

Development report on Logib Module 2

Analysis of wage equality between women and men for smaller companies

in particular with fewer than 50 employees

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Management Summary

Small enterprises with fewer than 50 employees make up a large part of the Swiss economy. Companies with 50 or more employees have had access to the Logib Module 1 tool since the early 2000s. Logib Module 1 enables employers to examine their wage practices for risks of systematic, gender-based wage discrimination. However, the regression-based approach used in Logib Module 1 is not suitable for smaller companies as this method cannot reliably identify existing wage differences when case numbers are too small. That is why the Federal Office for Gender Equality (FOGE) developed Logib Module 2 – an instrument for assessing compliance with the requirement of equal pay for women and men in micro- and small enterprises, in particular those with fewer than 50 employees.

This report provides a comprehensive overview of the development history of Logib Module 2, its theoretical underpinnings and the structure of the instrument in its final form, including explanations on how to use it and interpret the results. Logib Module 2 was developed in various phases over almost a decade: beginning with a financial assistance project between 2011 and 2013 involving 32 SMEs from canton Bern, continuing with a phase of further development and testing in over 70 smaller companies throughout Switzerland and in the administration from 2014 to 2018, through to the finalisation of Module 2 in 2018-19, which included a peer review conducted by outside experts from a variety of specialist disciplines.

The final version of Logib Module 2 is based on a method known as analytical job evaluation. Each function within a company is evaluated with reference to the same six aspects:

- (1) Education/training requirements,
- (2) Requirements regarding ability to work independently,
- (3) Requirements in terms of specific expertise or methodological skills,
- (4) Responsibility-related requirements and demands,
- (5) Psychological and social requirements and demands,
- (6) Physical requirements and demands.

The six aspects are added together to give a weighted function value; the weightings are flexible enough to be adjusted within certain bandwidths in line with the respective company's wage practices.

Logib Module 2 takes the function value and data measuring personal characteristics, such as a person's experience and education and training as a basis for checking for risk pairs in which a man is unexpectedly paid higher or lower wages than a woman in the same company. To identify the risk pairs, Logib Module 2 makes use of three complementary tests that analyse the wage differences between a man and a woman on the basis of their function value and personal data. Test 1 establishes whether the actual wage rank deviates from the expected wage rank (based on the function value and personal data). A risk pair exists if a person with a higher expected wage rank earns at least 5% less than a person of the opposite gender with a lower expected wage rank. Test 2 uses regression to estimate a person's wages on the basis of their function value and experience. In a second step, it compares the ranking of the expected or "fitted" wage with that of the actual wage. Test 3 takes into consideration particularly large wage differences that are difficult to explain by differing experience.

Logib Module 2 shows the risk of non-compliance with the principle of equal pay for women and men on the basis of the risk pairs identified by tests 1, 2 and 3. It does so on three levels:

- (1) The risk at the level of the company as a whole,
- (2) The risk in relation to individual functions, and
- (3) The risk at the level of the paired comparisons.

All three levels provide a company with information on how high the risk of gender-specific wage discrimination is and give it specific indications of where further investigations may be needed or where changes to the company's wage practices may be required.

Recommendation

The analytical job evaluation method used in Logib Module 2 is well suited to carrying out a systematic evaluation of aspects relevant to the wages of various functions in smaller companies. Analyses in the module's well-researched development and evaluation phase confirmed the theoretical and empirical relevance of the aspects in question. The analyses conducted on this basis by means of the three complementary tests can reveal the risks of non-compliance with the principle of equal pay for women and men from a number of perspectives. Showing the compliance risks at three levels – whole company, functions and pairs of employees – enables companies to identify potential problems in relation to gender-specific wage differences through this self-assessment. Evaluation of the module by outside experts in a peer review confirmed the practical relevance and quality of the module and its content. Various real-life experiences in the module's development and evaluation phase additionally showed that the module is easy to understand and efficient, and thus works very well in practice. For these reasons, it is recommended that Logib Module 2 be made accessible to smaller companies for analysing equal pay between women and men.

Summary

Enterprises with fewer than 50 employees are very common in Switzerland. Around 98% of all companies in Switzerland have fewer than 50 employees (FSO, 2019). Unfortunately, until now, this target group has lacked an instrument with which to verify wage equality. The law states that men and women must receive equal pay for work of equal value. The principle of equal pay has been enshrined in the Federal Constitution (Cst., SR 101) since 1981 and regulated in greater detail by the Gender Equality Act (GEA, SR 151.1) since 1996.

The Logib Module 1 tool has been providing guidance on assessing systematic, gender-based wage discrimination since the early 2000s. However, this approach to identifying wage differences does not produce reliable results for the smaller-sized companies previously referred to, making it unsuitable for use by them. That is why Logib Module 2 was developed through interdisciplinary collaboration as an instrument capable of checking compliance with the equal pay requirement.

The following provides a brief overview of its development history and addresses aspects of the underlying theories by giving the necessary explanations on use and interpretation.

This instrument was developed in a number of phases, beginning with a financial assistance project between 2011 and 2013, continuing with a further development and testing phase from 2014 to 2018, and concluding with the finalisation of Module 2 by 2019.

Logib Module 2 is based on the method known as analytical job evaluation. In this approach, the value of a function in a company is determined and compared with the value of other functions in the same company. A fundamental point in selecting the aspects of a function to be evaluated is to ensure that the chosen variables cover key characteristics of a wide range of functions, do not discriminate between men and women, and can be shown to be relevant to establishing pay. Many of the common procedures of analytical job evaluation take intellectual, physical and psycho-social requirements and demands, as well as responsibility, into account.

Based on theoretical, scientific and practical considerations, together with various empirical analyses conducted during the module's development, Logib Module 2 evaluates each function in relation to six aspects: education/training requirements, requirements regarding the ability to work independently, requirements in terms of specific expertise or methodological skills, responsibility-related requirements and demands, psychological and social requirements and demands, and physical requirements and demands.

In this way, functions within a company can be ranked systematically in a hierarchical structure in accordance with their value. Logib Module 2 takes the calculated function value and data measuring personal characteristics, such as a person's experience and education and training, as a basis for checking for risk pairs in which a man is unexpectedly paid higher or lower wages than a woman in the same company. To identify these risk pairs, it makes use of three complementary tests that analyse the wage differences between a man and a woman on the basis of their function value and personal data.

The *three tests* focus on different aspects of pay inequality and are deliberately designed to complement one another. This means that a pair will generally not be identified as a risk pair by all the tests at the same time. Therefore, in terms of establishing whether or not pay inequality exists, it is not particularly significant if more than one test identifies a risk pair, as the tests are designed to detect pay inequality in different scenarios.

Test 1 establishes whether the actual wage rank deviates from the expected wage rank (based on the function value and personal data). A risk pair exists if a person with a higher expected wage rank earns at least 5% less than a person of the opposite gender with a lower expected

wage rank. The ranking value calculated in this way is based on the function value of the function being carried out by the person and their personal data (age, years of service and highest educational level).

Test 2 uses regression to estimate a person's wages on the basis of their function value and experience. In a second step, it compares the ranking of the expected or "fitted" wage with that of the actual wage. Thus, only women and men who have approximately the same function value are compared, i.e. the lower function value may not be more than 2 points lower than the higher function value. Test 2 therefore enables a comparison of the wage rank of women and men who work in a function that has only a slightly lower value but should be regarded as equivalent.

Test 3 takes into consideration particularly large wage differences that are difficult to explain by differing experience. In other words, this test checks the size of the wage differences between pairs in which one person's function value is no more than 2 function value points lower than that of a higher-paid person of the opposite gender. The focus is on persons with equivalent functions, as the risk that wage differences could be judged from a legal viewpoint as unreasonable or unjustified tends to rise along with the size of the wage differences.

Logib Module 2 shows the risk of non-compliance with the principle of equal pay for women and men on the basis of these tests. It does so on three levels:

- (1) The risk at the level of the company as a whole,
- (2) The risk in relation to individual functions, and
- (3) The risk at the level of the paired comparisons.

The *company* level gives employers an overview of whether the risk of distortions in wage practices to the disadvantage of one gender or the other exists within the company as a whole.

The *function* level provides employers with an indication of whether there are any risks of non-compliance with the equal pay requirement and if so, in which functions. The functions within a company more or less correspond to the term 'occupation'; this enables employers to detect whether equivalent functions or occupations typically performed by men or women exist within their company, whether they are being paid equally and whether there could be a risk of non-compliance with the equal pay requirement for a certain function.

The *paired comparison* level gives employers very specific information about individuals in relation to whom the risk of non-compliance with the equal pay requirement exists when compared with another person of the opposite gender. Employers can see directly which

individuals are concerned in each case, how large the wage difference is in Swiss francs and as a percentage, and whether the lower-paid function has the same, or even a higher, function value.

All three levels thus provide a company with information on how high the risk of gender-specific wage discrimination is and give it specific indications of where further investigations may be needed or where changes to the company's wage practices may be required.

The instrument developed and the method it applies were judged to be scientifically robust and practically useful by experts in a peer review. The chosen function aspects were deemed to be theoretically, scientifically, legally and practically suitable as well as easy for laypeople to understand. In addition, it was noted that receiving support from a trained expert was seen as important in preventing different or gender-specific distortions of the evaluations. All of the experts considered Logib Module 2 to be suitable in terms of validity, reliability, time and effort involved, ease-of-use and understandability of the results, and recommended the application for checking the risks of non-compliance with the equal pay requirement.

Evaluation of the module confirmed the practical relevance and quality of the module and its content. Various real-life experiences in the module's development and evaluation phase additionally showed that the module is easy to understand and efficient, and thus works very well in practice. For these reasons, it is recommended that Logib Module 2 be made accessible to smaller companies for analysing equal pay between women and men.