

## **Monitoring pay equity compliance in companies, which are competing for orders in the public sector.**

**In Switzerland, a control instrument has been developed which allows compliance with pay equity between men and women in individual companies to be examined. The instrument was successfully tested in practice and will in future also be utilised for monitoring the public procurement sector in the Confederation.**

### **Initial situation in Swiss procurement**

Swiss procurement law obliges parties tendering for work on contract to respect, amongst other things, the principle of pay equity between men and women, thereby taking current Swiss legislation and international agreements into account. In addition, distortions of competition to the disadvantage of employers which abide by the rules are to be avoided. The Federal Office for Equality between Women and Men (FOEWM) may be assigned the task of carrying out inspections. Up to now, compliance with this provision could not be examined due to the lack of a control instrument.

An instrument of this nature is newly available. It was developed and tested in practice by the Centre for Labour and Social Policy Studies BASS, commissioned by the FOEWM and the Federal Procurement Commission.

### **Control instrument: multistage procedure with economic statistic methods**

The control instrument is based on economic-statistical analysis methods. A core component is the method of regression analysis, which has been commonly used for macroeconomic discrimination estimations. Under certain conditions (ample company size, sufficient proportion of women) the procedure can be applied to individual companies.

This method allows the isolated influence of diverse factors on wages to be measured. The aim is to determine what wage differences can be explained by objective qualification factors such as education, seniority and potential work experience (human capital factors) or by differences relating to professional status and level of requirements (factors related to the workplace) and what proportion remained unexplained, i.e. which is gender-based.

Wages may be influenced by other, objective explanatory factors which are not taken into consideration in the standardised analysis. Therefore a 5% threshold was established. In other words, it is assumed that a company guarantees pay equity between men and women, if the result of the established, unaccountable pay differential is less than the established 5% threshold or is not significantly higher. In this way, it will be avoided that a company is unjustly called to account.

Only when the established difference between men's and women's wages is significantly higher than the threshold, is it assumed that there is a pay differential. In this case, the situation will be further clarified with the company.

Additional features relevant to wages to be indicated by the company may be integrated into the statistical analysis. Should systematic pay differentials between men and women continue to exist, measures will be agreed upon with the company to ensure that the legal requirements concerning pay equity are fulfilled. In serious cases, sanctions may be taken (exclusion from current procurement procedures or penalties).

### **Information base: wage structure survey**

In order to check pay equity compliance in a company, anonymous data are required for every employee concerning the following: sex, age, highest academic qualification obtained, years of service, individual workload and gross wage, as well as (if possible) details of professional status (function) and level of requirements of the workplace.

The data required for the analysis can in principle be provided without any problem by the majority of companies due to the fact that they must supply comparable data today already within the scope of a statistical survey, a wage structure survey, to the Swiss Federal Statistical Office (SFSO).

### **Practical test: pilot phase in 5 companies**

The workability of the instrument was tested within the scope of a pilot phase in five companies between autumn 2001 and spring 2003. The standardised economic-statistical analyses found pay differentials in all five pilot companies but to varying degrees in each one:

■ In two companies the gender-specific pay differential was clearly above the threshold of five per cent.

■ In two cases the disparity was within the range tolerated or was not significantly above this.

■ In yet another case job discrimination was found but not pay inequity in the narrow sense of the term.

### **Findings from the pilot phase**

The method developed by BASS on examining pay equity compliance broke new ground. The pilot phase had to answer the critical question, whether the method would pass the practical test. This question can be answered unequivocally in the affirmative:

The utilisation of economic statistic analytical methods worked well. The examining bodies were able to make clearly differentiated and scholarly sound statements relating to the gender-specific wage situation in the pilot companies.

In addition, the analyses gave an indication of the reasons behind the current pay differentials. From this and the joint discussions with the companies emerged a starting point for improvement measures.

The methods enjoyed a high degree of acceptance with the companies concerned and the procurement bodies.

### **Future application of this instrument within the scope of the Federal Procurement Commission**

In order to guarantee that only companies complying with pay equity between men and women receive orders in the public sector, the FOEWM and the Procurement Commission pursue the following strategy: upgrading the information available for companies and procurement bodies, promoting direct responsibility and self-regulation for companies, sensitising companies using self-assessment together with carrying out regular inspections.

### **Self-regulation of the companies**

The control instrument also enables companies to carry out self-monitoring to see whether or not they are rewarding their employees in a discriminatory fashion. A prerequisite, however, for this examination is an in-depth knowledge of statistics. At the request of the companies, the federal bodies can provide experts in the field to provide assistance to the companies.

### **Further information**

#### **Information on pay equity and the control instrument:**

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#### **Information on the method of analysis:**

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#### **Report on the methods used and the pilot phase:** the examination methods have been extensively documented on in the report on the pilot phase:

Silvia Strub (Centre for Labour and Social Policy Studies BASS): Examination of the compliance with pay equity between men and women in federal procurement. Report on the pilot phase in implementing art. 8 par. 1c of the Federal Act on Government Procurement, commissioned by Federal Office for Equality between Women and Men (FOEWM) and the Federal Procurement Commission, June 2004.

This report is available in German and French and can be ordered from the Federal Office for Equality between Women and Men or can be downloaded from the internet as a pdf-file:

- Federal Office for Equality between Women and Men:  
[www.equality-office.ch/d/s-publikationen.htm](http://www.equality-office.ch/d/s-publikationen.htm) or

- Federal Procurement Commission:  
[www.beschaffung.admin.ch](http://www.beschaffung.admin.ch) or

- Centre for Labour and Social Policy Studies BASS:  
[http://www.buerobass.ch/neu\\_aktuell\\_d.html](http://www.buerobass.ch/neu_aktuell_d.html).