

25 May 2017

Mr Gordon Lindhurst MSP
Convener
Economy, Jobs and Fair Work Committee
The Scottish Parliament

Sent by email

Dear Mr Lindhurst,

Gender pay gap inquiry

Thank you for your letter, dated 12 May 2017. I welcome the opportunity to provide further information on CBI Scotland's view on addressing the gender pay gap and have outlined our response to each of the Committee's questions below. As you are aware, the CBI has carried out a significant amount of work to help businesses understand their legal obligations, and promote the business benefits of more gender diverse workforces. We continue to believe that the challenge of closing the gender pay gap is multi-faceted, requiring action from business and government alike and we look forward to working together on this important issue.

The Committee has heard evidence highlighting economic benefits of closing the gender pay gap. Do businesses recognise such economic benefits?

Alongside the societal benefits of a more gender balanced working environment, closing the gender pay gap increases the competitiveness of individual companies and the profitability of the economy as a whole. Business recognises these economic benefits by seeing the benefits of a more gender diverse workforce in their own organisations. Greater gender diversity is associated with better collective decision making, a more engaged workforce and higher levels of productivity. Indeed, research shows that businesses in the top quartile for levels of gender diversity are 15% more likely to outperform their rivals.

Taking steps to become a more gender diverse business also enables firms to tap into a wider pool of talent. Addressing skills shortages is one of the top issues businesses currently face, with just one in four companies confident that they will have access to the skills they need in the future. Drawing on diverse pools of talent is one key way of addressing this shortfall.

Is the issue of closing the gender pay gap a priority for the CBI and the businesses you represent? Do companies see gender diversity as a business priority?

Building more diverse and inclusive workplaces is a business critical issue as demographic changes, like an ageing society and a more diverse working age population, make tapping into the widest possible pool of talent ever more important. Advancements in technology will create jobs requiring new skills and the possible reduction in immigration as a result of the UK's new relationship with the EU post-Brexit increases the necessity of fully harnessing the skills and talents of the domestic workforce. In this context, increasing gender diversity and making progress towards closing the gender pay gap is a business-wide priority and CBI members stand ready to play their part.

Furthering this priority is already influencing the way members do business. Enabling flexibility in the workplace is on the up, with firms increasingly offering their employees non-standard working hours, home-working and investing in the multi-skilling of staff. The CBI's 2016 UK Employment Trends Survey found that the vast majority of firms (77%) have taken action in the past five years to build more inclusive workplaces, while more than three quarters of businesses (76%) see achieving a diverse and inclusive workforce as important to their future success.

It is also affecting members' recruitment and retention policies, with an increasing number of members advertising roles flexibly, requesting gender balanced shortlists from recruiters, and introducing name-blind recruitment and balanced interview panels to minimise unconscious bias in candidate selection. Businesses increasingly recognise the need for staff to balance home and work life, and its impact on closing the gender pay gap. By introducing family friendly policies, businesses are supporting more parents back into the workplace. Raising awareness of the business case for closing the gap and sharing best practice will be the most effective ways of encouraging more businesses to act.

Is support offered to businesses for reducing their gender pay gap?

The UK government's [Think, Act, Report](#) framework provides guidance to help companies think about gender equality in their workforces. As part of it, the case studies in [Trailblazing Transparency: Mending the Gap](#) showcase valuable examples of business best practice, particularly in relation to recruitment, retention, promotion and pay.

Particular guidance on gender pay reporting in [Managing gender pay reporting](#) produced by the Advisory, Conciliation and Arbitration Service (ACAS) has been helpful in clarifying reporting requirements. However, due to successive delays from the UK government in laying the regulations, this guidance was only published around four weeks before its introduction on the 6 April, giving businesses very little time to prepare for taking the first snapshot of their pay data.

In February 2017 the CBI, in partnership with CMS, published a report called [What your business needs to know about gender pay gap reporting](#). It offers practical advice to businesses on gender pay and step-by-step guidance on calculating and reporting gender pay gaps in line with statutory requirements. It also highlights the benefits to businesses of closing the gender pay gap and suggests that using the insights gained from analysing pay data can help to inform what steps organisations can take to improve gender diversity. The CBI will continue to support businesses to take action to close the gender pay gap.

What are the CBI's views on the forthcoming pay gap reporting legislation? Do you believe this will help to reduce the gap? Scotland is largely an SME economy and the question arises as to how much of an impact the legislation will have in Scotland with reporting guidelines that only apply to those companies with 250 employees or more. Should it apply to smaller companies?

Closing the gender pay gap will be best achieved by focus from businesses on taking steps that build a more inclusive workplace which starts to change outcomes. Doing so depends on businesses understanding female pay and progression within their organisation and identifying what actions they can take to reduce their internal gender pay gap and boost gender diversity in business more widely. The CBI has argued for all businesses to voluntarily collect diversity data, set stretching targets, measure outcomes and hold leaders accountable for progress.

Transparency is therefore important to shine a light on barriers to women's pay and progression and help companies to target resources to overcome them. Nevertheless, specifying the particular metrics of mandatory gender pay reporting has led to businesses reporting metrics that have little meaning to their workforce, which is not a step that CBI members support. Business is concerned that a mandatory approach drives compliance-led behaviour and risks reporting becoming a 'tick-box' exercise. There is also concern, particularly among STEM sector firms, that too great a focus on the gender pay figures may lead to the unintended consequence of putting women off their sector, in spite of significant efforts to boost gender diversity. To make gender pay reporting as effective as possible, the CBI is encouraging businesses to go above and beyond the statutory method of calculation if it enables them to get a more nuanced picture of female pay and progression within their organisation. We are also encouraging firms to highlight their gender diversity and family-friendly initiatives and to focus on what steps their firm is taking to improve gender diversity in the future in their supporting narratives. Ultimately, the business community recognises that it must continue to develop approaches that are fair, transparent and which build trust, and are wholly committed to doing so.

Any extension of mandatory reporting to companies in Scotland with less than 250 employees would place a significant regulatory burden on smaller firms. Collecting the data, running calculations, producing an explanatory narrative and implementing action plans is a costly exercise which would have a disproportionate impact on smaller companies. There is also a concern that where the number of employees in a company is small, reporting the representation of men and women in quartiles could lead to individuals losing their confidentiality. Furthermore, the application of a different threshold in Scotland to that in the rest of the UK also has the potential to create significant challenges for companies that operate on a cross-border basis.

Can procurement play a role in addressing the gender pay gap and if so, how would this be achieved?

The CBI's work on gender pay has not included any specific consideration of the role of procurement in closing the gap, although this could be developed in the future according to members' interest. Any consideration of the role of procurement should be mindful of unintended consequences that could arise from restricting the use of supply chains.

Are there any additional actions that the Scottish government could take to address the pay gap in Scotland?

The gender pay gap is the result of many complex, socio-economic factors. Transparency can help but mandatory reporting among businesses should not be seen as a silver bullet as gender pay differences are affected by wider societal and cultural causes.

Education is crucial and addressing the underrepresentation of women and girls in STEM areas should be a priority. Businesses working with schools to improve careers advice has a key role to play in this and the CBI/Pearson Education and Skills survey 2016 found that 84% of businesses are keen to do more to support schools and colleges to deliver better careers advice. Improving childcare support and encouraging flexible working for both parents will also help to address some of the barriers that women face.

Business understands that the challenge of closing the gender pay gap is significant but so are the economic and societal benefits that improved gender diversity in the workplace will bring. At CBI Scotland, we look forward to continuing to work with business and government to support a fairer more equal society that extends opportunities to everyone.

Yours sincerely,



Hugh Aitken
CBI Scotland Director