gender neutrality in respect to function classification.



## *Gender pay gap*

In an organisation (irrespective of role /seniority):

$$\frac{\text{Average women's earnings}}{\text{Average men's earnings}} \%$$

Typical causes of gender pay gap:

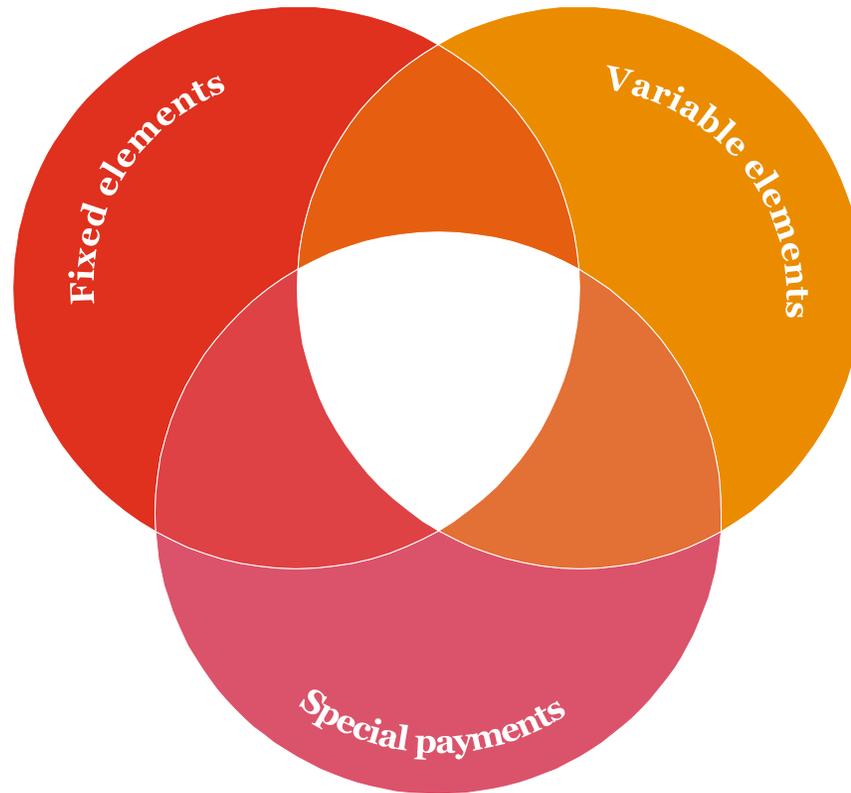
- Predominantly males in senior/higher paid roles
- Part-time workers (predominantly females)
- Unconscious bias /stereotypes

In the UK, companies are required to report on the gender pay gap.

# How is pay defined?

## Fixed elements of pay:

Base monthly salary  
13<sup>th</sup>, 14<sup>th</sup> salary  
Functional allowances  
Etc.



## Special payments:

Premiums  
Etc.

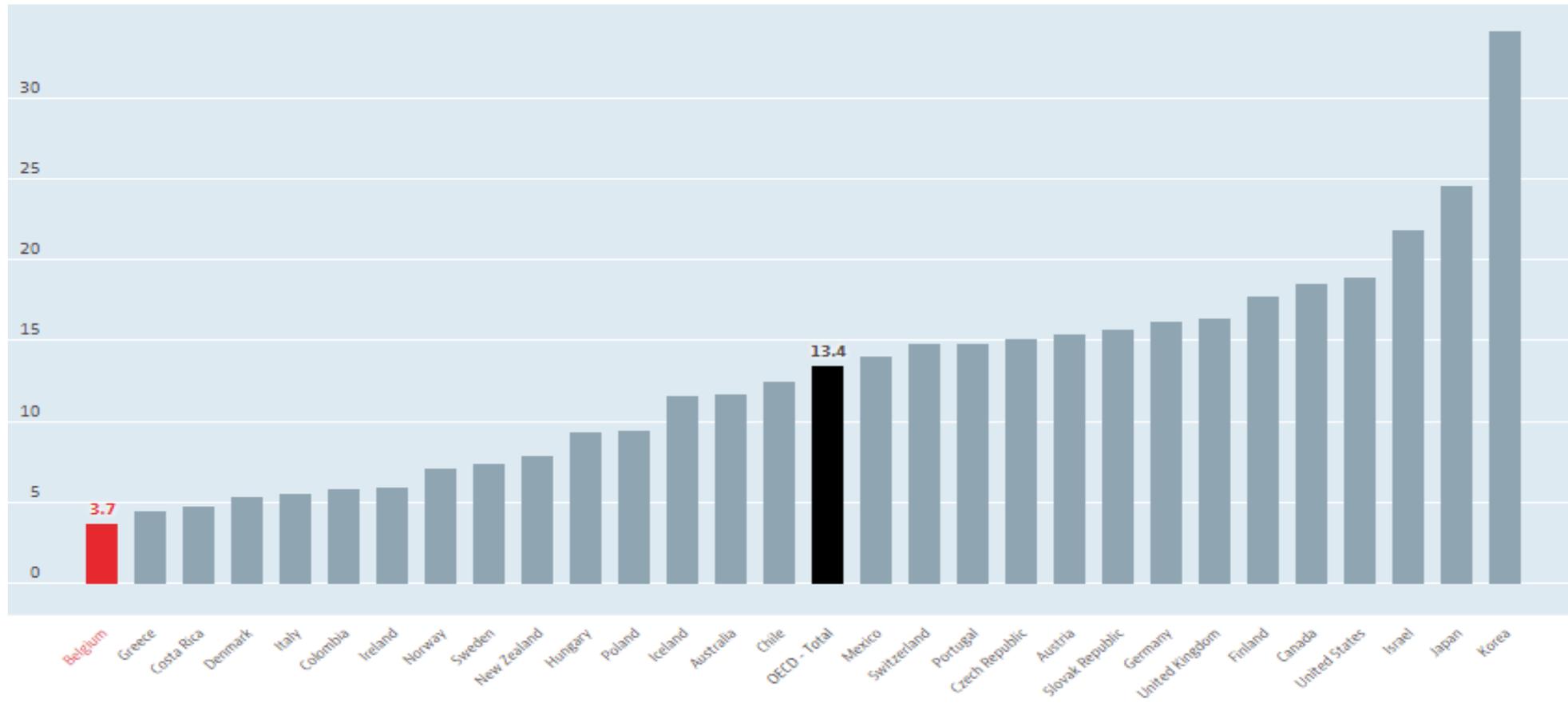
## Variable elements of pay:

Bonuses  
Shares  
Etc.

## Analyses can be performed...

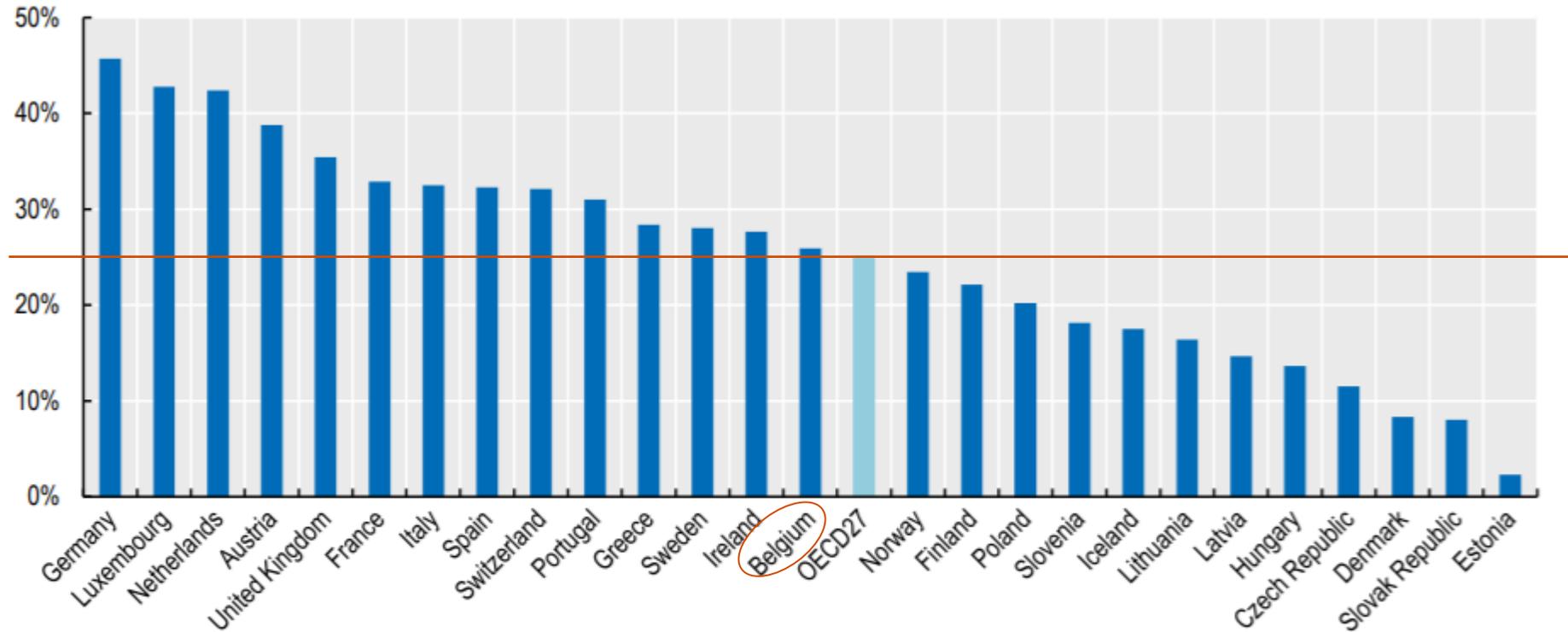
Separately, for every type of remuneration,  
Including all types of remuneration,  
On the average salary,  
On the median salary,  
Etc.

# What is the (median) GENDER PAY GAP for all OECD countries?



The gender wage has been determined as the difference between median earnings of men and women relative to median earnings of men. Data refer to full-time employees on the one hand and to self-employed on the other.

# How wide is the gender PENSION gap in OECD countries?



Note: gender gap in pensions calculated for persons at age of 65 and more using the following formula:  $1 - \text{women's average pension} / \text{men's average pension}$ . It includes persons who obtain old-age benefit (public or private), survival pension or disability benefit. Data for Iceland cover 2014.

Source: EU-SILC, 2016, version: March 2018.

Source: OECD (2019), "The gender pension gap is large", in *Pensions at a Glance 2019: OECD and G20 Indicators*, OECD Publishing, Paris, <https://doi.org/10.1787/e1302ec1-en>.

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Equal pay  
What's the case for it?

# What's the case for it?



Hot C-suite /Board topic



Socio-economic trend



Enhances the employer brand



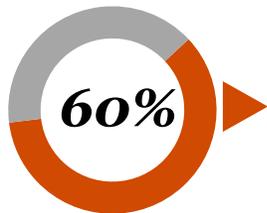
Shareholder activism



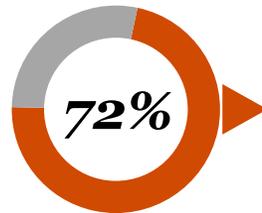
Drives the bottom line



Boost customer perception



of employees indicate they **would not apply for a job** where they knew a pay gap exists

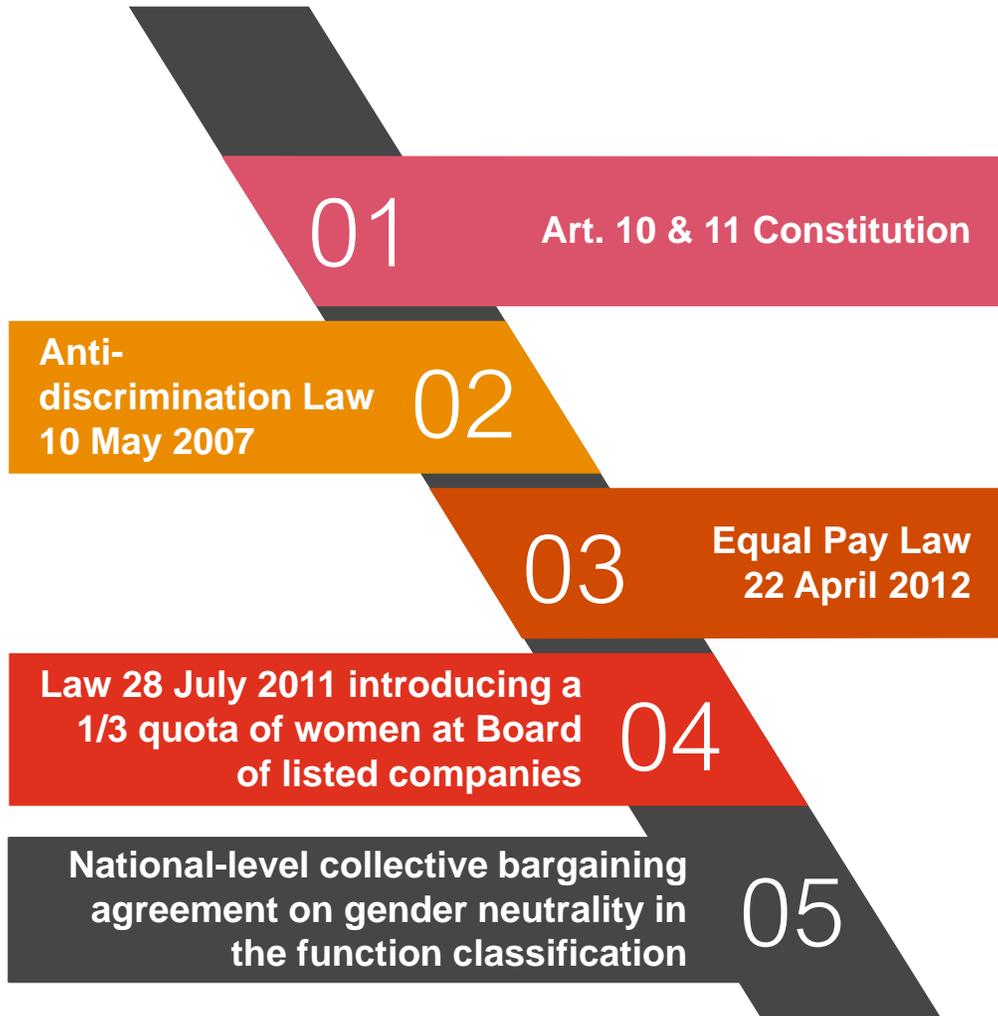


of employees believe salary **transparency is good for business**



of employees believe **equal pay is good for business**

# Legislative landscape in Belgium (vs facts)



**23,7% (all sector)**

**31,3% (financial and insurance)\***



27.142,61 EUR



35.550,44 EUR

*Annual average gross salary (private and public sector)*

**9,6% (all sector)**

**21,8% (financial and insurance)\***



36.521,39 EUR



40.385,73 EUR

*Annual average gross salary after correction based on the working time, expressed in FTE (private and public sector)*

**21%**

*% women executive board members in listed companies in 2016*

*\* Based on NACE code*

*Source: Institute for the Equality of Women and Men (NSSO – figures 2017, published in 2019)*

# Legislative landscape in the banking sector



## CRD V – implementation by Member States by end of 2020

- Gender neutrality requirements
- Gender neutral disclosure requirements

The principle of equal pay for male and female workers for equal work or work of equal value is laid down in **Article 157 of the TFEU**. That principle needs to be applied in a consistent manner by institutions. Therefore, they should operate a gender neutral remuneration policy.

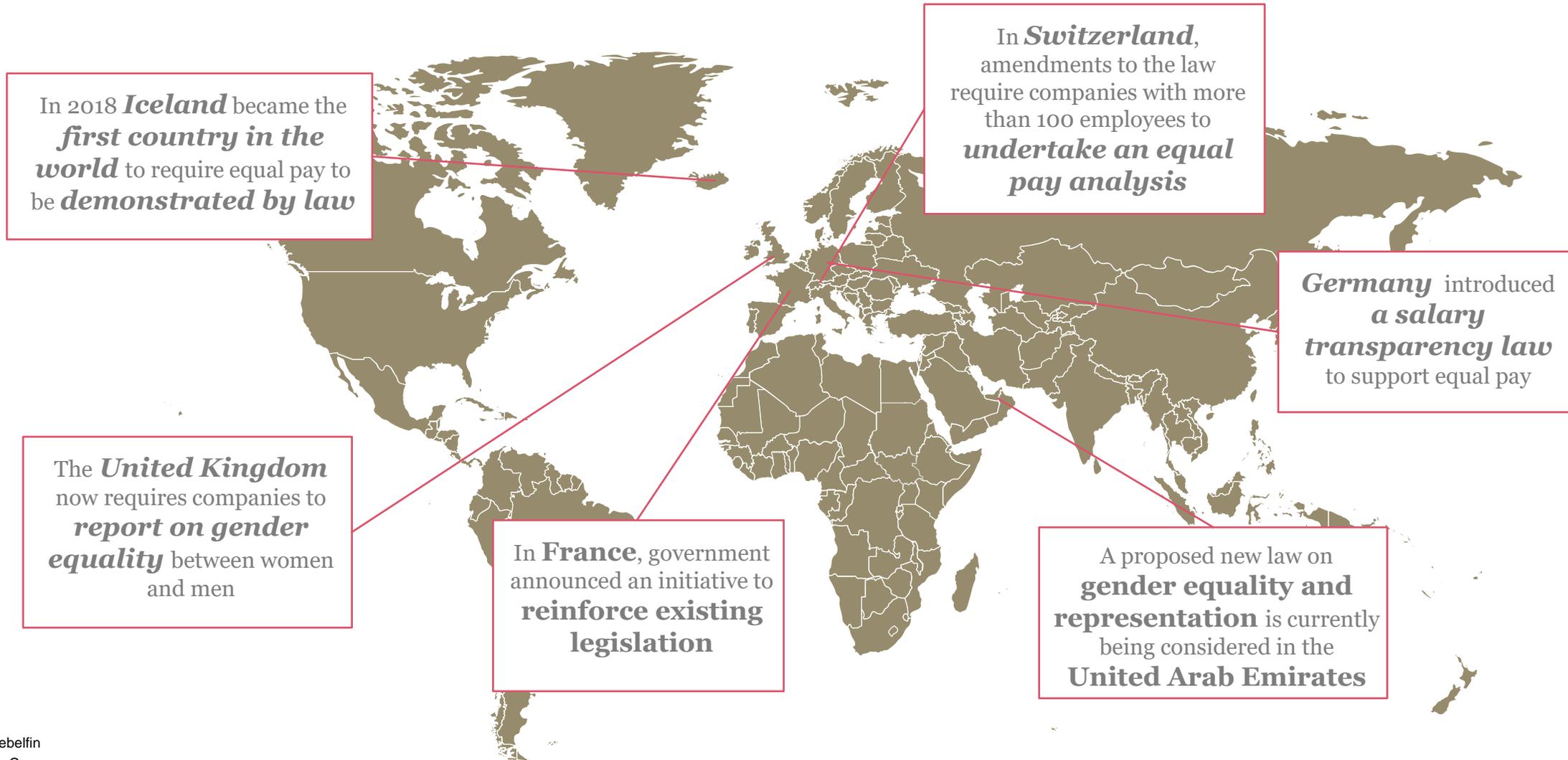
For these purposes a "gender neutral" remuneration policy is a remuneration policy based on **equal pay** for male and female workers for **equal work** or **work of equal value**.

The EBA is mandated to provide guidelines on gender-neutral remuneration policies (expected in Q1 2021) and issue a report within two years of the publication of the guidelines on the application of these policies by firms.

All information on the gender pay gap has to be collected by the local regulators to provide to the EBA. After two years there will be a report on the application of gender neutral policies, two years after the publication of the new guidelines.

Competent authorities should collect the information, incl. on the **gender pay gap** and should use this information to benchmark remuneration trends and practices.

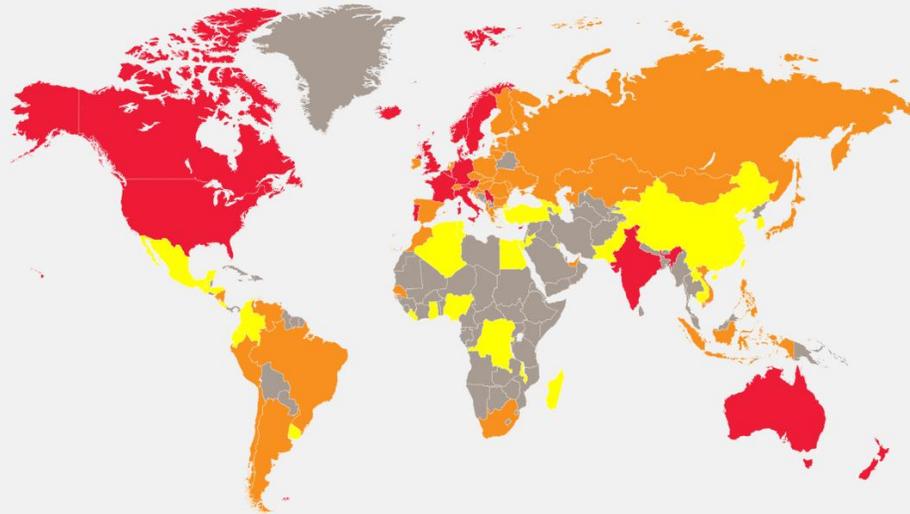
# Trends at international level



# PwC Global Gender Pay Compass

## Global Gender Pay Compass

- No specific law or sanctions relating to gender equality
- Overall gender equality law only, or gender pay law without sanctions
- Specific gender pay law with sanctions



- Publicly available information on gender pay gap regulation across the globe
- Total of countries investigated: 88
- 30 countries with no specific law or sanction relating to gender equality
- 38 countries with overall gender equality laws, or gender pay law without sanctions
- 20 countries with gender pay law with sanctions



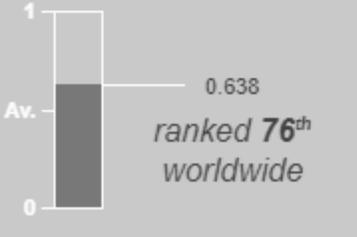
## Belgium

● Specific gender pay law with sanctions

**General law**  
Equal treatment between genders is generally enshrined in the Belgian constitution and in the Gender Discrimination Act which prohibits any direct/indirect discrimination on the grounds of gender, including in employment relations.

**Specific measures**

**WEF wage equality score:**



A bar chart showing Belgium's WEF wage equality score. The y-axis ranges from 0 to 1. The bar for Belgium reaches a value of 0.638. Text next to the bar states 'ranked 76<sup>th</sup> worldwide'.

Av. 0.638  
ranked 76<sup>th</sup> worldwide

**Any questions?**

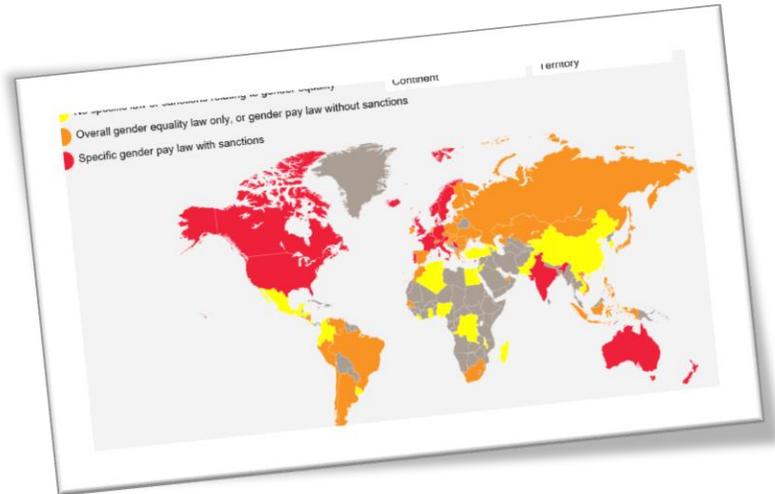
**Local country experts:**

.....  
Bart Van den Bussche  
Bart Elias

Source: <https://www.pwc.ch/en/insights/hr/global-gender-pay-compass.html>

# Global Gender Pay Compass

## Emerging trends

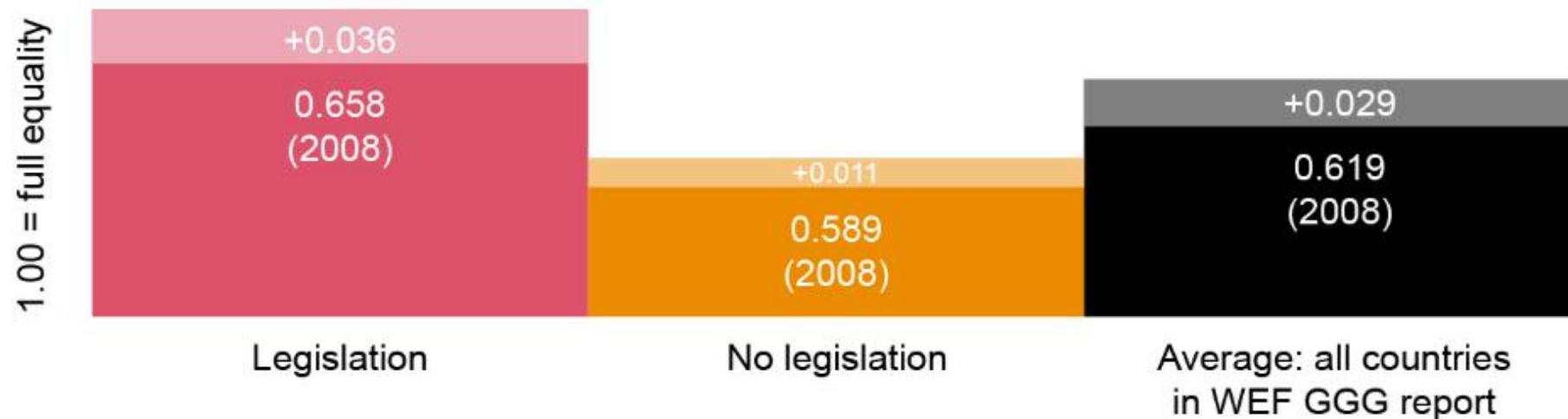


### 5 key emerging measures

1. External Certification
2. Reporting requirements
3. Penalties for non-compliance
4. Employer action plan
5. Other measures to regulate pay equity

# Does gender pay legislation actually reduce wage differences between women and men?

1 “Having legislation reduces the gap in ‘economic participation and opportunity’ three times faster”



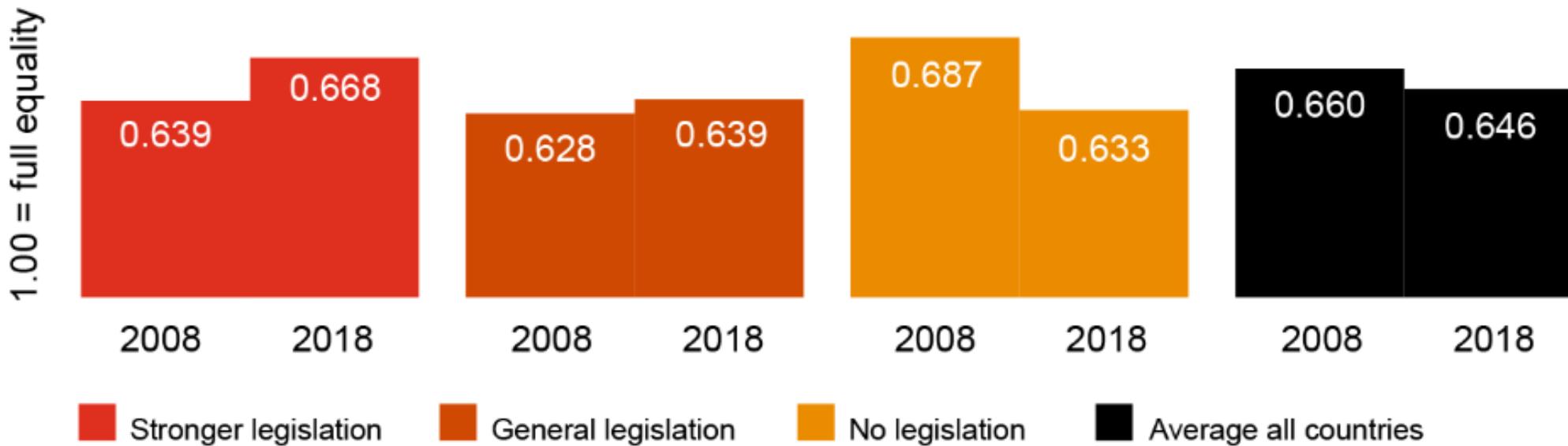
Average scores in 2008 + improvement over the following decade 2008-2018

Source: <https://www.pwc.ch/en/insights/hr/reducing-wage-difference-through-legislation.html>

# Does gender pay legislation actually reduce wage differences between women and men?

## 2

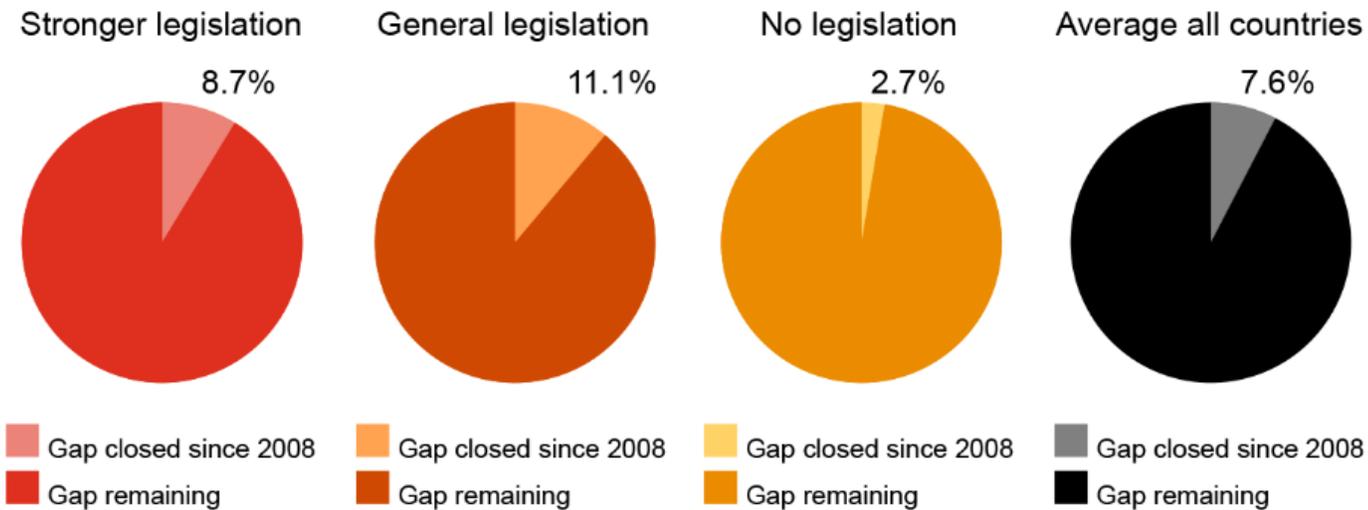
“Countries with no legislation have seen their gender pay differences increase on average”



# Does gender pay legislation actually reduce wage differences between women and men?

## 3

“Stronger legislation but slower improvement?”



# Impact of legislation on the reduction of gender pay gaps

## Reduces the pay gap



### Public expenditure on family benefits as a share of GDP

Countries with higher government spending on family welfare including childcare have smaller pay gaps. A 1pp increase in public expenditure on family benefits as a % of GDP is associated with 0.8pp decline in the pay gap.



### Share of employers who are female

There is a negative sign on the coefficient for this variable, which suggests that countries with higher proportion of females as employers (i.e. self-employed with employees) tend to have reduced pay gaps. A 1pp increase in the proportion of female employers is associated with a .53 decline in the gender pay gap.



### Gross domestic product per capita

Countries with higher GDP per capita have smaller pay gaps. A 1% increase in GDP per capita is associated with a 2.8% reduction in the pay gap.

# Impact of legislation on the reduction of gender pay gaps

## Increases the pay gap



### Length of paid maternity leave

Countries with more generous maternity leave periods have higher gender pay gaps. An increase in paid maternity leave for women of 10 weeks is associated with a 0.2pp increase in the pay gap. The introduction of shared parental leave and encouraging men to take this up could change the effect of paid maternity leave on the pay gap over time.



### Gap in male and female participation rates

Countries with a bigger gap in male and female labour market participation tend to be associated with larger gender pay disparities. A 10 pp increase in the participation gap is associated with a 1.1 increase in the gender pay gap.



### Share of females employed in services

Countries with higher share of females in services tend to have higher pay gaps. A 1pp increase in the share of women employed in services is associated with a 20 pp increase in the pay gap. This is due to the high incidence of part-time work and low earnings in most services sectors. Boll et al. (2017) also identifies sectoral segregation of gender as the most important barrier to gender equality in European countries.

# Learning Summary



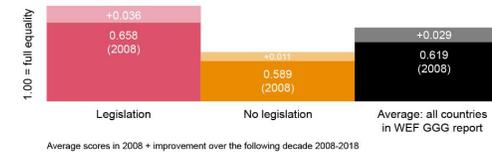
## Legal developments in Belgium

As of 2020, banks will have to ensure that they have gender neutral remuneration policies and practices in place



## Global trend

There is a global and legal trend towards the enforcement of gender equality in the workplace



## Impact of legislations

Evidence suggests regulations on equal pay help reduce gender inequalities, but change is slow

# 3

How to measure the  
gender pay gap?



What is the difference between the gender pay gap and equal pay?

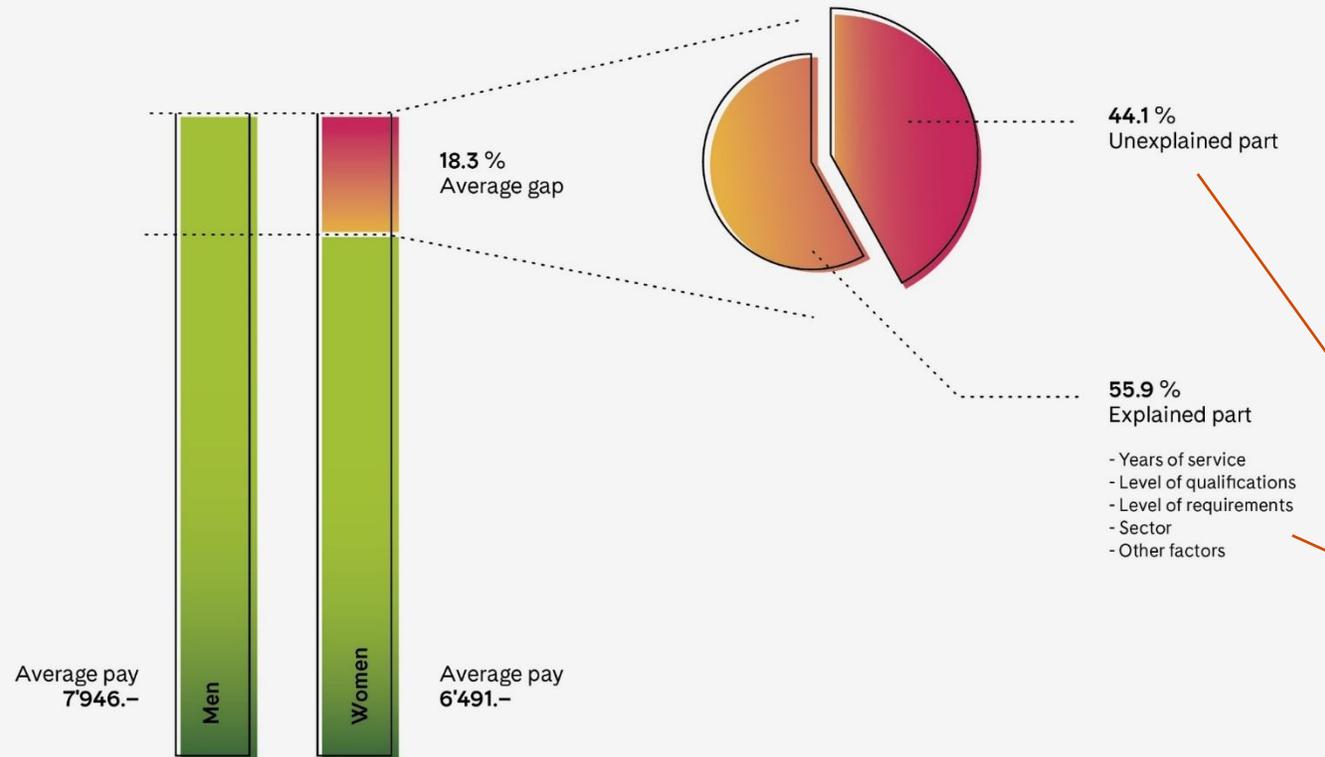


# Gender pay gap vs. equal pay: illustration

## Average pay and pay gap

Women's pay slips show an average of CHF 1455 per month less than those of men (figures: 2016). 55.9 % of this difference can be explained by objective factors such as professional status, years of service or level of qualifications. But 44.1 % of the pay gap remains unexplained and includes potential gender-related **pay discrimination**.

Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra  
Swiss Confederation  
Federal Department of Home Affairs FDHA  
Federal Office for Gender Equality FOGE



## Illustration

### Gender pay gap

- Overall = 18.3%
- Private sector = 16.3%
- Public sector = 19.6%

### Equal pay gap

- Overall = 7.7%
- Private sector = 8.1%
- Public sector = 5.9%

### In Belgium

- 52% unexplained part
- 48% explained part

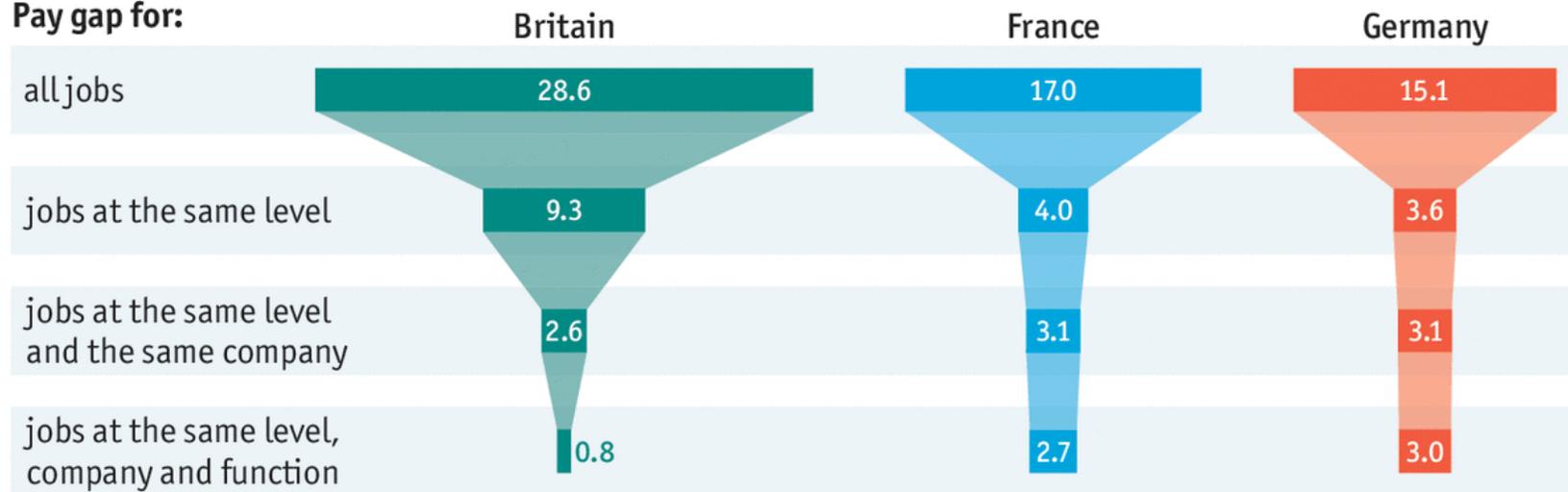
Source: Federal Statistical Office, EFS, 2016

# Gender pay gap vs. equal pay

## Like-for-like

Pay gap between women and men, 2016, % of men's wages\*

Pay gap for:



Source: Korn Ferry

\*Full-time pay

Source of full article: <https://www.economist.com/graphic-detail/2017/08/01/are-women-paid-less-than-men-for-the-same-work>

# Various calculation methodologies (1/3)

## The gender pay gap

Difference between men and women in average earnings

Methodology used to report in the UK (by law)\*

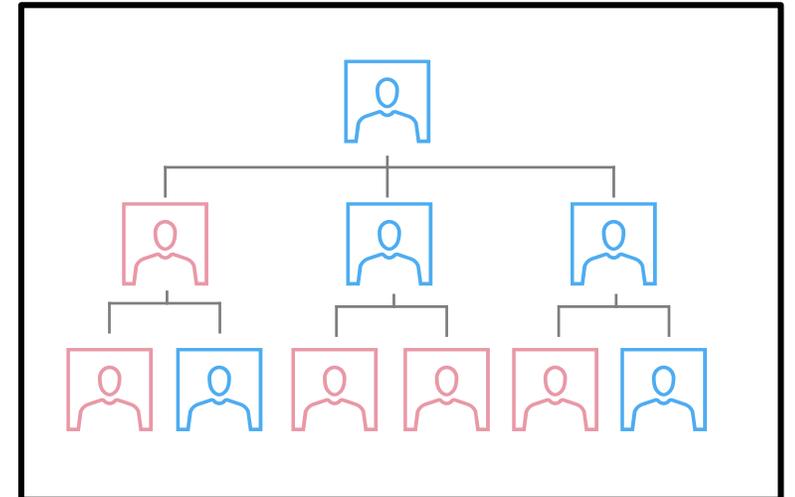
Estimation based on simple descriptive statistics (e.g. average, median amounts)

Pros:

- Provides insight into overall gender (in)equality
- Partially reflects the gender (in)balance across the different levels within the organization (equal representation)

Cons:

- Additional analysis is required to understand the non-explainable portion of the gender pay gap
- No clear indication on the organization's fairness in its practices around equal pay and equal opportunity



\*UK reporting requirements: <https://www.gov.uk/guidance/gender-pay-gap-reporting-overview>

# Various calculation methodologies (2/3)

## Like-for-like comparisons

Women and men performing the same role must receive the same pay

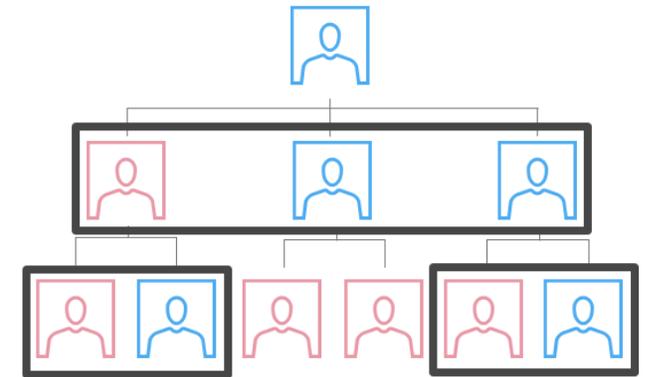
Estimation based on separate comparisons of average pay

Pros:

- To some extent, allows to see if an organization is fair to its employees
- To some extent, reflects the organization's reality

Cons:

- Does not allow to take more than 2 or 3 variables into account (gender, job level, department)
- Does not allow to adapt to gender imbalances, or to include very specific functions (e.g. specialists)



# Various calculation methodologies (3/3)

## Equal pay (for equal work)

Women and men in the same role must receive the same pay

Methodologies based on

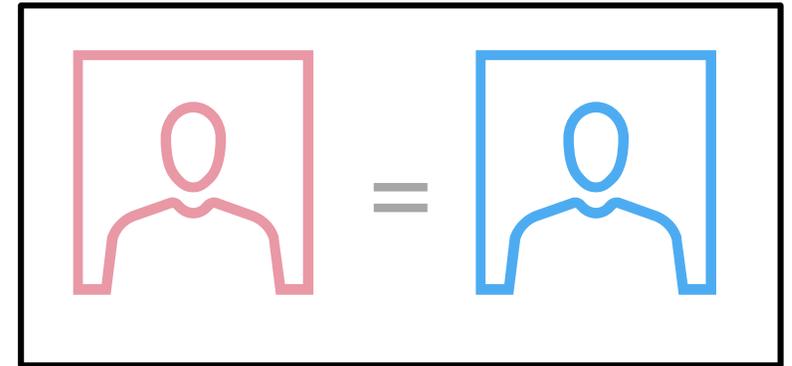
- Job evaluation,
- Organization's own remuneration policies
- Advanced statistical analyses (regression analysis)

Pros:

- Allows to see if an organization is fair to its employees
- Reflects the organization's reality
- Can deal with unique employees (or groups of employees)

Cons:

- No information about the gender imbalance (additional analysis needed)
- May require additional effort (in case a job evaluation is necessary)



# Equal pay for equal work

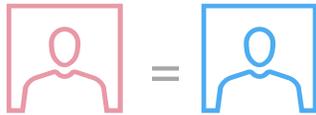
Examples of variables we can use in the model...

<b><i>Employee and professional data:</i></b>
Employee unique identifier
Gender
Gross monthly salary
Working hours
Occupation rate
Employee's age
Level of education
Number of years of service
Main field of activity
Workplace
Demanding nature of the post
Hierarchical status
Salary agreement (if it differs, i.e. collective labour agreement, etc.)



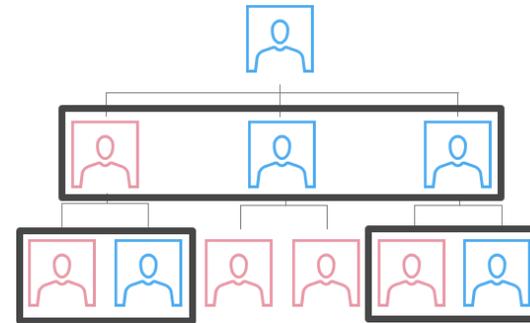
<b><i>Remuneration data:</i></b>
Base salary
Social contributions payable by the employee
Compensation in kind which appears on the salary slips
Regular bonus payments, profit-sharing and commissions (monthly)
Allowances for shift work, Sunday or night-work, premium for hardship
1/12 of total variable pay (performance bonus, share of profits or sales, etc.)

# Learning Summary



## Pay gap vs. equal pay

The gender pay gap and equal pay are two (very) different indicators of gender equality



## Estimation methodologies

Various methodologies can be used, all of which have pros and cons

Equal pay analyses are probably the best indicator of fairness in salary determination

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How to close the  
gender pay gap?

# Workshop (Part 2)

*Demonstrate you pay men and women equally – boosts employee value proposition, external reputation and engagement*

## 1 Policies, processes, procedures

- Implement and/or review existing **policies, processes** and **procedures** to ensure they are non-discriminatory;
- Implement **KPIs**;
- **Training** (of managers)



**Training programme** (inclusive leadership, etc.)

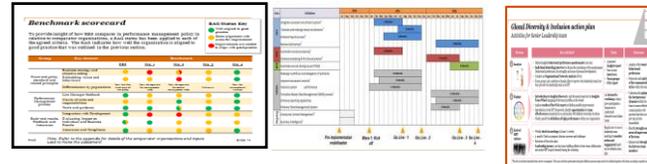


**External reputation check**



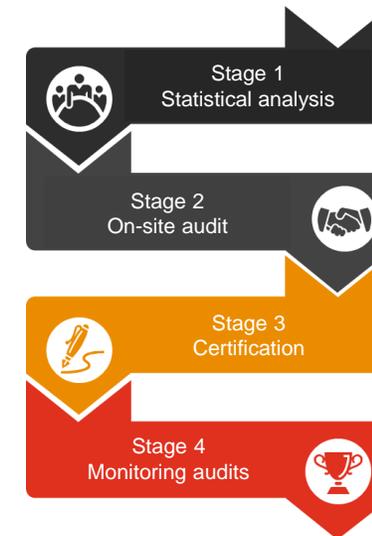
## 2 Internal review

- **Internal audit**
- **Equity pay review**
- « **PwC Readiness check** »:  
Review of the current situation in terms of gender pay gap:
  - ✓ Statistical analysis of salary data
  - ✓ Overall review of HR policies
  - ✓ Interviews with members of senior leadership



## 3 External Certification

- **Quantitative** and **qualitative** external audit of salary data as well as policies and practices
- Certification by the non-profit **EQUAL-SALARY Foundation**, based in Switzerland



# Any questions?



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# trust in

# society

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