

# Gender Pay Gap

## Close the Gap

### 1. INTRODUCTION

Close the Gap is Scotland's women and labour market expert, and has 15 years' experience of working with employers, policymakers, trade unions, employees, and sectoral bodies to encourage and enable action to close the gender pay gap. Close the Gap recognises that the pay gap is a productivity issue as well as an issue of fairness and equality, and that narrowing the gender pay gap would return aggregate productivity gains to the Scottish economy.

Close the Gap has done considerable work around the business case including publishing a review of the evidence on economic case for addressing women's labour market inequality, producing guidance and tools for employers, producing publications on the business case during periods of recession and recovery, and has listened carefully to employers about the most effective ways of communicating strong arguments for action.

Although a range of bodies and committees have undertaken inquiries and investigations into the gender pay gap, actions have been short-term and fragmented, and there has never been a cohesive, strategic approach to solving the problem. Consequently, progress has been glacial with no substantive change in the systemic and entrenched inequality that women face at work.

The gender pay gap has historically been seen as the purview of equality committees and organisations only, and has not been acknowledged as a drag on economic growth. We therefore very much welcome the Economy, Jobs and Fair Work Committee's inquiry on the gender pay gap which acknowledges that reducing the pay gap is good for Scotland's economy.

### 2. QUESTIONS

#### **What are the strengths and limitations of the different definitions of the gender pay gap?**

The gender pay gap is the difference in women's and men's average hourly pay, usually expressed as a percentage. The gender pay gap is a complex issue, and the UK Office for National Statistics (ONS) acknowledges that there is no definitive way in which to report a single figure which fully captures those complexities.<sup>1</sup>

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<sup>1</sup> Hicks, S., and Thomas, J. (2009) *Presentation of the Gender Pay Gap*, ONS

There is no consensus on whether to use the mean average or the median average to measure the pay gap<sup>2</sup>. ONS uses the mean and the median but “gives prominence” to the median to ensure consistency with other earnings estimates on ONS statistical bulletins. The median figure is usually lower than the mean. By its nature, the pay gap is gendered therefore Close the Gap prefers the mean average, as the median does not capture the difference in men’s and women’s pay caused by the exceptionally high earnings of a small number of (almost exclusively) male workers, and low earnings of (predominantly female) workers.<sup>3</sup> The mean is also the international standard which enables comparisons globally.<sup>4</sup>

### **Are current Scottish Government and Office for National Statistics statistics adequate for policy making and scrutiny in this area?**

The range and quality of available Scottish labour market data is not adequate for policymaking and analysing pay gap trends. ONS releases a limited range of regional (Scottish) gender-disaggregated data, and there is insufficient intersectional data available to analyse the pay gap for different groups. The pay gap by age is available at UK level, but not at Scottish level. UK gender-disaggregated data is also available on age by occupation, and age by industry; and the gender breakdown of care workers, but again not at regional level. There is no data on the pay gaps experienced by black and minority ethnic women, disabled women, and lesbian, bisexual and trans women.

Under-employment is a critical issue for women’s labour market participation<sup>5</sup> but data on hours-related under-employment is irregularly reported, and the Labour Force Survey does not gather data on skills-related underemployment. Data on sectoral employment and wages is also of very poor quality<sup>6</sup> which creates challenges in analysing sectoral pay gaps.

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<sup>2</sup> The *median average* is calculated by finding the midpoint in all employees’ hourly pay and discarding the lowest and highest rates of pay or ‘outliers.’ Therefore, half of the employees’ earnings will be above the midpoint and half will be below the midpoint. The mean is calculated by adding all the employees’ rates of pay together and dividing by the total number of employees. See Close the Gap (2016) *Gender pay gap statistics*

<https://www.closesthegap.org.uk/content/resources/CtG-Working-Paper-16-Statistics.pdf>

<sup>3</sup> Close the Gap (2016) *Gender pay gap statistics*

<https://www.closesthegap.org.uk/content/resources/CtG-Working-Paper-16-Statistics.pdf>

<sup>4</sup> *Ibid.*

<sup>5</sup> Thomson et al (2014) *Underemployment in Scotland: A gender analysis*, Women in Scotland’s Economy research centre, Glasgow Caledonian University

<http://www.gcu.ac.uk/wise/media/gcalwebv2/theuniversity/centresprojects/wise/WiSE%20Briefing%20Sheet%20June%202014.pdf> last accessed 24 February 2017

<sup>6</sup> STUC (2015) *Submission to the Economy, Energy and Tourism Committee inquiry into work, wages and wellbeing*

[http://www.parliament.scot/S4\\_EconomyEnergyandTourismCommittee/Inquiries/STUC.pdf](http://www.parliament.scot/S4_EconomyEnergyandTourismCommittee/Inquiries/STUC.pdf) last accessed 23 February 2017

### **Is the Scottish Government's National Performance Framework indicator based on the most appropriate measurement of gender pay?**

Scottish Government's pay gap indicator is median hourly earnings (excluding overtime) between men and women working full-time in Scotland<sup>7</sup>. This measure is flawed as it excludes the experiences of almost half of working women in Scotland, those who work part-time. The vast majority of part-time workers are women (76 per cent) and just under half of employed women are working part-time, 42 per cent compared to 13 per cent of men.<sup>8</sup>

Part-time working is widely used across Scotland as a way in which women can balance work and family life, and particularly their disproportionate share of care.<sup>9</sup> However, part-time work is concentrated in low-paid, undervalued jobs such as cleaning, admin, retail and care. There is a dearth of quality part-time working options in all labour market sectors which means that many women are working below their skill level in the only part-time jobs which are available. Part-time jobs are more than three times as likely to pay below the Living Wage than full-time roles.<sup>10</sup> The lack of quality part-time work is a major cause of the gender pay gap, and therefore any indicator measuring the pay gap must take cognisance of the experiences of the (predominantly female) part-time workforce. The Government indicator is therefore an inaccurate measure of the pay gap, and ignores the experiences of a large section of the female workforce in Scotland, many of whom have already experienced discrimination and are adversely impacted because of a need to reduce their hours to undertake unpaid care.

### **What reasons are there for the existence of the gender pay gap?**

The causes of the pay gap are well-rehearsed<sup>11</sup>, and include a range of societal and economic factors which inter-relate in complex ways. Gender norms and stereotypes based on assumptions about girls' and boys', and women's and men's capabilities, skills and interests results in gender segregation in subject choice and then patterns of occupational segregation. Women are concentrated in female-dominated, low-paid, undervalued jobs

<sup>7</sup> <http://www.gov.scot/About/Performance/scotPerforms/indicator/paygap>

<sup>8</sup> ONS *Regional Labour Market Statistics* <http://www.ons.gov.uk/ons/publications/reference-tables.html?edition=tcm%3A77-391492> Accessed December 2015

Note: The split between full-time and part-time is based on self-classification and excludes temporary workers.

<sup>9</sup> Close the Gap (2013) *Submission the Equal Opportunities Committee inquiry into women and work* <https://www.closesthegap.org.uk/content/resources/Women-and-work-consultation-February-2013.pdf>

<sup>10</sup> KPMG (2016) *Living Wage Research: Structural Analysis of Hourly Wages and Current Trends in Household Finances* <https://assets.kpmg.com/content/dam/kpmg/uk/pdf/2016/11/living-wage-research-for-kpmg-october-2016.pdf> last accessed 22 February 2017

<sup>11</sup> Close the Gap (2013) *Submission the Equal Opportunities Committee inquiry into women and work* <https://www.closesthegap.org.uk/content/resources/Women-and-work-consultation-February-2013.pdf>

such as admin, care and retail, while men are more likely to work in higher paid, technical roles. Women remain disproportionately responsible for care for children, sick people, older people and disabled people, and a lack quality part-time and other types of flexible working to enable them to balance work with family life means that many women are working below their skill level. Only 6% of higher paid jobs as advertised as being available on a flexible basis<sup>12</sup>. There is also widespread discrimination embedded in the design of pay and grading systems which results in many women being paid less than male colleagues for equal work.

Disabled women<sup>13</sup>, black and minority ethnic (BME) women<sup>14</sup>, Muslim women<sup>15</sup>, lesbian and bisexual women<sup>16</sup>, trans women<sup>17</sup>, refugee women<sup>18</sup>, young women<sup>19</sup>, and older women<sup>20</sup> experience different, multiple barriers to participation in the labour market, and to progression within their occupation. Across the labour market, disabled women, and some groups of BME women are more likely to be under-employed in terms of skills, and experience higher pay gaps. Disabled, BME and lesbian, bisexual and trans women are more likely to report higher levels of discrimination, bullying and harassment.

Interventions to reduce the pay gap and women's economic inequality must therefore not be limited to labour market policy, but must also consider policies on childcare, early years, primary and secondary education, further and higher education, public sector equality duty, skills, economic development, anti-discrimination law, skills and social security.

### **Are there specific issues with gender pay within the Scottish public and private sectors?**

Women working in the private sector who have worked with Close the Gap identify a range of issues including biased and untransparent recruitment and promotion practices; male-dominated networks from which they are excluded; corporate cultures that privilege and value stereotypically male interest and behaviours and explicitly fail to value family life; increasingly remote HR practitioners and decentralised decision-making on working patterns, pay,

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<sup>12</sup> House of Commons Women and Equalities Committee (2016) *Report of inquiry into the gender pay gap*

<sup>13</sup> Leonard Cheshire Disability (2014) *Realising the rights of women and girls with disabilities*

<sup>14</sup> Scottish Parliament Equal Opportunities Committee (2016) *Removing Barriers: Race, ethnicity and employment*

<sup>15</sup> House of Commons Women and Equalities Committee (2016) *Employment Opportunities for Muslims in the UK*

<sup>16</sup> Stonewall (2014) *The Double-Glazed Glass Ceiling: Lesbians in the workplace*

<sup>17</sup> House of Commons Women and Equalities Committee (December 2015) *Transgender equality*

<sup>18</sup> Scottish Refugee Council (2014) *One Step Closer*

<sup>19</sup> YWCA Scotland (2016) *Status of Young Women in Scotland*

<sup>20</sup> Scottish Commission on Older Women (2015) *Older Women and Work: Looking to the future*

access to talent pipelines, and promotions; and diminishing access to training, development and skills acquisition opportunities.

The experiences of women working in the public sector are slightly different although there are many commonalities. There is anecdotal evidence that flexible working arrangements, including part-time work, are less likely to be agreed as a result of labour shedding across the public and private sectors. Post-recession efficiency savings appear to have placed significant pressure on individual employees to deliver public services with reducing resources.

Employer attitudes to equal pay create a significant challenge to reducing the pay gap. Research by Close the Gap into employer action on equal pay found that while 94% of those employers we surveyed had an equal pay policy in place, less than a third had undertaken an equal pay review, and only 3% had taken any action to address pay gaps<sup>21</sup>. This undue complacency among employers is also evidenced in UK Government Equalities Office research on reporting of gender pay gap data where the vast majority of employers surveyed had no current, past or planned future involvement in pay reviews because they considered that they already provided equal pay<sup>22</sup>. This demonstrates a lack of employer understanding about the causes of the gender pay gap, and specifically a lack of recognition that factors other than discrimination in pay systems contribute towards the pay gap.

### **What are the wider economic and social benefits of closing the gender pay gap?**

Close the Gap published a report which reviews the evidence for the economic case for addressing women's labour market inequality<sup>23</sup> which identifies clear and mounting evidence that gender equality at work, in addition to benefiting women and their families, is also a critical driver for improved business performance, and a worldwide catalyst for economic growth.

There is a growing evidence base on the correlation between gender balance at senior level and improved corporate and financial performance; on the business benefits of providing flexible or agile working; and on the macroeconomic gains where women's under-used skills are more effectively utilised across the labour market, particularly in sectors which are characterised by occupational segregation. If individual businesses take

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<sup>21</sup> Close the Gap (2013) *Missing Out on the Benefits: Summary of research on the reporting of the gender pay gap in Scotland*

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

<sup>22</sup> Winterbotham et al (2014) *Company Reporting: gender pay gap data*, Government Equalities Office: London

<sup>23</sup> Close the Gap (2016) *Gender Equality Pays: The economic case for addressing women's labour market inequality* <https://www.closesthegap.org.uk/content/resources/Gender-Equality-Pays.pdf>

action to facilitate the expansion of women's engagement in the labour market it will stimulate macro-economy to generate growth and replenish labour supply in an increasingly ageing economy.<sup>24</sup> Crucially, closing the gender gap in employment could be worth more than £17bn to the Scottish economy<sup>25</sup>.

There are also clear economic gains to closing the gender gap in enterprise. Only 21 per cent of SME business are led by women, but of those women who do own their business 82% want to grow their business<sup>26</sup>. Women-led businesses contribute more than £5 billion towards the Scottish economy, and if rates of women-led businesses equalled that of men, the contribution to Scotland's GVA would increase to £13 billion<sup>27</sup>.

The gender pay gap contributes to women's higher levels of poverty; 27 per cent of women earn below the Living Wage compared with 17 per cent of men<sup>28</sup>. Women's poverty is intrinsically linked to children's poverty; evidence shows that main carers within households, who often have less access to resources and are predominantly women, spend more on children. Women are more likely to manage household budgets, and as such act as managers of family poverty.<sup>29</sup> Reducing the pay gap will therefore reduce women's poverty and also child poverty.

Scotland's violence against women strategy, *Equally Safe*<sup>30</sup>, recognises that women's inequality is a cause and consequence of men's violence against women. Reducing economic inequality, by narrowing the pay gap, would therefore reduce women's experiences of men's violence.

### **To what extent has the Scottish Business Pledge changed employment practices as regards gender pay?**

There is no evidence that the Scottish Business Pledge has changed employer practice on equal pay or has advanced gender equality at work more broadly. The gender equality element of the Pledge describes achieving a "balanced workforce". Close the Gap is not aware of this indicator being used anywhere else in the world to measure progress on women's labour market inequality. It is meaningless as 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 organisations. A company may have an equal number of men and

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<sup>24</sup> *Ibid.*

<sup>25</sup> *Ibid.*

<sup>26</sup> Women's Enterprise Scotland <https://www.wescotland.co.uk/research>

<sup>27</sup> *Ibid.*

<sup>28</sup> KPMG (2016) *Living Wage Research: Structural Analysis of Hourly Wages and Current Trends in Household Finances* <https://assets.kpmg.com/content/dam/kpmg/uk/pdf/2016/11/living-wage-research-for-kpmg-october-2016.pdf> last accessed 22 February 2017

<sup>29</sup> Women's Budget Group (2005) *Women's and children's poverty: Making the links*

<sup>30</sup> Scottish Government (2014) *Equally Safe: Scotland's strategy for preventing and eradicating violence against women and girls*

women among its workforce but may still experience a stark segregation in the types and levels of jobs done by its male and female employees.

Close the Gap and Engender suggested alternative text for the “balanced workforce balance” pledge website page which now includes helpful signposting to Close the Gap’s *Think Business, Think Equality* online self-assessment tool<sup>31</sup> and other resources for employers. However, we are concerned that a lack of gender competence during the development process has resulted in the wrong indicator being used for the gender equality element of the Pledge. It is very likely that this will confuse businesses, and also enable a sense of undue complacency around their equalities practice.

Progress on companies pledging to take action on gender equality has been very poor, with only 35 per cent of companies currently signed up this element<sup>32</sup>, the lowest take-up of all the Pledge components. Furthermore, progress has slowed since the first set of figures were published and 37 per cent of companies had signed up to this element<sup>33</sup>.

Data collection on current employer practice on gender equality, and the measurement of progress to advance gender equality appears to be significantly lacking. In signing up to the Pledge, businesses are asked to describe how they are “making progress on a balanced workforce”<sup>34</sup>. There is no information on how this is measured, nor any indication that an employer’s commitment to be make progress on gender equality is being tracked or monitored.

### **Can more be done to promote equal pay through the Scottish Business Pledge and the Fair Work Convention?**

The Fair Work Convention engaged with gender equality advocates in one session in which Close the Gap, Engender and the Equality and Human Rights Commission gave evidence. However, in the Fair Work Framework the focus on women’s experiences of the labour market, and what fair work means for women, is minimal. While the framework references the need to balance of work and family life, “fair opportunity”, a recognition of women’s disproportionate burden of care, and a need for general pay transparency, the gendered barriers to the labour market are far from explicit. There is no mention of discrimination, the undervaluation of women’s work, and horizontal segregation. The recommendations on equality are generic and lack specificity; employers are encouraged to “*investigate and interrogate the*

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<sup>31</sup> [www.thinkbusinessthinkequality.org.uk](http://www.thinkbusinessthinkequality.org.uk)

<sup>32</sup> Scottish Business Pledge statistical overview November 2016  
<https://scottishbusinesspledge.scot/information/scottish-business-pledge-statistical-overview-november-2016/> last accessed 24 February 2017

<sup>33</sup> Scottish Business Pledge statistical overview November 2016  
<https://scottishbusinesspledge.scot/information/scottish-business-pledge-statistical-overview/> last accessed 24 February 2017

<sup>34</sup> Scottish Business Pledge [https://scottishbusinesspledge.scot/your-pledge/#gf\\_1](https://scottishbusinesspledge.scot/your-pledge/#gf_1) last accessed 22 February 2017

*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.

### **What role can procurement policy play in promoting equal pay?**

Over £10bn is spent each year by Scottish public sector bodies on the construction, goods, and services<sup>35</sup>. The Equality Act and the Scottish specific duties require public bodies to consider equality in delivering procurement; specifically this means having due regard to eliminating discrimination, advancing equal opportunities, and fostering good relations between people who share one of the protected characteristics mentioned above and those who do not, for example men and women. The duties place a special emphasis on public purchasing and highlight award criteria and contract conditions<sup>36</sup> as levers for advancing equality.

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.<sup>37</sup>

Research on the extent of equality-sensitive tendering in Scottish local government found that public procurement can be used more proactively to promote equality within the workforce of the specific contract as well as in the broader societal context<sup>38</sup>. It is known that the contracting-out of service provision can result in a worsening of wages and working conditions, and increased job insecurity that affects women disproportionately. Procurement practices that are aware of this may seek to mitigate these effects by including stipulations that aim to promote equality. The public sector equality duty provides an ideal framework to support this work.

### **Are the devolved public sector bodies (including the Scottish Government, National Health Service, and local authorities) examples of good practice?**

Under the public sector equality duty, listed public authorities are required to report on their gender pay gap and activity to mainstreaming gender equality; publish an equal pay statement including occupational segregation information; publish and report progress on equality outcomes; and publish

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<sup>35</sup> Scottish Government (2016) *Public Sector Procurement in Scotland*

<http://www.gov.scot/Topics/Government/Procurement> last accessed 6 March 2017

<sup>36</sup> Glasgow Caledonian University, WiSE Research Centre (2016) *Public procurement & the public sector equality duty: Equality sensitive tendering in Scotland* Sarter, K. (2016)

<sup>37</sup> *Ibid.*

<sup>38</sup> *Ibid.*

gender-disaggregated employee data. Research by Close the Gap has shown that the performance of public sector employers has been poor, with two-thirds of employers assessed as having a lower overall score in 2015 than in 2013<sup>39</sup>. This represents a significant backwards step from performance under the predecessor Gender Equality Duty. While the research did identify elements of positive practice across Scotland's public sector, this was not reflective of overall organisational performance. Where good practice was identified at the organisational level, it was also accompanied by elements of poor practice.

### 3. OTHER COMMENTS

#### 3.1 The gender impact of automation

In its report *The Future of Jobs*, the World Economic Forum predicts that women will be disproportionately affected by automation. In absolute terms, men will face nearly four million job losses and 1.4 million gains, approximately three jobs lost for every job gained, whereas women will face three million job losses and only 0.55m gains, more than five jobs lost for every job gained<sup>40</sup>. Tasks undertaken as part of female-dominated jobs such as admin are already being automated with the advance of technology. And while some male-dominated manual jobs are affected in the same way, the critical point is that women are significantly under-represented in the industries in which there will be job creation – science, technology, engineering and maths (STEM). Women make up only 20% of employees in STEM industries, while 73% of women with STEM qualifications do not work in the industry<sup>41</sup>.

In developing strategies to address automation, and the future supply of skills, there is no evidence that policymakers at national and sectoral level in Scotland are considering the gender impact of the fourth industrial revolution. Close the Gap will be developing work on how women in Scotland will be affected by automation in late 2017.

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<sup>39</sup> See Close the Gap (2015) *Making Progress? An assessment of employer compliance with the public sector equality duty* <https://www.closesthegap.org.uk/content/resources/Making-Progress---An-assessment-of-employers-compliance-with-PSED-November-2015.pdf> and Close the Gap (2014) *Monitoring public bodies' compliance with the public sector equality duty* [https://www.closesthegap.org.uk/content/resources/1450180414\\_CTG-Working-Paper-12---Monitoring-Scottish-public-bodies-compliance-with-the-public-sector-equality-duty.pdf](https://www.closesthegap.org.uk/content/resources/1450180414_CTG-Working-Paper-12---Monitoring-Scottish-public-bodies-compliance-with-the-public-sector-equality-duty.pdf)

<sup>40</sup> World Economic Forum (2016) *The Future of Jobs*

<sup>41</sup> Equate Scotland (2016) *Rising to the Challenge: How Scotland can recruit, retain and support women in STEM*.

### 3.2 National policy responses to the gender pay gap

At Scottish Governmental level, there has been a clear rhetorical shift on realising women's labour market and economic equality. Policy commitment on reducing the gender pay gap, and women's economic equality are more visible. Scotland's economic strategy recognises that tackling inequality and increased growth are mutually reinforcing, and identifies "inclusive growth" as one of its four priorities for Scotland's economic performance<sup>42</sup>. 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 inequality<sup>43</sup>.

The strategy makes reference to the Strategic Group on Women and Work, the establishment of which was a key output of the Women's Employment Summit in 2012. The remit of the group is to "maintain a strategic overview of the Scottish Government's approach to tackling the barriers women face in entering and progressing in the labour market", and is comprised of senior figures from the public and private sectors, and trade unions and academics. Despite the remit including the creation of ambition statement, key priorities, actions, indicators and outcomes, and a commitment to report annually on progress and make recommendations to Scottish Government, there is no information available on what the group has delivered. The last available set of minutes from the group meeting are from February 2015.<sup>44</sup>

Scotland's labour market strategy describes an ambition around "continuing to tackle inequalities around pay gaps and occupational segregation in the labour market for women and other equality groups"<sup>45</sup>. The actions set out to achieve this include providing short-term funding to Equate Scotland to deliver a small-scale women returners project, introducing legislation on gender balance on public boards, and the Partnership to Change initiative already being delivered in tandem with the Business Pledge. The strategy also includes plans to establish an Advisory Council on Women and Girls, the details of which are still unknown other than the name of the chair which was recently announced. While these initiatives are welcome, collectively they do not form a cohesive strategy to address the gender pay gap and occupational segregation. The newly established 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.

<sup>42</sup> Close the Gap (2016) *Gender Equality Pays*

<https://www.closesthegap.org.uk/content/resources/Gender-Equality-Pays.pdf>

<sup>43</sup> Scottish Government (2015) *Scotland's Economic Strategy*

<sup>44</sup> <http://www.employabilityinScotland.com/key-clients/women-and-work/strategic-group-on-women-and-work/>

<sup>45</sup> Scottish Government (2016) *Scotland's Labour Market Strategy*

### 3.3 Recommendations

The gender pay gap is an indicator of women's and girls' systemic inequality in education, skills acquisition, the labour market, and unpaid work such as care. 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, public sector equality duty, skills, economic development, anti-discrimination law, skills and social security.

On that basis, Close the Gap recommends that the Scottish Government should lead on developing a **national strategy to tackle the inter-related causes of the gender pay gap**.

**Close the Gap**