



The Gender Penalty

Exploring the causes and solutions to
Scotland's gender pay gap

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Executive summary

The gender pay gap is a defining feature of the Scottish labour market. Although it has gradually narrowed over the long term progress has been extremely slow, particularly in recent years, with little substantive change in the everyday experiences of working women. The pay gap, which is the difference between men's and women's average hourly pay, is the key indicator of women's labour market inequality. It represents women's and men's divergent experiences of not only the workplace but also education, skills acquisition, care and other domestic labour.

While the causes of any pay gap are context specific, research shows that there are contributing factors which are common across the developed world, and align with Close the Gap's 17 years of experience of working on women and work in Scotland. These include occupational segregation; a lack of quality part-time and flexible working; the economic undervaluation of stereotypical female work such as care, retail, admin and cleaning; women's disproportionate responsibility for unpaid care work; biased and untransparent recruitment, development and progression practices; male-oriented workplace cultures; and discrimination in pay and grading systems. However, women's experiences vary. Disabled women, Black and minority ethnic women, Muslim women, lesbian and bisexual women, trans women, refugee women, young women, and older women experience different, multiple barriers to participation in the labour market, and to progression within their occupation, which contribute to the pay gap.

A range of studies have modelled the UK gender pay gap but there is no specific data on the factors which contribute to Scotland's pay gap. Close the Gap therefore commissioned researchers at University of Manchester to undertake a study into the nature of the pay gap in Scotland, which identifies the causes of the pay gap in 2014, and determines how this has changed since 2004.

There has never been cohesive, strategic approach to solving the problem of the gender pay gap, and as a result, progress has been glacial with no substantive change in the everyday experiences of working women. Policy responses to the pay gap have been complicated by the devolution settlement whereby Scottish and UK Governments both hold powers for leveraging change. While employment

and anti-discrimination law are reserved to Westminster, Holyrood has power over a wide range of policy areas that are intrinsic to narrowing the pay gap including early years, primary and secondary education, further and higher education, skills, economic development, employability, childcare, long-term care, the public sector equality duty, transport and procurement.

There has been a welcome rhetorical shift from Scottish Government in recent years which has signalled the ascent of gender equality as a governmental priority. Policy ambitions on tackling the pay gap and women's economic inequality are more visible. However, this often does not result in the development and delivery of programmes that consider women's lived experiences in the workplace. Strategies integral to closing the pay gap, such as the labour market strategy, Scotland's economic strategy and the youth employment strategy, *Developing the Young Workforce*, only marginally consider gender. Policy initiatives that include specific components with a focus on gender, such as the Scottish Business Pledge, have been designed without gender expertise and have proven ineffective in changing the experiences of women workers. A variety of interventions including funding for women returners projects, a Workplace Equality Fund, and the Partnership for Change 50:50 by 2020 are very welcome, but collectively, this range of activity does not constitute a strategic approach to the gender pay gap. As a regulatory lever with specific requirements on the pay gap and occupational segregation, the public sector equality duty has failed to create change for women working in Scotland's public sector. Moreover, as Scottish public bodies' work on equality becomes more homogenised, gender is becoming increasingly invisible.

The UK Government has introduced regulations that require large private and third sector organisations to publish a range of gender pay gap information, and this represents an important first step towards addressing the systemic pay inequality that women face. Crucially, however, there is no requirement on employers to publish an accompanying narrative that would explain or contextualise the figures, or an action plan to address any gaps. Evidence shows that employers are unlikely to take action around addressing the pay gap unless they are legally required to do so.

The research found that there are four main factors contributing to Scotland's pay gap.

- **Bonus earnings:** Women are not only less likely to be among the workers receiving bonuses, but when a woman does receive a bonus it is, on average, less than a man's.
- **Company size:** Women who work in smaller companies are more likely to

receive lower pay than women working in a medium or large sized organisation. Although women working in a medium or large sized company tend to earn more than women in smaller companies, they are still more likely to earn less than their male colleagues in medium or large sized companies.

- **Occupational segregation:** Men are more likely to work in a male-dominated sector, such as engineering, which has jobs with higher pay, therefore contributing to the pay gap. The same can be concluded about female-dominated sectors, for instance care; women are more likely to do jobs in these sectors which attract lower pay, and this in turn contributes to the pay gap. In other words, an occupation's gender composition affects the amount a worker can expect to be paid for doing that job.
- **The "gender residual":** The most significant cause of Scotland's pay gap is gender itself; in other words, the penalty for being a woman. The gender residual is most commonly attributed to gender discrimination in the labour market, which manifests in the structural inequalities and systemic disadvantage that women experience in entering and progressing in employment.

The cost of the gender pay gap to women's hourly pay 2013/14		
	2004	2013/14
Bonus earnings	£0.27	£0.82
Size of company	£0.55	£1.51
Occupational segregation	£1.50	£1.51
The gender residual	£1.63	£3.15

Note: Based on men's mean average pay in 2004 (£13.62) and men's mean average pay in 2014, source: British Household Panel Survey 2005 and UK Household Longitudinal Survey 2013/14

The table shows that there has been no improvement in the causes of Scotland's pay gap since 2004, and the effects of most of the causes have actually worsened. There has been no progress in reducing occupational segregation, which cost women £1.50 per hour in 2004 and £1.51 per hour in 2013/14. The effect of bonus earnings on women's pay has more than tripled from £0.27 to £0.82 per hour, while the effect of company size has almost tripled, costing women £0.55 in 2004 and £1.51 in 2013/14. The effect of the gender residual has also almost doubled in size, from £1.63 in 2004, costing women £3.15 per hour in 2013/14.

These stark results demonstrate that current responses to the pay gap are failing to create change, and that the causes are becoming further entrenched in Scotland's labour market.

The research findings provide a first look at the causes of Scotland's gender pay gap, and identify many commonalities with existing evidence on the root of women's labour market inequality. It confirms that the pay gap is caused by range of factors which inter-relate in complex ways, and means there is no single solution to solving the problem of the pay gap.

Existing regulatory and policy levers are inadequate to persuade employers undertake work which advances women's workplace equality. Evidence shows that voluntary initiatives such as Scottish Government's Scottish Business Pledge, and the UK Government's *Think, Act, Report*, the predecessor to the pay gap reporting regulations, do not change employer practice in a substantive way. In spite of the public sector equality duty having specific requirements on the pay gap and occupational segregation, it is not functioning as intended. Employer responses to the duty have been marked by a clear diminution of focus on gender-specific work, resulting in the entrenchment of women's workplace inequality in the public sector.

Occupational segregation remains an intractable problem. Efforts to reduce occupational segregation have been overwhelmingly focused on increasing the number of girls and women in STEM, with a heavy emphasis on supply-side initiatives. There has been no work to address the inherent undervaluation of female-dominated work, such as care. Close the Gap, and other gender advocates, have previously called for care to be designated a growth sector in Scotland's economic strategy, and in its inquiry report into the pay gap, the Economy, Jobs and Fair Work Committee also recommended this as a means to tackling the undervaluation that characterises the sector.

Gender norms and stereotypes are at the root of occupational segregation, and a meaningful response to this must include a strategic intervention which targets gender stereotyping in the early years setting. Gendering early years education policy and Curriculum for Excellence is also necessary.

One of the most startling findings is that the effect of Scotland's gender residual, the penalty for being a woman, has doubled. This alone demonstrates that the road to women's equality is very long. While it was not possible to include work histories in this research, it is likely that career interruptions to undertake care, and the constraints that caring creates around labour supply may partly explain the gender residual. The take-up of Shared Parental Leave has been woefully low, and has not resulted in a more equal distribution of childcare as was intended.

The gender residual is commonly understood to be an indicator of the widespread

gender discrimination that women face every day in the labour market. Women still feel excluded from male-oriented work cultures which do not value their skills, experience and contributions. The burden of care which falls disproportionately on women prevents them from progressing into overwhelmingly inflexible senior roles. Employers do not consider how female employees' skills could be more effectively used when designing jobs. The undervaluation of "women's work" is embedded across the labour market, as are gendered assumptions about women's abilities and preferences in the workplace, and in life.

Scottish Government has set out a number of welcome policy ambitions around gender equality at work, but there remains a wide gap between those ambitions, and the design and implementation of programmes to achieve these. Tinkering around the edges of a systemic problem does not create change. The pay gap is structural, and therefore requires a strategic, cohesive response to address its complex, inter-related causes, which cut across a broad range of policy domains. Critically, responses to the pay gap must recognise that women have multiple identities which intersect to create a wide range of lived experiences.

Transformational change is needed to close the pay gap, and the benefits of doing so are far-reaching. Closing the pay gap will benefit women and their families, providing equality of outcome for women and girls, and alleviating women's poverty and children's poverty. Addressing women's labour market inequality will also benefit employers as they will be able to recruit from a wider talent pool, address skills gaps, and see their businesses become more productive, more innovative, and more profitable. Effective utilisation of women's skills and talents is a catalyst for economic growth, worth up to £17bn to Scotland's economy¹. As women's employment becomes increasingly precarious in a changing labour market, the challenge for policymakers, employers and unions is to move beyond rhetoric and demonstrate their commitment to realising women's labour market equality.

¹ Close the Gap (2016) *Gender equality pays: The economic case for addressing women's labour market inequality*



1. Introduction

The gender pay gap is a defining feature of the Scottish labour market. Although it has gradually narrowed over the long term, progress has been extremely slow, particularly in recent years, with little substantive change in the everyday experiences of working women. The pay gap, which is the difference between men's and women's average hourly pay, is the key indicator of women's labour market inequality.

It is a single headline figure which represents women's and men's divergent experiences in education, skills acquisition, employment, care and domestic labour which stem from gendered attitudes and assumptions about girls' and boys', and women's and men's, behaviours and choices. A range of studies have identified the causes of the pay gap at UK level. While the causes of the pay gap are context specific, there are factors which are common across the developed world, and align with Close the Gap's 17 years of experiences of working on women and work in Scotland. The causes of the pay gap, and therefore the structural barriers to women's equal labour market participation, include:

- **occupational segregation**, where gender norms and stereotyping about women's and men's capabilities and preferences results in women and men doing different types of work (horizontal segregation) and different levels of work (vertical segregation);
- a **lack of quality part-time and flexible working** which results in women's under-representation at management level and in senior grades, and their concentration in lower grades;
- the **undervaluation** of "women's work" such as care, admin, cleaning and retail, in which women's employment, and part-time work is concentrated;
- women's **disproportionate responsibility for unpaid care** work, and the length of time women have worked **part-time** in order to combine their caring roles with employment;
- biased and untransparent **recruitment, development and progression practices**;

- **male-orientated workplace cultures** that do not feel inclusive to women, nor meet the needs of their lives; and
- **discrimination embedded within pay and grading systems**, which results in women being paid less than men for doing equal work.

Disabled women², Black and minority ethnic women³, Muslim women⁴, lesbian and bisexual women⁵, trans women⁶, refugee women⁷, young women⁸, and older women⁹ experience different, multiple barriers to participation in the labour market, and to progression within their occupation, which also contributes to the pay gap. Across the labour market, disabled women and some groups of Black and minority ethnic women are more likely to be under-employed in terms of skills, and experience higher pay gaps. Disabled, Black and minority ethnic, and lesbian, bisexual and trans women are also more likely to report higher levels of discrimination, bullying and harassment.

While a range of studies have modelled the UK gender pay gap, there is no specific data on the factors which contribute to Scotland's pay gap. Close the Gap therefore commissioned researchers at University of Manchester to undertake a study into the nature of the pay gap in Scotland. The research aimed to identify the causes of the pay gap in 2014, and determine how this has changed since 2004.

² Leonard Cheshire Disability (2014) *Realising the rights of women and girls with disabilities*

³ Scottish Parliament Equal Opportunities Committee (2016) *Removing Barriers: Race, ethnicity and employment*

⁴ House of Commons Women and Equalities Committee (2016) *Employment Opportunities for Muslims in the UK*

⁵ Stonewall (2014) *The Double-Glazed Glass Ceiling: Lesbians in the workplace*

⁶ House of Commons Women and Equalities Committee (December 2015) *Transgender equality*

⁷ Scottish Refugee Council (2014) *One Step Closer*

⁸ YWCA Scotland (2016) *Status of Young Women in Scotland*

⁹ Scottish Commission on Older Women (2015) *Older Women and Work: Looking to the future*



2. Policy context

A range of Scotland and UK bodies, commissions and committees have undertaken inquiries and investigations into the gender pay gap. Many of the recommendations have been timid, short-termist, and often not implemented. Most recently, the Scottish Parliament Economy, Jobs and Fair Work Committee's inquiry into the economic potential of closing the pay gap¹⁰ proved to be an exception. That the Committee undertook the inquiry is evidence of progress as the pay gap has hitherto been seen as the purview of equality committees. The Committee made a number of refreshingly bold and ambitious recommendations, particularly around economic development and procurement. The Committee also recommended that Scottish Government develop a national strategy on the pay gap. There has never been a cohesive, strategic approach to solving the problem of the pay gap, and as a result progress has been glacial with no substantive change in the systemic and entrenched inequality that women face at work. The modest narrowing of Scotland's headline gender pay gap over time in recent years, which in 2017 stalled completely, can be attributed to downward pressure on men's wages since the recession, rather than an improvement in women's pay or labour market experiences. Scottish Government's response to the inquiry report may be characterised as timid, but with a commitment to undertake a scoping exercise to determine the feasibility of having a co-ordinated cross-Government action plan aligned to the labour market strategy¹¹.

Policy responses to the pay gap have been complicated by the devolution settlement whereby Scottish and UK Governments both hold powers for leveraging change. While employment and anti-discrimination law are reserved to Westminster, Holyrood has power over a wide range of policy areas that are intrinsic to narrowing the pay gap including early years, primary and secondary education, skills, economic development, employability, childcare, long-term care, the public sector equality duty, transport and procurement.

¹⁰ Scottish Parliament Economy, Jobs and Fair Work Committee (2017) *No Small Change: The economic potential of closing the gender pay gap*

¹¹ Scottish Government (2017) *Response to the recommendations of the Economy, Jobs and Fair Work Committee inquiry into the gender pay gap*
www.parliament.scot/S5_EconomyJobsFairWork/Inquiries/20171004_-_Revised_Response_to_Recommendations.pdf accessed 27 October 2017

Scottish policy context

There has been a clear rhetorical shift from Scottish Government in recent years which has signalled the ascent of gender equality as a governmental priority. Policy ambitions on tackling the pay gap and women's economic inequality are more visible. However, this often does not result in policy development and delivery that considers women's lived experiences in the workplace.

Labour market and the fair work agenda

Closing the pay gap has been identified as a government priority, and is reflected in Scotland's labour market strategy which commits Scottish Government to "*continue to tackle inequalities around pay gaps and occupational segregation in the labour market*"¹². The actions set out to achieve this include funding for small-scale, short-term returnship projects; introducing legislation on gender balance on public boards; and the voluntary gender balance on boards initiative, Partnership for Change, the delivery of which is linked to the Scottish Business Pledge. The strategy also mentions the establishment of the Advisory Council on Women and Girls to "*advise on action to tackle workplace and occupational segregation and other issues relating to gender equality*"¹³. A £500,000 Workplace Equality Fund has also been announced to "reduce employment inequalities" and address barriers to the labour market, although there will be a "particular focus on race and disability"¹⁴.

While these initiatives are welcome, collectively they do not form a cohesive strategy that will address the causes of women's labour market inequality. Furthermore, the Strategic Labour Market Group, which will oversee the implementation of the strategy, has no gender and employment competence. Without this expertise, it is difficult to see how the ambitions around reducing the pay gap and occupational segregation will be realised.

The concept of "fair work" has been a flagship policy of Scottish Government which led to the establishment of the Fair Work Convention, a group of employer and trade union representatives, to develop a fair work framework and to provide independent advice to Government on fair work, including "increasing levels of gender equality and workplace democracy across private, public and third sectors"¹⁵. The specific inclusion of gender equality in the remit of the Convention

¹² Scottish Government (2016) *Labour market strategy*

¹³ Scottish Government (2016) *New perspectives on the gender pay gap: Trends and drivers*

¹⁴ Scottish Government (2017) *Equality outcomes and mainstreaming report*

¹⁵ Scottish Government (2015) *Scotland's economic strategy*

is very positive; however, the framework’s focus on women’s experiences of the labour market, and what fair work means for women, is minimal. There is no mention of the root causes of the pay gap such as the undervaluation of “women’s work”, horizontal segregation, and discrimination. The framework’s recommendations on equality are generic and lack specificity, and do not reflect that, while there is some overlap in the causes of inequalities experienced by protected groups, the solutions to the inequalities faced by different protected groups are distinct. Employers are encouraged to “investigate and interrogate the workforce profile...and identify where any barriers to opportunity arise and address these creatively”. It is difficult to see how the framework in its current form will enable employers to operationalise fair work for women in Scotland.

Economic development and inclusive growth

Scotland’s current economic strategy marked a clear change in emphasis from previous strategic approaches, with a recognition that tackling inequality and increased growth are mutually reinforcing, with “inclusive growth” identified as one of the four priorities for Scotland’s economic performance¹⁶. The strategy also makes explicit reference to the economic potential of women and advancing gender equality, and highlights that “maximising economic opportunities for women to participate fully in the economy” is key to improving economic performance and tackling inequality¹⁷.

The actions set out to realise this ambition are increasing the level of funded early learning and childcare; implementing the equality commitments of the youth employment strategy, *Developing the Young Workforce*; developing and delivering the Women in Enterprise Action Framework; and funding gender equality organisations working on employment. Individually these actions are laudable, but collectively constitute a fragmented approach which will not address the causes of the pay gap.

The potential of economic development policy to address occupational segregation cannot be underestimated. Strategic approaches to developing Scotland’s growth sectors, food and drink, financial and business services, life sciences, energy, tourism and creative industries¹⁸, have failed to engage with gender. Yet occupational segregation is evident in the growth sectors, with women concentrated in lower paid jobs in each industry, and vastly under-represented in STEM occupations.

¹⁶ Scottish Government (2015) *Scotland’s Economic Strategy*

¹⁷ Ibid.

¹⁸ Scottish Government (2015) *Scotland’s Economic Strategy*; and Scottish Government (2011) *Government economic strategy*

Scottish Enterprise’s business plan for 2015-18 says that the agency “*also recognise[s] the key role we have, both as an employer and in our engagement with business, in developing actions to address the challenges women face in the labour market*”¹⁹. There is however no detail on how that influences delivery or budget allocation. The agency’s Business Plan 2017-18 Operating Update²⁰ and 2017 mainstreaming report also offer no further insight into how this will be achieved.

Scottish Business Pledge

Scottish Government voluntary initiative, the Scottish Business Pledge, and the Partnership for Change 50/50 by 2020 campaign are representative of Scottish Government’s efforts to encourage businesses to take action around gender equality. Participating companies commit to paying the Living Wage, and to meet the requirements of two of the pledges, one of which relates to “*making progress on gender equality*”²¹. The indicator for this pledge is a “balanced workforce”, a fundamentally flawed measure of women’s labour market equality. The focus on headline workforce gender balance does not acknowledge occupational segregation, and does not encourage employers to identify where and why there are pay gaps in their organisation.

The Business Pledge signals a failure to mainstream gender, and a lack of gender competence at the development stage. It represents a missed opportunity for enterprise agencies to effectively engage with businesses on gender, with whom they work closely through account management and workplace innovation functions.

The “balanced workforce” indicator is not only confusing for businesses but serves to reinforce employer complacency around their equalities practice. This has been borne out in the “balanced workforce” pledge take-up; only 34.7 per cent of companies signed up this element²², the lowest of all the Pledge components. Furthermore, progress has regressed from 37 per cent when the first figures were published²³.

In its recent inquiry into the pay gap, the Scottish Parliament Economy, Jobs and

¹⁹ Scottish Enterprise (2015) 2015–2018 *Business Plan: Building Scotland’s International Competitiveness*

²⁰ Scottish Enterprise (2017) *Business Plan 2017-18: Operating Year Update*

²¹ Scottish Government www.scottishbusinesspledge.scot accessed May 2017

²² Scottish Government *Scottish Business Pledge statistical overview January 2018*

<https://scottishbusinesspledge.scot/information/scottish-business-pledge-statistical-overview-june-2017/> accessed January 2018

²³ Scottish Government *Scottish Business Pledge statistical overview January 2018*

<https://scottishbusinesspledge.scot/information/scottish-business-pledge-statistical-overview/> accessed January 2018

Fair Work Committee highlighted its concerns around the enterprise agencies' commitment to promoting the Business Pledge, and recommended inclusion of ambitious targets for the pledge on gender equality. The Committee also expressed its disappointment at the lack of consideration from the enterprise agencies in tackling the pay gap through their work with businesses. It recommended that companies accessing account management support and Regional Selective Assistance grants should be signatories to the Business Pledge, and should also be required to publish their pay gap and an action plan.²⁴

Education and skills

Gender segregation is a cradle to the labour market problem, ingrained in the education and skills pipeline, starting in early years and resulting in women's concentration in undervalued, stereotypically female low-paid jobs and sectors such as care, cleaning and admin. Successive Scottish administrations have identified addressing occupational segregation as a priority, but activity to achieve this has been short-term, narrow in scope, and unsustainable.

The Commission on Developing Scotland's Young Workforce, and the resulting youth employment strategy, yielded a range of recommendations that commit Scottish Government and public sector delivery agencies such as Skills Development Scotland, Education Scotland, and Scottish Funding Council, as well as schools and colleges, to take action to advance gender equality, and address occupational segregation. As part of the strategy, Skills Development Scotland and Scottish Funding Council have developed action plans to implement the equality actions which include addressing the persistent and acute occupational segregation in Modern Apprenticeships, and tackling gender stereotyping and segregation in subject choices.

A key aspect of the strategy is increased employer engagement with schools and colleges. To support this, a number of regional industry-led groups have been established across Scotland which are overseen by a national industry-led group. The regional groups are required to commit to targeted activities, including offering work experience and placements; engaging with schools and career advisers to support the delivery of career education; and recruiting more young people, including Modern Apprentices.

The activity proposals for the regional groups evidence little consideration of gender, with the vast majority of the group proposals including only a generic

²⁴ Scottish Parliament Economy, Jobs and Fair Work Committee (2017) *No Small Change: The economic potential of closing the gender pay gap*

commitment to the “promotion of equalities”. The small number of proposals which make specific reference to gender inequality include no detail on actions planned to tackle this. There is no gender competence in the membership of the regional groups, or the national groups, and the key metrics for the groups’ success do not link to or support the KPIs relating to gender equality.

Skills Development Scotland has responsibility for Scotland’s skills investment planning. As part of this approach, it develops skills investment plans (SIPs) which describe “*the challenges and opportunities across Scotland’s key sectors*”²⁵. The consideration given to gender, and addressing the causes of the pay gap, in SIPs is at best marginal. For example, the energy SIP acknowledges that more women must be attracted to the industry but makes no mention of improving retention²⁶; the life sciences SIP acknowledges occupational segregation within the sector but has no actions to reduce it²⁷; and the ICT and digital technologies SIP mentions a need to encourage more women into the sector but only has one action relating to gender around establishing a computer club for girls²⁸.

SIPs fail to provide a comprehensive, gendered analysis and overview of Scotland’s skills challenges and opportunities, and are very unlikely to create meaningful change on the pay gap.

Similarly, regional skills assessments (RSAs) aim to “*provide a coherent evidence base on which to base future investment in skills*”, and include data on “*demand for skills, supply of people, provision of skills and skills challenges*”. However, there is no gender-disaggregated data in RSAs, including those which relate to workforce profile, and people and skills supply. There does not appear to be any acknowledgment that these significant data gaps exist in the national and regional skills evidence base, and therefore no action plan to address the gaps.

Public sector equality duty

Since 2007 there have been positive duties, first with the gender equality duty, now with the public sector equality duty, to do gender mainstreaming. There are also specific requirements on listed Scottish public bodies to take action to advance women’s equality at work, whereby employers must report on their gender pay gap; develop an equal pay statement and publish occupational segregation

²⁵ Skills Development Scotland www.skillsdevelopmentscotland.co.uk/what-we-do/partnerships/skills-investment-plans/ accessed May 2017

²⁶ Skills Development Scotland (2015) *Skills Investment Plan for Scotland’s Energy Sector*

²⁷ Skills Development Scotland (2015) *Skills Investment Plan for Scotland’s life sciences sector*

²⁸ Skills Development Scotland (2015) *Skills Investment Plan for Scotland’s ICT and digital technologies sector*

information; gather, analyse and use gender-disaggregated employee data; and develop equality outcomes. Research by Close the Gap has found that employer performance on the specific duties has been poor, with a regression in compliance with the gender and employment aspects of the duty. While all public bodies in the assessment reported organisational pay gaps, less than half have published equality outcomes to address the causes of those pay gaps. An increasingly number of public bodies, now one fifth, have not published an equal pay statement, and of those which have been published, the vast majority (83 per cent) were assessed as being “poor”, with weak or no analysis of the causes of the pay gap, or action to address it. This represents a regression in terms of action taken to advance gender equality, not only across the lifetime of the public sector equality duty, but also when compared with its predecessor, the gender equality duty.

Childcare

The expansion of the entitlement to free early learning and childcare is a flagship policy of the Scottish Government. Access to quality, affordable childcare is the most immediate barrier to women being able to work, study and train, so this is to be welcomed. There is also a clear economic case for investing in early years education and childcare²⁹.

The increase in free entitlement necessitates a workforce expansion, with up to 20,000 new jobs in the sector being created³⁰. There is a considerable risk that the expansion will entrench the acute occupational segregation and replicate the low pay which characterises the sector where women comprise 97 per cent of childcare workers. The action plan for the expansion includes a commitment to provide funding to local authorities “*to agree rates with funded providers in the private and third sectors that allows them pay the Living Wage to workers providing the funded entitlement*”³¹. While low pay is recognised as a problem, and specifically a barrier to men entering the sector, there is no explicit acknowledgment that the undervaluation of childcare workers is itself gendered. This commitment also only relates to workers delivering the publicly funded element of the service. It will not address the systematic undervaluation of early years work.

The action plan includes two actions which relate to addressing occupational segregation. One commits Scottish Government to “*work with local authorities and*

²⁹ Women in Scotland’s Economy research centre (2013) *The economic case for high quality childcare and early years education*

³⁰ Skills Development Scotland (2017) *Skills Investment Plan: Prospectus for Scotland’s early learning and childcare sector*

³¹ Scottish Government (2017) *A Blueprint for 2020: The Expansion of Early Learning and Childcare in Scotland - 2017-18 Action Plan*

delivery partners to develop recruitment and career pathways...which improve the gender balance across the sector". The other focuses on working with delivery partners to raise the profile of a career in the sector with under-represented groups.³² There is no explicit acknowledgement of the causes of gendered occupational segregation, and it is very likely that these actions are too vague to realise meaningful change in the sector.

UK policy context

Successive UK governments have been unpersuaded of the merits of mandatory pay reviews as a means for tackling the pay gap. The voluntary initiative *Think, Act, Report* was conceived as a vehicle for encouraging businesses to report their pay gap. Of the 280 companies that signed up, only five published their pay gap. The Government's focus then moved to transparency measures which would require the publication of organisational-level pay gaps. Theoretically, this would persuade businesses of the need to undertake an equal pay review to be able to explain and contextualise their figures, and reassure employees and other stakeholders that any gaps were not the product of discrimination.

The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 require large private and third sector organisations to report their top line pay gap, the distribution of male and female employees across the quartile pay bands, the proportions of men and women receiving bonuses, and the gender gap in bonus payments. The regulations are an important first step towards addressing the systemic pay inequality that women face.

Crucially, however, there is no requirement for employers to publish an accompanying narrative that would explain or contextualise the figures, or an action plan to address any gaps. Evidence shows that employers are unlikely to take action around addressing the pay gap unless they are legally required.³³ The regulations also lack appropriate accountability mechanisms; there are no penalties set out for those failing to report, with the UK Government instead committed to keeping a watching brief on compliance, and committing to a review within five years. The explanatory note which accompanies the regulations empowers the Equality and Human Rights Commission to take enforcement action, although no specific provision to achieve this has been included in the regulations, and no additional resource has been allocated to the Commission to undertake enforcement work.

³² Scottish Government (2017) *A Blueprint for 2020: The Expansion of Early Learning and Childcare in Scotland - 2017-18 Action Plan*

³³ Close the Gap (2013) *Missing out on the Benefits? Summary of research on reporting of the gender pay gap in Scotland*; and Government Equalities Office (2015) *Company reporting: Gender pay data*, IFF Research

The threshold of 250 employees excludes small and medium sized employers which account for 99.9 per cent of private sector companies, and most third sector organisations. Women are more likely to work in smaller organisations, and smaller employers are less likely to have good equalities practice, and less likely to have undertaken an equal pay review or taken any action to address pay gaps³⁴.

The move towards pay gap reporting is set against a backdrop of “welfare reform” and the UK Government’s wider austerity agenda, including far-reaching public spending cuts which has had an enormously disproportionate impact on women. From 2010 to 2020, 86 per cent of net “savings” raised through cuts to social security and tax credits will come from women’s incomes.³⁵ The gendered impact of spending cuts on public sector employment through recruitment freezes, natural wastage redundancies and “welfare reform” affects women as workers, as they comprise two-thirds of public sector workers, and also as service users because they are more likely to use public services and claim benefits. Women are twice as dependent on social security as men, with 20 per cent of women’s income coming from the benefits and tax credits system, compared with 10 per cent of men’s.³⁶ The austerity agenda has created a climate which threatens women’s rights and women’s incomes, and ultimately undermines discrete regulatory responses to the pay gap.

³⁴ Close the Gap (2015) *Response to the consultation on closing the gender pay gap*

³⁵ Engender (2016) *Securing Women’s Futures: Using Scotland’s new social security powers to close the gender equality gap*

³⁶ Ibid.



3. Methodology

The research uses the UK Household Longitudinal Study, also known as Understanding Society, to study pay rates in 2004, and in each year up to 2013/14. It incorporates the British Household Panel Survey 1991-2009, and the two surveys were linked to gain coverage of each year from 2004 to 2013/4.

The causes of the pay gap are identified using a statistics technique called Oaxaca two-term **decomposition**, which identifies the factors which appear to have caused divergence between the mean pay of men and women.

Previous research³⁷ has identified lifetime working patterns or work histories, including the number of years spent in employment and time spent in full or part-time work, and time spent undertaking unpaid care as being a significant factor affecting rates of pay³⁸.

Factors not included in the research

Part-time work

Research has found that part-time work can explain a high percentage of wage variation while also being found to be associated with lower pay³⁹. Part-time pay is lower because it is most commonly found in female-dominated jobs and sectors such as care and cleaning. As employment law provides that part-time workers must be treated no less favourably than full-time workers, it is evident that it is itself undervalued as a working pattern because it is mainly women that work part-time, usually to balance work with caring roles. The undervaluation of part-time work manifests in a range of ways at the enterprise level including cultural presumptions against part-time working at senior levels where presenteeism and long hours are associated with commitment; individual pay negotiations resulting in different starting salaries for the same jobs; and zero-hours contracts having worse progression arrangements.

³⁷ Olsen and Walby (2004) *Modelling gender pay gaps*

³⁸ Ibid; and Olsen et al (2010) *The gender pay gap in the UK 1997-2007: Research report*

³⁹ See for example Olsen, et al. (2010) *The gender pay gap in the UK 1995-2007: Policy-related factors off-setting women's low pay in the UK 2004-2007*

Part-time working is not only correlated with being a woman but also with being young, and having low levels of education. Including part-time working as a factor in the regression analysis is therefore very likely to confuse the findings. It has consequently been omitted in order to more accurately measure the causes of the pay gap.

Work histories

Work histories and, in particular, career interruptions to care for children, which is predominantly done by women, have been found to have a cumulative negative impact on pay; the longer a woman spends out of the labour market undertaking unpaid care, the greater the effect it has on her pay when she returns to employment⁴⁰. While this is an undoubtedly important consideration in understanding the pay gap, the inclusion of work histories was unfortunately outwith the scope of this research.

⁴⁰ Olsen and Walby (2004); *Modeling gender pay gap* and Olsen et al (2010) *The gender pay gap in the UK 1995-2007: Research report*



4. Findings

The causes of the pay gap in Scotland in 2013/14

Table 1 shows the factors which cause the pay gap in Scotland. It shows the effect of each factor on women's pay, equivalent to how much they lose per hour because of that factor.

Bonus earnings	£0.82
Size of company	£1.51
Occupational segregation	£1.51
The gender residual	£3.15

Source: British Household Panel Survey, 2004, 2007; Understanding Society UKHLS sample, 2009/10, and 2013/2014. The population is employees aged 16-65, hours 5+ per week; wage rates are gross i.e. before tax.

There are four main factors contributing to Scotland's pay gap: bonus earnings, company size, occupational segregation, and the "gender residual".

Bonuses

Bonus earnings cause the pay gap in two ways. Firstly, women have unequal access to bonuses because they are less likely to be in the group of workers that receive this type of payment. This is because they comprise the majority of public sector workers, where bonuses are less likely to be paid, particularly since the austerity agenda took hold and there is increasing downward pressure on public sector budgets. Women are also under-represented in senior private sector roles which are significantly more likely to attract bonus earnings. Secondly, where a woman does receive a bonus, on average the amount she received was found to be less than men's. The total effect of bonuses on women's pay is equivalent to £0.82p per hour.

Any element of discretionary pay is extremely vulnerable to discrimination. There is substantial evidence that people unconsciously reward in their own image, and the impact on women, and minority groups, is profound. This is compounded when performance management and incentive systems reward stereotypically masculine traits or behaviours.

Performance related pay, including the allocation of discretionary bonuses, is often found in male-dominated sectors and occupations. A common feature of the culture in such workplaces is a lack of pay transparency, especially around performance related pay.

In some sectors, such as financial services, the allocation of discretionary bonuses can often form significant elements of take-home pay. The Equality and Human Rights Commission inquiry into the pay gap in the financial services sector⁴¹ found that there was a 55 per cent pay gap between full-time men's and women's bonus earnings. The inquiry also revealed evidence of lack of transparency in pay cultures, and opaque bonus allocation methodologies based on managerial discretion, with no human resources oversight.

The equal pay review is the methodology by which employers can check for discrimination in their pay systems. However, research by Close the Gap has found that most employers have not done a pay review⁴², and the pay reviews that have been done are often of poor quality, in that they do not identify why there are pay gaps, and do not set out actions to address the gaps. Many employers do not undertake a pay review because they believe they are already providing equal pay. This undue sense of complacency caused by a lack of understanding around discrimination in pay systems is central to the gender gap in bonus earnings.

Company size

The size of company women work in contributes to the pay gap in two ways. Firstly, women who work in smaller companies are more likely to receive lower pay than women working in a medium or large sized organisation. This is partially because collective bargaining is more commonly found in some larger employers. Smaller employers also tend not to have a discrete human resources function, and therefore are less likely to be familiar with good equalities practice, including providing equal pay.

⁴¹ Equality and Human Rights Commission (2009) *Financial Services Inquiry: Sex discrimination and the gender pay gap report of the Equality and Human Rights Commission*

⁴² Close the Gap (2013) *Missing Out on the Benefits? Summary of research on the reporting of the gender pay gap in Scotland*

Secondly, although women working in a medium or large sized company tend to earn more than women in smaller companies, they are still more likely to earn less than their male colleagues in medium or large sized companies. Higher pay ratios are more commonly found in larger organisations, particularly in the private sector. As men are over-represented in the senior grades, they tend to be in the highest paid jobs. The effect of company size costs women £1.51 per hour.

Discretionary pay is a key feature of many larger companies' pay systems. Not only in relation to decision-making on bonus earnings, but also other discriminatory pay practices such as appointing individuals to different points on the pay scale, different job titles and grades for virtually the same jobs, and sex bias in job evaluation schemes where women's jobs are graded lower than men's.

That women are more likely to work in smaller companies, both in the private and third sectors, compounds this problem. Furthermore men are more likely to work in larger companies, and more likely to benefit from the associated pay gains.

Occupational segregation

Table 1 also shows that occupational segregation is a major cause of the pay gap. Men are more likely to work in a male-dominated sector, which has jobs with higher pay, therefore contributing to the pay gap. The same can be concluded about female-dominated sectors; women are more likely to do jobs in sectors which attract lower pay, and in turn contributes to the pay gap. In other words, an occupation's gender composition affects the amount a worker can expect to be paid. Occupational segregation reduces women's pay by £1.51 per hour.

Neo-classical economists posit human capital theory as an explanation of occupational segregation. Human capital can be summarised as investment by people in skills linked to productive capability around performing labour. Human capital is usually built up in an individual through education and experience, and covers both skills and knowledge. Human capital theory explains segregation as the result of decisions made by women, in that women choose to take up different opportunities in education and training. Women are assumed to rationally make different human capital investments because they anticipate only participating in the labour market intermittently. Under this assumption, in which women's participation in the labour market is not continuous and that the skills acquired through human capital investment will depreciate during periods when women are out of the labour force, women will choose to invest in skills for which the depreciation value is low. Therefore, women end up in the lowest paid and lowest skilled jobs.

Feminist economists argue that human capital theory does not consider the social influences that determine what occupational choices are most “suitable” for women. These social influences function to erect barriers that reduce the likelihood of women and girls acquiring skills and knowledge that would enable them to sell their labour for higher wages.

The barriers that women experience are gendered assumptions about their interests and abilities from a very young age; inflexible working practices, and a lack of quality part-time work, which makes it difficult to combine work with caring; and the undervaluation of “women’s work” such as care, admin, and cleaning.

The concept of undervaluation underpins both occupational segregation and the pay divergence that accompanies it. In economics, the undervaluation of women’s work means that there is evidence of lower returns to women’s productive characteristics. Practically, this means that women will receive lower rewards from investing in education or from their own work experience. The undervaluation of work done by women is therefore a key strand linking together the causes of the gender pay gap, occupational segregation, women’s unequal share in caring, and pay discrimination.

The “gender residual”

As identified in other research which has modelled the gender pay gap, the most significant cause of Scotland’s pay gap is gender itself. In other words, the penalty for being a woman. Table 1 shows that because of this, a reduction of £3.15 per hour is the starting point for women in Scotland.

In statistics, this factor, known as the “gender residual”, is categorised as being “unexplained” because the factors in the decomposition failed to explain all of the gender differences in pay. Most research evidence shows that the largest part of the pay gap remains “unexplained”⁴³. Other studies have also found the gender residual accounting for a large proportion (just under 40 per cent) of the pay gap⁴⁴.

Neoclassical economists argue that the gender residual reflects a gendered productivity effect; in other words women are less productive than men. Women choose jobs that enable them to balance work with caring roles, and they accept lower pay in return for flexible work. This is known as compensating differentials.

⁴³ Olsen et al (2010) *The gender pay gap in the UK 1995-2007: Research report*

⁴⁴ Olsen and Walby (2004) *Modelling gender pay gaps*; and Olsen et al (2010) *The gender pay gap in the UK 1995-2007: Research report*

The notion that women “choose” low-paid work does not, however, recognise the gendered constraints on women’s choices. Gender norms and stereotypes result in women shouldering the burden for care and other unpaid domestic work. A lack of quality part-time jobs and flexible working, particularly at senior levels, means that women seeking to balance paid work with caring must opt for the only part-time work available, which is overwhelmingly found in low-paid work.

Another explanation of the gender residual is that there are “unobserved” individual characteristics on which no information is included in the research. This theory asserts that the research is failing to measure a factor determining lower pay rates which is highly correlated with being a woman. Examples of unobserved individual characteristics, also known as unobserved worker heterogeneity, are motivation, assertiveness, and commitment. This, therefore, suggests that women as a group are, for example, less motivated, less assertive, and less committed which is reflected in the lower rate of pay they receive.

Olsen et al⁴⁵ used a statistical technique to remove the unobserved heterogeneity from a model looking at the UK gender pay gap, and examined two additional drivers as possible explanations for the gender residual. The factors were career interruptions and labour supply. Factors influencing labour supply include caring roles and other unpaid domestic responsibilities, household wealth, and health.

Work history

When examining career interruptions, the study looked at work history and found a positive association of an extended full-time, work-life history with current pay, as well as the pay penalty experienced by those who have done family care work, and the negative effect of long periods of part-time work. This aligns with research which evidences a cumulatively negative impact of family care work on pay⁴⁶, and on the pay of those returning to the labour market after a period of caring⁴⁷. While work histories are clearly a critical factor in determining pay, and can account for a proportion of the gender residual, until men are equally as likely to take time off for caring and other unpaid domestic work, the inclusion of variables with a strong gender bias risks explaining the effect of gender on the outcome⁴⁸.

⁴⁵ Olsen et al (2010) *The gender pay gap in the UK 1995-2007: Research report*

⁴⁶ Olsen, W., Gash V., Grimshawe, D., Walther P. and Vandecasteele L. (2009) *The gender pay gap in the UK 1995-2007: Can SEM reveal causality*

⁴⁷ Tomlinson, J., Olsen, W. and Purdam, K. (2009). “Exploring the employment profiles and labour market opportunities of women returners and potential returners in the UK”, *European Sociological Review*, 25(3), 349-363.

⁴⁸ Olsen et al (2010) *The gender pay gap in the UK 1995-2007: Research report*

Labour supply

Olsen et al identify three factors which constrain women's supply to paid work: having children in the home, especially young children; having a health problem that limits their ability to work; and having a spouse who earns enough to make staying at home affordable. The research found that caring as an obstacle to labour supply is strongly gendered. Where women doing caring are not employed, they receive no pay and therefore it does not affect the pay gap. If they are employed, they tend to be low-paid, and in this sense, caring responsibilities, which increase the chances of non-employment, are an indirect cause of the pay gap⁴⁹.

When work history and labour supply were added into Olsen et al's model, the proportion of the pay gap for which the gender residual accounted reduced but did not disappear. It is possible, then, that work history and labour supply explain part of Scotland's gender residual.

Gender discrimination

A further, and more common, explanation of the gender residual is that where a component of the pay gap cannot be explained by human capital factors, the unexplained factor is attributed to gender discrimination in the labour market. This manifests in the structural inequalities and systemic disadvantage that women experience in entering and progressing in employment.

Discriminatory practices, both direct and indirect, may be found not only embedded in factors such as occupational segregation, but also within the processes by which human capital is acquired⁵⁰. For instance, according to human capital theory, the experience gained from part-time work should lead to pro rata human capital acquisition that is associated with working full-time. However, research has proven that part-time work, which is overwhelmingly done by women in low-paid, stereotypically female jobs, does not deliver the same human capital gains that come with years spent working full-time. Rather periods of part-time work have a negative effect on pay, and this is felt most sharply by women. Furthermore, the most common reason that women work part-time is so that they can undertake unpaid care work. Women's tendency to be primary carers is premised on gender stereotypes and societal norms that women are more naturally suited to do caring⁵¹.

⁴⁹ Olsen et al (2010) *The gender pay gap in the UK 1995-2007: Research report*

⁵⁰ Olsen and Walby (2004) *Modelling gender pay gaps*

⁵¹ Manning, A. and J. Swaffield (2005) 'The Gender Gap in Early Career Wage Growth' *Paper No. CEP Discussion Paper No. 700*

Looking at full-time work, research has found that women who enter the labour market with the same average level of pay as men have fallen approximately 12 per cent behind, even if they have been in continuous full-time employment, have had no children, and do not want any.

How the causes of the pay gap have changed

Table 2 shows the effect of each of the causes of the pay gap on women's hourly pay in 2004 and in 2013/14.

Table 2: The cost of the gender pay gap to women's hourly pay in 2004 and 2013/14		
	2004	2013/14
Bonus earnings	£0.27	£0.82
Size of company	£0.55	£1.51
Occupational segregation	£1.50	£1.51
The gender residual	£1.63	£3.15

Note: Based on men's mean average pay in 2004 (£13.62) and men's mean average pay in 2014 (£13.69). Source: British Household Panel Survey 2005 and UK Household Longitudinal Survey 2013/14

The table shows that there has been no improvement in the causes of Scotland's pay gap since 2004, and the effects of most of the causes have actually worsened. There has been no progress in reducing occupational segregation, which cost women £1.50 per hour in 2004 and £1.51 per hour in 2013/14. The effect on women's pay of bonus earnings has tripled from £0.27 to £0.82 per hour, while the effect of company size has almost tripled, costing women £0.55 in 2004 and £1.51 in 2013/14. The effect of the gender residual has also doubled in size, from £1.63 in 2004, and costing women £3.15 per hour in 2013/14.

These stark results demonstrate that current activity to close the pay gap is failing to create change, and that the causes are becoming further entrenched in Scotland's labour market.



5. Discussion

The research findings provide a first look at the causes of Scotland's gender pay gap, and identify many commonalities with existing evidence on the root of women's labour market inequality. It confirms that the pay gap is caused by a range of factors which inter-relate in complex ways.

Changing employer practice

Company size is an important factor in Scotland's pay gap, and has tripled in its effect since 2004. Women working in smaller organisations tend to earn less than women in medium and large sized companies, predominantly because smaller employers are less likely to have discrete HR and equalities expertise. There is also higher union density and greater levels of collective bargaining in larger companies. However, women in medium and large sized companies still earn less than men in those organisations.

There is no one-size-fits-all solution which will influence employers to take action on the pay gap. Close the Gap's 17 years of experience has shown that a range of approaches are required to influence employers.

Smaller employers prefer not to engage directly with equalities experts, are less persuaded by the business case for gender equality, and in general do not do work on gender equality because they perceive that they do not have the time or resources⁵².

Existing regulatory and policy levers are inadequate to persuade employers to undertake work which advances women's workplace equality. The "balanced workforce" indicator of Scottish Government's voluntary initiative, Scottish Business Pledge, is a fundamentally flawed measure which is not fit for purpose. The Business Pledge was criticised by the Economy, Jobs and Fair Work Committee inquiry for potentially confusing employers, and the Committee recommended that the gender element be redesigned in consultation with gender experts. Scottish

⁵² Close the Gap (2016) *Market research with SME employers on the Think Business, Think Equality tool*, unpublished

Government's response included a commitment to "illustrate how companies can and should meet the headline requirements of the existing gender element of the Pledge". However, this will focus on developing best practice and case studies within the existing model, rather than redesigning the "balanced workforce" pledge⁵³. Sharing best practice case studies in itself will not close the pay gap.

It is evident that the Business Pledge, in its current form, will not reduce the pay gap. The very low take-up of the gender element suggests that it not only insufficient to enable employer action on the pay gap, but also ineffective in fostering an employer interest in gender equality.

Gendered differences in bonus earnings emerged as a key factor in Scotland's pay gap, an effect which has tripled since 2004. The new UK pay gap reporting regulations has the potential to address this by requiring large private and third sector employers to report their gender gap in bonus earnings. The regulations are intended to influence employers to undertake a gendered pay analysis, an exercise which the vast majority of employers have not done. However, as there is no requirement to publish a narrative to contextualise the data, or an action plan, evidence suggests it is very unlikely that it will be done.

Furthermore, the regulations only cover 34 per cent of the UK workforce, and exclude SME employers entirely. Women are more likely to work in smaller organisations, and comprise the majority of third sector workforce⁵⁴.

A preliminary scan by Close the Gap of employer reporting up to September 2017 provides a snapshot on the quality of responses to the regulations. It found that only a third of employers had published a narrative, most of which did not include meaningful analysis; around 16 per cent published an action plan, although the majority of the actions are poor quality and not measurable; and only 8 per cent set targets.⁵⁵

Creating change in the public sector

It is now a decade since there has been a positive duty on public authorities to do gender mainstreaming, first under the gender equality duty, and then the public sector equality duty. The public sector response to the duty has been the

⁵³ Scottish Government (2017) *Economy, Jobs and Fair Work Committee inquiry - Scottish Government response to the recommendations*

⁵⁴ Close the Gap (2015) *Response to the UK Government consultation on close the gender pay gap*

⁵⁵ Close the Gap internal scan of employer gender pay gap information, using data from UK Government gender pay gap viewing service <https://gender-pay-gap.service.gov.uk/Viewing/search-results> accessed 22 September 2017.

homogenisation of equalities work, revealing a lack of gender competence, and diminution of focus on gender-specific actions. Close the Gap's biennial assessment work of compliance with the duty has identified a significant regression around employer activity on the gender pay gap, equal pay and occupational segregation.

Equality impact assessments are done inconsistently, are usually of low quality, and there is little evidence that they are leading to the effective gendering of policy. Key Scottish Government strategies and programmes such as *Developing the Young Workforce*, and *Raising Attainment for All*, and the Flexible Workforce Development Fund have not been equality impact assessed before implementation.

Scottish Government, and Equality and Human Rights Commission are both conducting reviews of how well the public sector equality duty is functioning in Scotland. What is evident is that the specific duties on gender and employment are not reducing the pay gap, and instead employer responses to the duty are entrenching women's labour market inequality in the public sector.

Occupational segregation: An intractable problem?

The findings reveal that occupational segregation is an entrenched problem on which there has been no progress. Gender segregation in education and Modern Apprenticeships, and addressing women's under-representation in STEM specifically, has gained traction in terms of policy ambitions, but activity has been piecemeal, and has not brought about meaningful change. There is no evidence that the industry-led *Developing the Young Workforce* regional groups are gender competent, and very little evidence of the recommendations on occupational segregation being implemented in a substantive way.

Curriculum for Excellence, the national curriculum for learners aged 3-18, is not well gendered, and the Career Education and Work Placement Standards developed by Education Scotland include only a perfunctory commitment to equality. Neither include specific information on, or commitments to, reducing gender segregation in subject choice.

The bulk of current work to tackle occupational segregation comprises supply side programmes which are heavily focused on getting more girls and women into STEM. There has been no work to address the inherent undervaluation of female-dominated work, such as care. Work to support the expansion of free early learning and childcare does not include activity that will address the undervaluation of the

almost exclusively female childcare workforce. Scottish Government plans to fund providers to pay workers the Living Wage when delivering the funded entitlement only are inadequate, and will not reduce the stark segregation in the sector. If more men are to become childcare workers there needs to be an economic imperative to do so, with clear progression pathways as evidence that it is a good career choice.

In its inquiry report into the pay gap, the Economy, Jobs and Fair Work Committee recommended that Scottish Government designate care a growth sector, a move which Close the Gap and other gender advocates have also previously called for. Scotland's ageing population will necessitate a further expansion of the care sector, and workforce planning strategies must address the undervaluation of care work. Designating care a growth sector would ensure that adequate resources are allocated to develop the sector, and importantly, that policymakers work with gender experts to think imaginatively about how to solve undervaluation, and mitigate the effects of the impending care crisis.

Economic development activity holds enormous potential to reduce the pay gap, but policies and programmes designed by the enterprise agencies are not gendered. The Economy, Jobs and Fair Work Committee criticised the enterprise agencies for failing to tackle the pay gap through their work with employers. The Committee made a series of recommendations around procurement, including amending the procurement regulations to require companies who access support from the enterprise agencies to report their pay gap. The Scottish specific duties already require public bodies to consider equality in procurement processes, and a special emphasis is placed on public purchasing and award criteria and contract conditions as levers for advancing equality⁵⁶.

Close the Gap's assessment work of the public sector equality duty has not identified any examples of public bodies using procurement to explicitly advance gender equality or reduce the pay gap. While European procurement law establishes a tight legal framework that limits the legal scope for non-economic criteria, it clearly and explicitly gives room to social, and therefore equality, considerations. As equality sensitive public procurement can reduce discriminatory features of goods, works or services, it can be strategically used to advance equality within the workforce of the specific contract.⁵⁷

Gender norms and stereotypes are at the root of occupational segregation.

⁵⁶ Sarter, K. (2016) *Public procurement & the public sector equality duty: Equality sensitive tendering in Scotland*, Glasgow Caledonian University, WiSE Research Centre, Glasgow

⁵⁷ Ibid.

Children and young people are influenced by the people in their lives, and the world around them, and by the time they are making subject choices their views on gender and work are fixed. A meaningful response to this must include a strategic intervention which targets gender stereotyping in the early years setting. Gendering early years education policy and Curriculum for Excellence is also necessary. Building capacity in early years and childcare workers to understand the impact of, and challenge, gender norms and stereotypes is one way of doing this. It is important that the focus of early years interventions extends beyond STEM, and also aims to tackle the stereotyping and segregation that causes the undervaluation of women's work.

A number of gender-neutral pre-schools have been established in Sweden where staff reflect on the ways in which their own practice reinforces gender norms. Gender-neutral pronouns are used, and girls and boys are encouraged to play with non-traditional toys in mixed-gender groups, and explore their full range of emotions. A study on the impact of gender neutral pre-schools found that children who attended a gender neutral pre-school were more likely to play with unfamiliar children of the opposite gender, and less likely to be influenced by culturally enforced gender stereotypes, compared with children who attend other pre-schools. It also found that while children from the gender-neutral pre-school were as likely as other children to group people by gender, they did not attach traditional associations to the concept of "male" and "female" children to the same degree.⁵⁸

The gender penalty

Perhaps most startling is that the effect of Scotland's gender residual, the penalty for being a woman, has doubled. This alone demonstrates that the road to women's equality is very long. While it was not possible to include work histories in this research, it is likely that career interruptions to undertake care, and the constraints that caring creates around labour supply may partly explain the gender residual. The introduction of Shared Parental Leave, a flagship policy of the previous UK Government, was intended to reduce women's disproportionate responsibility for childcare by enabling women to share their maternity leave with their partner. Take-up by fathers and partners has been woefully low, however, and while there are no official figures, estimates range from 1 per cent⁵⁹ to 5 per cent⁶⁰. The UK Government's own estimate was that only 2-8 per cent of fathers would take up

⁵⁸ Shutts, K., B. Kenward, H. Falk, A. Ivegran, and C. Fawcett "Early pre-school environments and gender: Effects of gender pedagogy in Sweden", *Journal of Experimental Child Psychology*, Vol.162, October 2017, pp.1-17

⁵⁹ Kemp, R. "Few families opt for shared parental leave", *The Financial Times*, 5 April 2016, www.ft.com/content/2c4e539c-9a0d-11e7-a652-cde3f882dd7b

⁶⁰ CIPD (2016) *Labour Market Outlook: Focus on working parents* Accessed December 2017

their entitlement. Evidence gathered so far has identified a range of barriers to take-up including a lack of parity in enhanced pay for maternity, paternity and shared parental pay; cultural barriers within workplaces whereby men feel that an extended period of leave may impact their progression; gendered assumptions around caring roles; and the complexity of implementing Shared Parental Pay⁶¹. In its inquiry into the gender pay gap, the House of Commons Women and Equalities Committee recommended that the UK Government increase and extend the rate of paid paternity leave, and introduce non-transferable paternal leave⁶².

Sweden has provided for two well-paid, non-transferable months of parental leave since 1995. Although the uptake among men increased considerably, it has not resulted in a radical redistribution of childcare as men still tend to only take the non-transferable months, while women take the bulk of the transferable component⁶³. The Icelandic model is more progressive, and sets out five months' non-transferable leave each for the mother, and father or partner, and two transferable months, paid at 80 per cent of the parent's previous earning.

The gender residual is also a clear indicator of the widespread gender discrimination that women face in the labour market on a daily basis. Women still feel excluded from male-oriented work cultures which do not value their skills, experience and contributions. The burden of care which falls on women prevents them from progressing into overwhelmingly inflexible senior roles. Employers do not consider how female employees' skills could be more effectively used when designing jobs. The undervaluation of "women's work" is embedded across the labour market, as are gendered assumptions about women's abilities and preferences in the workplace, and in life.

Scottish Government has set out a number of welcome policy ambitions around gender equality at work, but there remains a wide gap between those ambitions, and the design and implementation of the programmes to achieve these. This mismatch between ambition and delivery illustrates a chronic lack of gender mainstreaming. There is little evidence that the causes of the gender pay gap, and women's experiences of the labour market, are considered across policy domains that are integral to the solution.

⁶¹ House of Commons Women and Equalities Committee (2016) *Gender Pay Gap, Second Report of Session 2015-16*

⁶² *Ibid.*

⁶³ The Tavistock Institute (2014) "Shared parental leave to have minimal impact on gender equality" www.tavistock.org/news/shared-parental-leave-minimal-impact-gender-equality/ accessed 27 October 2017

Tinkering around the edges of a systemic problem does not create change. The pay gap is structural, and therefore requires a strategic, cohesive response to address its complex, inter-related causes. It is an indicator of women's and girls' inequality not only in the labour market but also in education, skills acquisition, and unpaid care and domestic labour. Strategies to reduce the gender pay gap must therefore not be limited to labour market policy, but must also encompass childcare, early years, primary and secondary education, further and higher education, skills, the public sector equality duty, economic development, anti-discrimination law, and social security.

Critically, responses to the pay gap must recognise that women have multiple identities which intersect to create a wide range of lived experiences. Although there are commonalities, the barriers and inequalities faced by Black and minority ethnic women will be different to those faced by disabled women. Similarly, the causes of lesbian, bisexual and transwomen's labour market inequality will differ from those experienced by Muslim women.

Transformational change is needed to close the pay gap, and the benefits of doing so are far-reaching. Closing the pay gap will benefit women and their families, providing equality of outcome for women and girls, and alleviating women's poverty and children's poverty. But the gains will not only be women's. Addressing women's labour market inequality will also benefit employers as they will be able to recruit from a wider talent pool, address skills gaps, and see their businesses become more productive, more innovative, and more profitable. Effective utilisation of women's skills and talents is a catalyst for economic growth. Research by Close the Gap identified clear and mounting evidence of economic gains of closing the gender gap in employment, worth up to £17bn to Scotland's economy⁶⁴. As women's employment becomes increasingly precarious in a changing labour market, the challenge now for policymakers, employers and unions is to move beyond the rhetoric and to demonstrate their commitment to realising women's labour market equality.

⁶⁴ Close the Gap (2016) *Gender equality pays: The economic case for addressing women's labour market inequality*



6. Recommendations

Close the Gap calls on Scotland's policymakers, delivery agencies, employers and unions to take action to address the causes of the gender pay gap.

Scottish Government should:

1. Develop a national strategy to address the causes of the gender pay gap.
2. Mainstream gender in the design and development of new legislation, policies and programmes, including significantly improved equality impact assessments.
3. Prioritise care as a growth sector, and work towards addressing the undervaluation of care workers, and occupational segregation.
4. Redesign the gender equality element of the Scottish Business Pledge, in consultation with gender equality and labour market experts.
5. Ensure that the Strategic Labour Market Group membership has gender and employment expertise and competence.
6. Develop early years interventions, informed by Close the Gap's *Be What You Want* work, to address gender stereotyping in the early years setting, tackle gender segregation in subject choice, and address the undervaluation of "women's work" through the delivery of the STEM education and training strategy.
7. Undertake an evaluation to identify the extent to which *Developing the Young Workforce* regional groups are implementing actions that will reduce gender stereotyping and occupational segregation.
8. Invest in employment support services targeted at diverse groups of women, including carers, disabled women, refugee women and women experiencing domestic abuse.
9. Design employability programmes that address occupational segregation as a central aim.
10. Develop a suite of indicators to measure progress on the pay gap as part of the National Performance Framework, ensuring that the experiences of part-time women, and other groups of women, are included.

11. Improve economic and labour market data collection to better capture the experiences of different groups of women with multiple, intersecting identities.
12. Commission research on the solutions to the undervaluation of women's work.
13. Ensure that future strategies around automation have a gender analysis.
14. Ensure that the fair work agenda has a gendered approach, and outputs recognise and address the causes of the pay gap.
15. Raise the age limit for women accessing Modern Apprenticeships to enable women to retrain under the programme.
16. Amend the procurement regulations to require bidders to report their gender pay gap, and publish an action plan to address the causes.

Enterprise agencies should:

17. Mainstream gender in the design and development of policies and programmes, ensuring that the causes of the pay gap are considered and addressed, wherever possible.
18. Develop gender-sensitive products and services for female entrepreneurs.
19. Collect robust gender-disaggregated data on companies accessing support through account management and workplace innovation functions.
20. Require companies accessing support through account management and workplace innovation functions to report their pay gap, and publish an action plan to address the causes.

Skills Development Scotland should:

21. Include gender-disaggregated data and a gendered analysis in the development and delivery of skills investment plans, regional skills assessments, and other skills planning strategies and tools.
22. Gather and publish data disaggregated by gender, race and disability to provide evidence of the experiences of different groups of women undertaking apprenticeships.

Education Scotland should:

23. Mainstream gender in the design and development of policies and programmes with addressing gender segregation as a central aim.
24. Review the Career Education Standard and Work Placement Standard to make gender explicit, and addressing the causes of gender segregation a priority.

Public sector employers should:

25. Develop equality outcomes, and programmes of work that will address occupational segregation.

Large private and third sector employers should:

26. Use the Close the Gap *Close Your Pay Gap* reporting tool to identify the steps that will address the causes of the pay gap.
27. When reporting on pay gaps, develop an action plan that includes realistic measurable actions that will narrow the pay gap.
28. Monitor recruitment, retention and progression of male and female employees to identify gendered patterns.
29. Enable female employees to participate in women's professional networks to support their progression.
30. Where possible, offer flexible and part-time working at all levels of the organisation.
31. Undertake an equal pay review.
32. Work with Close the Gap to audit workplace policies and practice to ensure that female employees have a positive workplace experience.

SME employers should:

33. Use Close the Gap's *Think Business, Think Equality* online self-assessment tool to identify the small changes that can be made to your employment practice to narrow the pay gap.

Trade unions should:

34. Ensure that gender equality is mainstreamed in the bargaining process, and in the design and delivery of union policy and programmes.
35. Work to ensure that large private and third sector employers, and public sector employers comply with gender pay gap reporting, and public sector equality duty reporting obligations, respectively.
36. Ensure that workplace learning agreements consider occupational segregation, and how it intersects with skills, learning and personal development.
37. Support gendered learning programmes to ensure that the skills of women members are effectively utilised.

Glossary

Decomposition

A statistical technique which breaks down the factors behind an outcome into several component parts.

Gender

Refers to roles, attitudes, values and behaviours that men and women are encouraged to adopt by society. These characteristics can vary depending on the society around us. For example, historically, gender role stereotyping would suggest that women should look after children at home while men go to work in the formal labour market.

Gender mainstreaming

An approach which integrates gender considerations into all facets of an organisation's work. It involves ensuring that applying a gender lens, and the goal of gender equality, is central to all design and implementation of policy, programmes and activities.

Gender residual

The percentage of the wage level that is explained by the variable measuring "being a woman". It is sometimes referred to as the "unexplained" part of the pay gap because the factors in the decomposition failed to explain all of the gender differences in pay. It is commonly attributed to the structural inequalities and gender discrimination women face in the workplace.

Occupational segregation

Refers to the clustering of men and women into different types of work (horizontal segregation) and into different levels of work (vertical segregation).

Undervaluation

Defined as a "higher quality of labour for a given wage". Practically, this means that women will receive lower rewards from investing in education or from their own work experience. The undervaluing of work done by women is a key strand linking together the causes of the gender pay gap, occupational segregation, women's unequal share in caring, and pay discrimination.



Close the Gap works in Scotland on women's labour market participation. We work with policymakers, employers and unions to influence and enable action that will address the causes of women's inequality at work.

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Close the Gap

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