Gender Pay Gap

Scottish Enterprise

1. Introduction

Scottish Enterprise welcomes the Committee’s inquiry into this important issue for inclusive growth in Scotland and the opportunity to contribute written evidence. As Scotland’s main economic development agency, we work with partners across the public and private sectors to identify and exploit the best opportunities to deliver sustainable inclusive growth for the Scottish economy.

As outlined in Scotland's Economic Strategy, everyone has a right to participate in, and benefit from, economic opportunities. This is not, however, just a question of fairness. There are real productivity gains to be made from efforts to reduce the gender pay gap.

As part of our contribution to the Economic Strategy, we work with companies and Scotland’s growth sectors to develop fair and more productive business practices which deliver real benefits for both the employees and the bottom line. A recent example of this is where we worked with partners to help shape the new Food & Drink Strategy launched on 23 March 2017 which has a specific measure included on “diversity of workforce including age and gender”. Evidence on gender pay can help us better understand how inclusive Scotland’s economic growth is, informing the Scottish Government’s wider Inclusive Growth Diagnostic work.

Our submission is shaped around the causes and measurement of the pay gap, SE’s work with growth companies, how this impacts on the gender pay gap, and our role as an employer.

2. Measurement, Causes and Impact

2.1 Measuring the Pay Gap

The Office of National Statistics (ONS) calculates the gender pay gap as the difference between the median full-time hourly earnings of men and women as a proportion of the median full-time hourly earnings of men.

This focus on full time earnings excludes a large proportion of women in the workforce. Women represent 52% of the Scottish workforce but only 57% of women workers are in full time employment. 78% of all part time jobs in Scotland in 2016 were held by women.
As well as being absent from the ONS measure of the pay gap, the concentration in part time work also leads to vertical segregation, as these jobs are, to a large extent, clustered in lower grade jobs.

### 2.2 Causes of the Pay Gap

The causes of the gender pay gap are complex, interconnected and often reinforce each other, for example:

- Occupational segregation (men and women clustered in different roles). This can be:
  - Horizontal segregation, where men and women are clustered in different kinds of roles, or
  - Vertical segregation, where men and women cluster at different levels of seniority in the same kind of role.
- Gendered roles in caring and childcare responsibilities (which leads to women being clustered in roles where part time or flexible working is available),
- And unconscious bias (assumptions about women not wanting promotion or not being able to apply due to caring responsibilities) (source: Equality and Human Rights Commission)

Horizontal segregation in Scotland can be seen in the fact that women are concentrated in particular industry sectors, representing at least half the workforce in only 30% of sectors by SIC code. Those sectors where women dominate, such as childcare, are lower paid while sectors dominated by men, especially STEM professions, are relatively higher paid.

In Scotland, approximately 80% of administrative and secretarial workers, 97% of childcare and early years education, and 98% of classroom assistants are women. Women are also more likely to work in the public sector (67% local government staff and 81% of NHS staff). Conversely, less than 3% of chartered civil engineers, 10% of senior managers in STEM professions, and only a third of public sector chief executives are women (source: Close the Gap).

### 2.3 Impact of Gender Inequality on the Economy

The Women and Work Commission Report “Shaping a Fairer Future” estimated that the under utilisation of women’s skills costs the UK economy between 1.3% and 2% of GDP each year. According to McKinsey research, companies which are in the top quartile for gender diversity are 15% more likely to have financial returns above their industry median (McKinsey,
Scottish Enterprise

January 2015). McKinsey also estimates that if women played an equal role to men in labour markets, 26% could be added to global GDP by 2025 (McKinsey, September 2015).

3. SE’s Approach to Equalities

All SE projects, policies and programmes are subject to a rigorous equality impact assessment (EIA) as required by the Public Sector Equality Duty which came into force in 2011. The EIA ensures that our activities do not inadvertently discriminate, either in who can access services or in their delivery. EIA.s take account of human rights and all protected characteristics, including women. A full list of protected characteristics, and a link to recent assessments, is available on the Equality and Diversity section of our website.

3.1 Close the Gap

- SE is a long-standing advisory group member of Close the Gap, the partnership project focused on female participation in the Scottish labour market, and Close the Gap are a member of SE’s Equal Opportunity External Advisory Group. Awareness of Close the Gap and the services they provide has been promoted among SE customer facing staff to enable them to advise companies of the support available.

- We support Close the Gap objectives in several ways. For example, we supported them in producing guidance for public sector organisations in addressing their pay gap, we have supported their research into women in the economy (most notably their work on gender segregation in the renewables sector), and supported them in designing the “Think Business, Think Equality” diagnostic tool for business which is promoted on the Scottish Business Pledge website.

3.2 Scottish Business Pledge

- The Scottish Business Pledge has a dual focus on boosting productivity and promoting fairness and workforce engagement. SE promotes the Pledge to the companies with which we work and SE account managed companies are well represented among pledge signatories – 34% of the 349 signatories as at April 2017.

- The living wage is the only mandatory element of the Pledge. Encouraging more companies to pay a greater proportion of their staff the living wage will have a positive impact on the gender pay gap.
Scottish Enterprise

Women make up approximately 65% of employees paid less than the living wage in Scotland (source: Scottish Government, June 2016).

- Another element of the Pledge is the consideration of gender balance and diversity within a businesses workforce and their board. Driving change in this area is supported by the “Think Business, Think Equality” tool mentioned above and the Partnership for Change, which is a voluntary commitment to work towards 50:50 gender balance on your board by 2020.

3.3 Board Diversity

- A report by Credit Suisse shows that more diverse boards deliver better returns – a board with one female member on average outperforms an all male board in return on equity (investment), 14.1% to 11.2% (source: Credit Suisse, June 2015).

- In February 2017, SE, HIE and the Scottish Government hosted a conference on the diversity of private sector boards. Over seventy business delegates heard from the First Minister about the importance of board diversity and received practical advice from leading practitioners, including Changing the Chemistry, on good practice in diversity and how to attract the right talent. Changing the Chemistry has also provided training to SE customer facing staff to enable them to encourage more businesses to consider the benefits of a more diverse board.

- Since the launch of Partnership for Change in 2015, 191 public, private and third sector bodies have committed to improving the gender diversity of their board by 2020.

3.4 Improving Equality Monitoring

- Data on leadership from particular groups is limited and challenging to gather but it is estimated that approximately 21% of Scotland’s SMEs (including sole traders and micro businesses) are female led and a further 22% are equally led by men and women (source: WES Framework for Action).

- Since 2011, we have carried out equality monitoring of businesses accessing any of our services for the first time. In 2015 the proportion of those businesses led by a woman, where an answer was provided, was 48%. This is a significant improvement from the 21% recorded when we started monitoring in 2011.
To establish a baseline figure across all Account Managed companies, we conducted research in 2016. This looked at who our principal contact was in the company, which is usually a senior member of staff. In 15% of account managed companies our principal contact was a woman. We will continue, and enhance, the collection of data regarding female leadership of businesses we work with, while ensuring full compliance with data protection and equality legislation.

3.5 Supporting Female Business Leaders

Our customer facing teams ensure that services available to women-led businesses are fit for purpose. This includes the development of a pilot leadership programme, **Principally Women**. In addition to the support this will provide for leaders to grow and develop their companies, it will also help us understand whether we need different approaches to realise the economic value associated with having a greater number of female entrepreneurs and business leaders.

- SE is working with Women’s Enterprise Scotland to deliver on the action plan responding to the Women in Enterprise Framework for Action, which aims to reduce the gender gap in entrepreneurial activity in Scotland.

4. Scottish Enterprise’s Contribution as an Employer

- SE takes its responsibility seriously in being a practical example. We are an accredited living wage employer and have significantly improved our gender pay gap position. We continue to identify and work on areas that will contribute to reducing the gap. A full analysis of our gender pay gap, and the action taken to address it, is included in our Equality Mainstreaming Report 2017.

- SE’s gender pay gap analysis is based on a comparison of mean salaries for all staff (full and part time).
- Our pay gap is on a downward trajectory, being **14.67%** in 2017, down from **17.58%** in 2015 and **18.75%** in 2013.
We recently redesigned our pay and grading policy, introducing a progression-pay model and career families, and we expect to make further progress towards reducing our gender pay gap. The distribution of men and women across functional roles is generally reflective of staff overall. Further, with one exception, the pay gaps by grade are less than 5%, which is below the level that the Equality and Human Rights Commission identified as the threshold for further investigation. We expect the new pay and grading structure to reduce this further.

We believe that the principal way in which we can make further significant reductions in our gender pay gap is improving the gender profile by grade. As it currently stands, women make up a higher proportion of our administrative and professional grades and men make up a higher proportion of managerial and leadership grades. Action to address this has already started, through a programme of activity to help develop women for leadership roles, and encourage them to apply.

At Board level, SE was one of the first organisations to sign up to the Partnership for Change initiative and, following recent appointments, we have achieved a 50:50 Board gender balance three years ahead of the 2020 target. This 50:50 balance has also been achieved in our Executive Leadership Group.

SE is committed to carrying out a full equal pay review with our recognised trade unions this year. This will provide a deeper understanding of any underlying issues and prompt further action. The last equal pay review found no evidence of systemic gender based discrimination.

We trust that the information provided in this submission is helpful for the Committee in their deliberations on this important issue. We look forward to discussing this further at the session on 2 May.
Bibliography


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