



## Scottish Parliament debate on the Economy, Jobs and Fair Work Committee inquiry into the gender pay gap: A briefing for MSPs

October 2017

### 1. BACKGROUND

Close the Gap is Scotland's women and labour market expert, and has 16 years' experience of working with employers, policymakers, and trade unions to influence and enable action to close the gender pay gap.

Close the Gap welcomes the report of the Economy, Jobs and Fair Work Committee inquiry into the gender pay gap, *No Small Change: The economic potential of closing the pay gap*. It represents a step-change in thinking around the pay gap, setting out a bold vision for Scotland, and reinforces the economic imperative of addressing the causes of women's labour market inequality. The pay gap is a systemic problem, and closing it requires an ambitious, strategic response from stakeholders across a wide range of policy areas.

### 2. KEY MESSAGES

- Women have a different experience of the labour market to men, the key indicator of which is **Scotland's persistent pay gap which is 15%**<sup>1</sup>.
- Over the course of a woman's working life (from age 16-64) she will **earn on average £456,518 less than a man**<sup>2</sup>.
- Women's labour market inequality is a drag on growth, **worth £17bn to Scotland's economy**<sup>3</sup>.
- Employer action on addressing women's inequality at work has been very slow, and **employers are unduly complacent** about how well they are delivering equality for women workers<sup>4</sup>.

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<sup>1</sup> Close the Gap (2017) *Gender pay gap statistics*  
<https://www.closesthegap.org.uk/content/resources/Briefing17.pdf>

<sup>2</sup> *Ibid.*

<sup>3</sup> Close the Gap (2016) *Gender Equality Pays: The economic case for addressing women's labour market inequality* <https://www.closesthegap.org.uk/content/resources/Gender-Equality-Pays.pdf>

<sup>4</sup> Close the Gap (2013) *Missing Out on the Benefits: Summary of research on gender pay gap reporting in Scotland* [https://www.closesthegap.org.uk/content/resources/1376469709\\_Missingoutonthebenefits-CTG.pdf](https://www.closesthegap.org.uk/content/resources/1376469709_Missingoutonthebenefits-CTG.pdf)

- Research by Close the Gap identified that **only half of public sector employers have published a gender pay gap figure** as required by the public sector equality duty, with few taking actions to address the causes of the pay gap<sup>5</sup>.
- Scotland's **national gender equality organisations have called for action** on 12 critical recommendations from the Committee's report in order to close the gender pay gap<sup>6</sup>.

### 3. WHAT WE'RE CALLING FOR

Close the Gap has co-ordinated a response from Scotland's expert gender equality organisations, which prioritises 12 of the recommendations made by the Committee, across four key areas of action:

1. Scottish Government should develop a national strategy to address the gender pay gap, including an action plan and measurable targets;
2. Scottish Government should prioritise care as a key sector, as a first step towards addressing the undervaluation of care work in Scotland;
3. There should be a step-change in the focus of enterprise agencies on women's economic inequality, including Scottish Government redesigning the Business Pledge, which is not fit for purpose on gender equality; and requiring businesses that receive public funds through Regional Selective Assistance grants or account management to produce gender pay gap reports and action plans; and
4. Scottish Government should develop a suite of indicators to measure the underlying causes of the pay gap, and change the way it measures and reports on the pay gap in the National Performance Framework to take into account part-time workers, the majority of whom are women.

The Committee recognises that the solutions to the pay gap are varied and complex, and require action from a broad range of stakeholders. Now is the

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<sup>5</sup> Close the Gap (2014) *Monitoring public bodies' compliance with the public sector equality duty* [https://www.closesthegap.org.uk/content/resources/1450180414\\_CTG-Working-Paper-12---Monitoring-Scottish-public-bodies-compliance-with-the-public-sector-equality-duty.pdf](https://www.closesthegap.org.uk/content/resources/1450180414_CTG-Working-Paper-12---Monitoring-Scottish-public-bodies-compliance-with-the-public-sector-equality-duty.pdf) # and Close the Gap (2015) *Making Progress? An assessment of public sector employers' compliance with the public sector equality duty* <https://www.closesthegap.org.uk/content/resources/Making-Progress---An-assessment-of-employers-compliance-with-PSED-November-2015.pdf>

<sup>6</sup> Close the Gap (2017) *Joint response to the EJFW Committee inquiry into the pay gap* <https://www.closesthegap.org.uk/content/resources/Joint-response-to-the-Scottish-Parliament-Economy-Jobs-and-Fair-Work-Committee-inquiry-report-into-the-gender-pay-gap.pdf>

time for Scottish Government to show leadership, and demonstrate its commitment to realising equality for women at work.

#### **4. EXISTING RESPONSES TO CLOSE THE PAY GAP ARE INSUFFICIENT**

Scottish Government's response sets out a range of activity intended to advance women's equality at work, and Close the Gap welcomes a number of these. **We also welcome the Government's commitment to scope the development of an action plan on the pay gap aligned to the labour market strategy.** However, many of the policy initiatives listed in the Scottish Government's response<sup>7</sup> to the Committee's inquiry, including the Fair Work Convention, Inclusive Growth, economic development agency activity and the Business Pledge, do not engage with gender in any substantive way, and therefore will not narrow the pay gap.

##### **4.1 Scottish Business Pledge, and enterprise agency activity**

Scottish Government's voluntary initiative, **Scottish Business Pledge**, includes a pledge on having a "balanced workforce", a fundamentally flawed measure that does not recognise occupational segregation, is not an indicator of advancing women's equality in the workplace. The Pledge therefore risks contributing to the widespread employer complacency. Progress on companies pledging to take action on gender equality has been very poor, with only 33 per cent of companies currently signed up to this element<sup>8</sup>, the lowest take-up of all the Pledge components. Furthermore, progress has slowed since the first set of figures were published and 37 per cent of companies had signed up to this element<sup>9</sup>. There is no evidence that the Business Pledge has changed employer practice on the pay gap. Close the Gap supports the Committee's **call for the gender element of the Business Pledge to be redesigned**, with gender experts.

##### **4.2 Employer action on the pay gap**

Research by Close the Gap on Scottish employer action on the pay gap found that employers are **unduly complacent about equal pay**. 94% of employers surveyed reported having an equal pay policy but less than one third has

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<sup>7</sup> Scottish Government (2017) *Economy, Jobs and Fair Work Committee Gender Pay Gap inquiry – Scottish Government response*

<sup>8</sup> Scottish Business Pledge statistical overview <https://scottishbusinesspledge.scot/information/scottish-business-pledge-statistical-overview-june-2017/> accessed September 2017

<sup>9</sup> *Scottish Business Pledge statistical overview November 2016* <https://scottishbusinesspledge.scot/information/scottish-business-pledge-statistical-overview-november-2016/> accessed September 2017

undertaken an equal pay review, and only 3% reported taking any steps to address pay gaps.<sup>10</sup>

#### 4.3 Public sector employers, and the public sector equality duty

The public sector equality duty requires listed public authorities to publish their gender pay gap, develop an equal pay statement, and set equality outcomes. Close the Gap has carried out three assessments of how well public authorities are meeting their legal obligations. Among the sample of public authorities assessed, compliance with the duty has largely regressed. Almost **50% of public authorities have failed to publish their gender pay gaps**<sup>11</sup>. The vast majority of public authorities which had published equal pay statements have not committed to take action to address their gender pay gaps, despite all having pay gaps and patterns of occupational segregation.

#### 4.4 Gender segregation in education

Gender segregation is evident along the skills pipeline with assumptions made about the capabilities and interests of girls and boys from early years onwards. From a very early age, fixed ideas based on gender norms and stereotyping influence the decisions that young people make around subject and career choice.

Developing the Young Workforce (DYW), the youth employment strategy, sets out actions on tackling gender stereotyping and gender segregation. However, there is a widening gap between the policy ambitions of DYW and the implementation of equality actions, with gender becoming increasingly deprioritised, and in many areas not visible at all.

Scottish Government must do more to support education stakeholders to make the links between these policies and ensure action on gender stereotyping and segregation are prioritised. **Close the Gap supports the Committee's call for a gendered analysis of education.**

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<sup>10</sup> Close the Gap (2013) *Missing out on the benefits?*

<http://www.closesthegap.org.uk/content/resources/Missingoutonthebenefits-CTG.pdf>

<sup>11</sup> See Close the Gap (2015) *Making Progress? An assessment of employer compliance with the public sector equality duty* <http://www.closesthegap.org.uk/content/resources/Making-Progress---An-assessment-of-employers-compliance-with-PSED-November-2015.pdf> and Close the Gap (2014) *Monitoring public sector compliance with the public sector equality duty*

[https://www.closesthegap.org.uk/content/resources/1450180414\\_CTG-Working-Paper-12---Monitoring-Scottish-public-bodies-compliance-with-the-public-sector-equality-duty.pdf](https://www.closesthegap.org.uk/content/resources/1450180414_CTG-Working-Paper-12---Monitoring-Scottish-public-bodies-compliance-with-the-public-sector-equality-duty.pdf)

## 5. WHAT WE KNOW ABOUT THE GENDER PAY GAP

### 5.1 Causes of the pay gap

The causes of the pay gap are varied and complex, but can be broadly summarised as **occupational segregation**, where men and women do different types of work, based on gender stereotypes, and different levels of work; **inflexible working practices** which make it difficult for women with caring roles to combine family life with work, particularly at senior levels; and **discrimination in pay and grading systems**.

The causes of the pay gap impact from the cradle to the labour market, and beyond into retirement, trapping generation after generation of women in low-paid and undervalued work. **Interventions to narrow the pay gap must therefore not be limited to labour market policy**, but must also consider policy development on childcare, early years, primary and secondary education, further and higher education, public sector equality duty, skills, economic development, anti-discrimination law, and social security.

### 5.2 How the pay gap affects women's lives

Women's very different experiences of the labour market manifest in a range of ways including:

- Women's employment is concentrated in low-paid, undervalued stereotypically female jobs such as admin, retail, cleaning and care.
- Only 37% of directors, managers and senior officials are women<sup>12</sup>.
- Three-quarters of part-time workers are women<sup>13</sup>, and women working part-time earn on average 32% less than men working full-time<sup>14</sup>.
- Almost a fifth of the Scottish workforce is paid below the living wage, and 64% of these workers are women<sup>15</sup>.
- More women (58%) than men are on zero hours contracts<sup>16</sup>.

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<sup>12</sup> *Ibid*

<sup>13</sup> Close the Gap (2017) *Gender pay gap statistics*

<https://www.closesthegap.org.uk/content/resources/Briefing17.pdf>

<sup>14</sup> *Ibid*

<sup>15</sup> KPMG (2014) *Structural Analysis of Hourly Wages and Current Trends in Household Finances*

<https://www.kpmg.com/UK/en/IssuesAndInsights/ArticlesPublications/Documents/PDF/Latest%20News/living-wage-research-october-2014.pdf> accessed September 2017

<sup>16</sup> ONS (2017) Labour Force Survey: Zero Hours Contracts data tables

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/zerohourssummarydatatables> last accessed September 2017

- 54,000 women lose their jobs every year because of pregnancy and maternity discrimination<sup>17</sup>.
- Women are less likely to have access to an occupational pension scheme, and experience higher levels of poverty in retirement<sup>18</sup>.

## **6. THE ECONOMIC CASE FOR ADDRESSING WOMEN'S LABOUR MARKET INEQUALITY**

Close the Gap research which reviews the evidence for the economic case for addressing women's labour market inequality<sup>19</sup> identifies clear and mounting evidence that gender equality at work, in addition to benefiting women and their families, is a critical driver for improved business performance, and a worldwide catalyst for economic growth. Businesses which take action to address gender inequality at work are more innovative, more productive, and more profitable. Crucially, closing the gender gap in employment could be **worth more than £17bn to the Scottish economy**<sup>20</sup>.

### **For further information, please contact:**

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<sup>17</sup> Equality and Human Rights Commission (2016) *Pregnancy and Maternity Related Discrimination and Disadvantage: Summary of key findings*

<sup>18</sup> Close the Gap et al (2014) *The Benefit of Experience: Older women's access to skills, development and training* <https://www.closethegap.org.uk/content/resources/skills.pdf>

<sup>19</sup> Close the Gap (2016) *Gender Equality Pays: The economic case for addressing women's labour market inequality* <https://www.closethegap.org.uk/content/resources/Gender-Equality-Pays.pdf>

<sup>20</sup> *Ibid.*