

# A closer look at compliance: Incentives and penalties in enforcing gender pay gap reporting



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# 55% of OECD countries require pay gap reporting



Mandatory, national-level gender pay gap reporting requirements for private sector firms

- Gender pay gap reporting and equal pay auditing
- Gender pay gap reporting
- Non-pay gender gap reporting
- Ad hoc equal pay audits
- No reporting requirements in place

See the full report at [oe.cd/pay-transparency-2023](https://oe.cd/pay-transparency-2023)

# Who monitors compliance with reporting requirements?

- 1. Government authority**
- 2. Employees and/or their representatives**
- 3. Employers themselves**

Weak enforcement of pay reporting rules is identified by OECD governments as one of the key barriers to effective company pay reporting.

# 17 countries with reporting requirements have government agencies for monitoring purposes

The specific institutional authority responsible for monitoring varies across countries:

- Gender equality agency
- Government ombudsman
- Labour ministry

But intensity of monitoring varies. Countries with **equal pay auditing systems** tend to have more comprehensive methods of monitoring compliance.

# Enforcement strategies

Rather than large-scale investigations many firms or random selection, it may be more efficient to:

- **Target companies with a history of non-compliance** or
- **Target industries with a history of large gender pay gaps**, where non-compliance may be more likely and the risk of harm (to disadvantaged workers) may be higher.

Where formal inspections are lacking, monitoring relies on employees and their representatives holding companies accountable by

- Filing (formal) complaints
- Signalling non-compliance

# Penalties can be an important tool to enforce compliance

- **Financial penalties** can be applied by monitoring body in at least 13 OECD countries.
- **“Name and shame”** is another frequently reported option -- the public disclosure of the names and/or contact details of non-compliant employers.
- Additionally, non-compliant firms may be required to conduct equal pay audits and, in some cases, develop action plans based on these audits

# Considerable variation in the potential cost of non-compliance

- Potential fine amounts can range from a minimum of € 25 in Belgium to unlimited fines in the United Kingdom.
- France has a slightly different approach: a penalty of up to 1% of the company's payroll is possible in the event of non-compliance.
- **Many countries with pay reporting systems state that penalties are infrequently carried out.**
- Some countries do not even collect data on compliance.

## Small fines

- Belgium: criminal fine of €50 to €500 or an administrative fine of €25 to €250
- Lithuania: from €140 to €280

## Middle ground fines

- Italy: €1000 and € 5000
- Portugal: €612 and €9690

## Large fines:

- United Kingdom: Unlimited fines possible
- Canada: Potentially USD 10,000 for a single violation up to USD 50,000 for repeated

# Other incentives for pay reporting

## Equal Pay Certifications

- Recent development in pay transparency legislation.
- Recognize and reward compliant employers.
- Examples: Iceland's Equal Pay Certificate (2018), Portugal's Equality Platform and Standard, Italy's Equal Opportunities Certification (2022)

## Guidance and Support

- Employers provided clear communication, guidance, and encouragement to report.

## Digital Tools for Streamlining

- Governments provide employers with digital tools for reporting and monitoring, such as online reporting portals and automated data collection systems.
- Simplifies reporting, reduces costs, and can improve accuracy.



# Improving communication

- In most countries, employers are generally expected to familiarise themselves with legal requirements posted on government websites.
- **Only five OECD countries have explicitly measured employer awareness** of pay reporting requirements beyond compliance rates
- Transparency and accountability go hand in hand – any efforts to improve compliance should also improve communication to employers.

# Additional resources

Check out the full report at:

<http://oe.cd/pay-transparency-2023>

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