



MISSING OUT ON THE BENEFITS?

Summary of research on the reporting
of the gender pay gap in Scotland



INTRODUCTION

In Scotland, the gender pay gap in hourly earnings is 14% for full-time and 35% for part-time workers¹. The pay gap is largely underpinned by women's disadvantaged position within the labour market, which manifests in the clustering of women into low-paid, female-dominated occupations; a lack of part-time quality work; significantly fewer women in senior roles; and discrimination within pay systems. This gender segregation is recognised as potentially damaging to overall levels of economic performance, and businesses have been encouraged to minimise costs and maximise profits by tackling the causes of workplace inequality.

One of the key methods that enterprises use for finding and resolving pay inequalities is the equal pay review. In 2012 Close the Gap commissioned researchers at Glasgow Caledonian University to generate Scottish data with respect to the extent of EPR activity in the private and public sectors and to investigate what other activity employers might be undertaking to address the causes of the gender pay gap.

METHODOLOGY

Researchers at Glasgow Caledonian University surveyed employers in Scotland by telephone using a structured questionnaire. The sampling framework was designed to ensure representation across sector, size and the geographical areas covered by Scottish Enterprise and Highlands and Islands Enterprise. Over 1900 companies were contacted to take part in the survey with 182 providing a response. Private sector companies accounted for 77 per cent of responses. Following on from the survey, researchers conducted in-depth interviews with a selection of companies who were willing to provide case studies.

¹ Close the Gap
(2013)
*Working Paper 9:
Statistics*



EQUAL PAY REVIEW

An Equal Pay Review (EPR) is a five-step process that enables employers to ensure that their pay systems deliver fair and transparent pay for men and women by identifying pay inequalities, and then altering systems and processes that underpin unjustifiable differences. Properly done, an EPR provides legal protection against the financial and reputational risk of discrimination claims. EPRs have been in widespread use since the early 1990s. However, the survey data generated since 2004 suggests that the number of EPRs being carried out, particularly in the private sector, is falling.

Case Study: Company A

Company A is a professional services company. They last carried out an equal pay review in 2004. The review identified a number of areas of potential inequality, including issues with the process by which bonuses were allocated, and a lack of women in senior roles.

They have undertaken a successful programme to change the way they manage talent and progression, and the proportion of women in senior roles has increased in the last nine years. The bonus piece remains unchanged, though, and equalities leads within the company are very concerned that line managers now have increased autonomy in awarding bonuses. Their analysis suggests that this has increased gender inequality, and they want to do another equal pay review to build a case for change to the bonus process.



KEY FINDINGS

The results of the 2012 survey suggest that employers are unjustifiably complacent about equal pay.

Among the 182 organisations (140 from the private sector) who were interviewed, 94 per cent had an equal pay policy. However, less than one-third were able to say that they had ever undertaken a pay review or were planning to undertake an equal pay review at some point in the future.

Not surprisingly the majority of organisations who had undertaken an EPR were in the public sector, where there is an additional driver in the form of compliance with the Public Sector Equality Duty. Nonetheless, the majority of companies who had opted to undertake an equal pay review were doing so because it made ‘good business sense,’ which suggests a reasonable level of awareness of the business case for action on equalities in both the public and private sector.

However, only 6 companies (3 per cent) described themselves as having taken action to address pay gaps. 93 per cent of companies and organisations who had not conducted an equal pay review and had no plans to do so considered that they already provided equal pay.

This suggests that the majority of companies who have equal pay policies have never checked to see if they have any inequalities within their pay systems, and that those who have checked have either missed the inequalities that do exist, or have chosen not to address them.

Case Study: Organisation B

Organisation B is a non-departmental public body. It has a grading structure that is fairly inflexible, but it does allow appointees to make the case for their appointment on a higher point in the scale than the salary advertised. Members of staff who work in very specific, technical roles are paid significantly more than their colleagues in the same pay grade. The organisation also operates a very limited bonus scheme.

The organisation does some limited analysis of pay during its annual pay round, but this falls short of an equal pay review. Although its analysis identifies a significant gap between men's and women's pay, it believes that its pay arrangements are justifiable under the law, and so does not see the need for carrying out an equal pay review.

The small number of surveyed employers who had found pay gaps attributed these to three broad causes: women's lack of progression within the organisation, a lack of flexible working in senior levels, and pay and reward arrangements for different jobs in the organisation. These are indicators that a company or organisation is not making the best use of the talents and capabilities of the people that work for it, and there are very straightforward steps that employers can take to remedy this.

The results of the survey suggest that employers are failing to take action on issues that could be significantly affecting their business or organisation.



BUSINESS BENEFITS

There are a number of benefits for businesses who take specific steps towards ensuring their workplace is diverse and built on the principles of fairness and equality. There is a strong business argument for providing gender equality in the workplace and businesses who do so can benefit from the increases in productivity and profit associated with such actions.

Talent and skills

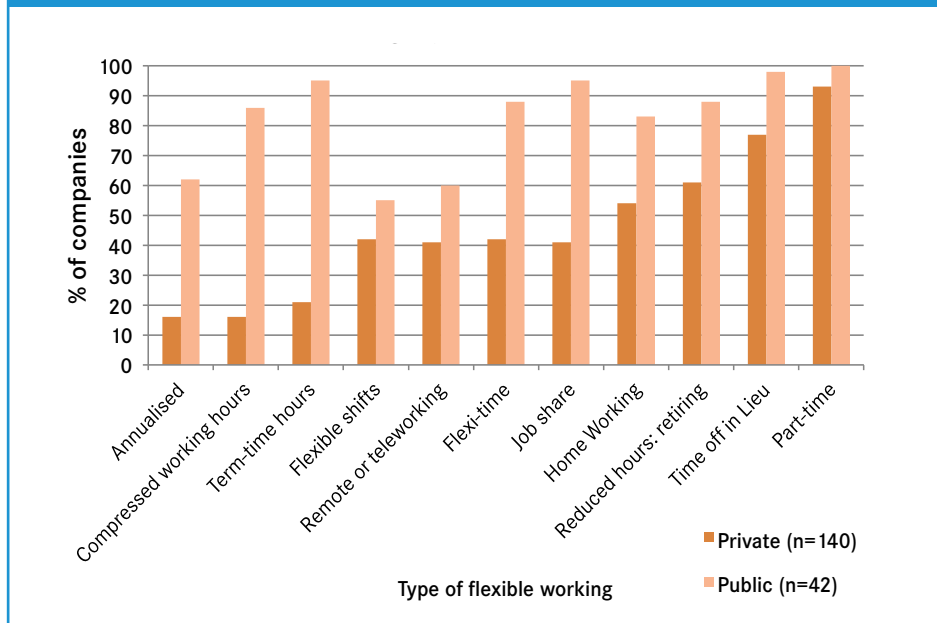
Across the whole economy, women's talents and skills are underutilised. Women are more likely to be underemployed in jobs that allow them to balance work and family life, and these jobs are likely to have lower status and lower pay. This underutilisation of talent and skills is thought to cost the UK economy £15-£23 billion per year, which is equivalent to 1.3-2.0 per cent of GDP (Women and Work Commission, 2006). This holds true across all sectors of the economy, but is perhaps more acutely felt in the areas identified as potential high growth areas in Scotland, such as life sciences and renewable energy, which require a sustainable supply of skills to meet current and future demand.

The Royal Society of Edinburgh's 2012 report, *Tapping all our Talents*, which investigated the underrepresentation of women in the fields of science, technology, engineering and mathematics, estimated opportunity costs of £170 million per annum to the Scottish economy.

Women are disproportionately affected by workplace cultures and practices that result in presenteeism and inflexible working arrangements. This is because women still have a greater responsibility for childcare, care for sick people, and care for older people. This constrains the choices women can make about employment. Individual companies that make it possible to balance work and family life can retain valuable talent and skills, attract talented prospective employees, and reduce HR costs associated with recruitment and managing unhappy employees. Responses to the 2012 survey replicated other research findings, in that most organisations offered at least one type of flexible

working; part-time working is the most common type of ‘flexibility’ offered; and that the public sector is much more likely to offer flexible working than the private sector.

Figure 2: Difference in flexible working provisions between public and private sectors.



² Department for Business, Enterprise, and Regulatory Reform (2007) Reassessing the ‘Family-friendly Workplace’: Trends and Influences in Britain, 1998-2004 London: HMSO

³ Department for Business, Innovation, and Skills (2011) Consultation on Modern Workplaces London: HMSO

⁴ CBI/Harvey Nash (2011) Navigating Choppy Waters: CBI/Harvey Nash Employment Trends Survey 2011 CBI: London.

Analysis of the prevalence of flexible working in the UK (often captured within other measures under the rubric ‘family friendly practices’) suggests that there has been a shift over time towards *formal* provision of flexibility.² Over 95 per cent of employers in the UK offer at least one flexible working practice³, with three or more types of flexible working being offered by 97 per cent of public sector employers and 66 per cent of private sector employers.⁴ The increase in the number of organisations with formal flexible working policies, however, has not altered the part-time pay gap, or the proportion of women working part-time. This suggests that there has not been an increase in ‘good quality’, or higher paid, jobs being offered on a part-time basis, and that full-time work is still insufficiently flexible to enable women to work full-time.

Within the private sector, there are a range of attitudes to part-time working at the enterprise level. Close the Gap has worked with large private sector companies in which only a tiny proportion of employees work part-time, and there is a strong cultural presumption against part-time working. Others are more positive about part-time working, where there is also likely to be more flexibility around work in other ways, for

example, homeworking. Although the challenge is smaller in the second type of organisation, progression is problematic for part-time workers. Despite most organisations having some kind of commitment in policy to part-time working, this rarely translates into the suite of measures that would encourage and enable part-time workers to apply for, and be appointed to, promoted posts. Employers appear to view part-time working as an accommodation to encourage retention, rather than as something positive that may attract talent.

Close the Gap's work with employers, including speaking to hundreds of women across the private and public sector about their own experience of work, suggests a gap between practice within organisations and the contents of formal equalities or flexible working policies.

Case Study: Organisation C

Company C is a large private sector company. Although it has a very detailed flexible working policy, which allows for many different types of flexible working, including compressed hours, job-share, annualised hours, and part-time working, in practice almost everyone is contracted to work a 'standard' 37.5 hours each week. Employees identify the company as having a long-hours culture.

The few women who do work part-time see little possibility for progression to senior roles, as these are always advertised internally as being full-time.

Who is driving innovation and development?

The leaky pipeline between the classroom, university lecture hall and laboratory, and labour market ensures not only the loss of women's expertise, knowledge and skills to the wider economy, but also to individual companies' management teams and boards. The Lord Davies inquiry into the underrepresentation of women in the boardroom rehearsed the evidence which points to the economic benefits of ensuring the top of an organisation reflects the demographic of the customers who buy their products and services. There is a clear connection between gender equality and the financial performance of a company. Research from Catalyst found that companies with the most women at the top of their organisation delivered a 53 per cent higher return on equity and a 42 per cent higher return on sales⁵.

⁵ Catalyst (2007) The Bottom Line: Corporate Performance and Women's Representation on Boards
www.catalystwomen.org

The evidence shows that gender diversity in senior management teams helps develop new ideas and ways of thinking as women and men can bring different perspectives to the table⁶. These perspectives have been proven to help drive innovation by bringing new products to market or indeed open up new markets, where, for example, diverse research and development teams can bring a greater understanding about the needs of different groups of customers⁷. In fact, research has shown that female entrepreneurs are more likely to bring new products to market, use technology in their products or services and they are more likely to collaborate with research institutions than male-led businesses⁸.

Equality and diversity strategies and policies

Capitalising on diversity is at the very heart of the business case for equality, which was the most significant driver that companies who took part in the survey identified. Of the companies surveyed, 55 per cent have an equality and diversity strategy. In addition, the companies who included equality and diversity criteria in job descriptions and/or included equality and diversity objectives for all employees, had a slightly higher proportion of female employees. This was also true of those companies who offered flexible working of any kind.

It is not possible to find an explanation in the survey responses for the fact that a significant number of companies (probably in the region of 40 per cent) have an equal pay policy but do not have an equality and diversity strategy. It is perhaps suggestive, though, of an approach to equality that is located in human resources, or in a specific equalities function, rather than being part of business planning.

⁶ E. Thomson (2009) *Valuing Diversity: The Business Case for Gender Equality During an Economic Downturn* Close the Gap: Glasgow

⁷ Wittenberg-Cox, A. and A. Maitland (2008) *Why Women Mean Business: Understanding the Emergence of our Next Economic Revolution* Wiley & Sons: Chichester

⁸ Royal Society of Edinburgh (2012) *Tapping all our talents. Women in science, technology, engineering and mathematics: a strategy for Scotland* RSE, Edinburgh

Table 1: Prevalence of equal pay and equality policy in Scottish private employers						
Private Sector Employers (n=140)	Yes		No		Don't Know	
Employer has an equal pay policy	132	94%	7	5%	1	1%
Employer has an equality and diversity strategy	77	55%	50	36%	13	9%
Employer has equality and diversity criteria in job descriptions	75	54%	57	41%	8	6%
Employer has equality and diversity objectives for all employees	66	47%	69	49%	5	4%

Source: Thomson, Gillespie, Lockhart (unpublished, 2012) *Reporting on the gender pay gap in Scotland*.

Women-specific networks

One of the ways that employers can mitigate the impact of an ‘old boys’ network’ is by formalising a women’s network. Formalised networks within the company can provide an additional space to support women’s career progression. However, there is some degree of ambivalence towards the creation of women-only networks, and concerns that they can lead to a perception that gender inequality is solely a ‘women’s issue’ rather than a business concern. Of the employers surveyed, only 12 (7 per cent) offered a specific internal women’s network, 8 of which were in private companies.

Pay and reward

Close the Gap’s work with women in business has identified that a lack of transparency around pay and reward can inhibit women from applying for promoted posts, as they are unsure if senior roles will be ‘worth’ the additional efforts and financial cost of balancing more work with caring responsibilities. The survey results indicate that pay and reward practices could be more transparent. Half of private sector employers surveyed said that line managers have a role in determining employees’ pay, and this is more likely to be the practice in companies with a smaller female workforce. This could increase the likelihood of those employers providing unequal pay as line manager involvement in pay setting increases the risk of bias and arbitrary approaches to pay and reward. This approach can be mitigated by having scrutiny of pay decision-making, but this does need to be robust.

Of those companies surveyed, pay awards in the private sector were more likely to vary by job role or be determined on performance/merit (with the exception of the construction sector). This echoes other work that suggests that employers in the private sector are more ‘at risk’ of unwittingly providing unequal pay where bonuses and other performance related pay awards contribute to gender pay gaps. When it came to establishing whether there was a job evaluation scheme used to determine equal pay for work of equal value, just over half of survey respondents had done so, with the majority being in the public sector.

Putting in practices which ensure routes to progression are clear and transparent greatly improves the gender equality in senior management and at executive level. This includes a clear and transparent pay and grading structure, making sure networking opportunities are accessible for employees who have caring responsibilities or work flexible or part-time hours, and ensuring training and leadership programmes are not unwittingly excluding women.



CONCLUSION

This survey indicates that many employers do not undertake EPRs because they believe that they already provide equal pay. For the employers that have undertaken pay reviews, the main drivers in both the private and public sectors are the desire to be ‘a good practice employer’ and the understanding that it makes ‘good business sense’. The recognition by employers that EPRs made business sense is encouraging but the lack of action arising from those pay reviews suggests that the business case has been persuasive only at a somewhat superficial level.

However, the relatively low level of reporting of other indicators of good practice would suggest that employers’ complacency, and unjustified sense that they are already delivering on equality, means they are missing out on the benefits that gender equality could offer to their organisations.

Although the vast majority of companies provided at least one type of flexible working, the most common was part-time working. This is in line with analysis conducted at a UK level, where the most popular form of flexible working is part-time. At the same time there is concern that this has not altered the part-time pay gap, which suggests part-time work is concentrated in lower paid grades and is rarely offered at more senior levels. Companies would benefit from viewing part-time and flexible working as a strategy to attract talent, rather than a way in which to accommodate the retention of employees.

The majority of employers surveyed have an equal pay policy, but just over half stated that they had an equality and diversity strategy, which is suggestive of an approach to equality that is located in human resources, or in a specific equalities function, rather than being part of business planning.

Furthermore, the survey results indicate that pay and reward practices rely too much on individual line managers having a role in determining

pay, despite evidence that this is likely to produce inequalities. Close the Gap's work with women in business has identify that a lack of transparency around pay can act as a barrier to women's progression. The uncertainty as to whether senior roles will be 'worth' the additional efforts and financial cost of balancing more work with caring responsibilities can deter women from applying for promoted posts.

The complacency of employers who were surveyed extends beyond their lack of EPR activity and permeates into wider gender equality practice. It is clear that employers would benefit from specific support to shift their good level of awareness of the business benefits of gender equality into actions which will enhance the bottom line.



HOW CLOSE THE GAP CAN WORK WITH YOU

Close the Gap is a partnership project, funded by Scottish Government, which has a decade of experience of working with employers on gender equality and diversity.

We work positively with businesses to identify where they can make changes to deliver more women in their senior management teams, improve retention by introducing or enhancing flexible, family friendly policies, and support thinking about reward and equality. Close the Gap can provide **free**, confidential support and assistance to employers who want to reap the benefits from good equalities practice.

Close the Gap can:

- support organisations to identify barriers to women's progression, and make changes that will enhance diversity at all levels of the organisation;
- audit policies and processes to ensure they are delivering a positive employment experience;
- suggest cultural changes that may help to attract and retain skilled female workforces; and
- offer confidential advice and assistance to employers carrying out equal pay reviews, to complement legal advice

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CLOSE THE GAP

Close the Gap works across Scotland with employers to encourage and enable actions to address the gender pay gap.

Our project partners are the Scottish Government, Equality and Human Rights Commission, Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland, and Scottish Trades Union Congress.

Close the Gap
333 Woodlands Road
Glasgow
G3 6NG
0141 337 8110

info@closethegap.org.uk
www.closethegap.org.uk

 [@closethepaygap](https://twitter.com/closethepaygap)

 www.facebook.com/closethepaygap



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