



Gender Equality Pays

The economic case for addressing women's
labour market inequality



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Executive summary

Background

In 2007, Close the Gap published a position paper on the relationship between actions to promote gender equality in the workplace and company profit. The evidence suggested that there was a clear business case for individual enterprises to consider gender equality key to enhancing profitability and corporate performance. A wealth of research data from the academic and corporate fields indicated that considering gender equality enabled firms to:

- recruit from the widest possible talent pool;
- improve staff retention; and
- improve decision making and governance.

Since the publication of that paper, Scottish business has been affected by a global economic downturn facilitated by the financial crisis of 2007-2008. It is therefore becoming even more important for domestic companies to harness the competitive advantage of gender equality. Since 2007, there has been increasing recognition from policy makers that gender equality is key to doing good business. *Scotland's Economic Strategy* has recognised that promoting growth and tackling inequality go hand in hand and that maximising women's potential is key to Scotland's economic performance. Similarly, the Scottish Business Pledge and Partnership for Change 50/50 by 2020 campaigns encourage businesses to harness the benefits of gender equality and diversity. The Scottish Government, in recognition of the economic case for gender diversity, has announced its commitment to gender quotas for public boards in the first year of the next parliament, should the SNP be re-elected. In the UK, the Davies Review articulated a business focussed argument for gender diversity and inclusivity in the boardroom.

Scottish labour market

Although Scotland is in economic recovery, the labour market continues to be characterised by gendered inequalities including horizontal and vertical occupational segregation, and a significant gender pay gap. Horizontal segregation occurs where men and women are clustered into occupations traditionally associated with their gender. Evidence for Scotland indicates that men dominate

in construction and skilled trades, and women are over-represented in secretarial and caring occupations. Vertical segregation refers to the under-representation of women in management positions, sometimes referred to as the 'glass-ceiling'. The impact of the recent recession has meant that although Scottish employment has returned to pre-recession levels overall, structural changes have occurred that have led to increased incidences of under-employment. Under-employment occurs where people are willing to work more hours than they currently do, or where people are working below their skill level (sometimes known as 'job downgrading'). Under-employment has tended to be more of a problem for women than for men, as they attempt to balance paid work with family responsibilities. The impact of labour market restructuring in the aftermath of the recent recession has been to entrench women's unequal attachment to the labour market, creating an even more pressing need for businesses to consider the economic and organisational benefits to tackling gender inequality in their workforce.

Findings

The balance of evidence suggests that businesses can benefit from addressing gender inequalities around two main areas; workforce diversity with particular reference to gender balance in the boardroom, and flexible or 'agile' working, which promotes gender equality by facilitating the reconciliation of work and family commitments. The literature also indicates that the impact of businesses taking action towards gender equality is to increase macroeconomic performance. Making full use of the human capital of the female population is crucial to any economy's economic success.

Diversity Delivers

The business benefits of increasing the gender diversity of the workforce lie in better decision-making and problem-solving capacity, as a variety of perspectives are brought to the table, and companies benefitting from women's 'market proximity'. Since the publication of the 2007 position paper, there has been particular attention paid to the issue of gender balance in the boardroom, perhaps precipitated by the increase in the number of countries implementing gender quotas to ensure female representation on public, and sometimes private sector, senior management teams. The evidence presented by the academic and business communities alike has shown unequivocal correlation between increased gender diversity in the boardroom and various measures of companies' financial and corporate performance. Other indirect positive impacts were shown to stem from increasing employee engagement, which led to increased productivity, a greater focus on ethical and social policies, which had reputational benefits for firms, and enhancement of the board's monitoring function, leading to better governance.

The positive results of several robust quantitative studies held for many different economies including Spain, Vietnam and China as well as the UK and US, and in different industrial contexts from retail to mining. Similarly, several studies lend legitimacy to the ‘critical mass’ hypothesis that states that gender parity, or even a slight majority of women, is needed to fully realise the benefits of gender balance. This reinforces the fact that tokenism is insufficient and adds weight to the arguments in favour of gender quotas, already enacted in several countries worldwide.

The Flexible Workplace

Flexible working, work-life balance or family friendly are all terms for policies that enhance the ability of employees to manage paid work with the responsibilities of caring for their families. As women are traditionally the main carers in many households, these types of policies have become synonymous with helping women return to the labour market after periods of maternity. However, a broader approach to flexibility, sometimes referred to as ‘workplace agility’, has come to the fore as businesses come to recognise the benefits of being flexible and responsive to change as employers. Evidence shows that enactment of effective flexible working can reduce sickness absences and improve staff recruitment and retention, which has a positive impact on the bottom line. Particularly in the context of economic downturn, there are studies that indicate that flexible working policies can help companies to manage their workforce more effectively when recession hits. Studies have also indicated productivity gains from flexible working, associated with enhanced employee wellbeing and morale, and reputational benefits that make the company more attractive to the best candidates. Crucially, one study found that the number of female managers was a significant factor in determining the level of flexible workplace policies provided by employers, indicating that the benefits of women in management and workplace flexibility are mutually reinforcing. As well as being critical to the recruitment and retention of women, workplace agility and a family-friendly approach emerge as being key to good governance, particular in times of economic recession.

Equality is Good for Growth

Since the publication of the last report in 2007, and the global financial crisis, there has been a growing interest in the effects that closing the gender gap in employment and earnings could have on the wider economy. Efficient use of human capital is key to macroeconomic performance and women’s unequal participation in the paid labour market represents an efficiency loss to the Scottish economy. Evidence produced by international economic institutions such as the IMF and the World Economic Forum indicates that a better use of the skills and talents of the world’s women would generate economic growth and productivity.

One recent study estimated that closing the gender gap in employment could generate as much as 12 per cent of UK GDP by 2025; 12 per cent of the Scottish economy at current figures is just over £17 billion. Ensuring gender balance and women's equal participation in the paid labour market is critical in supporting Scotland's long term economic growth.

Overall, this updated position paper has shown that gender equality continues to be of key economic importance to the Scottish business sector, particularly given the structural changes in Scotland's labour market brought about by the recent recession. Gender diversity in management and family-friendly or flexible workplace policies are good for growth of individual businesses and the economy as whole. The clear message from the current literature and evidence base is that gender equality pays.



Introduction

The position paper *The relationship between actions to promote gender equality and profit* was published by Close the Gap in 2007. This collated and analysed the evidence that existed at that time in support of the business case for addressing gender inequality in individual firms. That is, evidence in support of the hypothesis that achieving gender equality at the micro level will not only benefit individual companies' efficiency and profits but will also accrue economic benefits at the macro level.

The research featured an extensive review of the published evidence relating to actions to promote gender equality and the associated micro and macro-economic benefits up to 2007. As well as drawing on the academic literature the paper also utilised policy documents produced by key stakeholders, from Scotland, the UK and internationally, to enhance the reliability of the conclusions and make the material accessible to both economists and non-economists alike. In addition to reviewing existing materials case study businesses were identified, analysing the effects of policies and initiatives that address the multiple causes of gendered inequality in the workplace.

This research involved three elements:

- academic literature review;
- analysis of 'grey' literature (documents and reports produced by non-academic organisations); and
- web search to identify examples of good practice in Scotland.

A desk-based analysis of existing academic and non-academic literature and evidence of a business case for gender equality was undertaken and good practice examples of businesses currently reaping the benefits of taking action to address gender gaps in their own organisations were identified. Reviewing the evidence base for addressing gender inequalities is extremely timely, as the UK economy continues to struggle to regain the productivity losses incurred seven years ago in the wake of the global financial crisis and ensuing economic recession.

Three main areas that emerged in the position paper in 2007 were actions to address horizontal segregation in the labour market, discussed within the paper as increasing workforce diversity, particularly in male-dominated industries; addressing vertical segregation, by improving the representation of women at the senior management level; and the implementation of flexible working practices that enable women to increase their participation in the labour market by combining paid work with caring responsibilities. These themes continue to be relevant to the current research evidence. There has been a particular flourishing of research suggesting a clear link between women's presence on corporate boards of management and company performance.

This systematic review of evidence from academic literature, policy documents and case study businesses shows that there is a clear business case for individual companies to consider advancing women's equality in their workforce. Measurable evidence of profit increases resulting from actions being taken to address gender inequalities was also found. Similarly, if enough companies implement these measures at the micro level, as well as benefitting their individual productivity and profits, these effects will accumulate and reach the macro-economy enhancing GDP growth.



Scotland's labour market

In Scotland, the gender gap in employment, the difference between male and female employment rates, has more than halved over the last twenty years, primarily due to a rise in women's employment rates (ONS 2015a). Scottish Government labour market data indicates an overall employment rate of 74 per cent; 78 per cent for men and 71 per cent for women, and 6 per cent of men and 5 per cent of women are unemployed. The inactivity rate, which indicates when people are not in the labour market but may not actively be seeking work, is 21 per cent; 17 per cent of men and 25 per cent of women (Scottish Government 2015a).

However, women's participation in the labour market remains significantly gendered. Women are more likely to work part-time than men; 42 per cent of employed women and only 13 per cent of employed men work part-time in Scotland (ONS 2015a). This is very often because women tend to be primary carers, and are required to reconcile paid work with unpaid caring and domestic responsibilities. The Scottish labour market also still displays significant patterns of gendered occupational segregation.

Occupation	% male	% female
Science, Research, Engineering and Technology Professionals	78	22
Protective Service Occupations	78	22
Skilled Agricultural and Related Trades	92	8
Skilled Metal, Electrical & Electronic Trades	98	2
Skilled Construction & Building Trades	99	1
Process Plant and Machine Operatives	77	23
Transport and Mobile Machine Drivers and Operatives	85	15
Elementary Trades and Related Occupations	83	17

Source: Annual Population Survey Workplace Analysis June 2015 (NOMIS data query 1 December 2015)

Horizontal segregation occurs where gendered assumptions about men’s and women’s capabilities and preferences results in them doing different types of work. Women’s employment is concentrated in a small number of stereotypically female occupations. The current occupational figures for Scotland indicate that the most segregated occupations are secretarial and related occupations (only 5 per cent men) and skilled construction and building trades (only 1 per cent women). Tables 1 and 2 show the extent of occupational segregation, defined here as 75 per cent domination by either gender. Twice as many occupations are male-dominated than female-dominated. The use of occupational classification SIC 2010 can tend to underestimate the extent of segregation in certain occupations. For example childcare will be included in the caring personal service occupations but is likely to be almost exclusively women working in this occupation.

Occupation	% male	% female
Health Professionals	21	79
Administrative Occupations	24	76
Secretarial and Related	5	95
Caring Personal Service Occupations	15	85

Source: Annual Population Survey Workplace Analysis June 2015 (NOMIS data query 1 December 2015)

Occupational segregation is a major cause of the gender pay gap, another key feature of labour markets in modern industrialised economies (Olsen and Walby 2002), which in Scotland currently stands at 14.8 per cent when comparing women’s average hourly pay with men’s average hourly pay (Close the Gap 2016). Since the great recession precipitated by the financial crisis of 2007-2008, employment has largely recovered to pre-recession levels (Campbell et al *forthcoming* 2016) but the nature of that employment has changed. There is evidence to suggest that there has been an increase in insecure forms of employment, such as zero-hours guaranteed contracts and temporary contracts (UK Commission for Employment and Skills 2014a) and that the recession has had a differential impact on women’s labour market participation (Ross and Thomson 2015).

One of the key impacts of recession in Scotland has been an increase in incidences of under-employment. Under-employment occurs where people are willing to work more hours than they do currently. According to this ‘hours-constrained’ definition, the under-employment rate in Scotland has risen from

7.3 per cent in 2004 to 8.6 per cent in 2014 (ONS 2014). In the UK in 2014, 11 per cent, or 1.5 million, female workers were under-employed compared with 8.9 per cent, or 1.4 million male workers, reflecting the fact that the majority of part-time workers are women (*ibid*). Over the period of the great recession, under-employment in Scotland increased by 57,000, a rise in the under-employment rate of 2.4 per cent. 44 per cent of this rise was accounted for by increases in female part-time under-employment (*ibid*).

Another definition of under-employment refers to the under-utilisation of skills: people working in jobs for which they are over-qualified or where they do not make adequate use of their existing skills, sometimes referred to as job or skill downgrading. There is limited data available on this type of under-employment as it is difficult to measure. However, the UK Commission for Employment and Skills (2014b) found that 17 per cent of staff reported as over-qualified or over-skilled for the job they were doing in Scotland. There is some research to support the contention that women work below their current skills level in an attempt to manage the balance between paid and unpaid work (Equal Opportunities Commission, 2005; Perrons, 2009). Women returning to the formal labour market take employment below their qualification and skill levels as it may offer more flexibility, for example part-time work, particularly when childcare provision in Scotland is becoming less accessible both in terms of cost and availability (Family and Childcare Trust 2015). The evidence suggests that women experience higher rates of under-employment compared to men both in terms of wanting to work additional hours and working below their skill and qualification level.



The policy context

Women's equality in the workplace is more than just an equalities issue. There are also clear economic and business arguments for increasing gender diversity of the workforce and ensuring that women are fairly represented at the top of organisational structures. Position papers published by Close the Gap have shown that equality and diversity considerations enable companies to increase their profitability by recruiting from the widest possible talent pool, and that firms which have more diverse management teams have better business performance (see Thomson 2007 and 2009). Furthermore, the accumulated impact of organisations addressing gender inequalities within their own workforce could be increasing levels of GDP growth in the wider economy. Closing the gender gap in UK employment has been estimated to be worth up to 8 per cent of UK GDP by 2020 (Aguire et al 2012). Since the financial crisis of 2007-2008 and the resulting global recession, harnessing the business and economic benefits of gender equality in the workplace has become a priority for many companies, particularly in relation to women's representation at board level. The Scottish and UK Governments recognise that gender equality offers more than social justice, but also competitive advantage. The Scottish Government's *Economic Strategy* (Scottish Government 2015c) recognises that tackling inequality and increased growth are mutually reinforcing, and identifies 'inclusive growth' as one of four priorities for Scotland's economic performance. *Scotland's Economic Strategy* also goes on to make explicit reference to the economic potential of women and advancing gender equality:

Maximising economic opportunities for women to participate fully in the economy, and recognising the wider social role they provide, is key to improving economic performance and tackling inequality. (Scottish Government 2015c: 64)

The Scottish Government voluntary initiative, the Scottish Business Pledge, and the Partnership for Change 50/50 by 2020 campaign are representative of the Government's understanding of gender equality as an economic advantage. In 2014, the Scottish Government consulted on the introduction of gender quotas on public boards given that women comprised only 36 per cent of public boards and

only 21 per cent of public board chairs in 2014 (Scottish Government 2014). First Minister Nicola Sturgeon has since committed to introduce legislation requiring gender balance on public boards in the first year of the next Parliament, should the SNP be re-elected (Scottish National Party 2015). The consultation and subsequent pledge to legislate is explicitly underpinned by the understanding that gender diversity leads to better governance (*ibid*). The UK Government's Davies Review of women on boards (2011) and the Women's Business Council (funded by the UK Government Equalities Office) both recognise that closing the gender gap in employment is an imperative for the UK economy.

Since the production of the position paper in 2007, the largest increase in the evidence base for the link between gender equality and profit investigates gender diversity on corporate boards. In the UK, the policy context for this has been the publication of the Davies Report in 2011 and subsequent update in 2015. These reports investigated the barriers and enablers to increasing women's visibility in the boardrooms of the FTSE350. The Davies Report states that:

“Inclusive and diverse boards are more likely to be effective boards, better able to understand their customers and stakeholders and to benefit from fresh perspectives, new ideas, vigorous challenge and broad experience. This in turn leads to better decision making.” (Davies 2011:7)

This quote is indicative of the current UK Government's understanding of the lack of female representation on boards of directors as not just an equalities issue but also a business issue. In Scotland, the Scottish Government's Partnership for Change initiative encourages a voluntary commitment to gender balance on boards of public, private and third sector organisations, to which many prominent Scottish organisations have signed up. The Scottish 50/50 by 2020 commitment also recognises the positive impact of gender balance on organisational performance.

“Put simply, both large and small businesses do significantly better when they have more gender balance in the boardroom and more diversity in the workforce. A fair and prosperous Scotland has no ceiling for ambition and talent and opportunities for all to flourish.” (Scotland 50/50 by 2020 website 2016).

The Scottish Business Pledge is another Scottish Government initiative which encourages organisations to sign up to a range of good practice pledges including a pledge on advancing gender equality, recognising the positive relationship between gender diversity and business performance.

It makes good business sense to treat your people fairly. Putting fairness and equality at the heart of your workforce planning will ensure that you are able to harness untapped female talent... Supporting women to participate equally in the workplace enables businesses to become more productive, and more profitable which in turn contributes to Scotland's sustainable economic growth. (Scottish Business Pledge website 2016)

Large and influential global business organisations such as McKinsey and Company and Goldman Sachs have also published extensive research indicating a link between gender equality and economic and business performance (McKinsey and Company 2015, Lawson 2008). Supra-national organisations, the International Monetary Fund and the World Economic Forum, also recognise that gender equality is a worldwide catalyst for growth (IMF 2013, World Economic Forum 2014).



Findings

Diversity Delivers: Investigating the benefits of gender diverse workforces and senior management teams

The argument that more diverse workforces are positively correlated to company performance is based on the notion that worker diversity allows companies to draw on a wider range of skills, experiences and perspectives in problem solving, which in turn boosts profits (Herring 2009). This diversity can be functional, i.e. skills based, or demographic, relating to race and/or gender identity. The balance of evidence suggests that gender diversity is likely to produce positive results in the context of private businesses.

Ali et al (2011) found a positive relationship between gender diversity and company performance in the Australian service and manufacturing sector. This study, based on archival quantitative data and a longitudinal research design, indicated that the benefits of gender diversity appear in a company's bottom line only after a five-year time lag. This suggests that improvements in market insight, innovation and problem solving take time to embed (Ali et al 2011). Similarly, Badal and Harter's (2014) extensive study of over 800 businesses in the US economy found that gender diversity positively influences financial performance measured in terms of comparable revenue (revenue in a given year compared to revenue the previous year) and net profit. Ellison and Mullin (2014) found that "*gender diversity is associated with a positive contribution to revenues*" (Ellison and Mullin 2014:480) in their study of a large professional services company in the US. The benefits reported in these recent studies stemmed from increased employee engagement in a more diverse workforce (Ellison and Mullin 2014) and employee productivity (Badal and Harter 2014).

Evidence of this link is also becoming increasingly significant in academic research. The majority of studies investigating the link between gender diversity on corporate boards (or other levels of senior management) and company performance have taken a quantitative, largely econometric, approach to asserting correlation. An extensive and robust body of literature shows positive relationships in various different economies. For example, a study for the Spanish economy also found that gender diversity has a positive impact on the monitoring function of corporate governance and that this impact had a positive influence on company value

(Campbell and Minguez-Vera 2008). Rodriguez-Dominguez et al (2010), also studying the Spanish business sector, concluded that gender *balance*, or even a slight majority, on corporate boards was favourable to company economic performance. Recent studies in different country contexts also indicate a positive relationship between gender diversity and company value including South Africa (Ntim 2015), Vietnam (Nguyen et al 2015) and China (Liu et al 2014). In one of the most recent and extensive studies, Isidro and Sobral (2015) demonstrated a positive impact of women on boards on financial performance measured as ROA (Return on Assets) and ROS (Return on Sales) (Isidro and Sobral 2015). Their study, based on a very robust 922 observations representing 16 European countries, also found significant *indirect* positive effects of increased gender diversity on boards. Having more women on the corporate board increased the observance of social and ethical policies, which had a knock-on positive effect on company value (*Ibid*).

Gender balance, or slight majority, as opposed to the mere presence of women, is therefore argued to limit the potentially negative effects of conflict in heterogeneous groups. This finding gives weight to the idea that a critical mass of female directors is needed for firms to fully exploit the benefits of gender diversity (Joecks et al 2013). The critical mass thesis also underpins the arguments for gender quotas on corporate boards (Ahern and Dittmar 2012), currently a legislative requirement in twelve countries worldwide, with targets ranging from 30 per cent in the Netherlands to 50 per cent in Israel (Catalyst 2014, Isidro and Sobral 2015), and there are significant variations in exclusions penalties for non-compliance. In 2012, the European Commission announced its intention to introduce a 40 per cent quota for women in European companies, which has sparked new debate about the impact a quota regime could have on women's representation and company performance. Norway was the first country to introduce a mandatory quota of 40 per cent in 2006, and the typical affected company increased female representation by 20 per cent (Matsa and Miller 2013).

In addition to academic evidence, several business organisations have demonstrated a link between gender diversity and company performance. The Credit Suisse Research Institute (2012) found that companies with one or more women on their board had demonstrably better share price performance than those with all male boards. In 2014, the same Research Institute reported that companies with more than one women on the board had returned a compound 3.7 per cent a year over those companies with no women on their board since 2005 (Credit Suisse 2014). PriceWaterhouseCoopers (2015) identified a positive correlation between female representation on boards in the mining industry, as represented by the world's top 500 mining companies, and four key indicators of industrial and business performance including dividend yield and earnings per share.

The Flexible Workplace: The benefits of work-life balance

Flexible working or work-life balance policies, also known as workplace agility, are numerous and can be defined as:

- Reduced hours (part-time, job share);
- Changing when hours are worked (compressed working week, flexi-time, term-time working);
- Where hours are worked (home working); and/or
- Providing periods of paid or unpaid leave.

Workplace agility has a slightly broader definition incorporating elements of operational flexibility and responsiveness of organisational processes and structures as well as modes of working (CIPD 2014). With respect to the workforce, agile work practices reflect traditional work-life balance or flexible working issues such as work timing and location but are also adaptive to the roles that people perform and the nature of the workforce (i.e. permanent or outsourced employees) (*Ibid*). Put simply, agility embodies responsiveness to change and can generate significant value for businesses in relation to reduced casual sickness absence, improved retention, improved productivity, improved recruitment and improved employee morale and commitment.

One important factor to consider is the effect of workplace flexibility policies in the context of an economic downturn, as Scotland experienced a recession following the 2007-2008 financial crisis. Whyman and Petrescu (2015) analyse workplace flexibility policies against the backdrop of a recession and find that all forms of workplace flexibility can contribute to increased business performance. The authors also stress the range of prospective trade-offs between individual policies, and the importance of selecting the right combination to tackle specific issues within the company. The authors find that in reducing redundancies, as a measure of how well companies manage their workforce, the most useful policies are those of flexi-time, profit related pay and job sharing, whereas attempts to reduce absenteeism are better suited to training, job security, family friendly practices, and part-time work (Whyman and Petrescu 2015). Heywood and Miller (2015) also revealed that the strongest correlation was between flexible working arrangements and reduced absenteeism, in line with the findings of Whyman and Petrescu (2015). These findings are reiterated in a study by Whyman et al (2015). They also emphasise the importance of co-ordinated corporate governance achieving the most effective outcome when utilising workplace flexibility policies. What is relevant here is the mix of policies being developed specifically to target individual issues that arise within a company. Again this is particularly significant following the economic downturn as businesses attempt to enact policies that can

provide a competitive advantage. The diversity of these policies means that they are of great economic significance not only to business but to the economy as a whole and can, in turn, increase the gender diversity of the workforce by attracting more women.

Lee and Hong (2011) reveal that the most significant policy that can be enacted is care subsidies, which increases employee effectiveness and job satisfaction whilst in turn reducing staff turnover and absenteeism. The greatest impact on a company's effectiveness overall was alternative work schedule programmes. Since 2008 there have also been notable contributions documenting the significant positive impact that these policies have on labour productivity within the firm (Bae & Goodman 2014). It is therefore clear that flexible working policies can achieve greater cost efficiency and labour productivity, allowing companies to capture a competitive advantage in the market. From a corporate governance perspective these policies are therefore indispensable to both the company and the workforce, particularly women.

An issue that has also been raised is the possibility of companies not recruiting highly skilled employees, or losing them once employed to companies who provide superior flexible working policies. Bloom et al (2011) provide results from an econometric analysis that are consistent with the view that these policies have a tangible effect on employee wellbeing and therefore morale, and implementing them will indirectly improve auxiliary performance. Bloom et al (2011) also stress the number of female managers to be a significant factor in the level of flexible working policies offered by a company. One way to interpret this finding is that women are less likely to work for companies who do not provide an adequate degree of flexibility and/or that female managers are more disposed to ensure workplace flexibility for employees. Companies which neglect to deliver flexible working and family friendly policies could be failing to retain talented and skilled staff that could prove to be of great value to the company in the long run. Bourhis and Mekkaoui (2010) go one step further in their findings; they find that the reputation of a company is highly dependent on the provision of workplace flexibility policies, and this will in turn affect the quantity and quality of staff that the company can attract. Interestingly this does not only affect mothers or those with families, but all those involved in the analysis. This may be due to the fact that people feature rational expectations and, despite not having caring responsibilities at the time, are well aware that they may have in the future and therefore actively seek out these policies in prospective employers.

Since 2007 the debate has advanced somewhat, and it is now very apparent that businesses are changing the structures of their corporate governance to respond

to fluctuations in supply and demand caused by the recession and exacerbated by the slow road to recovery. The literature also strongly suggests that a means of a business escaping the detrimental impacts of economic downturns is by strategically implementing workplace flexibility policies with an aim to influence several workforce issues, from absenteeism to productivity, eventually all translating into financial success.

Equality is Good for Growth: The macroeconomic case for gender equality

Since the global financial crisis of 2007-2008, there has been a growing interest in the effect that closing the gender gap in employment and earnings could have on the wider economy. Women account for just over 50 per cent of the UK population and now outstrip men in university enrolment, but do not participate in the labour force in the same numbers as men, work fewer hours, and are concentrated in traditionally female-dominated occupations which are systematically undervalued by the market (IMF 2013). Economists often emphasise the significance of human capital as a key contributory factor to economic performance but more recently attention has turned to the productivity of women, particularly in the context of developing economies (World Economic Forum 2014). Ensuring gender diversity throughout the labour market allows for a more efficient utilisation of a crucial resource; the human capital embodied in the female population. A better use of the skills and talents of women would therefore generate economic growth and productivity.

Research arms of organisations such as McKinsey and Company, Goldman Sachs, the World Economic Forum and the International Monetary Fund, alongside academic researchers, have suggested that there are large economic gains to be accrued through closing the gap between men's and women's participation in the labour market. If individual businesses take action to facilitate the expansion of women's engagement in the UK labour market it will stimulate macro-economy to generate growth and replenish labour supply in an increasingly ageing economy. The relationship between GDP and employment is dependent on several factors including labour productivity, the hours worked per person, and the employment rate and demographics, and positive changes in these factors will in turn result in positive changes in GDP. Aguire et al (2012) attempt to quantify the impact of increased female labour market participation on various economies throughout the world, and conservatively estimate that the UK economy could generate as much as 8 per cent of its GDP by 2020 if women engaged in the labour market to the same extent as their male counterparts. McKinsey and Company (2015) estimates a similar level of macro-economic gains to be made suggesting that UK GDP would grow somewhere between 10 per cent and 12 per cent by 2025;

12 per cent of Scottish GDP at current prices would be just over £17 billion¹. Similarly, PriceWaterhouse Cooper's recent research suggests that if the female employment rate in the UK could reach that of Sweden, the UK's GDP would be boosted by up to 9 per cent, or £170 billion, in the long run (PwC 2016). If realised, these increases in the UK's economic capacity would be greatly contributory to achieving a sustainable, robust and healthy economy. Advancing gender diversity is therefore not only an imperative to achieving equality but also to ensuring the most efficient allocation of resources to support long term economic growth (Lawson 2008).

¹ Author's own calculation based on Scottish GDP figures available for September 2014 - September 2015 (Scottish Government 2016).



Conclusions

Since Close the Gap published its first position paper on the link between gender equality and the performance of business taking action to address gender inequalities, the Scottish labour market has changed in response to global crisis and recession. The restructuring of Scotland's labour market since the great recession has entrenched the gendered nature of labour market participation, particularly in relation to under-employment. Women's uneven attachment to the labour market has become more precarious by the rise in hours-based and skills-based under-employment. At the same time, evidence that correlates gender equality with increased business performance has become more prominent, with more and more incidences of academic, policy and corporate research indicating that gender equality is good for business performance. Women's input to corporate governance has been shown to have positive pay-offs in terms of standard measures of corporate performance. The demographic diversity of the workforce, as well as a critical mass of women on boards, are shown to be crucial factors affecting company performance on a range of bottom line issues. European policy makers are increasingly looking to gender quotas to provide a legislative safeguard for women's representation and to ensure businesses do not miss out on the benefits of gender parity. The Scottish Government, in recognition of this, has consulted on the introduction of gender quotas in public boards.

Workplace agility similarly encourages gender diverse workforces realising their productive potential when employees are better able to balance paid work and the responsibilities of care. The positive impact of the availability of workplace flexibility and agility on company reputation, and how this in turn affects the gender composition of the workforce, has also been reinforced.

At a macro-level, the combined effect of individual workplaces working to address gender inequality is increased economic growth. The performance of many developed economies could be improved if the gap between male and female employment levels could be addressed. For Scottish businesses, and the Scottish economy, there is clear and mounting evidence indicating that gender equality could hold the key to unlocking Scotland's productive potential in a post-recession economy.



Real businesses, real benefits

An increasing number of businesses that are based, or operate, in Scotland are awakening to the business benefits of diversity, and are implementing a range of policies and initiatives that address the multiple causes of gender inequality at work.

Badenoch and Clark

Badenoch and Clark is a small recruitment and professional services company operating across three offices in Scotland. Women comprise three-quarters of part-time workers in Scotland primarily because of their propensity to have caring responsibilities. However, most part-time work is in lower grade, low paid roles, which means that many women are working below their skill level when they have to reduce their hours to balance work with family life. Badenoch and Clark recognised the importance of valuing and retaining skilled people, and were committed to ensuring that a need to work part-time was not a barrier to progression.

Since its inception, the company has promoted a culture of flexibility, and 40 per cent of its workforce now work part-time. The company has developed a number of initiatives which improve employee engagement and talent retention. Central to this is ensuring that part-time employees have equal access to training and development opportunities. All promoted posts are available for flexible or part-time working, business meetings and events are scheduled flexibly, and staff are able to schedule their leave to accommodate school holidays. This suite of policies is supported by a strong line management programme such as regular one-to-one meetings with clear learning and development plans which include targets adapted to part-time hours. Targets are regularly reviewed to ensure that they match both employees' and the organisation's needs. These measures help to ensure that all staff have the support to develop within the organisation. Badenoch and Clark is also working to address the gender imbalance at board level, and has signed up to Scottish Government's Partnership for Change 50:50 by 2020 pledge.

Accenture

Accenture is a global management consulting, technology services and outsourcing company which operates across the UK, including in Edinburgh. Just over a third of Accenture's global workforce are women, and the company is seeking to address this under-representation by making gender equality one of its five global diversity priorities. The company has pledged to increase the number of women it hires to 40 per cent by 2017. Accenture has developed a range of initiatives which aim to retain, and enable the progression of, female employees. These include training and professional development and opportunities targeted at women to support them to develop their career goals; proactive succession planning to position women for leadership roles and provide the support they need to progress; mentoring and sponsorship initiatives to ensure women have access to senior leaders who can provide career advice and opportunities; and online forums, eMagazines, networking groups, and online portals that connect women across the company.

Atkins

Atkins is a global design, engineering and project management consultancy which operates throughout the UK, with four locations in Scotland. The engineering sector is starkly segregated with women comprising only 16 per cent of engineering graduates, and Atkins is committed to increasing the number of women in the workforce, and in the engineering profession more widely. Atkins was one of the first signatories of a ten point pledge developed by Women in Science and Engineering (WISE) and The Royal Academy of Engineering, and the company has since developed a range of initiatives to address the gender imbalance. This includes the Returners Programme, a two day course developed to support women returning from maternity leave in achieving a work-life balance. The course delivers practical tools and builds capacity in developing support networks, career planning, and confidence building. Other initiatives include the Women's Professional Development Programme which aims to address the under-representation of women in senior roles; a women's professional network; and a Women's Leadership Council, a body of senior women in the company who act as role models and provide mentoring to other female employees.

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Close the Gap works in Scotland on women's participation in the labour market.

Partners include Scottish Government, Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland, Equality and Human Rights Commission, and Scottish Trades Union Congress.

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