

EQUAL PAY REVIEW RESEARCH: MANUFACTURING SECTOR

CLOSE THE GAP 2013

INTRODUCTION

In Scotland, the gender pay gap in hourly earnings is 14% for full time and 35% for part-time workers.¹ 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 (EPR). 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 sector and to investigate what other activity employers might be undertaking to address the causes of the gender pay gap.

Overall the results of the 2012 survey suggested that employers were complacent about equal pay. The findings suggest that despite 94 per cent of all companies reporting that they have an equal pay policy only 3 per cent had taken any actions to address pay gaps. None of those companies were from the manufacturing sector. In addition to asking employers about their current or past activity in relation to equal pay reviews, the researchers also asked employers about their gender equality practice more widely. This included whether employers set equality and diversity objectives for their employees, accountability and transparency in relation to pay and reward, and flexible working.

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

BUSINESS BENEFITS

The business case evidence is well rehearsed, and there is a strong argument for providing gender equality in the workplace. Businesses that do so can benefit from the increases in productivity and profit associated with such actions. In general workplace practices which offer flexible working at all levels of the organisation are more likely to attract and retain the best female talent, and ensure that the company doesn't lose valuable talent and skills. Furthermore, evidence suggests that women in business have identified that a lack of transparency around pay and reward can inhibit them from applying for promoted posts, as they are unsure if senior roles are worth the additional efforts and financial costs of balancing more work with caring responsibilities.² The information, which was disaggregated according to sector, illustrates that manufacturing companies are likely to be missing out on these business benefits of equal pay.³

OVERVIEW OF MANUFACTURING AND GENDER IN SCOTLAND

The manufacturing cluster sector, as defined by the Alliance Sector Skills Council, covers a range of industry areas and sub-sectors including food & drink, textiles, wood products, petroleum and coke, chemicals, motor vehicles, furniture, electrical equipment and more. The Office of National Statistics defines a company as being in the manufacturing sector if more than half the company's revenue comes from making products. This includes 13 categories which are then divided into 258 sub-sectors.⁴ Manufacturing accounted for 11 per cent of total jobs identified by the Alliance Sector Skills Council in 2007. This has now decreased to just over 9 per cent in 2010. The food and drink sector alone accounted for £3.3 billion in gross value added (GVA) in 2007, half of which is due to the spirits sector and it is responsible for 25 per cent of Scottish exports, which is the largest in Scotland. The food and drink sector in Scotland accounts for 13 per cent of UK Food and Drink GVA.

In the 'manufacturing cluster' women account for 24 per cent of the workforce and a high percentage work part-time. For example, in the food and drink workforce 36 per cent of the workforce are women and 24 per cent are working part-time, which is considerably higher than men. The full-time pay gap for the manufacturing sector in Scotland is 28 per cent, but varies depending on sub-sector.⁵ Manufacturing is perceived to offer low wages and fewer opportunities for women's progression.

² Close the Gap (2013) *Missing out on the benefits? Summary of research reporting on the pay gap in Scotland*
Close the Gap

³ Close the Gap (2013) *Missing out on the benefits? Summary of research reporting on the pay gap in Scotland*
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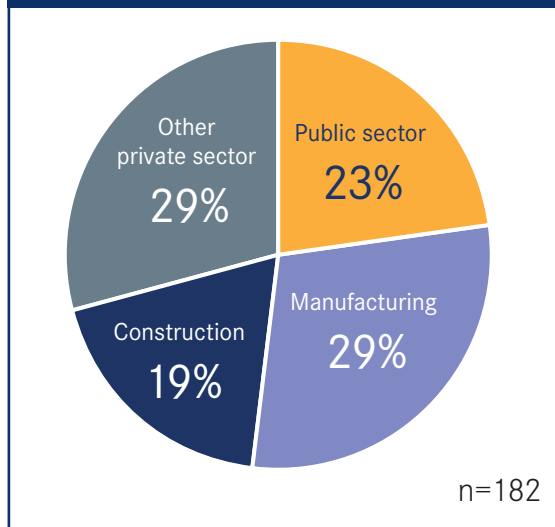
⁴ STUC (2010) *Manufacturing in Scotland* STUC

⁵ Office of National Statistics Annual Survey of Hours and Earnings provisional results 2012
<http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-280149> Accessed September 2013

RESEARCH FINDINGS: MANUFACTURING SECTOR

The research team on the equal pay review project designed a sampling framework to ensure representation across sector, size and geographical areas covered by Scottish Enterprise, and Highlands and Islands Enterprise. Over 1900 companies and organisations were contacted which resulted in 182 responses. Of the total number of responses, 52 were from the manufacturing sector (Figure 1), closely followed by other private sector services. Private sector companies accounted for 77 per cent of responses overall and the public sector was 23 per cent of the sample.

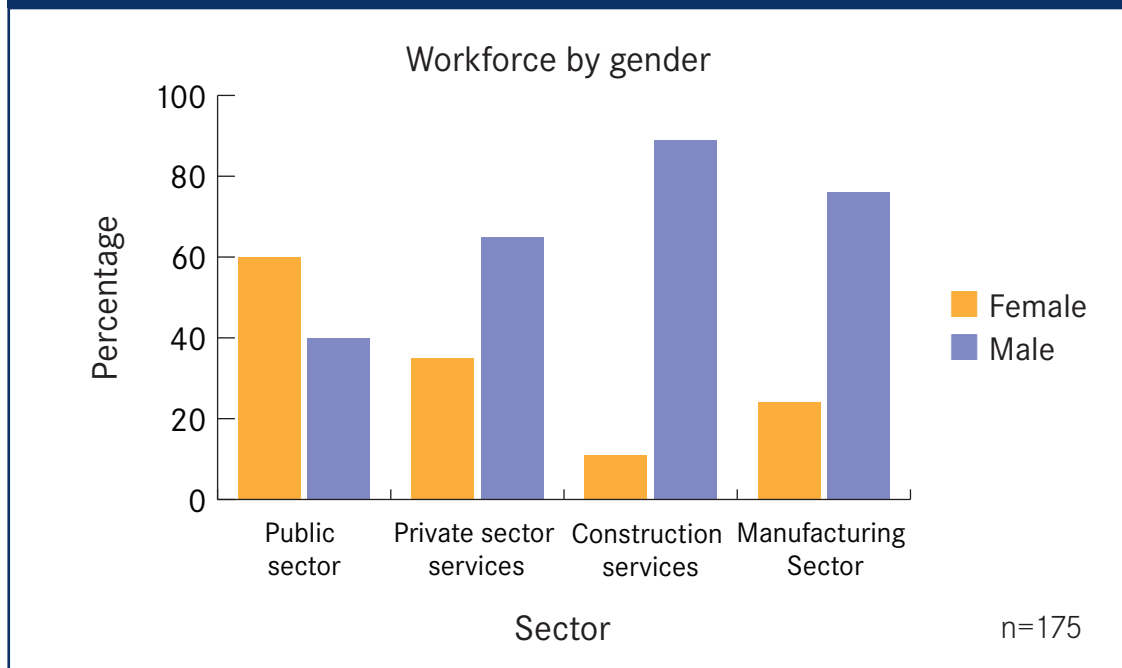
Figure 1: Survey sample by sector



Source: Thomson, Gillespie, Lockhart (2013) *Reporting on the gender pay gap in Scotland, Close the Gap*

The researchers asked employers to self-define their industrial sector. Figure 2 illustrates the average size of female workforce according to sector, and this was 24 per cent for manufacturing which matches the national estimate on the percentage of women working in the manufacturing sector.

Figure 2: Average size of female workforce by sector



Source: Thomson, Gillespie, Lockhart (2013) *Reporting on the gender pay gap in Scotland, Close the Gap*

EQUALITY AND DIVERSITY

Overall only 43 per cent of manufacturing employers surveyed set equality and diversity objectives for all their employees. More generally, positive responses came from companies and organisations with a slightly higher proportion of female employees (34 per cent compared with 30 per cent amongst those that do not set objectives for all employees).

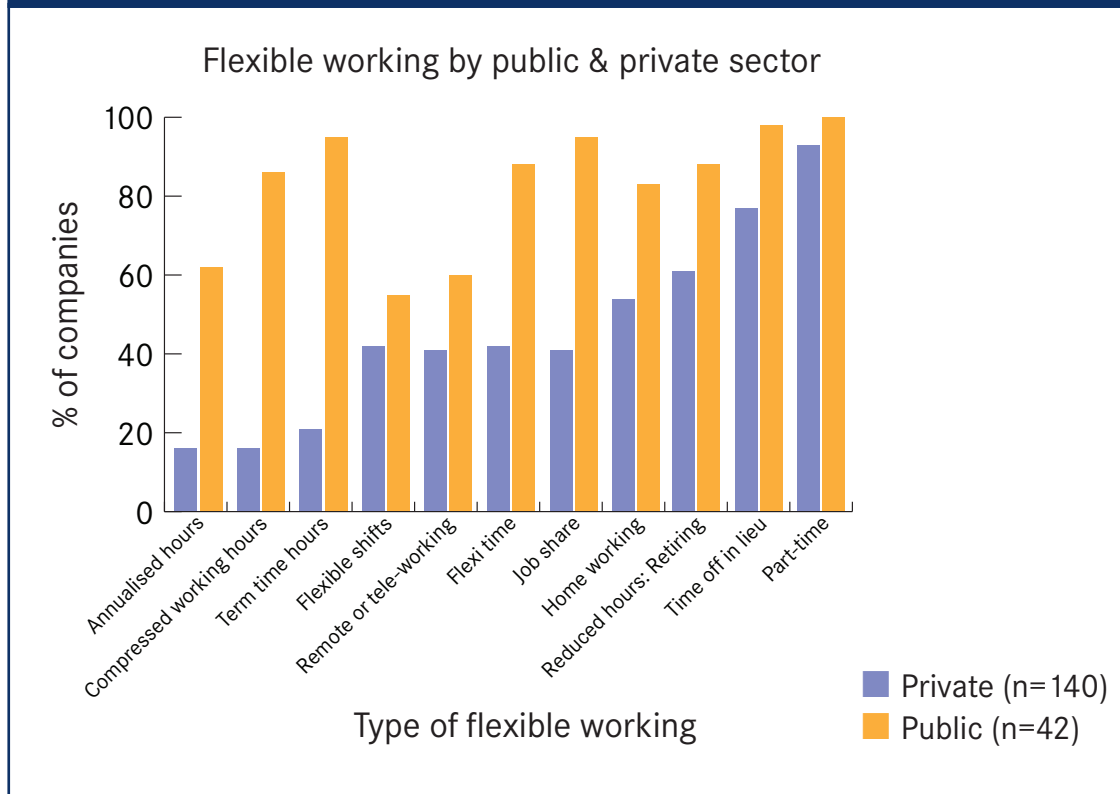
Table 1: Proportion with equality and diversity criteria in job descriptions by enterprise area, size of company and sector						
Employer has equality and diversity criteria in job descriptions						
		Yes		No		Don't know
Area (n=182)						
Scottish Enterprise	83	54%	58	38%	12	8%
Highlands & Islands Enterprise	16	55%	12	42%	1	3%
Size (n=178)						
25-99	37	51%	25	38%	10	14%
100-499	41	58%	29	41%	1	1%
500+	20	57%	13	37%	2	6%
Sector (n=182)						
Private Sector	75	53.5%	57	40.5%	8	6%
<i>Manufacturing</i>	22	43%	-	-	-	-
Public Sector	24	57%	13	31%	5	12%
All (182)	99	54%	70	39%	13	7%

Source: Thomson, Gillespie, Lockhart (2013) *Reporting on the gender pay gap in Scotland*, Close the Gap

FLEXIBLE WORKING

Employers were asked what types of flexible working arrangements they had in place. Almost all employers who were surveyed offered at least one type of flexible working, including 92 per cent in manufacturing.

Figure 3: Flexible working provision by public and private sector



Source: Thomson, Gillespie, Lockhart (2013) *Reporting on the gender pay gap in Scotland*, Close the Gap

Almost all organisations in the survey offered part-time or reduced hours including all public sector organisations, 96 per cent in other private services, 92 per cent in manufacturing and 89 per cent in construction. Just over a third of employers provided term time hours working but this varied greatly across the sectors with a range from 95 per cent of public sector organisations to 17 per cent of construction and manufacturing employers.

Less than a third of employers offered a compressed working week and only 27 per cent offered annualised hours. Overall, controlling for the size of female workforce and size of organisations where such information was available showed that organisations with a higher proportion of female workers and larger organisations were most likely to offer flexible working of any kind. The female workforce of organisations offering flexi-time was higher on average (40 per cent) than those who did not (26 per cent).

PAY AND REWARD

In the majority of responses line managers did not have a role in determining pay levels in the company, although they had a role in 41 per cent of cases (Table 2). The majority of positive responses were from the manufacturing sector. Overall this was much less common in public sector and larger companies than those in the private sector and with a smaller workforce.

Sector	Yes		No		Don't know	
<i>Manufacturing</i>	29	55%	23	43%	1	2%
Construction	14	40%	21	60%	0	-
Other Private Services	27	52%	24	46%	1	2%
<i>Private Sector</i> <i>Sub-total (n=140)</i>	70	50%	68	49%	2	1%
<i>Public Sector (n=42)</i>	5	12%	37	88%	0	-
All sectors/sizes (n=182)	75	41%	105	58%	2	1%

Source: Thomson, Gillespie, Lockhart (2013) *Reporting on the gender pay gap in Scotland*, Close the Gap

In relation to pay award implementation (Table 3) the manufacturing sector were less likely to offer across the board awards and more likely to offer performance related pay awards.

Sector	Across the board	Combined basic & performance	Merit or performance	Varies by job role	Other	Don't know
<i>Manufacturing</i>	30%	25%	15%	26%	4%	-
Construction	46%	14%	3%	34%	3%	-
Other Private Services	30%	23%	14%	21%	10%	2%
Public Sector	67%	7%	5%	16%	5%	-
500+	63%	3%	6%	25%	3%	-
All sectors/sizes	42%	18%	10%	24%	6%	<1%

Source: Thomson, Gillespie, Lockhart (2013) *Reporting on the gender pay gap in Scotland*, Close the Gap

EQUAL PAY REVIEW ACTIVITY

Table 4 shows that most EPRs have been done by public sector employers, which is consistent with their gender pay obligations under the Public Sector Equality Duty. Of the manufacturing companies who responded to this survey question, the majority indicated that they had not done an equal pay review.

Ten or 19 per cent of the total manufacturing responses had reported that they had done an EPR or were currently doing one. Furthermore, the average size of the female workforce in companies who have conducted equal pay reviews was double the size of those who did not (50 per cent compared with 25 per cent).

Table 4: EPR by sector, enterprise area and size of company				
	Past or current EPR		No EPR done to date	
Sector				
<i>Manufacturing</i>	10	22%	36	78%
Construction	4	12%	29	88%
Other Private Sector	4	9%	39	91%
Public Sector	32	82%	7	18%
All sectors/sizes (n=161)	50	31%	111	69%

Source: Thomson, Gillespie, Lockhart (2013) *Reporting on the gender pay gap in Scotland*, Close the Gap

The quality of EPR's conducted varied according to the recommendations of the Equality and Human Rights Commission's five step process to completing an EPR. Table 5 summarises the responses to each of the indicators which collectively identify the robustness of an EPR. Public sector companies accounted for all who said they used the Equality and Human Rights Commission's five step process to completing an EPR, and they were more likely to involve a trade union or staff representative group. Whilst there are similar patterns in most of the approaches involved in EPRs, private sector companies were more likely to identify designated staff resources.

Table 5: Coverage of EPRs				
Coverage of EPR:	Total Responses	EPR included		
		Yes	No	Don't know
All workers	42	32	9	1
All kinds of pay	41	31	7	3
Used 5 step process in EHRC Equal Pay Audit	41	14	12	15
Involved a recognised trade union or staff representative group?	41	23	14	4
Produced an equal pay policy	41	18	19	4
Received sponsorship from senior decision makers	41	15	16	10
It had an identifiable budget	41	11	22	8
It had a designated staff resource	41	27	9	5
It involved the use of consultants	42	13	25	4
Other	39	1	33	5

Source: Thomson, Gillespie, Lockhart (2013) *Reporting on the gender pay gap in Scotland, Close the Gap*

Respondents who had completed an EPR were asked whether they found gaps in overall average salary or earnings between male and female employees. Respondents from 11 companies (seven large, three medium and one small and including nine in the public sector) said they found gender pay gaps, while 24 said they had not and seven did not know the outcome. However, only six of those eleven identified actions to address those gender pay gaps, and none of those were from the manufacturing sector.

It is clear that in the manufacturing sector, in keeping with the overall findings of the research, there is a lack of EPR activity amongst employers which is also reflected in wider gender equality practice. Manufacturing employers, as with the majority of employers surveyed as part of the research, would benefit from specific support to shift their complacency into activity, and therefore enhance their bottom line.