

A Road to Change? An assessment of Scottish employer reporting of the UK gender pay gap regulations

May 2018

1. Introduction

In April 2018, large private and third sector organisations were required to report their gender pay gap information for the first time. The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 requires private and third sector employers with 250 or more employees to report a range of information including:

- Mean and median gender pay gap figures;
- The gender gap in bonus earnings, and the proportion of men and women receiving bonuses; and
- The proportion of men and women in each pay quartile.

English public bodies, non-devolved public bodies, cross-border bodies, and the Scottish Parliament are obliged to report their gender pay gap information under the separate Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017. Scottish public bodies with more than 20 employees already report their gender pay gap under the Equality Act 2010 (Specific Duties) (Scotland) Amendment Regulations 2016.

Close the Gap did an assessment of Scottish employer reporting to understand in more detail the extent of the gender pay gap at the enterprise level; how well employers understood the causes of their pay gap; and importantly, the actions that they were planning to take to close their gap.

Methodology

The assessment included a cross-sectoral sample of 200 Scottish private and third employers headquartered in Scotland. The data used was that submitted by those employers to the UK Government's gender pay gap viewing service¹. The assessment looked at:

- gender pay gap information;

¹ <https://gender-pay-gap.service.gov.uk/>

- bonus gap information;
- Whether a narrative had been published; and
- Whether an action plan had been published.

2. Key findings

The headline findings from the assessment were:

Gender pay gap information

- Extremely high **gender pay gaps of up to 60%** in male-dominated sectors such as construction, finance and oil and gas; and
- Reported gender gaps in **bonuses of up to 607%** in male-dominated sectors such as manufacturing, construction, energy and finance.

Analysis and action

- **Less than a third of employers had published a narrative** which explained the causes of their pay gap, with many superficial in their analysis;
- **Less than a fifth of employers had set out actions** they will take to close the pay gap, with many actions unmeasurable and unlikely to create change; and
- **Only 5% had set targets to reduce their pay gap**, with some lacking timescales.

Themes in reporting

Overstating the difference between the gender pay gap and equal pay

Where reports included any information beyond the required data, it was very common for employers to include a statement along the lines of: “It is important to understand that the gender pay gap is not the same as equal pay which focuses on men and women being paid the same for equal work”. This was widely used by the UK Government in its awareness raising work around the regulations, and the Equality and Human Rights Commission in its compliance work, and stems from evidence that there is a widespread misunderstanding about what the gender pay gap is, which often results in a conflation with equal pay. However, in attempting to clarify the distinction between the gender pay gap and equal pay, this appears to have had the effect of many employers ruling out unequal pay entirely as a cause of their pay gap. While discriminatory pay practice does not explain all of the gender pay gap, it is still a significant cause across many workplaces.

Complacency around pay systems and practice

Pay was largely missing from Scottish employer reporting on the pay gap. Only one out of 200 reports assessed mentioned an equal pay review, the method by which employers can identify and address unequal pay, and only one mentioned job evaluation. That there is little focus on equal pay aligns with existing research around employer complacency on the robustness of their pay systems which is largely because

they believe they are already paying their male and female employees equally. However, evidence shows that such complacency is undue because most employers in Scotland have not done an equal pay review, and those which have been done are of poor quality².

Superficial analysis

Many employers explained the causes of their pay gap as a justification for its existence, rather than presenting the causes and the actions that would be taken to solve the problem. For example: *“We have a pay gap because women are under-represented in senior roles”* or *“The Company’s gender pay gap is strongly influenced by the make up of its employees”*. That women are under-represented in senior grades of large companies is a critical problem, but also important is women’s persistent concentration in the lower-paid jobs in all organisations. A lack of quality part-time and flexible working means that many women who require to work part-time to accommodate their caring roles become boxed in, unable to progress into overwhelmingly inflexible senior roles, and end up working below their skill level. Many reports conveyed a strong sense that men’s and women’s clustering into different types and levels of work was an inevitability.

Ineffective actions

Where employers set out the actions that they would take, these often focused on existing practice or interventions that were unlikely to create change for women. This included continuing to promote flexible working to all staff, without identifying who was already working flexibly and in what way, and what the barriers to uptake were. There were also a number of examples of seemingly gender-blind interventions such as generic mentoring programmes, talent management and development programmes, and succession planning which are unlikely to advance women’s equality because they do not consider the barriers women face in the workplace.

3. What this tells us

The findings of the assessment, and gender pay gap reporting more widely, reveal that the pay gap remains an intractable problem, with no end in sight. That less than a third of Scottish employers have set out an action plan for closing their pay gap reaffirms Close the Gap’s concerns about the limitations of the gender pay gap regulations. While the new pay transparency measures are an important first step in addressing the systemic inequality women face at work, the fundamental weakness is that employers are not required to take action that will close their pay gap.

The lack of action also aligns with research published by Close the Gap and the

² Close the Gap (2013) *Missing Out on the Benefits: Summary of research on the reporting of the gender pay gap in Scotland*.
Office

Government Equalities Office on employer action on gender equality which shows that employers are unlikely to voluntarily take action on the causes of the pay gap³.

The experience of Scotland's public sector has shown that reporting alone does not create change⁴. Employers need to look beneath the headline figure, analyse their pay data, identify why there are differences and then set out the actions they will take to solve the problem. The challenge for employers is to decide whether to be sector leaders and demonstrate their commitment to gender equality, or to risk reputational damage by doing nothing.

³ See Close the Gap (2013) *Missing out on the benefits: Summary of research on the reporting of the gender pay gap in Scotland*; and IFF Research (2015) *Company Reporting: Gender pay data*, Government Equalities Office

⁴ Close the Gap (2015) *Making Progress? An assessment of employer compliance with the public sector equality duty*