4 Equal pay auditing systems

Valerie Frey

Nine OECD countries have mandated comprehensive equal pay auditing processes for private sector employers. Equal pay audits are the most comprehensive government strategy for using wage transparency to address gender wage gaps. These audits require an analysis of the proportion of women and men in different positions, an analysis of the job evaluation and classification system used, and detailed information on pay and pay differentials on the basis of gender – and they typically identify follow-up actions that employers should take to close gender pay gaps. Monitoring and enforcement mechanisms vary across countries, and more evaluations are needed to understand the effects of equal pay auditing systems on wage outcomes.

Key findings

- Nine OECD countries require private sector companies to carry out regular, mandatory pay auditing processes with both pay gap reporting and follow-up analysis of the causes of (and possible remedies to) gender gaps. Several other countries have related measures that are less extensive or irregular.
- Most countries with equal pay auditing systems have financial penalties in place to help compliance, but such penalties are infrequently enforced as most companies do complete at least some form of the mandatory audit. The quality of such audits, however, varies significantly across firms.
- Monitoring mechanisms vary significantly across countries. Some countries place supervisory power in a human rights or equality ombudsman, while others embed these responsibilities within the inspection functions of a labour ministry. Others regulate independent auditors to act as agents of the government in carrying out inspections.
- More and better evaluations are needed to understand the effects of equal pay auditing systems on workers' outcomes.

4.1. Pay audits: An infrequently used but potentially powerful tool

Equal pay audits represent the most comprehensive government strategy for using wage transparency to address gender wage gaps. Equal pay audits cast a wider gender lens and look at a broader range of outcomes than the simpler pay reporting obligations described in Chapter 3.

Most countries' pay audit processes mirror the guidelines outlined in the 2014 European Commission Recommendation on Pay Transparency: pay audits are processes that should include an analysis of the proportion of women and men in each category of employee or position, an analysis of the job evaluation and classification system used, and detailed information on pay and pay differentials on grounds of gender (European Commission (2014/124/EU), 2014[1]). Importantly, pay audits differ from pay reports (Chapter 3) in that audits should make an effort to analyse any gender pay gaps found, should attempt to identify the reasons for these gaps (including possible pay discrimination), and could be used to help develop targeted actions on equal pay (European Commission, 2017[2]).

4.2. A quarter of OECD countries require gender pay auditing

Nine OECD countries require a defined group of private sector companies undertake regular, mandatory pay auditing processes with both pay gap reporting and follow-up analysis: Canada,[1] Finland, France, Iceland, Norway, Portugal, Spain, Switzerland, and Sweden.

A few other OECD countries have related but less comprehensive auditing processes which are not mandatory, not general (to all companies meeting pre-defined criteria), and/or involve reporting on gender outcomes *other* than pay (see Box 4.1 and Annex Table 4.1).

Unlike the other, highly diverse policy areas detailed in this report, the EC's description of pay auditing processes can perhaps more easily serve as a guide in this chapter because there are a relatively small number of countries with pay auditing processes and almost all of them are in the European Union (France, Finland, Portugal, Spain and Sweden) or the European Free Trade Association (Iceland, Norway and

Switzerland). Canada's pay auditing system is the only comparable process outside of Europe, though it covers a smaller share of the private sector than the other countries' programmes.

4.2.1. Reporting and enforcement mechanisms

In countries with private sector pay auditing requirements, such measures cover firms ranging from a minimum size of ten employees (Sweden and Canada[2]) to a minimum size of 100 employees (Switzerland[3]). Iceland sets the minimum company size for required reporting at 25 employees, Finland sets it at 30 employees, and France, Norway and Spain set the minimum at 50 employees. In Norway, the same requirements apply to private employers that ordinarily employ between 20 and 50 people if the employees or employee representatives request an audit.

Some countries increase the content and/or frequency of the reporting requirements for larger firms. The frequency of reporting varies from annual reporting requirements (France and Sweden) to every four years (Switzerland).

The nine OECD countries with mandatory gender pay auditing systems have legislated these auditing requirements. Gender pay auditing is generally enforced or incentivised through financial penalties, government-mandated compliance strategies or disclosure requirements:

- Six countries enforce pay auditing with (the possibility of) financial penalties in the case of non-compliance: Finland, France, Iceland, Portugal, Spain and Sweden. These are in addition to disclosure requirements that require companies in these countries to share audit results with employees, the government, and/or the public.
- In Norway, the Ombud supervises the activity duty and issues a statement pursuant to Sections 26 and 26a of Norway's Equality and Anti-Discrimination Act. The Ombud's supervision may include preparation by the Ombud and an employer of a joint strategy for compliance with the activity duty. The Ombud may also review equality statements, analyse the findings, and propose improvement measures and strengthened initiatives for inclusion in the employer's equality work. The Ombud may also make follow-up visits to employers. Some other countries (such as Finland) also have review processes by a government actor, followed by potential financial penalties.
- In Switzerland, the requirement to share the gender pay gap analysis with employees within a year of data gathering is listed as an incentive for compliance (OECD GPTQ 2021, see Annex A). However, Switzerland's auditing requirements also have a "sunset clause" whereby the requirement ceases to be in effect as of 1 July 2032.[4]

The reporting requirements for an audit vary across countries, but generally require gender-disaggregated statistics on workforce composition (at different job levels) and gender-disaggregated statistics on pay, either for the total firm workforce or by different jobs (Annex Table 4.1). Most countries ask companies to develop follow-up action plans to address gender gaps that are found during the audit.

Box 4.1. Other equal pay auditing and reporting processes

Several countries have policies in place that approximate gender pay auditing policies, but they are missing at least one or more key component of the more intensive auditing processes detailed in this chapter. A few countries *encourage* companies to conduct pay audits, or Ministries themselves conduct pay audits on a select group of companies. However these countries are excluded from this chapter as their measures are not legally mandatory for a general, pre-defined set of companies, e.g. all organisations with over 250 employees (1 and 2 below) or these countries are mandated to report/audit gender equality outcomes or strategies, but do not require reporting detailed statistics on pay and pay differentials on the grounds of gender (3).

In some countries, audits are not mandatory

Since 2007, Denmark has had an annual, financially enforceable pay reporting system in place that requires reporting gender-disaggregated wages for different job categories to both workers and Statistics Denmark (Chapter 3). This measure is general in that it applies to all companies with at least 35 employees since 2007. A gender pay *audit*, however, is entirely voluntary for companies in Denmark and can be used as an alternative to the mandatory reporting on wage statistics.

In other countries, audits are not applied broadly

In some other countries, such as Costa Rica, Greece and Turkey, analyses of gender pay gaps form part of broader labour inspections,[5] which are carried out annually on a more ad-hoc basis. Such measures are therefore not generally and regularly applied to an entire group of companies.

In the United Kingdom, a wide range of companies are required to publish wage gap statistics publicly (Chapter 3), but gender pay *audits* are not applied generally. Instead, audits function more like a sanction. Employment Tribunals in the United Kingdom can order employers to conduct an equal pay audit if they are found to have breached specific equal pay provisions. The United Kingdom reports that these audits are rarely carried out because they would need to follow a successful claim in an Employment Tribunal. Instead, the norm is for cases to be settled (OECD GPTQ 2021).

In Ireland, regular pay equity audits across a broad range of firms are not required by law. However, the Irish Human Rights and Equality Commission (IHREQ) Act 2014, as amended, provides for the conduct of equality reviews, including matters related to equal pay. IHREC may invite an organisation, group of organisations, or an industry or sector to carry out equality reviews and prepare and implement equality action plans, and may also, if appropriate, carry out such reviews and prepare such action plans. This so-called "equality review" is defined as an audit of the level of equality of opportunity which exists in a particular organisation, group of organisations, industry or sector, and an examination of the practices of, procedures in, and other relevant factors (including the working environment) to determine whether they promote equality of opportunity. If IHREC finds a failure to implement any provision of an equality action plan, whether prepared by the organisation or by IHREC, it may serve a substantive notice to the organisation. Failure to comply with a substantive notice is an offence which is punishable, upon conviction, by a fine or imprisonment.

In a few countries, gender gaps other than pay gaps are mandated for reporting and/or auditing in the private sector

In Germany, Japan, Korea, Luxembourg and the United States, a pre-defined group of private sector companies are required to report and/or audit gender-disaggregated outcomes on a range of employment outcomes, such as the gender composition of the overall workforce or of different job categories. This is often part of a more extensive internal company gender audit, as is the case in Germany.[6] The reporting requirements in these countries, however, do not require reporting statistics on gender-disaggregated pay and/or pay gaps. (See Chapter 3, Box 3.2 for a description of measures in these countries.)

4.3. Country practices

4.3.1. Finland

Since 2014, as part of its Act on Equality between Women and Men (Equality Act), Finland has required employers with 30 or more employees to conduct what Finland calls a "pay survey" and draw up a gender equality plan at least once every two years.[7] This reporting process pays particular attention to wages and other employment relationship conditions,[8] and must include:

- an assessment of the gender equality situation in the workplace, including:
    - details of the employment of women and men in different jobs
    - a pay survey on the whole personnel, presenting the classifications of jobs performed by women and men, the pay for those jobs, and the differences in pay
- necessary measures planned for introduction or implementation with the purpose of promoting gender equality and achieving equality in pay;
- a review of the extent to which measures previously included in the gender equality plan have been implemented and of the results achieved.

The Finnish pay survey requirements attempt to ensure that there are no unjustified wage differentials between women and men working for the same employer and engaged in either the same work or work of the equal value – in other words, that women and men are treated equally in terms of pay.[9] Finland's pay survey requirements are clearly specified:

> *"For each group considered in the pay survey, the mean value is calculated for women's wages and men's wages. These mean values can be expressed either in euros or as women's mean wages as a percentage of men's mean wages.*
>
> *If the group analysis shows clear differences between women's and men's wages, the employer must establish the reasons and grounds for these differences. By clear differences is meant here that the mean values for the wages of women and men of the groups are unambiguously different. Systematically recurring differences give grounds for further inspection of even smaller wage differentials.*
>
> *In order to clarify the reasons for the differences noted, the central components of the wages are inspected. Each and every wage component, including both the job-specific wage component as well as the different bonus such as individual performance- or competence-related bonuses and merit pay, must separately be of a non-discriminatory nature." (Ministry of Social Affairs and Health, 2016[3])*

Pay differences without an acceptable explanation would put a company in conflict with prohibitions against pay discrimination in the Equality Act (OECD GPTQ (2021).

In terms of dissemination, the results of the audit (and any updates to it) must be actively shared with employees. This information can be shared in different ways, e.g. on the intranet of the workplace, by posting it a noticeboard at a workplace, and/or at staff meetings.

If an employer fails to carry out an equality plan, the Ombudsman for Equality[10] will instruct and advise an employer on it. If the employer still neglects their responsibility to draft an equality plan in spite of instructions and advice, the Ombudsman can set a reasonable deadline by which the obligation must be fulfilled. If the plan is not drafted by the deadline, the Ombudsman can take the matter to the National Non-discrimination and Equality Tribunal. The Tribunal can impose an obligation on the employer to prepare an equality plan within a defined period, under threat of a fine if necessary. If the employer still neglects the equality plan, the board will enforce a fine.

4.3.2. France

Since 2019,[11] France has required all public and private sector employers with at least 50 employees to conduct an audit entitled *l'index de l'égalité professionnelle entre les femmes et les hommes,* or the professional equality index between women and men (PEI). Every year, by 1 March, companies with at least 50 employees must publish the results of their audit on their website in a visible and legible manner. Employers must also communicate results to their social and economic committee[12] (elected representatives of workers) and to the labour inspectorate in France's Ministry of Labour, Employment and Inclusion.

In companies where a wage gap is identified, the goal is to put an end to any identified, unjustified gender wage gap within three years by allocating, if necessary, funds to close the gap. The auditing system was implemented progressively over three years, gradually covering smaller and smaller firms. The PEI is an improvement upon an earlier, much simpler policy which asked companies to commit to gender equality, but which did not have clearly defined goals or enforcement mechanisms – and consequently likely had no effect on wage outcomes (Coly, 2021[4]).

France's PEI reporting requirements are clearly defined, relative to most other OECD countries. Requirements differ depending on whether a firm has between 50-250 employees or over 250 employees. The PEI total possible score is 100; any company scoring below 75 points out of 100 must take "appropriate and relevant corrective measures" in order to achieve a score of at least 75 within a maximum of three years of the low score (OECD GPTQ 2021).

For companies with more than 250 employees, five indicators must be calculated:

- The average pay gap between women and men, by age group (under 30; 30 to 39; 40 to 49; 50 and over) and by category of equivalent positions. There are several possible methods for distributing employees: by level or hierarchical coefficient in application of the industry classification, by another method of rating positions or by socio-professional category (SPC). The result of this indicator varies from 0 to 40 points.
- The difference in the rate of individual increases (excluding promotions) between women and men, by SPC. This compares the percentage of employees, women and men, who have received a raise, not the level of the raise. The result of this indicator varies from 0 to 20 points.
- The difference in promotion rates between women and men, by SPC. This compares the proportions of women and men promoted. The result of this indicator varies from 0 to 15 points.
- The percentage of female employees who received a raise in the year following their return from maternity leave. This is a check on whether the employer has complied with its legal obligation to catch up on salaries when returning from maternity leave. The result of this indicator is either 0 if at least one employee did not benefit from the increases due to her upon her return, or 15 points if the company has respected its obligation for 100% of the employees concerned.
- The number of employees of the under-represented gender among the ten highest paid employees. The more the under-represented gender is in the minority among the ten highest paid employees, the fewer points the company receives. Parity is the target for this indicator. The result of this indicator varies from 0 to 10 points.

Smaller firms (50-250 employees) need to submit the information above, minus the indicator relating to the promotion rate (which is included within the indicator on the rate of individual increases).

The remuneration that should be included in this calculation includes not only the basic wage or salary, but also all other benefits and accessories paid, directly or indirectly, in cash or in kind, by the employer to the employee. This excludes severance pay, retirement pay, bonuses for special hardship not related to the employee, seniority bonuses, and overtime pay.

To help companies fulfil their auditing requirements, France has a simple but thorough online instructions explaining the process.[13] This connects to an online tool, Index Egapro (https://index-egapro.travail.gouv.fr/), that a company can use to 1) calculate their PEI and then 2) directly submit results to the Ministry of Labour.

When it comes to monitoring compliance, the French pay auditing process has teeth. If a company does not publish their PEI, does not define corrective measures if they score below 75, or fails to provide resources to address a score below 75, the government can – after a labour inspectorate warning – impose a financial penalty. If a company does not reach a passing score of 75 points after three consecutive years, they may be subject to a new financial penalty. The amount of these penalties may represent up to 1% of the company's payroll.

Unlike many other countries, France also collects data on company compliance. The response rate amongst companies has improved considerably from 59% in 2020 to 70% in 2021. On average, companies have also had their Index score stable at 84 in 2020 and 85 in 2021, suggesting no tangible change in equity yet – though the programme is still relatively new (OECD GPTQ 2021).

In the approximately two years[14] since the start of the programme, the French labour inspectorate has carried out 17 500 interventions covering 6 278 companies; issued 294 formal notices; and sanctioned and penalised 11 companies.

4.3.3. Iceland

Iceland requires private sector and public sector organisations with at least 25 employees to carry out, annually, pay audit and obtain equal pay certification of their equal pay system and the implementation thereof.[15] This pay auditing and certification system began in 2018, as part of the law on organisations' duty to implement an Equal Pay Standard (EPS, formally the "ÍST 85 Standard"), a type of management requirement standard. This equal pay certification is designed to ensure that wages are based only on relevant factors and do not reflect direct or indirect discrimination.

Iceland requires that companies calculate pay gap statistics for men and women in the same job, but also for different jobs of equal value. (For a discussion of this important distinction, see Chapter 2.)

These audits also require the submission of extensive information concerning gender-disaggregated wages of employees, and include additional allowances, bonuses, and – somewhat unusual in international perspective – pension rights. That being said, comparisons of pension rights can be complex and reliable confirmations of that comparison vis-a-vis the equal pay audits are not available.

The analysis component of the pay certification is carried out by the employer, but the *audit* of this equal pay analysis is carried out by an external, independent certification body. Results of them audit are then reported to a government equality body. A written statement from an auditor serves as a certification which states that the equal pay system and its implementation meet the requirements of the Equal Pay Standard.

There are financial penalties if a company does not comply with the reporting requirements. However, unlike in some other countries, there is no legal obligation that pay audit be followed up with actionable recommendations or a discussion with the employees and/or social partners.

4.3.4. Sweden

Sweden has required gender pay auditing since 1994, though the rules have changed a few times since then. All employers, in the public and private sectors, need to carry out a pay audit every year in collaboration with employee organisations. Employers with more than ten employees need to document this work. This process of what Sweden's National Audit Office calls an "equal pay survey" includes reporting on:

- Provision and practices regarding pay and other terms of employment
- Pay differences between women and men performing work that is considered as equal or of equal value. Work is to be regarded as of equal value to other work “if it can be deemed so based on an overall assessment of the requirements and nature of the work. The assessment of the requirements of the work is to take into account criteria such as knowledge, skills, responsibility and effort. In assessing the nature of the work, particular account is to be taken of working conditions.” (OECD GPTQ 2021).[16]

The employer is required to provide results to the employee organisation with which the employer is bound by collective agreement, in order to facilitate work on active measures.

Similar to the process in Finland, enforcement by the government is a light touch. At the request of the Swedish Equality Ombudsman[17] – an independent Swedish Government agency – an employer may be required to provide information about the audit. If an organisation does not comply with a request, the organisation may be ordered to fulfil this obligation or face a financial penalty. A decision to order a financial penalty may be appealed to the Board against Discrimination. If the Ombudsman does not want to apply to the Board for a financial penalty, a central employees’ organisation to which the employer is bound by a collective agreement may make an application.

Sweden’s pay auditing system was recently audited by the Swedish National Audit Office, which found that the pay surveys have had little effect on gender income differences and may pose an administrative burden on employers. The NAO recommended that the government simplify reporting requirements, better adopt requirements to the size of the employer, and instruct the Swedish National Mediation Office to monitor developments in pay differences between men and women employed by the same employer (National Audit Office of Sweden, 2019[5]).

4.3.5. New auditing initiative in Canada

Canada did not self-identify in OECD GTPQ (2021) as having an auditing process for companies, but in practice their measure looks similar to auditing processes in Europe – albeit for a smaller selection of private and public sector employers. As of 1 June 2022, Canada’s employment equity reports will be required to contain new gender pay gap information.

These new pay gap reporting requirements will cover only federally regulated private sector employers (Chapter 3). Federally regulated private sector employers were already required to provide pay information under the Employment Equity Act as part of their annual reporting on employment equity to the Minister of Labour by 1 June of each year.

Employers’ submissions will be enforced by the Canadian Human Rights Commission (CHRC), which is also responsible for employment equity reporting. If an audit reveals non-compliance with programme requirements, the CHRC will work with the employer to address the matter. When non-compliance persists, financial penalties can be applied.

In addition, Canada’s new Pay Equity Act requires all federally regulated private and public sector firms with ten or more employees, including parliamentary workplaces, Ministers’ offices and the Prime Minister’s office, to take *proactive* steps to ensure they are providing equal pay for work of equal value. More specifically, the Act requires employers to establish a pay equity plan within three years that analyses whether there is a difference in compensation between positions that are mostly held by women and those mostly held by men that are found to be of equal value. Employers must post their plan in the workplace, increase the compensation of those mostly female positions to eliminate the differences in compensation identified within the plan, and then revise and update their plan at least every five years.

Employers subject to the Act must also submit an annual statement to the The Pay Equity Commissioner, housed within the CHRC that reports the results of the employer’s pay equity exercise. The Pay Equity

Commissioner is responsible for the administration and enforcement of the Act and its regulations. This includes activities such as providing assistance and guidance to workplace parties, investigating and settling complaints, mediating disputes, auditing for compliance, and issuing compliance orders.

Box 4.2. Gender auditing or equal pay auditing?

Countries have taken a wide array of diverse approaches to compel organisations to acknowledge and, ideally, address the gender pay gaps that exist within their workforce. There is no "one size fits all" solution when it comes to pay transparency and equal pay policies, and there are lessons to be learned from different examples that can be adapted to different contexts.

This chapter on equal pay audits parallels what the European Union calls "pay audits." These are processes that should include

- an analysis of the proportion of women and men in each category of employee or position,
- an analysis of the job evaluation and classification system used by a company,
- and detailed information on a company's pay and pay differentials on grounds of gender, which should be made available to workers' representatives on request.

Also relevant to this report is the more general concept of a "gender audit." A gender audit is a "tool to assess and check the institutionalisation of gender equality into organisations" (EIGE, 2021[6]) and may be used to look at gender outcomes beyond pay gaps within companies, such as gender balance within staff, the likelihood that women or men are promoted, and gender gaps in retention rates. Gender auditing research often references the International Labour Organization's guidance on "participatory gender auditing" (ILO, 2012[7]), but in practice many of the broader goals of gender auditing come out of OECD member countries' reporting and auditing processes, even if the processes are narrow and may not be considered "participatory."

Germany, Japan, Korea, Luxembourg and the United States, for example, have company gender reporting measures that look at different aspects of gender equality within companies, but do not explicitly require reporting on gender *pay* gaps. (In Germany, however, reporting rules do require a report detailing measures to create equal pay for women and men.)

4.4. Pay audits in public sector organisations

Almost every country with equal pay audits in the private sector also mandates them in the public sector. This list includes Canada, Finland, France, Iceland, Norway, Spain, Sweden and Switzerland. The rules generally correspond across the public and private sector; see Annex Table 4.1 and Annex Table 4.2. The United States requires some equal pay auditing steps for the public sector (Annex Table 4.2).

Australia, Mexico and New Zealand have voluntary measures in place for public sector employers to audit gender-disaggregated outcomes (Annex Table 4.2).

4.5. Measuring the effects of equal pay auditing on wage outcomes

There has been remarkably little government-led or academic research on the effects of equal pay auditing systems on equal pay outcomes. Similar to national pay reporting policies (Chapter 3), many of the auditing measures have not been in place long enough to evaluate wage outcomes rigorously.

Sweden is one of the few countries to have assessed quantitatively the effects of its pay auditing system on wage outcomes. Sweden's National Audit Office has found a marginal effect of pay surveys reducing the gender wage gap in small employers (National Audit Office of Sweden, 2019[8]).

In many ways, pay audit systems are ripe for rigorous evaluations: the structure of auditing systems, notably firm size requirements with sharp cut-off rules around who needs to report, can easily enable quasi-experimental policy evaluation (see "Measuring the effects of pay reporting on workers' outcomes" in Chapter 3). This should facilitate policy evaluations of wage outcomes going forward as these policies become more commonplace across countries, regions or even sectors of the economy. Governments and academic researchers should commit to more research in this area.

4.5.1. Results from simpler pay reporting systems offer some clues

Academic research has assessed the wage and employment outcomes of a few of the simpler pay reporting systems (Chapter 3).

Studies of pay reporting rules have typically found small reductions in the gender wage gap when reporting measures are accompanied by the threat of sanctions and/or relatively high policy visibility, as is the case in Denmark (Bennedsen et al., 2019[9]) and the United Kingdom (Duchini, Simion and Turrell, 2020[10]) (Blundell, 2021[11]). The positive effects arise through a reduction in men's wages, rather than an increase in women's wages.

Where enforcement mechanisms or wage gap visibility are weaker, however, pay transparency measures seem to have had fewer positive effects on reducing the wage gap (Böheim and Gust, 2021[12]; Gulyas, Seitz and Sinha, 2020[13]).[18]

Studies looking at smaller, targeted populations of workers, such as university faculty in Canada and the United States, have also found that publishing salaries helps to close the gender wage gap (Baker et al., 2019[14]; Obloj and Zenger, 2020[15]).

It is important to note that these studies are looking at much simpler, less demanding pay reporting systems.

It seems very plausible that the equal pay auditing systems described in this chapter may have a larger effect than simple pay reporting on reducing the gender wage gap. Auditing systems often require an extensive analysis of the causes of an organisation's gender wage gap and dedicated follow-up action plans. Of course, adequate enforcement and follow-up are probably necessary to produce tangible effects on wages.

4.6. Evaluating equal pay auditing systems' implementation and processes

In terms of procedural outcomes, countries with relatively longer histories of reporting and/or auditing processes, such as those in Sweden and Finland, report that auditing systems run smoothly and have high compliance.

These programmes tend to rely on tripartism – long-standing collaboration between workers' representatives and businesses. The government counts on unions or works councils to advocate for women's fair wages. In these countries, the government's involvement is a light touch. Ombudsmen for human rights or equality step in when the other actors fail to reach an agreement.

Some of the relatively newer programmes, such as those in France and Portugal, rely on a greater degree of government intervention to define the auditing process, collect data, and ensure compliance with programme requirements.

Again, it is probably too early to tell whether these approaches are more successful than less interventionist strategies. France's programme has only been in place for two years, for example. However, compliance has risen quickly in France in this period – from 59% of companies subject to the Index in 2020 to 70% as of March 2021 (and 84% for companies with more than 1 000 employees). The effects of these audits on wage and employment outcomes is still a pending empirical question.

Reflecting the low involvement of government actors in most countries, there tends to be little sanctioning for non-compliance or poor compliance with auditing requirements. France is a notable exception.

Most countries report that companies are willing to complete audits, but many report that the quality of submissions varies and there is little way to enforce follow-up action to address gaps that are found (OECD GPTQ 2021). For example, Finland's Ministry of Social Affairs and Health assessed in 2020 how compliant organisations are with the country's gender audit and action plan obligations. While compliance in terms of *completing* an audit was relatively high – two-thirds of surveyed organisations completed the auditing process in a timely manner – there were significant differences across employers in the quality of the surveys conducted.

The more prescriptive element of audits in countries like France, Portugal, and Iceland – where employers need to develop an actionable plan to close gender gaps or face penalties – seems to be a promising step for addressing the issue of low quality audit reports and inadequate follow-up action.

4.6.1. Barriers to effective equal pay auditing processes

What stands in the way of the effective functioning of pay reporting processes? A summary of challenges reported to the OECD can be found in Chapter 3, Figure 3.3.

Some issues are directly tied to the auditing systems' rules themselves. For example, many companies (and thereby employees) are excluded from reporting because they fall below mandatory reporting company size thresholds. Employers and governments have expressed concerns that the administrative and human resources requirements to complete audits may be too high for smaller companies.

This administrative burden could be alleviated in a variety of ways, though. A recent study estimates that the pay reporting cost to companies is well under EUR 1 000 annually (Eurofound, 2020[16]) – a cost that could potentially be publicly subsidised for small employers, either in the form of a payment or through the provision of a government auditor.

Alternatively, and for lower cost, governments could introduce free, simple online calculators to help small employers aggregate and/or submit equal pay audit data. Successful examples of this include the Index Egapro[19] tool in France and the Logib calculator in Switzerland,[20] among others. Much of the administrative burden of equal pay auditing is borne in the first year of employer participation, as there are start-up costs. The process becomes easier over time (Eurofound, 2020[16]).

Many countries also report that there is low employer, employee and public awareness of pay reporting and auditing requirements. This issue is commonly cited across pay transparency policies. This limits policy effectiveness, of course, as employers may be less aware of what they need to do and employees (and their representatives) may not have high expectations for employer engagement on closing the gender wage gap.

General knowledge in the public is important, too, as it can help foster social pressure to address gender inequality. The "name and shame" approach to pay reporting in the United Kingdom has been credited with ensuring 100% compliance over the first two years of programme implementation and encouraging a public discussion about the gender wage gap. This type of public awareness-raising approach could easily be adopted in publishing pay audit results, or at least select portions of them.

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Annex 4.A. Policy tables: Equal pay auditing systems

Annex Table 4.1. Policy table: Private sector equal pay audits and related measures

Summary of OECD countries' equal pay auditing policies in countries with policies in the private sector or in the private *and* public sectors, 2021. Countries with measures exclusive to the public sector are detailed in Annex Table 4.2.

Country	Measure and date created	Obligatory by law	Responsibility of sector, size	Required content in audit	Who has to be informed	Time interval	Enforceability	Penalties for non-compliance
Canada	Pay Equity Act, 2021	Yes	Federally regulated private sector and public sector employers with 10 or more employees, including parliamentary institutions, Minister's offices and the Prime Minister's office,	Employers must proactively examine their compensation practices to determine whether there is a difference in compensation between positions that are mostly held by women and those mostly held by men that are deemed to be of equal value. If differences in compensation exist, employers will be required to increase the compensation of affected employees and, then, maintain pay equity. Company pay reporting requirements detailed in Chapter 3.	Employees, through their employer's pay equity plan, and the Pay Equity Commissioner in the Canadian Human Rights Commission, through annual statements submitted by the employer.	Initially three years and then every five years after that (pay equity plans) and annually (annual statements)	Yes	Financial penalties, pending the appropriate regulations being brought into force
Denmark	Equal Pay Act, 2007	No	Pay reporting requirements apply to public and private organisations with 35 employees, of which at least 10 of each sex with the same work function employed. Does not apply to collective agreements with equal pay obligations.	Audit is a voluntary alternative to complying with the mandatory gender pay gap reporting mechanisms (Chapter 3)	Workers through their representatives, as well as Statistic Denmark.	Annual (pay reporting)	N/A	N/A
Finland	Equality Act, 2014	Yes	Private and public sector employers with 30 employees or more	Mandatory equality plan and pay survey to ensure that there are no unjustified pay differences between women and men, who are working for the same employer and doing the same work or work of equal value. If the pay survey reveals pay	Gender equality plans must be prepared by employer, in co-operation with the shop steward,	Two years	Yes	Ombudsman for Equality can take the matter to National Non-Discrimination and Equality Tribunal,

Country	Measure and date created	Obligatory by law	Responsibility of sector, size	Required content in audit	Who has to be informed	Time interval	Enforceability	Penalties for non-compliance
				differences, the employer must analyse the reasons and take measures to rectify. Aggregate, not individual level, gender pay data.	the elected representative, the occupational safety and health representative or other employee-appointed representatives.			financial penalties
France	Law No. 2018-771, 2018 and implementing decrees No. 2019-15, 2019; No. 2019-382, 2019; No. 2021-265, 2021.	Yes	Private sector, at least 50 employees. Requirements when calculating the index differ for those with 250 or more employees. Public sector rules described in Annex Table 4.2.	Each year, companies calculate an Index of Professional Equality between women and men. In the event of a score of less than 75 out of 100, the employer is required to initiate adequate and relevant corrective measures in order to achieve a level of at least 75 within a maximum period of three years from the first publication of the Index. The Index includes average pay gap by age group and equivalent positions, classification, promotion, maternity leave impacts, high-pay sex composition.	Works councils, worker representatives. If more than 250 employees the report is also published on Ministry of Labor's website.	Annual	Yes	Financial penalties
Greece	Law 3996/2011 (Government Gazette A 170 05.08.2011)	No	Private and public sectors on workers with a private-law contract of employment for an indefinite or fixed term.	Labour inspectors can conduct pay audits to ensure principle of equal treatment. This includes looking at employees' accrued wages, holiday and bank holiday allowances, supplements for night work, supplements for working on Sundays and public holidays, etc.	Labour inspectorate	Ad hoc	Yes	Financial penalties
Iceland	Act on Equal Status and Equal Rights Irrespective of Gender no. 150/2020 and the Equal Pay Standard, 2018	Yes	Private and public sector, 25 or more employees	Gender pay audit includes all information concerning wages of employees including additional allowances, bonuses, pension rights etc. Gender pay gaps are conducted for same work and work of equal value. Gender equal job valuation is the base for the system and is mandatory.The equal pay system and analyses are carried out within the company/institution but the audit on the	Employees, Directorate of Equality	Every three years	Yes	Financial penalties

Country	Measure and date created	Obligatory by law	Responsibility of sector, size	Required content in audit	Who has to be informed	Time interval	Enforceability	Penalties for non-compliance
				system is carried out by an external independent certification body as laid out in the Equal Pay Standard.				
Ireland	The Irish Human Rights and Equality Commission Act 2014	No	The Irish Human Rights and Equality Commission may invite an undertaking, group of undertakings or an industry or sector to carryout equality reviews and prepare and implement equality action plans, and may also if it thinks appropriate, carry out such reviews and prepare such action plans.	An equality review is defined as an audit of the level of equality of opportunity which exists in a particular undertaking, group of undertakings or the undertakings making up a particular industry or sector thereof, and an examination of the practices of, procedures in, and other relevant factors (including the working environment) material to that undertaking or those undertakings to determine whether those practices, procedures or other relevant factors are conducive to the promotion of equality of opportunity in that undertaking. The form of an equality review is not set out in the legislation.	Varies	Ad hoc	N/A	
Norway	Equality and Anti-Discrimination Act, 2020	Yes	All public organsations, regardless of size, and private firms that ordinarily employ more than 50 persons. The same rules apply to private firms that ordinarily employ between 20-50 persons if requested by employees or their representatives.	Pay differentials including ordinary remuneration for work plus all other supplements, advantages and other benefits provided by the employer. To be published as a part of the gender equality statement, which shall be formulated such that no personal circumstances of individual employees are revealed.	Audit should be contained in annual report or another document available to the general public.	Every two years	Yes	Administrative sanctions. Ombud may analyse findings of audit, propose improvement measures and prepare a strategy for compliance.
Portugal	Regulated by Ordinance No. 55/2010, 2011 and Law no. 60/2018	Yes	Private sector	Employers must provide an annual report including the following: a) General and sectoral barometer of pay differences between women and men; b) Balance of pay differences between women and men by company, profession and qualification levels. Information is provided by employers for every worker. The dataset contains information on every wage earner in the Portuguese economy, with the exception of public and independent	Individual employees, works councils or other workers' representatives at company level, social partners, equality and/or state bodies, Labour administration	Annually	Yes	Financial penalties

Country	Measure and date created	Obligatory by law	Responsibility of sector, size	Required content in audit	Who has to be informed	Time interval	Enforceability	Penalties for non-compliance
				workers, as well as on their employers (firm-level and establishment-level). Data covers information on each establishment and firm, such as size, location, economic activity, and employment, as well as information on each employee, such as gender, age, education, skills, occupation, tenure, monthly wages, and hours worked. After pay differences have been identified, companies must submit to the Authority for Working Conditions a plan for assessing these differences to be implemented for one year.				
Spain	Article 28.2 of the Workers Statute and Articles 5 and 6 of Royal Decree 902/2020, of 13 October 2019	Yes	Private sector with 50 employees or more and those compelled by a collective agreement or a decision of the labour authority	The information is gathered in a registry that shows the average and median salary, per sex, of each professional category, or, in some companies, work of equal value. Audits are part of the equality plan an employer carries out which is registered in a public registry.	Individual employees, works council or other workers' representatives at company level.	Linked to schedule in company's equality plan, data collected annually	Yes	Financial penalties
Sweden	2014	Yes	Private and public sector. If an employer has more than 10 employees they need to document their work on pay audits.	Employer bears responsibility to annually survey and analyse (1) Provisions and practices regarding pay and other terms of employment that are used by the employer, and (2) Pay differences between women and men performing work that is to be regarded as equal or of equal value. Employers do so in co-operation with employee organisations.	Employees and employee organisations	Annual	Yes	Ordered to fulfil obligation subject to financial penalties.
Switzerland	Swiss Federal Act on Gender Equality, 2020	Yes	Private and public sector, 100 or more employees at the start of any year (excluding apprentices)	Employers shall conduct an equal pay analysis every four years looking at gender pay differentials and have said audit approved by government-regulated auditors. Employers are exempt from future audits if no gender wage gap is found.	Employees	Every four years	No	No

Country	Measure and date created	Obligatory by law	Responsibility of sector, size	Required content in audit	Who has to be informed	Time interval	Enforceability	Penalties for non-compliance
Turkey	Labor Law No. 4857, 2003	Yes	Private and public sector	Wage-related inspections are carried out by labour inspectors. Labour inspections are planned and implemented as "scheduled inspections" and "off-schedule inspections consisting of reviews". According to the general work plan scheduled inspections are planned and implemented for at least one year, while off-programme inspections are planned and implemented at least monthly, depending on the nature and number of the task. In like with equal pay provisions (Chapter 2), in all of the annual scheduled inspections, equal pay and gender-based wage differences are monitored and inspected. Within the scope of unscheduled inspections, gender-based wage differences are evaluated and inspection activities are carried out.	Labour inspectors	Ad hoc	Yes	Administrative fines
United Kingdom	2014	Yes	Private and public sector, Employment Tribunals are required to order employers to conduct an equal pay audit if they are found to have breached equal pay provisions following company pay reporting (Chapter 3).	Where a Tribunal has mandated an equal pay audit, it is the responsibility of the employer to conduct this.	Public	Ad hoc, as needed following annual pay reports	Yes	The tribunal will determine whether or not an audit complies. If not, it will arrange a hearing to consider the issue further. If they fail to comply following a hearing the tribunal can order non-compliant employers to pay a penalty.

Note: Table summarises the key features of equal pay auditing requirements in OECD countries with such requirements for the private sector and countries with requirements for the private and public sector when these measures are similar. Annex Table 4.2 summarises the key features of company pay auditing requirements in countries with such requirements that are exclusive to the public sector, with the exception of France, which is included in both Annex Table 4.1 and Annex Table 4.2. due to its detailed and differentiated measures in both the private and public sectors.
Source: OECD Gender Pay Transparency Questionnaire (GPTQ) 2021.

Annex Table 4.2. Policy table: Public sector (only) equal pay audits

Summary of OECD countries' equal pay auditing policies in countries with policies in the public sector, 2021.

Country	Measure and date created	Obligatory by law	Responsibility of (sector, size)	Required content in audit	Time interval	Enforceability	Penalties for non-compliance
Australia	Workplace Gender Equality Act, 2012	No	Public sector employers with 100 or more employees	No	Annual	No	N/A
France	Article 5 of Law No. 2019-828, 2019; Law no 83-634, 1983	Yes	Public sector. Private sector rules detailed in Annex Table 4.1.	1. Requires each public employer to include in its single social report indicators of the comparative situation of women and men. 2. Establishment of action plans, which in their first axis must deal with "the assessment, prevention and, where appropriate, treatment of pay gaps between women and men.	1. Annual 2. Every three years	Yes	Administrative justice
Mexico	National Policy on Equality between Women and Men	No	49 institutions of the Federal Public Administration	National Human Rights Commission is in charge of observing the follow-up, evaluation and monitoring of the National Policy on Equality between women and men, including actions to reduce the gender wage gap. It is focused on middle and senior managers in the Federal Public Administration. seeks to highlight and explore the hierarchical and unequal nature of the participation of men and women in work, salary gaps, and women's access to positions of policy design, implementation, and decisionmaking.	Two years	No	N/A
New Zealand	Public Service Gender Pay Gap Action Plan, 2018	No	Public service departments	Guidance is issued jointly by the Public Service Commission and the Public Service Association (a social partner) that advises departments to monitor equal pay in their departments and revisit their actions if gender differences in pay for the same or similar roles re-emerge. Public Service departments analyse their own gender pay gaps.	Not specified	No	N/A
United States	1. Executive Order 11246, 1965 and 41 CFR 60-2.17(b)(3),	Yes	1. Federal contractors and subcontractors with 50 or more employees	1. Annual self-audits to evaluate compensations system to determine whether there are gender disparities. 2. Analyse its workforce and pay data	Annual	Yes	1. A contractor refusing to take corrective actions as

Country	Measure and date created	Obligatory by law	Responsibility of (sector, size)	Required content in audit	Time interval	Enforceability	Penalties for non-compliance
	2000, 2. EEOC Management Directive 715, 2003		and a contract of USD 50 000 or more; 2. Federal agencies	to determine whether any “triggers” (statistical imbalances) exist that are attributable to equal opportunity, and if so develop plans to eliminate those barriers			part of a Conciliation Agreement could be debarred from future contracts or modifications or extensions. 2. Federal agencies subject to review by EEOC investigators and can be sanctioned for failure to co-operate.

Note: Annex Table 4.1 summarises the key features of equal pay auditing requirements in OECD countries with such requirements for the private sector and countries with requirements for the private and public sector when these measures are similar. This table summarises the key features of company pay auditing requirements in countries with such requirements that are exclusive to the public sector, with the exception of France, which is included in both Annex Table 4.1 and Annex Table 4.2. due to its detailed and differentiated measures in both the private and public sectors.
Source: OECD Gender Pay Transparency Questionnaire (GPTQ) 2021.

Notes

[1] Canada will also require pay gap reporting start in 2022 (Chapter 3).

[2] Note however that the Canadian regulation covers a relatively small range of organisations: federally regulated private and public sector firms, parliamentary workplaces and Ministers' offices.

[3] This translates to roughly over 5 000 companies with 100 or more employees (< 1% of all companies).

[4] Details available at https://www.bj.admin.ch/ejpd/fr/home/actualite/news/2019/2019-08-21.html.

[5] Note that the OECD GPTQ 2021 did not specifically ask countries to report on gender wage gap reporting as part of labour inspections, so this is likely not an exhaustive list of countries doing so.

[6] See, for example, Parts 3 and 4 of Germany's Transparency in Wage Structures Act: https://www.bmfsfj.de/bmfsfj/themen/gleichstellung/frauen-und-arbeitswelt/lohngerechtigkeit/entgelttransparenzgesetz/entgelttransparenzgesetz-117952

[7] An agreement can be made locally that the pay survey included in the gender equality plan will be carried out no less than once every three years, provided that the other parts of the gender equality plan are completed annually.

[8] Finland's Act on Equality between Women and Men (609/1986), also known as the Equality Act, came into force on 1.1.1987. Since then a number of changes have been made to it. For details on the pay survey requirements and gender equality plans, see specifically Sections 6a (1329/2014) and 6b (1329/2014) in the Act on Equality Between Women and Men: http://urn.fi/URN : ISBN:978-952-00-3769-7. As decided in the government Programme 2019-23, the government will enhance pay transparency by amending Gender Equality Act. In Autumn 2020, Finland established a Tripartite Working Group for preparing national legislation on pay transparency. The working group is focusing on the right to access pay information. As stated in the government Programme, the working group will address access to pay information on three levels: 1) staff, 2) staff representatives and 3) individual employees. The group will work until August 2021 to draft a legislative proposal on these themes (OECD GPTQ 2021).

[9] The Finnish Government reports that an employer "is always responsible for ensuring non-discriminatory wage policy, even if a gender-based wage differential is not revealed by the pay survey" (Ministry of Social Affairs and Health, 2016[3]).

[10] More information about this role available at https://tasa-arvo.fi/en/.

[11] The French pay auditing requirements are laid down in Law No. 2018-771 of 5 September 2018, on the freedom to choose one's professional future, and the related implementing decrees No. 2019-15 of 8 January 2019 and No. 2019-382 of 29 April 2019.

[12] Comité social et économique.

[13] Guidelines to the PEI are available at this site (in French): https://travail-emploi.gouv.fr/droit-du-travail/egalite-professionnelle-discrimination-et-harcelement/indexegapro

[14] Compliance data reported as of 5 March 2021 (OECD GPTQ 2021).

[15] More information on Iceland's Equal Pay Certification is available (in English) at this site: https://www.government.is/topics/human-rights-and-equality/equal-pay-certification/

[16] Further details available under the "Active Measures" chapter of the 2008 Discrimination Act https://www.do.se/globalassets/andra-sprak/discrimination-act-2018.pdf.

[17] More information on this role available at https://www.do.se/.

[18] For a summary of evaluations of pay reporting systems, see Chapter 3 in this report.

[19] Available at https://index-egapro.travail.gouv.fr/.

[20] Available at https://www.logib.admin.ch/home.

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