

Performance-related pay plays a sizeable role in gender pay gap, analysis shows

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Performance-related pay is an important but overlooked factor behind the the gender pay gap, analysis from Cardiff University has found.

Academics at Cardiff Business School analyzed U.K.-wide employee data to assess the impact of performance-related pay.

Their results found that, compared to jobs which were not subject to performance-related pay, there is a lower concentration of female employees in performance-related pay jobs, particularly at the higher end of the wage spectrum, where bonuses are more common.

While performance-related pay was shown to affect the [public sector](#) consistently, it became increasingly important in the [private sector](#) in higher paid roles.

Gender differences between how performance-related pay is rewarded for men and for women have a further, but more modest role in widening the average [gender pay gap](#).

The team's analysis concludes that performance-related pay accounts for 12% of the overall gender pay gap, making a larger contribution than many other influences, such as tenure or temporary employment status.

Lead author Dr. Ezgi Kaya said, "Our research shows a lower concentration of females in performance-related pay jobs. This could be down to [personal preference](#) on the types of roles that women go for, or restrictions in access to these sorts of jobs. But what is clear is that performance-related pay widens the overall gender pay gap considerably.

"This has practical implications for employers in terms of the design of their payment systems. Further research is needed to investigate whether this area needs further policy attention. If organizations want to address the gender pay gap, performance-related pay is an area that needs real consideration if they are serious about attracting [female employees](#)."

Data for the study was drawn from hourly pay and annual performance-related pay provided by organizations to the Annual Survey of Hours and Earnings from the Office for National Statistics.

Attention on the gender pay gap tends to focus on the average worker. This latest analysis explores the entire wage distribution, allowing [academics](#) to assess the role of performance-related pay to the gender pay gap among both low and high pay workers.

The discussion paper, "Performance-related Pay and the UK Gender Pay Gap," is part of the Global Labor Organization Discussion Paper Series.

More information: Jones, Melanie & Kaya, Ezgi, 2022, "Performance-related Pay and the UK Gender Pay Gap," GLO Discussion Paper Series 1211, Global Labor Organization (GLO).
ideas.repec.org/p/zbw/glodps/1211.html

Provided by Cardiff University

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